ANNUAL REPORT BILFINGER SE 2018

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Notices and disclaimer

This Annual Report takes the form of a financial report; it focuses on the significant and legally required information. The Outlook, chapter B.4, contains forward-looking statements which reflect the assessment of the Executive Board at this point in time with regard to future events and developments on the basis of current information, planning, assumptions and expectations. These statements are marked by formulations such as ‘expect’, ‘want’, ‘seek’, ‘intend’, ‘plan’, ‘believe’, ‘evaluate’, ‘assume’, ‘in future’, ‘intention’ or similar terms.

All forward-looking statements contained in this Annual Report are inherently subject to uncertainties and risks, in particular because they depend on factors beyond our control. Such risks are described under chapter B.3 Risk and opportunity report, but are not limited to those stated. The actual developments in the future may deviate substantially from the forecasts and forward-looking statements made here. Bilfinger cannot provide any guarantee that the expectations and goals implicitly or explicitly expressed in the forward-looking statements will be achieved.

We also do not assume any obligation to update any of the forward-looking statements or, in the case of deviations in the actual future developments, to correct them.

In addition to the key figures prepared in accordance with IFRS, Bilfinger also presents pro-forma key figures (for example adjusted earnings per share, adjusted net profit, EBITA, EBITA adjusted, EBITA margin, EBITA margin adjusted, return) which are neither part of the financial-accounting regulations nor subject to them. These pro-forma key figures are to be seen as a supplement, but not as a substitute for the disclosures required by IFRS. The pro-forma key figures are based on the definitions provided in this Annual Report. Other companies may calculate these key figures differently.

Due to the rounding of the disclosed figures, it is possible that individual figures do not precisely add up to the totals provided and that percentage figures provided do not precisely reflect the absolute values that they relate to.

This Annual Report is also available in English. In case of any deviations from the German version, the German version of the Annual Report shall prevail.

A To our shareholders

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A.1 Letter from the Chairman of the Executive Board

Executive Board of Bilfinger SE from left:

Tom Blades
Chairman

Michael Bernhardt

Christina Johansson

Duncan Hall

Fellow Shareholders,
Ladies and Gentlemen,

We can be confident in saying that 2018 was a year of achievements for Bilfinger. We have successfully executed and delivered on our strategy 2020 and completed the stabilization phase. Relevant key performance indicators have improved across all business units. Orders received, revenue and earnings developed positively. Cash flow and return on capital employed were also better compared to the prior year. This means we have successfully met and in some instances even outperformed our forecasts.

I would like to express my sincere thanks to our employees and to my colleagues on the Executive Board for their strong commitment, their passion to perform and the confidence they have demonstrated. I would also like to thank the members of the Supervisory Board for providing us with continuous support and guidance.

Strong order book driving profitable revenue growth

We have delivered on our commitments to internal and external stakeholders alike, performing well in an economically stable business environment, particularly in a number of our focus industries Chemicals & Petrochemicals, Oil & Gas and Pharma & Biopharma.

Revenue increased to €4,153 million in the year. That marks a 3 percent growth year-on-year (organically: 6 percent). Adjusted EBITA climbed from €3 million to €65 million, well above the prior-year figure, which had been impacted by risk provisions for legacy projects in the USA. Our self-confidence was bolstered by a 10 percent increase in orders received to €4,459 million (organically: 12 percent). The year-end order backlog amounted to €2,818 million, or 11 percent above the prior-year figure (organically: 12 percent).

It is particularly noteworthy that both business units contributed to this sound performance, with all relevant key performance indicators improving also at segment level. The net result amounted to -€24 million (prior year: -€89 million). Adjusted net profit from continuing operations increased to €36 million (prior year: -€9 million), marking the first profit since 2014.

Reaffirmed financial targets for 2020

We have set ourselves clear financial targets. On a 2017 baseline, we had projected that the company would achieve a top-line compound annual growth rate of at least 5 percent by 2020, with a target EBITA margin of 5 percent. The solid 2018 performance reaffirms this projection: we are on track to achieve our 2020 financial targets.

An additional member on the Executive Board will help us achieve these goals. Duncan Hall was appointed Chief Operating Officer effective January 1, 2019. An engineer who has risen from within our own ranks, Duncan enjoys a sterling reputation and will be a tremendous asset to the Executive Board. He is most familiar with our regions and core industries, having now been part of Bilfinger for more than twelve years. He will play an active role in shaping the profitable future of the company. This will allow me to devote more time to the company’s long-term strategic direction and engage with customers and business partners.

We continue to pursue our baseline dividend policy. Subject to a corresponding resolution from the Supervisory Board, the Executive Board will propose a dividend of €1.00 per share to be voted on at the Annual General Meeting. Relative to our share price at year-end 2018, this represents a dividend yield of about 4 percent.

In October, we concluded our share buyback program initiated in September 2017. In the course of that program, a total of 3,942,111 Bilfinger shares (8.92 percent of the share capital) were acquired at an average price of €38.05 per share.

With our dividend policy and the completed share buyback, we secured shareholder loyalty and sent a clear signal of confidence in Bilfinger. The dividend amount of €1.00 per share continues to be the lower limit, until such time as our results permit a higher dividend per share. As earnings rise, our plan is for shareholders to participate in those earnings via a payout ratio of between 40 and 60 percent of the Group's adjusted net profit.

Stabilization phase successfully concluded

Our strategy 2020 comprises three phases: stabilization, build-up and build-out. In August 2018, we successfully concluded the stabilization phase, reaching all milestones along the way. Today, we are well into our build-up phase and have already achieved many of its objectives. This demonstrates that our strategy 2020 is on track to delivering to the desired results.

Bilfinger has developed and fine-tuned its strategy further to serve its customers better and to enhance its margins. We continue to focus on two service lines, four regions and six core industries. The engineering resources delivering both project management consulting and maintenance engineering are now fully integrated into the four regions. These businesses have therefore been renamed the Engineering & Maintenance (E&M) divisions, effective January 1, 2019. This is our response to the growing demand for maintenance engineering and modification services in the process industry. Within the Engineering & Maintenance business, we continue to pursue our regional approach to serving customers.

Our technology companies delivering Energy & Emissions, Biopharma, Automation and Digitalization products remain in one group and serve Bilfinger customers globally from their European manufacturing bases. Other than Bilfinger Digital Next, they now form the Technologies division, again effective January 1, 2019. The Technologies division is focused on a global offering of products and technologies, such as packaged units for biopharma, emission technologies for the shipping industry and components for the nuclear industry. The division targets high growth opportunities, enabling us to benefit from sustainable global trends.

Sale of loss-making entities completed

At the outset of 2018, Other Operations also comprised four accretive entities managed for profit but held for sale. At year-end 2018, two of these were committed for sale and the remaining two planned for sale in 2019.

We have launched a variety of initiatives under our strategy 2020 with a view to achieving a more efficient, cost-effective lineup. This includes reducing the number of legal entities. The Bilfinger Group comprised 232 entities in 2017 at the launch of our strategy 2020. By the end of 2018, we had trimmed that number to 168. Our goal is 160 legal entities by year-end 2020.

The merger of operating units has been a contributing factor in this endeavor. For instance, five Austrian units are currently being merged into a single company. Merging operations allows the companies not only to work more efficiently, but also to join forces in developing the market and offering services at every stage of the asset life cycle.

Our efficiency drive additionally includes harmonizing systems and workflows throughout the Group as well as enhancing procurement processes. At the end of 2018, we had connected 40 percent of our entities to our group-wide ERP system as planned. Our goal is to increase this to 70 percent by the end of 2019. Looking ahead, we will be increasingly focusing on e-auctions and a higher adoption of group-wide or multi-entity procurement, with the emphasis on volume purchasing opportunities.

Highest levels of compliance and safety

The Deferred Prosecution Agreement (DPA) concluded as planned on December 9, 2018. Bilfinger entered into this in December 2013 with the US Department of Justice (DOJ); the DPA was extended in September 2016. The Department of Justice has recognized the company's progress in strengthening its compliance, anti-bribery and anti-corruption capabilities over the past five years. Under the DPA, an independent compliance monitor has certified that Bilfinger's compliance program fulfills the DOJ's requirements. With the conclusion of the DPA, the monitorship also came to an end.

We are delighted that the Department of Justice has recognized our intensive efforts and measures put in place since late 2015. Bilfinger is a very different company today than it was when it entered into the DPA. Thanks to the unrelenting efforts of our employees, substantial investments in our compliance function and internal control systems, we are now able to manage our compliance responsibilities from a position of strength.

Even though the DPA has concluded, further improving the effectiveness of our system remains a top priority for Bilfinger. We have established a fundamental corporate culture that makes compliance an integral part of Bilfinger's DNA. We are committed to continuously enhancing our compliance structure and integrity-based systems.

Equally, Health, Safety, Environment and Quality (HSEQ) has become an integral aspect of our DNA. Our company meets industries' highest safety standards, a fact that is underpinned by many examples from day-to-day practice. For instance, we have been working on plant turnarounds in the process industry in Europe for more than ten years without a single accident. During that period, our specialists have handled well over 100 projects involving major repairs and worked a total of more than five million hours.

Our mission towards "0" accidents requires daily improvement, 365 days a year. Putting "safety first" on each and every agenda is paramount in keeping each other safe and ensuring that all those who work "in" and "with" Bilfinger return home safe and sound. We learn from incidents and use these to drive improvement. One example is the "we make permits work" campaign launched in early 2019 to remind colleagues that we often work in hazardous situations and that the "permits to work" philosophy we employ is there to save lives.

Throughout Bilfinger, it has become clear that HSEQ and Integrity are not only zero tolerance imperatives, they are also a part of our corporate DNA and a competitive advantage.

Outlook

We enter 2019 with a healthy order backlog and anticipate organic revenue growth in the mid-single-digit percentage range. For adjusted EBITA, we expect a significant increase to more than €100 million. We plan for reported free cash flow to be positive in 2019 (2018: -4 million. €).

Much has happened since we launched our strategy 2020 in early 2017, and much has been achieved. This success would not have been possible without the efforts of all those involved: our employees, our customers, our suppliers, our business partners and our shareholders. Together with my colleagues on the Executive Board, I would like to take this opportunity to express our sincere thanks to all of you. More is yet to come: I am convinced that 2019 is a year of opportunities that we need to seize with both hands.

Yours truly,

Tom Blades
Chairman of the Executive Board of Bilfinger SE

A.2 Executive Board of Bilfinger SE

Tom Blades, Chairman of the Executive Board
Born 1956 in Hamburg, Germany

Career

2016	Chairman of the Executive Board at Bilfinger SE, Mannheim
2012	Linde, Munich Member of the Executive Board Responsible for North and South America as well as Global Operations and Healthcare
2009	Siemens, Duisburg and Abu Dhabi Energy Sector, CEO Oil & Gas Division
2004	CHOREN Industries, Hamburg / Freiberg President & CEO
1998	SPECTRO Analytical Instruments, Kleve President & CEO
1997	Halliburton, Houston Executive Vice President
1996	NUMAR Corporation, Houston COO & Executive Vice President
1978	Schlumberger, Houston, Paris, The Hague Most recently (1993-96) Vice President and General Manager Schlumberger / Geco-Prakla

Educational background

Degree in Electrical Engineering in Salford (UK) and Lyon (France)
Awarded Bachelor of Science in Electrical Engineering

Michael Bernhardt

Born 1967 in Lank-Latum, Germany

Career

2015 Member of the Executive Board and Labor Director at Bilfinger SE, Mannheim

2004 – 2015 Bayer Material Science AG, Leverkusen
- 2011 – 2015 Member of the Executive Board and Labor Director
- 2004 – 2011 Head of Global Human Resources

1996 – 2004 Hydro Aluminium Deutschland GmbH, Cologne and Oslo
(until 2002: VAW aluminium AG, Bonn)
- most recently Head of Human Resources, Germany

Educational background

1987 – 1996 Degree in Law from the Albert-Ludwigs University, Freiburg
and the McGeorge School of Law, University of the Pacific, USA

Duncan Hall

Born 1967 in Leigh, United Kingdom

Career

2018 Member of the Executive Board and Chief Operating Officer Bilfinger SE, Mannheim

2006 – 2018 Bilfinger SE, Mannheim, Germany
- 2015 – 2018 Executive President MMO Division Northwest Europe
- 2012 – 2014 Chief Executive Bilfinger Industrial Services UK Ltd.
- 2010 – 2012 Managing Director BIS Industrial Services Ltd.
- 2006 – 2010 Managing Director BIS O'Hare Ltd.

1999 – 2006 O'Hare Engineering, Runcorn and Edinburgh, UK
Member of Executive Board and Operations Director

1987 – 1999 Imperial Chemical Industries, UK
Maintenance, turnaround and project management roles

Educational background

1984 – 1987 BSc (Hons) Electrical/Electronic Engineering (2:1), Leicester University
Alumnus London Business School

Christina Johansson

Born 1966 in Ljungby, Sweden

Professional Career

2018	Member of the Executive Board and CFO at Bilfinger SE, Mannheim
2016 – 2018	Bucher Industries AG, Niederweningen (Switzerland) CFO
2014 – 2016	SR Technics Switzerland AG, Kloten (Switzerland) CFO and Deputy CEO
2007 – 2014	Pöyry Oy, Zürich (Switzerland) Division CFO Pöyry Energy / Management Consulting
2005 – 2007	ZEAG AG, Spreitenbach (Switzerland) CFO & Deputy CEO
1996 – 2005	Amcor Ltd, Rickenbach (Switzerland) Senior Finance Positions in Amcor Rentsch, Amcor WhiteCap and Bericap
1993 – 1996	Securitas AB, Frankfurt/Dusseldorf Financial Controller & Treasury Manager

Academic career

Studied at the University of Växjö/Lund, Sweden
and completed with a
Master of Science in Business Administration and Economics

A.3 Report of the Supervisory Board

Dr. Eckhard Cordes
Chairman of the
Supervisory Board

Dear Shareholders,

Bilfinger successfully implemented important steps in its Strategy 2020 in the 2018 reporting year while at the same time moving forward with its development: operationally, in terms of personnel and structurally. Following the successful completion of the stabilization phase, the company is currently in the build-up and build-out phases of Strategy 2020. The previous structure with two business segments (Engineering & Technologies as well as Maintenance, Modifications & Operations), four regions (Continental Europe, Northwest Europe, North America and the Middle East) and six core industries (Chemical & Petrochemicals, Energy & Utilities, Oil & Gas, Pharmaceuticals & Biopharma, Metallurgy and Cement) has generally proven effective. But this structure is by no means static – it is being continuously adapted to new developments and market requirements while maintaining the basic structure. Engineering & Technologies, as part of the strategic development, will be renamed the Technologies service line from January 1, 2019 and will in the future focus on technology-driven fields such as life science, emission control as well as automation – all with a global market approach. At the same time, in order to substantially strengthen the regions, the former Engineering area will be integrated into the respective regions and, under the management of the regions, delivered locally from a single source together with services for maintenance, conversion and operations. This optimized positioning

will enable Bilfinger to take full advantage of its capabilities and more effectively harness market potential.

As in the past financial year, in 2018 Bilfinger also focused on further reducing complexities in the Group, optimizing operational processes and cutting costs. In the reporting year, individual Bilfinger companies from which a contribution to Bilfinger's growth is expected were given extensive support with the transformation of their processes and cost structures as part of a special program. The IT and HR system landscapes were further harmonized and expanded, leading to a considerable improvement in the processes and an increase in efficiency. In addition, the ongoing reduction in the number of subsidiaries in the Group further increased transparency and efficiency at Bilfinger. Among other things, following the sale of another 13 companies, Bilfinger had 183 Group companies at the end of the reporting year.

Developments in the build-up and build-out phases are not only recognizable in the portfolio and processes, but also in the corporate bodies. With Ms. Johansson joining the company as Chief Financial Officer on December 1, 2018, we have added an expert who will successfully continue the work of Dr. Patzak, who left the company in the reporting year, and who will help drive the further development of Bilfinger. As of January 1, 2019, the Executive Board was expanded to include the function of Chief Operating Officer (COO) and now consists of four members. The COO, Mr. Hall, along with the Chief Executive Officer, will look after the build-up and build-out of the globally-operating businesses, further improvements in the business processes and the performance of the companies. The Supervisory Board is convinced that the Executive Board is well-positioned and that its members, Tom Blades (Chairman), Michael Bernhardt, Duncan Hall and Christina Johansson, have chosen the right course to move Bilfinger forward and further develop it as a leading international industrial-services provider. The Supervisory Board continues to expect that the implementation of Strategy 2020, its further development and the broad range of measures that have been initiated will lead to profitable growth.

Bilfinger also developed further in the reporting year, especially in the area of compliance. The Supervisory Board and its committees dealt intensively with the further build-up and expansion of the compliance-management system, specific compliance-related topics and Group risks and their handling. The ongoing optimization of the organization, the risk management as well as the control systems was driven forward extensively. As a result of the tireless commitment of employees and extensive investments, Bilfinger now has highly effective and robust compliance and control systems. The successes the company has achieved in the area of compliance, particularly with its anti-corruption efforts, have been recognized and confirmed in recent years by the US Department of Justice (DoJ). The Deferred Prosecution Agreement (DPA) that was concluded in December 2013 with the DoJ and extended in September 2016 was successfully ended on December 9, 2018 as planned. The independent Compliance Monitor appointed by the DoJ, Dr. Mark Livschitz, officially certified that Bilfinger has an effective compliance-management system for fighting corruption and has thus fulfilled its obligations within the scope of the DPA. The role of the Compliance Monitor also ends for Bilfinger with the termination of the DPA. The Supervisory Board and, in particular, the Audit Committee, will in future also dedicate special attention to the topic of compliance and will accompany the ongoing development of the compliance system in an advisory capacity. The continuing effectiveness of the Bilfinger compliance system remains a priority for Bilfinger.

Overall, the activities of the Supervisory Board and its committees in financial year 2018 were intensive and characterized by a trusting and constructive cooperation among the members. On this basis, it was possible for the Supervisory Board to satisfy its monitoring and advisory function and thus also its responsibilities as a corporate body.

Cooperation between the Supervisory Board and the Executive Board

During financial year 2018, the Supervisory Board performed the duties incumbent upon it in an orderly manner in accordance with the law, the Articles of Incorporation and the Rules of Procedure. The Management Board informed the Supervisory Board and its committees regularly, without delay and comprehensively both in writing and orally, of all issues important to the enterprise with regard to the Group's strategy, planning, business development, risk situation, risk management and compliance. The cooperation with the Executive Board was characterized by an open and detailed dialog.

The Supervisory Board reviewed, openly and critically discussed in detail and evaluated the reports from the Executive Board. It continuously and thoroughly monitored the work of the Executive Board, also on the basis of this reporting, and provided advice regarding the management and strategic development of the company, in particular with regard to the implementation and further development of Strategy 2020. The Supervisory Board was involved regularly, directly and at an early stage, especially for decisions of substantial importance. The primary benchmarks for the supervision of the Executive Board by the Supervisory Board remained the legality, correctness, suitability and profitability of the Group-wide management of the business by the Executive Board. The content and scope of reporting from the Executive Board fulfilled the requirements placed on it by the law. As well as the reports prepared by the Executive Board, the Supervisory Board also received additional information from the Executive Board on a regular basis as well as whenever required. Between the scheduled meetings, at least the Chairman of the Supervisory Board and the Chairman of the Executive Board regularly exchanged ideas and information with regard to questions of strategy and planning, the progress of business, the risk situation, risk management and compliance at Bilfinger.

Article 15 Paragraph 1 of the Articles of Incorporation of Bilfinger SE and a revised catalog prepared by the Supervisory Board, embedded in the Executive Board rules of procedure and regularly reviewed for any necessary adjustments, list the transactions and measures of fundamental importance which require the approval of the Supervisory Board or one of its committees. The Supervisory Board or the responsible committee decided on transactions and measures submitted to it in the reporting year and requiring its approval after reviewing them and discussing them with the Executive Board.

Further focuses of consultations in the plenum of the Supervisory Board included the assertion of damage claims against former members of the Executive Board due to breaches of duty, corporate planning, the development of earnings in the individual business segments, the optimization of the Group, its financial position as well as the structure of the remuneration system for the Executive Board. In addition, in the reporting period, the Supervisory Board had its own Rules of Procedure as well as the Rules of Procedure of its committees revised and newly approved. The Supervisory Board continued to deal intensively with the topic of compliance and internal control system. Together with its Audit Committee, the Supervisory Board accompanies and monitors the systematic framework, further development, optimization and application of the preventive, detective and repressive measures taken by the company against the violation of laws and regulations. The Bilfinger compliance system was reviewed and its effectiveness subsequently officially certified in December 2018 by the independent Compliance Monitor assigned by the DoJ, Dr. Mark Livschitz, who had been active since 2014. On this basis, the DPA with the US DoJ ended on December 9, 2018 and with it also the supervision from the Compliance Monitor.

The Supervisory Board has not received reports of or is otherwise unaware of any conflicts of interest to be disclosed by members of the Executive or Supervisory Boards.

The Supervisory Board approved the activity of Supervisory Board member Rainer Knerler for the Group Works Council as advisor for the introduction of the new personnel-administration system within the scope of the HRcules project as well as lead negotiator with the Executive Board in the

HRcules project. This role will last until the conclusion of the HRcules project, which is expected at the end of 2019 and which in financial year 2018 had a net volume of €143,655.

Supervisory Board meetings

In financial year 2018, the Supervisory Board convened for seven regular meetings and four extraordinary meetings. The regular meetings took place on February 13, February 20, March 8, May 15, August 10, November 12 and December 13. Extraordinary meetings were held on January 17, June 21, June 26 and December 20. All members of the Supervisory Board attended more than half of the meetings of the Supervisory Board and the committees they belong to; the average attendance rate was 89.3 percent. Members of the Executive Board regularly attended the meetings of the Supervisory Board, insofar as the Chairman of the Supervisory Board did not decide otherwise.

Topics in the plenary meetings

Current business development, the situation of the company and the Group as well as the topic of compliance including the development of the compliance system and the findings of the independent Compliance Monitor as well as how they were addressed by Bilfinger were dealt with in all regular meetings of the Supervisory Board. The Chairmen of the committees of the Supervisory Board each informed the plenum about the activities of the bodies they lead. The meetings of the Supervisory Board also dealt with the following topics:

At the extraordinary meeting on January 17, 2018, the corporate planning for 2018-2022 including the budget and investment planning for 2018 were on the agenda.

On February 13, 2018, the Supervisory Board dealt with the preliminary results for financial year 2017 and the outlook for 2018 as well as the preparation for the Annual General Meeting 2018.

On February 20, 2018, the final corporate planning 2018-2022 including budget and investment planning 2018 was submitted by the Executive Board and discussed. In addition, the Executive Board remuneration system with a focus on the variable remuneration for financial years 2017 and 2018 was dealt with. Further, at this meeting, the Supervisory Board addressed the Report of the Supervisory Board, the corporate governance report and the remuneration report for financial year 2017 and discussed the progress of business. Furthermore, specific compliance topics were dealt with and, following thorough review, consultation and consideration, it was decided to assert damage claims due to breach of duty in the implementation of an orderly compliance-management system against all former members of the company's Executive Board who were in office between March 2006 and March 2015 but who joined the Executive Board before 2015 and, in connection with M&A projects, against individual former members of the Executive Board.

On March 8, 2018, the Supervisory Board focused primarily on the annual and consolidated financial statements for 2017 and approved the proposed resolutions to the Annual General Meeting. In accordance with the recommendation of the Audit Committee, the Supervisory Board proposed to the Annual General Meeting that the accounting firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, be elected to conduct the external audit of the annual and consolidated financial statements for 2018. The Annual General Meeting approved this proposal on May 15, 2018. Ms. Karen Somes is the responsible auditor for Bilfinger at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, a role she has carried out in seven annual audits at Bilfinger to date. Further, specific compliance topics, Supervisory Board and Executive Board personnel issues as well as the topic of Executive Board remuneration were dealt with. In addition, the Sustainability Report 2017 and the non-financial declaration were also topics of the meeting.

On May 15, 2018, the Supervisory Board dealt with the quarterly statement as of March 31, 2018, compliance topics as well as preparation for the Annual General Meeting.

At the extraordinary meetings on June 21 and 26, 2018, the Supervisory Board dealt with Executive Board matters as well as topics related to the liability of former members of the Executive Board due to breaches of duty.

On August 10, 2018 the focus of discussions was on financing and Executive Board related topics as well as the handling of legal and related questions in connection with the assertion of damage claims against former members of the Executive Board due to breaches of duty.

On November 12, 2018, the Supervisory Board dealt in particular with the quarterly statement as of September 30, 2018, Bilfinger governance in the form of Rules of Procedure for the Supervisory Board and its committees that were to be updated, topics in connection with the non-financial declaration 2018 as well as board liability, issues related to former members of the Executive Board and compliance topics. In addition, the progress of business and the position of the company were discussed.

At the meeting on December 13, 2018, the Supervisory Board again dealt with specific compliance topics as well as the certification by the Monitor and the ending of the DPA. In addition, the future set-up of the new Technologies service line was introduced and the topics of corporate planning 2019-2023 including the budget and investment plan 2019, M&A activities, legal disputes and Executive Board personnel matters were dealt with. Moreover, the Supervisory Board approved the updated Rules of Procedure for itself and its committees. The establishment of a Strategy Committee was also resolved and there was a compliance training for members of the Supervisory Board.

At the extraordinary meeting on December 20, 2018, the topics Executive Board personnel issues and M&A activities that require approval were on the agenda.

On the topic of asserting damage claims against former members of the company's Executive Board due to breaches of duty, which was generally decided on at the meeting on February 20, 2018, the Supervisory Board, on the basis of the further expert legal opinions obtained in the course of 2018 and at the beginning of 2019 to clarify unresolved legal questions and for the substantiation of the damage claims, decided at its meeting on February 12, 2019 to continue unchanged the pursuit of damage claims against the former members of the Executive Board and, under consideration of any potential exculpatory statements from the former members of the Executive Board, to assert these claims.

Work of the committees

In order to efficiently organize its work, the Supervisory Board established a Presiding Committee, an Audit Committee, a Nomination Committee and a temporary Transformation Committee which was replaced by a permanent Strategy Committee on December 13, 2018. The meetings and decisions taken by the committees, especially the meetings of the Audit Committee, the Presiding Committee and the Transformation Committee, were prepared by reports and other information from the Executive Board. There were regular reports on the meetings of the committees in the plenum of the Supervisory Board.

Presiding Committee of the Supervisory Board

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The Presiding Committee of the Supervisory Board consists of *four members*. It partially prepares the plenary meetings and makes recommendations on important resolutions. The main tasks of the Presiding Committee also include, in particular, the handling of personnel and remuneration issues of the Executive Board, unless the provisions of the German Stock Corporation Act or the recommendations of the German Corporate Governance Code stipulate that they are to be regulated by the plenum of the Supervisory Board (in such a case the preparation is done by the Presiding Committee), and taking decisions assigned to it regarding legal transactions subject to approval and other transactions as well

as conflicts of interest. From 2019, the Presiding Committee will focus on the handling of the personnel and remuneration issues of the Executive Board, including conflicts of interest.

Five meetings of the Presiding Committee of the Supervisory Board were held in 2018. The Presiding Committee regularly and carefully dealt with Executive Board remuneration, the Executive Board remuneration system and other Executive Board personnel issues. Furthermore, in the reporting year, the Presiding Committee dealt with the legal and other transactions subject to approval that were assigned to it and decided on the approval of these. In addition, the Presiding Committee made recommendations to the Supervisory Board on governance topics, particularly the establishment of a Strategy Committee. As an exception, a few of the resolutions of the Presiding Committee of the Supervisory Board were made in written form.

Audit Committee

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The Audit Committee also consists of *four members*. It monitors the accounting, the accounting process as well as the functionality and effectiveness of the risk-management system, the internal auditing system and the internal control system. It also deals with questions relating to auditing and compliance as well as the compliance system. The Chairmen of the Audit Committee in the reporting year, Dr. Helmes (until May 15, 2018) and Mr. Lutz (from May 15, 2018), have particular knowledge required by law and experience in the application of accounting principles, auditing and internal control procedures.

The Audit Committee convened for five regular meetings and one extraordinary meeting in the past financial year. In addition to the Group management report, the committee primarily dealt with the annual financial statements for 2017, the quarterly statements and half-year reports for 2018, including the corresponding interim financial statements as of March 31, June 30 and September 30. Representatives of the auditor participated in all meetings of the Audit Committee and reported in detail on the results of the audit of the individual and consolidated financial statements 2017, the auditor's review of the half-year report as of June 30, 2018 and on the significant findings for the work of the Audit Committee. The Chairman of the Audit Committee also met individually with the Chief Financial Officer outside the committee meetings and discussed, among other things, the annual financial statements and the interim financial reports with him. The Chairman of the Executive Board and the Chief Financial Officer regularly took part in the meetings of the Audit Committee.

The Audit Committee reviewed the independence of the external auditors and gave a justified recommendation that the Supervisory Board propose their election by the Annual General Meeting in 2018. The Audit Committee is not aware of any reasons to doubt the external auditor's impartiality. The committee awarded the contracts for the audit of the individual and consolidated financial statements as well as for the auditor's review of the interim financial statements as of June 30, 2018 to the auditors, negotiated the audit fee with them and determined the focus of the audit. It also dealt with the non-audit services provided by the auditors and, insofar as these were in line with the defined guidelines and other requirements, approved them and reviewed compliance with the relevant fee limits. In addition, representatives of the auditors informed the Audit Committee in detail regarding the new regulations for reporting by the auditors.

The Audit Committee received information on the development of the risk situation from the quarterly reports from Corporate Controlling, which were also submitted to the plenum of the Supervisory Board. The Audit Committee received regular reports on the activities of Internal Audit & Controls (including Internal Audit, Project Audit and Internal Control Systems) and Corporate Compliance and discussed the topics in the reports. In order to allow the Audit Committee to evaluate risk management, Corporate Internal Audit & Controls and Corporate Compliance provided the Committee with quarterly reports and Project Audit provided an annual report. The Audit Committee reviewed the functionality of the internal control system and the risk-management system in relation to the account-

ing process. The Audit Committee is of the opinion that the internal control system, the internal auditing system and the risk-management system meet the demands that are made of them. The Audit Committee accompanies the implementation of improvement measures and will ensure that the ongoing development of these systems remains a priority in the future. The topics of corporate governance, board liability of former members of the Executive Board due to breaches of duty, the bond issue, update of the Internal Audit Charter as well as the evaluation of the quality of the audit 2017 were also on the agenda in the reporting year.

The Audit Committee dealt in particular with questions of compliance in detail and on a regular basis. The independent Monitor took part in the May meeting and reported to the committee on his findings from the audits he had undertaken to date in the financial year. The General Counsel & Chief Compliance Officer reported to the committee in all meetings on his activity as well as on the status of the of the compliance-management system and its development as well as the monitorship; he also communicated personally with the Chairman of the Audit Committee on a regular basis.

Nomination Committee

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The Supervisory Board has formed a *Nomination Committee* in accordance with the recommendation in Section 5.3.3 of the German Corporate Governance Code. This Committee consists of two to three members representing the shareholders and suggests suitable candidates to the Supervisory Board for its recommendations for the election of Supervisory Board members to be made to the Annual General Meeting. In a written procedure, the Nomination Committee in March 2018, as a result of the resignation of Dr. Marion Helmes, decided to recommend to the shareholder representatives in the Supervisory Board to propose Mr. Frank Lutz for election the Supervisory Board by the Annual General Meeting. Beyond this, the Nomination Committee did not convene in financial year 2018.

Transformation Committee

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The *Transformation Committee*, as a temporary special committee, accompanied the transformation of the Bilfinger Group and consulted with the Executive Board regarding the further strategic positioning of the Group. The committee consisted of six members and had equal representation; it convened for six meetings in financial year 2018.

In its meetings, the Transformation Committee dealt in particular with topics related to Strategy 2020, the concept and implementation of the special program under which certain Bilfinger companies were extensively supported in the transformation of their processes and cost structures, the management processes and performance of projects, subsidiaries as well as the topic of digitalization. The Committee also dealt in detail with the individual divisions and regions of the Group, their business and positioning as well as the profile and performance of selected Group companies.

On December 13, 2018, the Transformation Committee was ended through a Supervisory Board resolution and replaced by the newly-formed Strategy Committee.

Strategy Committee

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The *Strategy Committee*, as a new, permanent committee, accompanies the corporate strategy and principles of Group organization (with the exception of personnel issues), including their fundamental implementation. In terms of the fundamental matters of corporate strategy, it prepares any potential resolutions of the Supervisory Board and should formulate relevant recommendations for the Supervisory Board. In addition, it assumed responsibility from the Presiding Committee for decisions on assigned legal business and transactions that require approval. The committee consists of six members and has equal representation; it did not convene for any meetings in 2018.

Corporate governance and declaration of compliance

In financial year 2018, the Supervisory Board dealt in detail with questions of corporate governance and with the German Corporate Governance Code as well as its requirements. On February 22, 2018 and on December 13, 2018, the Executive Board and the Supervisory Board issued a joint declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (*AktG*). The current joint declaration of compliance from the Executive Board and the Supervisory Board as well as the previous declarations are permanently available on our website at https://www.bilfinger.com/en/company/corporate-governance/declarations-of-compliance/. In addition, in the combined *declaration of corporate governance* and the *corporate governance report*, the Executive Board also reports on corporate governance at Bilfinger for the Supervisory Board.

see page 24 et seqq.

Examination of efficiency

The Supervisory Board and Audit Committee regularly evaluate the efficiency of their activities at least every two years. The next examination of efficiency for the two committees is scheduled for 2019.

Audit of the company and consolidated financial statements

Accounting firm Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, as appointed auditors, has audited the annual financial statements and the combined management report of Bilfinger SE and the Group prepared by the Executive Board in accordance with the German Commercial Code (HGB) for 2018 and has issued them with an unqualified audit opinion. The consolidated financial statements of Bilfinger SE for the year 2018 were prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with Section 315e Paragraph 1 of the German Commercial Code (HGB). The consolidated financial statements were also issued with an unqualified audit opinion by the auditors. The audit assignment had been issued by the Audit Committee of the Supervisory Board in accordance with the resolution of the Annual General Meeting of May 15, 2018. The aforementioned financial statements, the audit reports of the external auditors and the proposal of the Executive Board on the appropriation of profits were provided to all members of the Supervisory Board in an orderly manner and in good time. The Audit Committee of the Supervisory Board, in preparation for the review and discussion of these documents by the plenary session of the Supervisory Board, discussed the financial statements and the audit reports as well as the proposal on the appropriation of distributable earnings, with the proposal for a dividend distribution, in the presence of the external auditors. In this context, the Audit Committee dealt in particular with the especially important key audit matters described in the Auditor’s Report, including the audit treatments undertaken by the auditors. In addition, the Audit Committee had the auditor report on the collaboration with Corporate Internal Audit & Controls, Corporate Controlling and others in positions relating to risk management and on the effectiveness of the internal control and risk-management systems, in particular with regard to accounting, whereby the auditor stated that no significant weaknesses were found. Against this backdrop and in accordance with its own considerations, the Audit Committee is of the opinion that the internal control system, the internal auditing system and the risk-management system generally meet the demands that are made of them, but must be continually improved. In addition, the Audit Committee discussed with the auditor his audit report on the separate non-financial Group report 2018 of Bilfinger SE and the Group to which reference is made in the combined management report. The corresponding concept for the fulfillment of Sections 289c to 289e HGB, applicable to the reporting for financial year 2018 and for the Group in connection with Sections 315b ff HGB, were also dealt with.

The Supervisory Board undertook a detailed review of the annual financial statements, the consolidated financial statements and the combined management report of Bilfinger SE and the Group for the year 2018, as well as the proposal of the Executive Board on the appropriation of distributable

earnings – following an explanation of these documents by the Executive Board – and dealt with these matters in its meeting on March 8, 2019. The audit from the Supervisory Board also covered the separate non-financial Group report 2018 of Bilfinger SE and the Group. The external auditors, represented by the two auditors who signed the audit opinion, also participated in the meeting on March 8, 2019. They explained the audit and responded to questions from the Supervisory Board on the results of the audit as well as its form and scope and, in this regard, went into detail for particularly important key audit matters including the audit treatments that were undertaken. They also discussed with the Supervisory Board the internal control and risk-management system, in particular as it relates to the accounting process. The Supervisory Board shares the opinion of the Audit Committee on the effectiveness of these systems, including the ongoing need for improvement. The Supervisory Board was convinced that the audit by the external auditor was conducted in a proper manner. In concurrence with the recommendation of the Audit Committee, the Supervisory Board took note of and approved the results of the audit conducted by the external auditors. Following the final results of the Supervisory Board's own review carried out on this basis, there were no objections made; this applied, in particular, to the corporate governance statement combined with the corporate governance report, namely to the extent that its components are to be analyzed by the Supervisory Board alone. At its meeting held on March 8, 2019, the Supervisory Board approved the annual and consolidated financial statements and the combined management report for the 2018 financial year as submitted by the Executive Board. The company's financial statements for financial year 2018 were thus adopted.

The Supervisory Board, in its assessment of the situation of the company and the Group, is in agreement with the assessment made by the Executive Board in its combined management report. The Supervisory Board consents to the proposal of the Executive Board on the appropriation of distributable earnings, particularly with regard to the stringency of accounting and dividend distribution policy, the effects on liquidity, creditworthiness and future financing needs, as well as with consideration of shareholders' interests. In accordance with the recommendation of the Audit Committee, it consents to the Executive Board's proposal for the appropriation of distributable earnings and with the proposed dividend distribution.

Executive Board personnel matters

The Supervisory Board of Bilfinger SE agreed to the request from Dr. Klaus Patzak for an early termination of his contract as of September 30, 2018 and to step down from his office as CFO and member of the Executive Board. Dr. Patzak thus stepped down from the Executive Board as of September 30, 2018. On June 26, 2018, the Supervisory Board transferred the responsibilities of Chief Financial Officer to Tom Blades with effect from October 1, 2018 for an interim period in addition to his role as Chief Executive Officer. On the same day, the Supervisory Board appointed Christina Johansson as member of the Executive Board and named her Chief Financial Officer for the period from December 1, 2018 until November 30, 2021. With the assumption of office of Ms. Johansson, the interim execution of the tasks of the Chief Financial Officer by Mr. Blades ends. Further, the Supervisory Board on December 20, 2018 added a fourth member to the Executive Board, appointing Mr. Duncan Hall as Executive Board member and Chief Operating Officer for the period from January 1, 2019 until December 31, 2022.

The Executive Board thus now consists of Tom Blades (Chairman), Michael Bernhardt, Duncan Hall and Christina Johansson.

Supervisory Board personnel matters

Dr. Marion Helmes stepped down from her position in the Supervisory Board of the company with the conclusion of the Annual General Meeting on May 15, 2018 and thus also from her position as Chairwoman of the Audit Committee. In her place, the Annual General Meeting, based on a recommenda-

tion of the Supervisory Board, elected Mr. Frank Lutz to the Supervisory Board. Mr. Lutz accepted the Supervisory Board mandate and had already been elected Chairman of the Audit Committee on March 8, 2018 pending his election to the Supervisory Board by the Annual General Meeting.
Thus, Dr. Eckhard Cordes (Chairman), Ms. Dorothée Deuring, Ms. Lone Fønss Schrøder, Dr. Ralph Heck, Mr. Frank Lutz and Mr. Jens Tischendorf represent the shareholders on the Supervisory Board. Representatives of the employees are Ms. Agnieszka Al-Selwi, Mr. Stephan Brückner (Deputy Chairman), Ms. Susanne Hupe, Mr. Rainer Knerler, Dr. Janna Köke and Mr. Jörg Sommer. The current members of the Supervisory Board are, as a whole, familiar with the sector in which the company operates.

Thanks to Executive Board and employees

The Supervisory Board thanks the members of the Executive Board for the trusting and constructive cooperation and expresses its thanks and appreciation to all the employees for their good work and the commitment they have demonstrated for Bilfinger in the past financial year.

Adoption of this report

The Supervisory Board adopted this report in its meeting on March 8, 2019 in accordance with Section 171 Subsection 2 of the German Stock Corporation Act (AktG).

For the Supervisory Board

Dr. Eckhard Cordes
Chairman of the Supervisory Board
Mannheim, March 8, 2019

A.4 Corporate governance

A.4.1 Declaration of corporate governance and corporate governance report

The declaration of corporate governance for Bilfinger SE and the Group that is to be issued in accordance with Sections 289f, 315d of the German Commercial Code (HGB) has, in order to improve readability and avoid duplication, been combined with the report in accordance with the German Corporate Governance Code (*GCGC*). The explanations apply to both Bilfinger SE and the Group, unless presented otherwise.

The declaration of corporate governance that has been combined with the corporate governance report is also available on the company's website at https://www.bilfinger.com/en/company/corporate-governance/declaration-of-corporate-governance/.

Declaration from the Executive Board and the Supervisory Board of Bilfinger SE pursuant to Section 161 of the German Stock Corporation Act (AktG) on the German Corporate Governance Code

On December 13, 2018, in accordance with Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board issued the following declaration of compliance:

“Bilfinger SE complies with all of the recommendations of the German Corporate Governance Code (GCGC) as amended on February 7, 2017 with the following exceptions:

The recommendation in Section 4.2.3 Subsection 2 Sentence 6 (limitations on the maximum amount of Executive Board remuneration in general and the variable components of that remuneration) is not followed. As part of the long-term incentive (LTI), the variable remuneration component for members of the Executive Board of the company, valid from 2015, virtual shares in the company, so-called performance share units (PSU), are allocated each year, the number of which is subject to adjustment during a three-year performance period depending on the achievement of the average ROCE target value as determined by the Supervisory Board as well as the development of the total shareholder return value (TSR value) of the company’s share in relation to the TSR value of the shares of the MDAX-listed companies. The final number of units is subject to a cap which limits the final number to 150 percent of the original number of units. The share price of the company that is relevant for the value of the PSU at the conclusion of the three-year performance period is not subject to any limitation because an upper limit in this respect contradicts the basic principle of a share-based remuneration. The Supervisory Board is authorized, however, in the case of extraordinary events or developments, especially in the case of extreme increases in the share price, to appropriately reduce the mathematical final number of PSUs.

Since issuing the declaration of compliance of February 22, 2018, the company has, until today’s date, complied with all recommendations of the German Corporate Governance Code as amended on May 5, 2015 and in its version of February 7, 2017, since it took effect, with the exception of the recommendations in Section 4.2.3 Paragraph 2 Sentence 8 and 4.2.3 Paragraph 2 Sentence 6.”

Mannheim, December 13, 2018

For the Supervisory Board	For the Executive Board
Dr. Eckhard Cordes	Tom Blades

This declaration of compliance is also published on the company's website at https://www.bilfinger.com/en/company/corporate-governance/declarations-of-compliance/ and is updated when changes occur as well as independent of any changes at least once a year. This and previous versions are available for at least five years in accordance with the German Corporate Governance Code.

Principles of corporate governance

Within the scope of our activities, we are guided by generally accepted principles of responsible corporate governance, observe the legal requirements, the provisions of the Articles of Incorporation of Bilfinger SE, our internal Group regulations and principles as well as fundamentally the recommendations of the GCGC. We apply the following principles of governance:

German Corporate Governance Code

Bilfinger attaches great importance to good corporate governance. The principles of good and responsible corporate governance guide the actions of the management and supervisory bodies of Bilfinger SE. The term 'corporate governance' as it is generally understood refers to the entire management and control system of a company, including its organization, its business management principles and guidelines as well as the internal and external monitoring and control mechanisms. Comprehensive and transparent corporate governance ensures the responsible, value-oriented and sustainable management and control of the company. It forms the foundation for sustainable business success and fosters trust among our shareholders, customers, employees, business partners and the financial markets.

Bilfinger supports the goal set out by the GCGC of enhancing the transparency and comprehensibility of the corporate governance system and fostering trust among national and international investors, customers, employees as well as the public and other stakeholders in the management and supervision of German listed and capital market-oriented companies. Bilfinger SE complies with the recommendations of the GCGC, barring the exception listed in the above declaration issued in accordance with Section 161 AktG. Bilfinger SE also fulfills nearly all of the non-binding suggestions of the GCGC. Exceptions are the accessibility of the proxy representative of the shareholders also during the Annual General Meeting (Section 2.3.2 Subsection 2 Sentence 2 of the German Corporate Governance Code). The suggestion that shareholders should be given access to the Annual General Meeting through modern communication technology such as the Internet (Section 2.3.3 of the German Corporate Governance Code) is followed insofar as the speech of the Chairman of the Executive Board is broadcast on the Internet.

Principles of our actions

We position our business behavior toward Group-wide standards that go beyond the requirements of the law and GCGC. They are based on our corporate values as they are laid out in our Mission Statement and the Group principles. In this regard, integrity and safety are of utmost importance for us. To achieve a lastingly stable and thus sustainable company success on this basis, it is our goal that our business activities are also aligned with the needs of the environment and society. We have defined the most important principles in our Code of Conduct, which provides all employees of Bilfinger SE and the Group with orientation for responsible, compliant and proper conduct in daily business and which is binding for all employees worldwide, including members of the boards. This relates to how we deal with each other and how we deal with customers and business partners. Among the most important principles are, on the basis of respect for law and order, fairness and responsibility. In addition to the general principles of behavior, the Code of Conduct includes, among other things, rules related to integrity as well as the handling of conflicts of interest, and prohibits corruption and discrimination of

any kind. The individual topics are substantiated through associated Group policies with a focus on the topics of anti-corruption, gifts, entertainment events & hospitality, business and delegation travel, donations and sponsoring, conflicts of interest, competition, third-party audit and the reporting of suspicious events. The Code of Conduct and the substantiated Group policies are regularly reviewed and adjusted for current needs and developments.

We are also a member of the United Nations' "Global Compact", an international association of companies and organizations. Its members have committed themselves, within their scope of influence and on the basis of 10 principles of ethical business activity, to, among other things, supporting human rights, fighting discriminatory labor and social practices, improving environmental protection, expanding the use of environmentally-friendly technologies and advocating against corruption in all its forms.

Compliance

Integrity, legal responsibility and compliance are inseparable from our daily business operations. Compliance with legal and internal regulations is the basis of successful business activity and is part of good corporate governance. As was the case in previous years, Bilfinger SE, also in reporting year 2018, put substantial effort into ensuring compliance with laws and internal regulations and made significant investments in connection with compliance and the further improvement of our compliance system, and will continue to do so unabated. We never compromise on safety and integrity. Our comprehensive Bilfinger compliance system ensures that compliance violations are largely avoided (‘prevent‘), that potential misconduct is recognized at an early stage (‘detect’) and, once such misconduct is identified, that the reaction is fast and consistent (‘respond’).

In order to firmly and sustainably establish compliance in the company, a comprehensive compliance governance and the seamless interaction among all control functions in the company as well as an understanding and internalization among employees are necessary.

A training program and broad internal communications ensure that all employees are familiar with the Code of Conduct, with all relevant policies and their ongoing development. In addition, a Compliance Help Desk offers a central point of contact for comprehensive advice for all employees on compliance-related issues. Employees can report – also anonymously – possible misconduct using our whistleblower system if they do not wish to use the normal reporting line to their supervisor or other persons of trust. Such notifications and other potential violations of the compliance rules are reviewed and investigated by an independent Allegation Management Committee and the Allegation Management Office in order to identify and prove potential misconduct. At the same time, the findings from the investigations are used to continuously optimize the compliance system and the effectiveness of controls. A Disciplinary Committee deals with the topic of sanctions and ensures that they are applied consistently when misconduct is identified. Whistleblowers are protected from reprisals and, in addition, the whistleblower system can also be used by third parties (suppliers, subcontractors, business partners and other service providers) using our website.

To further improve compliance governance, Corporate Legal & Compliance has been strengthened in terms of staffing since 2017 and now has a total of about 100 employees throughout the Group. In addition, each of the 183 companies worldwide in the Bilfinger Group today has a responsible Compliance Manager. The Compliance, Allegation Management, Legal, Internal Control System, Risk Management and Internal Audit departments all work together closely. The three fundamental topics of the compliance system are extensively supported and managed by these departments with clear sets of responsibilities. To strengthen the independence of these compliance-relevant corporate functions from the business segments, in addition to a reporting obligation to the Executive Board for the Head of Internal Audit & Controls as well as the General Counsel & Chief Compliance Officer, there is a

reporting line to both the Chairman of the Audit Committee as well as directly to the Chairman of the Supervisory Board for special cases.

To manage and monitor the organization as well as implementation and further development of the entire Bilfinger compliance system, there is a Compliance Review Board in place. This board consists of the members of the Executive Board as well as a number of corporate department heads and convenes at least once per quarter under the chairmanship of the General Counsel & Chief Compliance Officer. The Compliance Review Board has now been supplemented by Divisional Compliance Review Boards to coordinate and monitor the implementation and further development of the compliance program in the individual divisions and regions.

In addition, the integration of the Bilfinger Compliance System and its further development in the business processes is reviewed in order to ensure the efficiency of the program and the associated measures. The Corporate Internal Audit & Controls department verifies, among other things, the implementation of compliance guidelines as part of so-called anti-corruption audits in the individual business units. In these audits, the integrity of the business unit's payment transactions is also analyzed on the basis of mass-data analyses. In the 2018 reporting year, a total of nine such audits were conducted around the world. Internal Audit & Controls conducted 25 additional audits of the Internal Control System (ICS) to determine the effectiveness of compliance-relevant controls in the operating units. Further, a program was implemented in August 2018 to audit third parties classified as high risk on site and to evaluate their compliance-related measures as well as the transparency of their financial and business documentation. Seven such audits were conducted in 2018. In addition, Internal Audit & Controls, within the scope of the DoJ Monitorship described in greater detail in the following paragraph and on top of the audits carried out by the Monitor himself, conducted six follow-up audits to review the removal of compliance-related deficiencies that were identified by the Monitor. All relevant audit reports were and will be made available to the Executive Board and the Chief Compliance Officer as well as other members of management in the form of relevant audit reports so that – where necessary – improvement measures can be implemented.

The successes the company has achieved in the area of compliance, particularly with its anti-corruption efforts in recent years, have been recognized and confirmed by the US Department of Justice (DoJ). The Deferred Prosecution Agreement (DPA) that was concluded in December 2013 with the DoJ and extended in September 2016 was ended on December 9, 2018 as planned. The independent Compliance Monitor appointed by the DoJ, Dr. Mark Livschitz, officially certified that Bilfinger has an effective compliance-management system for fighting corruption and has fulfilled its obligations within the scope of the DPA. The role of the Compliance Monitor also ends for Bilfinger with the termination of the DPA.

The entire Bilfinger Compliance System is continuously reviewed and optimized by us to ensure that regulatory requirements, market changes and the needs of our customers are taken into account. The continuing effectiveness of the Bilfinger compliance system remains a priority for Bilfinger.

For us, compliance, as an indispensable part of the culture of integrity, is not merely an internal matter. We formulate clear compliance requirements also for our business partners, because integrity and compliant behavior are a vital precondition for any relationship to proceed in a spirit of trust. For this reason, we work to ensure, in the selection of our direct business partners, that they comply with the laws, follow ethical principles and also operate this way in the supply chain. We review this within the scope of our third-party process before entering into a business relationship, whereby the intensity of the review is oriented toward the classification of the third party in a risk category.

Composition and working methods of the Executive Board

Bilfinger SE is a European stock corporation headquartered in Germany and is subject to the special European SE regulations and the German law on implementing a European company as well as the

German SE Employee Involvement Act. It has a dual management and control structure consisting of the Executive Board and the Supervisory Board. These bodies work in close cooperation for the benefit and in the interest of the company. 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.

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The *members of the Executive Board* are appointed by the Supervisory Board. In the reporting year, the Executive Board generally had three members and, since January 1, 2019 has consisted of four members. It manages the company in its own responsibility. Its tasks include setting the company's corporate goals and strategic focus, managing and monitoring the operating units and business of Bilfinger SE and the Group as well as implementing and monitoring an efficient risk-management system and an efficient compliance system. It represents the company to third parties. Its actions are guided by the interests of the company, i.e. the interests of shareholders, employees and other groups affiliated with the company, including the general public, with the aim of sustainably increasing enterprise value. The members of the Executive Board base their actions on the legal requirements, the Articles of Incorporation, the Rules of Procedure and the Schedule of Responsibilities as well as on other relevant regulations. In accordance with the Schedule of Responsibilities approved by the Presiding Committee of the Supervisory Board, the Executive Board members are each allocated responsibility for the management of certain areas. They take joint responsibility for corporate governance, however. In addition, the Chairman of the Executive Board coordinates the work of Executive Board members. The resolutions of the Executive Board are made primarily in the regular Executive Board meetings. They may, however, also be made in extraordinary Executive Board meetings, in written procedures or through other methods of communication. The Rules of Procedure require a resolution by the entire Executive Board for certain transactions and actions. Approval from the Supervisory Board or one of its committees is required for particularly significant actions and transactions in accordance with the Articles of Incorporation and Rules of Procedure. This includes, among other things, the fundamental determination and basic changes to the corporate strategy as well as the Group organization, the addition of new business segments or the discontinuation of existing business segments, the purchase and sale of investments above a certain volume as well as entering into long-term financial commitments and the issue of bonds.

In the reporting year, 40 Executive Board meetings were convened. The Executive Board has not formed any of its own committees.

With regard to the composition of the Executive Board, it is incumbent on the Supervisory Board to prepare a diversity concept pursuant to Section 289f Paragraph 2 No. 6 HGB. This is described in greater detail in Chapter *A.4.1 at Joint diversity concept and competence profile for the cooperation between the Executive and Supervisory Boards*.

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Details of the remuneration of the Executive Board members can be found in the *remuneration report*, which is part of the combined management report.

see page 37 et seqq.

Composition and working methods of the Supervisory Board

Supervisory Board

In accordance with Article 11 of the Articles of Incorporation, the Supervisory Board of Bilfinger SE consists of 12 members, six of whom are representatives of the shareholders and six of whom are employee representatives. The shareholder representatives are elected by the Annual General Meeting. 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 – as is the case for the Annual General Meeting as well – not involved in the selection procedure for the employee representatives in the Supervisory Board. Members of the Supervisory Board all have the same rights and obligations and are not bound by instructions or orders.

The Supervisory Board advises and monitors the management of the company by the Executive Board and is responsible for the appointment and dismissal of Executive Board members, their employment contracts and remuneration. Decisions of fundamental importance for the company require the approval of the Supervisory Board or one of its committees. The Supervisory Board, taking into account the external auditors and the audit reports submitted by them, undertakes a detailed examination, as required by law, of the individual financial statements, the consolidated financial statements and combined management report of Bilfinger SE and the Group, as well as of the proposal of the Executive Board on the appropriation of profits.

The Supervisory Board executes its tasks in accordance with legal requirements, the Articles of Incorporation, its Rules of Procedure and its resolutions. The resolutions of the Supervisory Board are made primarily in Supervisory Board meetings, but can also be made in written procedures or through other methods of communication. Insofar as nothing else is compulsory under the law, Supervisory Board resolutions require the simple majority of votes cast. In the event of a tied vote and a renewed voting which also leads to a tied vote, the Chairman of the Supervisory Board has a casting vote. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board; in reporting year 2018 there were 11 meetings of the Supervisory Board.

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Within the context of its annual *report*, the Supervisory Board informs the shareholders on its activities.

see page 211 et seqq.3

The current composition of the Supervisory Board and the committees formed for more efficient execution of its activities can be seen in the Chapter entitled *Boards of the Company*. There, the mandates executed by members of the of the Supervisory Board in the controlling bodies of other companies as well as significant activities beyond the Supervisory Board mandate with the company are listed.

see page 37 et seqq.

The remuneration of the members of the Supervisory Board is presented in the *remuneration report* as part of the management report.

Supervisory Board committees

In order to enhance the efficiency of its activities, the Supervisory Board in the reporting year formed a Presiding Committee, an Audit Committee, a Nomination Committee and a Transformation Committee. As of December 13, 2018, the Transformation Committee was replaced by the newly-formed Strategy Committee.

The Presiding Committee of the Supervisory Board consists of Dr. Eckhard Cordes (Chairman of the Presiding Committee), Stephan Brückner (Deputy Chairman of the Presiding Committee), Dr. Ralph Heck and Rainer Knerler. The main tasks of the Presiding Committee include, in particular, regulating the personnel issues of the Executive Board and its remuneration, unless the provisions of the German Stock Corporation Act and the GCGC stipulate that they are to be regulated by the plenum of the Supervisory Board, as well as conflicts of interest. In this context, relevant resolutions of the Supervisory Board are prepared and recommendations for important resolutions are submitted to the Supervisory Board. In the reporting year, the Presiding Committee was also responsible for decisions on certain business dealings and transactions assigned to it. With the establishment of the Strategy Committee on December 13, 2018, the Supervisory Board transferred decision-making responsibility for certain business dealings and transactions to the Strategy Committee. Since then, the Presiding Com-

mittee focuses on personnel issues of the Executive Board and its remuneration. In financial year 2018, five meetings of the Presiding Committee took place.

In the reporting year, the Audit Committee consisted of Dr. Marion Helmes until May 12, 2018 (Chairwoman of the Audit Committee), Mr. Frank Lutz from May 12, 2018 (Chairman of the Audit Committee), Dorothée Deuring, Dr. Janna Köke and Jörg Sommer. It deals, among other things, with questions of accounting and the monitoring of the accounting process, the effectiveness of the internal control system, the risk-management system, the internal auditing system and compliance as well as with the audit of the consolidated financial statements. The Audit Committee deals with the selection and the independence of the auditor, issues the audit assignment for the annual financial statements and the consolidated financial statements to the auditor elected by the Annual General Meeting, makes a fees agreement with the auditor and also reviews the additional services provided by the auditor. With members Dr. Marion Helmes (until May 12, 2018) and Frank Lutz (from May 12, 2018), the committee has always included an independent member who, in accordance with Section 100 Subsection 5 of the German Stock Corporation Act (*AktG*), possesses expertise in the areas of accounting and auditing and who has particular experience in the application of internal control procedures. In financial year 2018, six meetings of the Audit Committee took place.

In accordance with the recommendation of the GCGC, the Supervisory Board also formed a Nomination Committee made up exclusively of shareholder representatives whose purpose it is to recommend suitable candidates to the Supervisory Board for its own recommendations to the Annual General Meeting. The Nomination Committee inlcudes Dr. Eckhard Cordes (Chairman of the Nomination Committee), Jens Tischendorf as well as Dr. Marion Helmes until May 12, 2018 and Frank Lutz since December 13, 2018. The committee did not convene in reporting year 2018, but undertook the written adoption of a resolution.

The Transformation Committee was tasked with the further development of the strategic positioning and transformation of the Bilfinger Group and, without its own decision-making authority, making relevant recommendations to the Supervisory Board where necessary. The Committee, which has equal representation, includes Dr. Eckhard Cordes (Chairman of the Transformation Committee), Stephan Brückner (Deputy Chairman of the Transformation Committee), Dr. Ralph Heck, Rainer Knerler, Jens Tischendorf and Susanne Hupe. The Committee held six meetings in 2018. On December 13, 2018, the Transformation Committee was disbanded and a new Strategy Committee was established.

The relevant Strategy Committee, which was formed on December 13, 2018, has the same members as the Transformation Committee which was simultaneously disbanded. It accompanies the corporate strategy and Group organization (with the exception of personnel issues), including their fundamental implementation. In this context, it prepares any potential resolutions of the Supervisory Board and should formulate relevant recommendations for the Supervisory Board. In addition, it assumed responsibility from the Presiding Committee for decisions on assigned legal business and transactions that require approval. The committee consists of six members and has equal representation; it did not convene for any meetings in 2018.

The resolutions of the committees were made primarily in the meetings, but partially also in written procedures or through other methods of communication. The respective Chairmen of the committees reported to the plenary session of the Supervisory Board on the work done in the committees they lead.

Joint diversity concept and competence profile for the cooperation between the Executive and Supervisory Boards

Pursuant to Sections 289f Subsection 2 No. 2, 315d Sentence 2 HGB, which took effect with the implementation of the CSR Guideline (2014/95/EU) on April 19, 2017, Bilffinger SE shall report on the diversity concept it follows for the composition of the Executive Board and Supervisory Board, its

objectives, the form of its implementation and the results achieved in the reporting year. The Supervisory Board has combined the diversity concept with the requirements of the German law on the full and equal participation of men and women in management positions and the targets defined in the fulfillment of relevant targets for the composition of the boards in the joint competence profile for the Executive Board and the Supervisory Board described below. The competence profiles also serve as a basis for long-term succession planning.

Executive Board

The Supervisory Board and the Presiding Committee ensure that a long-term succession planning takes place in the Executive Board and coordinate this with the Executive Board. In particular, the Presiding Committee prepares the decisions of the Supervisory Board, develops proposals and recommendations. For an Executive Board candidate, professional qualifications for the area of responsibility to be assumed, performance to date and experience as well as integrity and convincing management qualities represent particularly important criteria. The Executive Board must, in its entirety, have the knowledge, skills and experience necessary for the orderly performance of its tasks. When filling these positions, the Supervisory Board and Presiding Committee pay particular attention to diversity in the entire Executive Board. When deciding on the filling of Executive Board positions, the Supervisory Board and the Presiding Committee in their preparations primarily consider the fulfillment of the following competence profile and diversity concept, whereby the Supervisory Board in the filling of a specific Executive Board position always gives weight to the circumstances of each individual case and is guided by the interests of the company.

Competence profile and diversity concept

- The members of the Executive Board should have many years of management experience, also in major companies or groups and bring with them experience from various careers wherever possible.
- At least one member should have international management experience.
- At least one member of the Executive Board should have a professional background in the process industry.
- The Executive Board in its entirety should have many years of experience in the areas services, compliance, finance and personnel management.
- Integrity should be a high priority for each individual Executive Board member.
- The Supervisory Board has defined a target for the proportion of women in the Executive Board. This is described in Chapter *A.4.1 at Law on the full and equal participation of men and women in management positions*.
- In accordance with the recommendation of the GCGC, the Supervisory Board has defined an age limit for members of the Executive Board at the age of 65. Deviations from the age limit in individual cases are to be justified. Regardless of this rule, the Supervisory Board pays attention to a sufficient mix of ages among the members of the Executive Board.

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The composition of the Executive Board as of December 31, 2018, in the estimation of the Supervisory Board, corresponds with the competence profile and diversity concept that are followed. Brief CVs of the current members of the Executive Board can be found in the chapter *A.2 Executive Board of Bilfinger SE*. It can thus be seen that the Executive Board of Bilfinger SE has a very diverse and experienced

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composition. The members of the Executive Board have many years of management experience, including in groups, and bring with them experience from various careers. At least Mr. Blades has international management experience and has a professional background in the process industry with a focus on oil and gas. The same applies to Mr. Hall who was appointed to the Executive Board on January 1, 2019.

Dr. Patzak, who left the company on September 30, 2018, had many years of experience in the area of finance; the same applies to his successor, Ms. Johansson, who, as an experienced financial expert, took over as Chief Financial Officer on December 1, 2018. Mr. Bernhardt is an expert in the area of personnel management. Compliance and integrity are of great importance for all Executive Board members, including Mr. Hall, who was newly-appointed on January 1, 2019. No member of the Executive Board is older than 65 and there is a sufficient mix of ages and genders among the members of the Executive Board.

Supervisory Board

In terms of the composition of the Supervisory Board, it is to be ensured that its members generally have the knowledge, skills and experience necessary for the orderly execution of the office and the tasks associated with it as well as the particular requirements laid out by the law and the German Corporate Governance Code for the Supervisory Board, its committees and individual members. Pursuant to the recommendation in Number 5.4.1 Paragraph 2 Sentence 1 of the GCGC, the Supervisory Board should name specific targets for its composition and develop a competence profile for the entire committee. For its composition, it is expected that, within the framework of the specific company situation, the international activities of the company, potential conflicts of interest, the number of independent members of the Supervisory Board, an age limit that is to be defined for members of the Supervisory Board and a standard time limit for membership to the Supervisory Board as well as diversity will all be appropriately considered. The GCGC also recommends that proposals from the Supervisory Board to the Annual General Meeting take these objectives into consideration and, at the same time, that the fulfillment of the competence profile for the full Supervisory Board should be pursued. The status of the implementation shall be published in the Corporate Governance Report. In addition, the Supervisory Board, pursuant to Section 289f Paragraph 2 Number 6 HGB, shall prepare a diversity concept.

Against this backdrop, the Supervisory Board within the framework of the specific situation of the company, has defined the following goals for its composition, including the competence profile and diversity concept:

Competence profile

- Integrity should be a high priority for each individual Supervisory Board member.
- At least two members should, as a result of their international experience, embody to a significant extent the criteria of internationality.
- At least three members should have detailed knowledge and experience from the company itself.

  While at least one independent member of the Supervisory Board should, pursuant to the requirements of Section 100 Paragraph 5 AktG, have particular knowledge and experience in the areas of accounting and auditing, a further member should have particular knowledge and experience in the area of finance and at least two more should have particular knowledge and experience in the area of business administration.

- At least two members should possess particular experience from leading positions in industrial or services companies.
- The Supervisory Board should, if possible, have, as representatives of the shareholders, three entrepreneurs or personalities who have already acquired experience in the management or monitoring of another medium-sized or large company.
- Overall, the members should be familiar with the sector in which the company operates, Section 100 Subsection 5 AktG.
- In their entirety, members of the Supervisory Board should have different educational levels, professional and socio-economic backgrounds as well as geographic presences.

Independence

- 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.

Age limit and term of office

- The Supervisory Board pays attention to a sufficient mix of ages among the members 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.
- As a rule, no member of the Supervisory Board should remain a member for longer than three standard terms, as per the term of office specified in the Articles of Incorporation; exceptions are to be justified.

Diversity

- Overall, the members should represent a sufficient degree of diversity. In this regard, this diversity concept is to be taken into consideration for a correspondingly diverse composition.
- The Supervisory Board should have a balance of male and female members; in this regard, the statutory minimum number of women and men is to be observed.

The proposals for the election of shareholder representatives to the Supervisory Board, which are made by the Supervisory Board to the Annual General Meeting, are prepared for the Supervisory Board by the Nomination Committee. This ensures that in the review of suitable candidates, in addition to the composition goals for the Supervisory Board, the diversity concept is also considered. The Supervisory Board considers the objectives mentioned above in the resolutions it proposes to the Annual General Meeting for the appointment of shareholder representatives to the Supervisory Board on the provision that those persons whose personal and professional qualifications make them the best

suited for the position be proposed. At the same time, the fulfillment of the competence profile and the diversity concept should be pursued for the full committee. The implementation of the legally prescribed gender quota for the Supervisory Board remains unaffected. In this regard it should be kept in mind that the Annual General Meeting is not bound by nominations. The freedom of choice on the part of the employees in the election of Supervisory Board members from the employees is protected. In the process pursuant to the German Co-Determination Act for the election of employee representatives, the Supervisory Board has no nomination rights. The composition goals and the diversity concept for the Supervisory Board are therefore not to be seen as requirements for those entitled to vote or as a limitation of their freedom of choice.

For the above objectives for its composition, including the competence profile and the diversity concept, the Supervisory Board has not set a specific timeframe. It is to be expected that with the current composition in the Executive Board and the Supervisory Board the concept has been met. The composition of the Executive Board as of December 31, 2018 corresponds, in the Supervisory Board's own assessment, with the composition targets and the diversity concept with the following exception. Mr. Rainer Knerler has been a member of the Supervisory Board since 1996 and thus – as the only member of the Supervisory Board – has been in office longer than three regular periods in office. As a result of his long-standing experience, Mr. Knerler was once more appointed to the Supervisory Board as an employee representative by the SE Works Council on February 10, 2016.

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The current composition of the Supervisory Board and the committees formed for more efficient execution of its activities can be seen in the Chapter entitled *Boards of the Company*. Brief CVs of the current members of the Supervisory Board are available on the company's website at https://www.bilfinger.com/en/company/supervisory-board/. It can thus be seen from this information on the members that the Supervisory Board of Bilfinger SE has a very diverse composition.

More than the required two members of the Supervisory Board have professional experience in an international environment and particular knowledge and experience in finance. Primarily the previous and the current Chairman of the Supervisory Board meet the requirements related to particular knowledge and experience in the areas of accounting and auditing as well as internal control procedures. They are qualified as financial experts in accordance with Section 100 Paragraph 5 AktG. At least four members have detailed knowledge and experience with Bilfinger itself. None of the members of the Supervisory Board were previously active in the Executive Board of the company or hold a board function with a significant competitor. At least four shareholder representatives are experienced in the management or monitoring of another medium-sized or large company. In their entirety, members of the Supervisory Board have different educational levels, professional and socio-economic backgrounds as well as geographic presences. The members of the Supervisory Board are, as a whole, familiar with the sector in which the company operates. Compliance and integrity are a top priority for all members of the Supervisory Board. No member of the Supervisory Board is older than 70 and there is a sufficient mix of ages among the members of the Supervisory Board. The Supervisory Board has a balanced number of men and women as members. The share of women in the Supervisory Board as of December 31, 2018 was 42 percent.

Beyond the previously-mentioned goals and the competence profile for the composition of the Supervisory Board, current members of the Supervisory Board possess the knowledge, skills and professional experience necessary for the orderly execution of their tasks.

In the assessment of the Supervisory Board, the appropriate number of independent shareholder representatives in the Supervisory Board under consideration of the ownership structure is four. Dorothée Deuring, Dr. Ralph Heck, Frank Lutz (until May 12, 2018 Dr. Marion Helmes) and Lone Fønss Schrøder are categorized as independent for the purposes of the GCGC.

Law on the full and equal participation of men and women in management positions

In relation to the law on the equal participation of women and men in management positions in the private sector and in the civil service and its implementation in Sections 76 Paragraph 4, 96 Paragraph 2 and 111 Paragraph 5 AktG, we have set the following targets for Bilfinger SE for the period up until December 31, 2020. In addition, the legally required minimum share of women and men in the Supervisory Board was achieved as follows.

For the Supervisory Board, a minimum requirement as of December 31, 2020 remains the statutory gender quota of 30 percent share of women and men. This requirement has been fulfilled with a share of women in the Supervisory Board of 42 percent as of the balance-sheet date December 31, 2018.

With regard to the share of women in the Executive Board, the target is zero percent. It was also determined that if a vacancy should become available by December 31, 2020, the Supervisory Board will attempt to find an appropriately qualified woman who would be suitable for joining the Executive Board. On December 1, 2018, Christina Johansson was appointed to the Executive Board, which means that the requirement was exceeded as of the balance-sheet date December 31, 2018.

With regard to management level 1, the Executive Board decided to achieve a target of a 10 percent share of women in Bilfinger SE by December 31, 2020. On December 31, 2018, the share was at 6 percent. For management level 2 at Bilfinger SE, the Executive Board determined to achieve a target of a 23 percent share of women by December 31, 2020. On December 31, 2018, the share was at 19 percent.

In addition to the legal requirements, Bilfinger adheres to the goal it set for itself of increasing the share of women in management positions worldwide in the Group to 15 percent by the end of 2020. At the end of 2018, the share was at 10 percent.

Shareholders and the Annual General Meeting

Our shareholders exercise their membership rights, in particular their right to information and voting rights, in the Annual General Meeting. The Annual General Meeting is to be convened and held at least once each year. The Annual General Meeting generally takes place within a five-month period after the end of a financial year. The Executive Board presents certain documents to the Annual General Meeting, including the company and consolidated financial statements as well as the combined management report for Bilfinger SE and the Bilfinger Group. It decides on the appropriation of profits and on formal approval of members of the Executive Board and the Supervisory Board, elects the members of the Supervisory Board representing the shareholders, and the external auditors. In addition, decisions are made on amendments to the Articles of Incorporation and in certain other cases as specified by applicable law or the Articles of Incorporation. Each share entitles its holder to one vote at the Annual General Meeting.

Reportable transactions with financial instruments of the company (Manager's Transactions)

Pursuant to Article 19 of the EU Directive number 596/2014 of April 16, 2014 on market abuse (Market Abuse Directive), the members of the Supervisory Board and Executive Board as well as 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 and the German Federal Financial Supervisory Authority (*BaFin*) 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, as soon as possible and at the latest within three working days. We immediately publish details of such

transactions on the company's website, among other places, at https://www.bilfinger.com/en/company/corporate-governance/directors-dealings-with-financial-instruments-of-the-company/.

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 at least the deductible for the Executive Board legally required by Section 93 Subsection 2 Sentence 3 of the German Stock Corporation Act and at least the deductible for the Supervisory Board recommended in Section 3.8 Subsection 3 of the German Corporate Governance Code.

Mannheim, March 8, 2019

Bilfinger SE
The Executive Board

The Supervisory Board

A.4.2 Remuneration report

This remuneration report describes the current remuneration system for the Executive Board, which has been valid since financial year 2015 and was approved by the Annual General Meeting on May 7, 2015, including the amendments decided upon since that time. Partially differing agreements – in terms of amounts only – were made with individual members of the Executive Board and these are subsequently described in greater detail. The remuneration report also includes the remuneration granted and actually paid to Executive Board members in financial year 2018; it additionally includes information on the remuneration of the Supervisory Board in 2018. The remuneration report is part of the Group management report.

Executive Board remuneration

The remuneration system of the Executive Board is geared toward the sustainable, profitable development of Bilfinger. Executive Board remuneration firstly comprises a fixed annual salary and variable remuneration with two components. In this context, the major portion of the variable remuneration components has a multi-year assessment basis and thus a long-term orientation. Members of the Executive Board can participate in a sustainable increase in the value of Bilfinger and are incentivized in a way that allows them to focus on the sustainable well-being of the company. At the same time, the remuneration system has been designed to ensure that remuneration appropriately relates to the tasks and performance of the Executive Board members and the position of the company. Outstanding performance is more strongly rewarded: shortfalls in performance, on the other hand, lead to a noticeable reduction in remuneration. The appropriateness of the Executive Board remuneration is reviewed annually by the Presiding Committee and, on the basis of its recommendation, by the Supervisory Board.

Further components of the remuneration system, described below in two separate sections, include non-cash benefits and retirement benefits.

Annual fixed salary The annual fixed salary amounts to €600 thousand for full members of the Executive Board, for the Chief Financial Officers, Dr. Klaus Patzak, €700 thousand (pro rata temporis for 2018), and Christina Johansson, €650 thousand (pro rata temporis for 2018), and for the Chief Executive Officer, €1,200 thousand.

Variable remuneration The variable remuneration consists of two components: a variable remuneration with a one-year assessment basis, the short-term incentive (STI), and a variable remuneration with a multi-year assessment basis, the long-term incentive (LTI). In addition, the granting of a special or recognition bonus is at the discretion of the Supervisory Board.

The STI is based on the achievement of economic success targets defined by the Supervisory Board. With an individual performance factor (IPF) which is also included, the Supervisory Board can take account of the individual performance of each member of the Executive Board as well as unforeseen events that have a material impact on the activities of the members of the Executive Board. The economic success targets and the criteria for the IPF of the respective member of the Executive Board are determined at the beginning of the relevant financial year by the Supervisory Board.

The annual initial value of the STI, corresponding to a 100 percent target achievement, amounts to €500 thousand for full members of the Executive Board, for the Chief Financial Officers, Dr. Klaus Patzak, €650 thousand (pro rata temporis for 2018), and Christina Johansson, €600 thousand (pro rata temporis for 2018), and for the Chief Executive Officer, €1,000 thousand. This figure changes depending on the achievement of targets defined each year by the Supervisory Board for the development of adjusted EBITA and free cash flow of the Bilfinger Group. Prior to financial year 2018, the achievement of these equally-weighted targets counted only within a corridor of 80 to 135 percent of the targets.

From financial year 2018, instead of the proportional minimum and maximum values, absolute upper and lower limits for each success target that the Supervisory Board sets at the beginning of each financial year will be in place for all active Executive Board members. Below the lower limit, the degree of target achievement is zero. With achievement of the lower limit, the degree of target achievement is 50 percent. It increases on a linear basis up to the target at 100 percent and from there, also on a linear basis, up to the absolute upper limit of 200 percent ('cap').

Disbursement of the STI is made following the conclusion of the relevant financial year and is calculated by multiplying the initial value with the arithmetic mean of the degree of achievement of the two economic success targets and the IPF defined for each member of the Executive Board under evaluation of his or her individual performance in the financial year (factor 0.8 to 1.2). In the case of the assumption or termination of an Executive Board mandate during the year, there is an entitlement to payment of the STI for this financial year pro rata temporis.

The LTI is designed to reward the sustainable long-term development of the company. It includes the annual issue of virtual shares of Bilfinger SE, so-called performance share units (PSUs). Their number can change over the course of a three-year performance period depending on the degree of target achievement for the two success targets ROCE and development of the relative total shareholder return figure (TSR figure) of the company shares pursuant to the regulations below. The resulting number of PSUs corresponds to the number of real shares of Bilfinger SE which the relevant Executive Board member may receive at the conclusion of the performance period.

At the beginning of each financial year, the full members of the Executive Board are granted PSUs with a current market value of €630 thousand, the Chief Financial Officers, Dr. Klaus Patzak PSUs with a current market value of €850 thousand (pro rata temporis for 2018) and Christina Johansson PSUs with a current market value of €700 thousand (pro rata temporis for 2018) as well as the Chief Executive Officer PSUs with a current market value of €1,400 thousand. In the case of the assumption or termination of an Executive Board mandate during the year, the number of PSUs allocated for this financial year is decreased pro rata temporis.

The ROCE for the tranches 2016-2018 is still calculated as adjusted ROCE before taxes. From the tranche 2017-2019, the ROCE will be defined as non-adjusted ROCE after taxes. The ROCE degree of target achievement for the performance period is determined on the basis of the average value of the achievement for the annual targets defined by the Supervisory Board. Achievement of the targets counts only within a corridor of 80 to 135 percent of the set target. The degree of target achievement is zero below the minimum value. If 80 percent of the goal – the minimum value – is achieved, the degree of target achievement is 50 percent. It then rises on a linear basis up to the target and from there again on a linear basis, up to a maximum target value of 135 percent to a maximum value of 150 percent of the ROCE target ('cap').

The second success factor for the LTI, the relative TSR value, is determined on the basis of a comparison with the TSR values of the shares of the other companies listed on the MDAX. If Bilfinger is positioned below the median in comparison to the other MDAX companies through the performance period, the target achievement amounts to zero percent. In case of the achievement of the median, the target achievement amounts to 100 percent. It then rises on a linear basis and can, in the case of a positioning at the 75th percentile or above, amount to a maximum of 150 percent.

The final number of PSUs is calculated by multiplying the initial number of PSUs with the arithmetical average of the degree of target achievement for the two success targets. The final number is subject to a cap set at a maximum 150 percent of the initial number of PSUs. In addition, the Supervisory Board is authorized, in the case of extraordinary events or developments, especially in the case of extreme increases in the share price, to appropriately reduce the mathematical final number of PSUs. At the end of the performance period, members of the Executive Board receive a number of real Bilfinger shares corresponding to the final number of PSUs. The company is authorized, however, to make a

full or partial cash payment in place of the delivery of Bilfinger shares, the amount of which is measured based on the current market price.

In addition to the STI and LTI, the Supervisory Board can, at its own discretion, grant a member of the Executive Board, on the basis of a previously concluded target-setting agreement, a special bonus or retroactively a recognition bonus for special achievement. There is no general entitlement to such a bonus on the part of the member of the Executive Board except in the case of an expressed commitment from the Supervisory Board.

Own investment in Bilfinger shares Members of the Executive Board are obliged to purchase Bilfinger shares, the purchase price for which equals one year's gross annual fixed salary, and to hold them for the period of their appointment to the Executive Board. The purchase is to be made within a time period of five years, whereby shares with a value of at least one-fifth of the total amount to be applied must be purchased in each financial year. Shares that are granted to a member of the Executive Board within the scope of the LTI are counted against this purchase obligation.

Non-cash benefits The Executive Board remuneration system provides fringe benefits (benefits in kind), for the most part in the form of insurance cover and the use of company cars including driver, the value of which is accounted for in accordance with applicable tax law.

Retirement benefits Retired members of the Executive Board receive pension payments from the age of 62. In case of the death of a member of the Executive Board with pension entitlement and assuming further conditions are met, dependents are entitled to pension benefits in the form of widow and orphan pensions, insofar as other arrangements have not been made in individual cases. For new contracts since the third quarter of 2016, benefit entitlements for surviving dependents will exclusively take the form of capital payments. This currently relates to Dr. Patzak. The entitlements described above have been transferred to an external institution in the form of a reinsured relief fund and are based on annual contributions made by the company to the relief fund and contractually agreed with the member of the Executive Board in the amount of 45 percent of the fixed remuneration (50 percent in the cases of Dr. Patzak and Ms. Johansson). All future pension entitlements are fully funded so that there is no financial burden on the company in the event of a claim. For all contracts there is a right to select between payment of the retirement benefit as a capital payment or as a life-long pension. The benefits of the external institutions also cover the risk of occupational disability, insofar as other arrangements have not been made in individual cases. The pension arrangement of Ms. Johansson covers pension payments only.

The following table shows the company's contributions to the relief fund for the year 2018 and the expected annual pension entitlements or the expected amount of principal payments to active members of the Executive Board already achieved by members of the Executive Board upon retirement, assuming a retirement age of 62 years (unless indicated otherwise).

RETIREMENT BENEFITS
€ thousand

	Expected amount of the principal payment upon retirement	Expected annual pension entitlement upon retirement	Contribution to the relief fund	
			2018	**2017**
Tom Blades (Chairman)	2,799[a]	82[a]	540	540
Dr. Klaus Patzak (until September 30, 2018)	658	20	262	350
Christina Johansson (from December 1, 2018)	2,979	87	28	–
Michael Bernhardt	4,576	142	270	270
			1,100	**1,160**

[a] calculation on the assumption of a retirement age of 65 years.

Total remuneration granted for the financial year

Total remuneration granted for 2018, comprised of the annual fixed salary, variable remuneration including share-based remuneration, non-cash benefits and payments to the relief fund for the pension plan can be found in the corresponding remuneration charts.

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Section 4.2.3 Subsection 2 Sentence 6 of the German Corporate Governance Code recommends that the maximum amount of Executive Board remuneration and the variable components of that remuneration be defined. The company deviates from this recommendation as relates to the remuneration system that has been valid since financial year 2015; this was disclosed most recently in its declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (*AktG)* dated December 13, 2018. As already described, in accordance with the remuneration system in place since 2015, members of the Executive Board receive a certain number of PSUs as part of the LTI. While the final number of PSUs is limited, the share price of the company that is relevant for the value of the PSU at the conclusion of the three-year performance period is not subject to any limitation because an upper limit in this respect contradicts the basic principle of share-based remuneration. The table thus contains no maximum amounts.

With Ms. Johansson, the Supervisory Board, due to the circumstance that she was not involved in the corporate planning for financial years 2018 and 2019, has also agreed that, with regard to the STI for 2018 (pro rata temporis) and 2019, a weighted average of the target achievement, i.e. the results of the economic success targets, of 100 percent will be guaranteed. In addition, with regard to the LTI for 2018 (pro rata temporis) and 2019, the fulfillment of the ROCE parameters of the LTI at 100 percent has also been guaranteed.

Further, the Supervisory Board resolved in February 2019 to grant Mr. Blades a one-time recognition bonus in the amount of €72 thousand for his performance and commitment beyond his obligations by the interim assumption of the tasks of the Chief Financial Officer in addition to his tasks as Chief Executive Officer in October and November 2018.

No loans or advances were made to the members of the Executive Board in 2018. No remuneration was paid for positions held on supervisory boards or comparable boards of companies by members of the Executive Board of the Group in 2018.

VALUE OF BENEFITS GRANTED FOR THE REPORTING YEAR
€ thousand

	Tom Blades (Chairman)				Dr. Klaus Patzak (until 9/30/2018, Chief Financial Officer)			
	2017	2018	2018 min	2018 max	2017	2018[a]	2018 min[a]	2018 max[a]
Fixed remuneration	1,200	1,200	1,200	1,200	700	524	524	524
Fringe benefits	40	40	40	40	39	29	29	29
One-time payment	200[d]	72[d]	72[d]	72[d]	–	–	–	–
Total	**1,440**	**1,312**	**1,312**	**1,312**	**739**	**553**	**553**	**553**
One-year variable remuneration: STI	0	1,000	0	2,000	650	486	0	972
Multi-year variable remuneration: LTI (share-based) Tranche 2017-2019[b]	1,071	–	–	–	650	–	–	–
Multi-year variable remuneration: LTI (share-based) Tranche 2018-2020[b]	–	1,209	0	n/a[c]	–	549	0	n/a[c]
Total	**2,511**	**3,521**	**1,312**	**n/a[c]**	**2,039**	**1,588**	**553**	**n/a[c]**
Benefit expense	540	540	540	540	350	262	262	262
Total remuneration	**3,051**	**4,061**	**1,852**	**n/a[c]**	**2,389**	**1,850**	**815**	**n/a[c]**

VALUE OF BENEFITS GRANTED FOR THE REPORTING YEAR
€ thousand

	Christina Johansson (from 12/1/2018 Chief Financial Officer)				Michael Bernhardt (member of the Executive Board)			
	2017	2018[a]	2018 min[a]	2018 max[a]	2017	2018	2018 min	2018 max
Fixed remuneration	–	55	55	55	600	600	600	600
Fringe benefits	–	3	3	3	37	34	34	34
One-time payment	–	–	–	–	100[d]	–	–	–
Total	**–**	**58**	**58**	**58**	**737**	**634**	**634**	**634**
One-year variable remuneration: STI	–	51	41	100	0	500	0	1,000
Multi-year variable remuneration: LTI (share-based) Tranche 2017-2019[b]	–	–	–	–	482	–	–	–
Multi-year variable remuneration: LTI (share-based) Tranche 2018-2020[b]	–	39	0	n/a[c]	–	544	0	n/a[c]
Total	**–**	**148**	**99**	**n/a[c]**	**1,219**	**1,678**	**634**	**n/a[c]**
Benefit expense	–	28	28	28	270	270	270	270
Total remuneration	**–**	**176**	**127**	**n/a[c]**	**1,489**	**1,948**	**904**	**n/a[c]**

a Taking into account the proportionate mandate
b Fair value at granting
c Not applicable, as the LTI is not limited due to the payment in real shares
d The granting of a recognition bonus for special performance and the amount of such a bonus are at the discretion of the Supervisory Board

ALLOCATION FOR THE REPORTING YEAR
€ thousand

	Tom Blades (Chairman)		Dr. Klaus Patzak (until Sept. 30, 2018, Chief Financial Officer)	
	2017	2018	2017	2018[a]
Fixed remuneration	1200	1200	700	524
Fringe benefits	40	40	39	29
One-time payment	200[b]	72[b]	–	–
Total	1,440	1,312	739	553
One-year variable remuneration: STI	0	1,728	650	700
Multi-year variable remuneration: LTI (share-based) Tranche 2015-2017	–	–	–	–
Multi-year variable remuneration: LTI (share-based) Tranche 2016-2018	–	187[c]	–	213[c]
Total	1,440	3,227	1,389	1,466
Benefit expense	540	540	350	262
Total remuneration	1,980	3,767	1,739	1,728

ALLOCATION FOR THE REPORTING YEAR
€ thousand

	Christina Johansson (from Dec. 1, 2018 Chief Financial Officer)		Michael Bernhardt (member of the Executive Board)	
	2017	2018[a]	2017	2018
Fixed remuneration	–	55	600	600
Fringe benefits	–	3	37	34
One-time payment	–	–	100[b]	–
Total	–	58	737	634
One-year variable remuneration: STI	–	73	0	864
Multi-year variable remuneration: LTI (share-based) Tranche 2015-2017	–	–	0	–
Multi-year variable remuneration: LTI (share-based) Tranche 2016-2018	–	–	–	126[c]
Total	–	131	737	1,624
Benefit expense	–	28	270	270
Total remuneration	–	159	1,007	1,894

a Taking into account the proportionate mandate
b The granting of a recognition bonus for special performance and the amount of such a bonus are at the discretion of the Supervisory Board
c Value of the earned PSUs/Bilfinger shares pursuant to the LTI as of 12/31/2018 (based on the XETRA closing share price on the last trading day, 12/28/2018).

Other disclosures

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

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

Total remuneration of former members of the Executive Board including pensions The amounts paid to members of the Executive Board who left the company prior to the reporting year or their surviving dependents totaled €2,484 thousand in the reporting year (previous year: €2,715 thousand, including pension payments of €2,268 thousand). These payments comprised pensions only paid to former members of the Executive Board who left the company prior to the reporting year or their surviving dependents. No other payments were made. The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €30,290 thousand (previous year: €29,978 thousand). Following his resignation from the Executive Board at the end of September 30, 2018, Dr. Klaus Patzak received a non-competition payment in the reporting year of €92 thousand.

New member of the Executive Board As of January 1, 2019, Duncan Hall was appointed as a new member of the Executive Board and COO. The remuneration package for Duncan Hall corresponds to that of a full member of the Executive Board. In addition, the Supervisory Board also agreed that for 2019, with regard to the STI, a weighted average of the target achievement, i.e. the results of the economic success targets at 60 percent, and with regard to the LTI for 2019, the fulfillment of the ROCE parameters of the LTI at 100 percent is guaranteed.

Supervisory Board remuneration

The members of the Supervisory Board receive, as specified by Article 16 of the Articles of Incorporation of Bilfinger SE, in addition to the reimbursement of their expenses, annual fixed remuneration of €70 thousand. The Chairman of the Supervisory Board receives two and a half times that amount; the

Deputy Chairman of the Supervisory Board and the Chairmen of the committees with the exception of the Nomination Committee receive double that amount. The members of the committees with the exception of the Nomination Committee receive one and a half times that amount. If a member of the Supervisory Board exercises several of the aforementioned functions, he or she is only entitled to the highest of the respective amounts. Members of the Supervisory Board receive a meeting fee of €500 for each meeting of the Supervisory Board and its committees that they attend. Members who reside in Germany are also reimbursed for any value added tax applicable to their remuneration.

The remuneration of the members of the Supervisory Board of Bilfinger SE in 2018 amounted to €1,429 thousand (previous year: €1,438 thousand). In financial year 2018, members of the Supervisory Board were also reimbursed for expenses or these expenses were assumed. These include travel costs and other individual invoices for expenditures in connection with the activities in the Supervisory Board in the interests of Bilfinger SE, in the total amount of €105 thousand (previous year: €119 thousand). Mr. Knerler was paid for his advisory role with the Group Works Council, approved by the Supervisory Board, a consulting fee in the amount of €144 thousand net in financial year 2018. No additional remuneration was paid, or benefits granted for personal services rendered such as consulting or agency services.

REMUNERATION OF THE SUPERVISORY BOARD OF BILFINGER SE[a]

€ thousand

	2018	2017
Dr. Eckhard Cordes (Chairman, Chairman of the Presiding Committee, Chairman of the Transformation Committee)	186.5	187.0
Stephan Brückner (Deputy Chairman, member of the Presiding Committee, member of the Transformation Committee)	151.0	153.5
Agnieszka Al-Selwi	75.5	75.5
Dorothée Deuring (member of the Audit Committee)	113.5	112.5
Lone Fønss Schrøder	73.0	72.5
Dr. Ralph Heck (member of the Presiding Committee, member of the Transformation Committee)	114.0	116.5
Dr. Marion Helmes (until May 15, 2018, Chairwoman of the Audit Committee)	54.3	147.5
Susanne Hupe (member of the Transformation Committee)	113.0	115.0
Rainer Knerler (member of the Presiding Committee, member of the Transformation Committee)	115.0	117.5
Dr. Janna Köke (member of the Audit Committee)	113.5	113.0
Frank Lutz (from May 15, 2018, Chairman of the Audit Committee)	92.6	–
Jörg Sommer (member of the Audit Committee)	113.5	113.0
Jens Tischendorf (member of the Transformation Committee)	113.5	114.5
	1,428.9	**1,438.0**

[a] Net amounts not including potential income tax reimbursement.

A.5 Bilfinger in the capital market

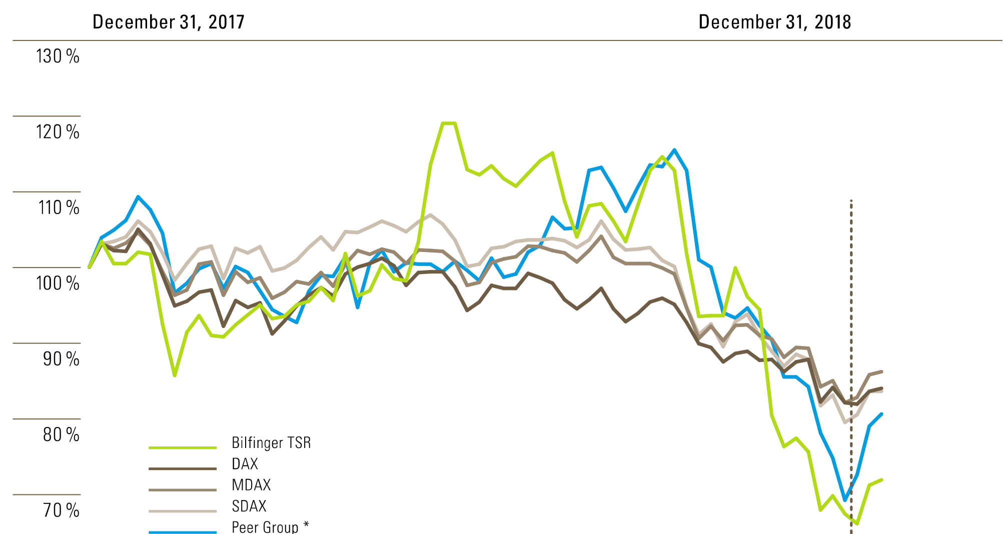
Stock market year 2018

2018 was a year marked by a high degree of volatility and price drops on the stock market. Overall, the relevant German stock indices recorded significant losses over the course of the year. The DAX and MDAX each fell by 18 percent, the SDAX by 20 percent. The European industry index Europe TMI Support Services declined by 9 percent in 2018. For the full year, the Bilfinger share dropped about 34 percent, a decline that was greater than that of the group of comparable companies (-26 percent).

In the first months of the year, the price of the Bilfinger share developed in line with the average of the comparable companies, though with more pronounced swings. In June 2018, progress in target achievement for 2020 as well as new developments in business development and digitalization were presented at the Bilfinger Capital Markets Day. The share reached its high for the year at a price of €46.58 on June 15, 2018. Despite earnings development in line with market expectations and a positive response to the ending of the compliance monitorship, the second half of the year was shaped by significant price drops and substantial volatility. Many investors withdrew to low-risk investments in light of rising uncertainty as relates to economic development. Intermittent increases in short-selling and a falling oil price put added pressure on the share price. At the end of December, the share reached its low for the year at €25.08 and closed out the year at €25.48. Market capitalization totaled €1.1 billion.

After a moderately positive start in the new stock market year 2019, the capital markets were up significantly in February. The relevant German stock indices recovered. With the presentation of its preliminary figures for financial year 2018, Bilfinger was again able to meet and in some cases outperform market expectations; the performance of the share was also positive in the first weeks of the new year.

RELATIVE PERFORMANCE OF OUR SHARES
1 YEAR



* Weighted index of peer group companies by market capitalization as of December 31, 2017 (Aegion, Fluor, KBR, Matrix Services, McDermott, Mistras, Petrofac, Spie, Team, Wood Group, Worley Parsons)

KEY FIGURES ON OUR SHARES

€ per share

	2014	2015	2016	2017	2018
Earnings [1]	-1.62	-11.54	6.13	-2.01	-0.59
Adjusted earnings [2]	3.62	-0.68	-0.17	-0.19	0.87
Cash flow per share	0.77	0.88	-5.07	-2.71	1.21
Dividend	2.00	0.00	1.00	1.00	1.00
Dividend yield [3]	4.3%	–	2.7%	2.5%	3.9%
Payout ratio [4]	50%	–	–	–	–
Highest price	93.05	59.67	44.15	40.72	46.58
Lowest price	41.54	32.63	25.05	32.89	25.08
Year-end price	46.35	43.47	36.57	39.57	25.48
Book value [5]	43.85	33.39	37.30	32.65	30.24
Market value / book value [3,5]	1.1	1.3	1.0	1.2	0.8
Market capitalization in € million [3,7]	2,133	2,001	1,683	1,749	1,126
SDAX weighting (until 2016 MDAX) [6,8]	1.1%	0.9%	0.7%	2.6%	1.5%
Price-to-earnings ratio [3,4]	12.8	-63.93	-215.12	-208.26	29.29
Number of shares (in thousands) [6,7]	46,024	46,024	46,024	44,209	44,209
Average XETRA daily volume (no. of shares)	283,673	363,671	248,551	208,084	166,739

Unless stated otherwise, all information relates to continuing operations.
All price details refer to XETRA trading
1 Includes continuing and discontinued operations
2 Adjusted for special items. Explanation: see chapter B.2.2 Results of operations, adjusted earnings per share
Also adjusted for amortization of intangible assets from acquisitions and goodwill. In addition, the tax rate was normalized to 31%.
3 Based on the year-end closing price
4 Based on adjusted earnings per share
5 Balance sheet shareholder's equity excluding minority interest
6 Based on year-end
7 Including treasury shares
8 SDAX with 70 companies since 2018

see page 64

BILFINGER SHARE

ISIN / stock-exchange symbol	DE0005909006 / GBF
WKN	590 900
Main listing	XETRA / Frankfurt
Deutsche Börse segment	Prime Standard
Share indices	SDAX, DAXsubsector Industrial Products & Services Idx., Euro STOXX

S&P credit rating reduced

In May 2018, the rating agency Standard & Poor's reduced Bilfinger's credit rating from BB+, stable outlook, to BB, stable outlook.

Corporate bond slightly below prior-year level at year-end

The corporate bond issued in December 2012 with a volume of €500 million has an interest coupon of 2.375 percent. The Bilfinger bond closed the stock market year 2018 at 100.88 percent and thus slightly below the level of the prior year.

BILFINGER BOND

ISIN / stock-exchange symbol	DE000A1R0TU2
WKN	A1R0TU
Listing	Luxembourg (official trading)
Issue volume	€500 million
Interest coupon	2.375%
Maturity	December 7, 2019
Year-end closing price (Frankfurt)	100.88

Dividend policy

We generally pursue a sustainable dividend policy with the objective of allowing our shareholders to participate appropriately in the Group's success. The Executive Board and the Supervisory Board will propose to the Annual General Meeting that a dividend of €1.00 per share for financial year 2018 be distributed. In relation to the share price at the end of 2018, this represents a dividend yield of 3.9 percent. Provided that the development of the company is in line with planning, the Executive Board and the Supervisory Board will seek to maintain the amount of the dividend until the general dividend-distribution policy takes hold. This targets the payment to shareholders of between 40 and 60 percent of adjusted net profit, depending on the foreseeable medium-term development of the company.

Share buyback

The buyback of own shares announced on February 14, 2017 and started on September 6, 2017 was completed on October 31, 2018.

The share buyback took place in accordance with the authorization granted by the Annual General Meeting on May 24, 2017, which also specifies the options for the possible use of the shares acquired. The buyback was carried out through the stock exchange (XETRA) by an independent financial-service provider in accordance with applicable EU regulations. Within the scope of the share-buyback program, a total of 3,942,211 shares were reacquired at an average price of €38.05. This corresponds to 8.917 percent of share capital. A total of €149,999,972.62 was paid for the shares (not including supplementary costs of acquisition).

Share indices and coverage of Bilfinger's stock

The Bilfinger share is part of the SDAX index of the German Stock Exchange. The Investor Relations team is in regular contact with a total of 13 financial analysts. Their recommendations and price targets are regularly updated in the Investor Relations section of our website www.bilfinger.com.

Capital Markets Day 2018

The Bilfinger Capital Markets Day was held on June 13, 2018 in Frankfurt, Germany. The event focused on business development and digitalization. The Executive Board as well as the heads of the Bilfinger divisions introduced growth and improvement potentials. Bilfinger management also presented pioneering products and services from the fields of digitalization and biopharma to the analysts, investors and bank representatives. The practical presentation of the business together with a tour of the Bilfinger stand at the Achema trade fair, which was being held at the same time, were well-received.

Annual General Meeting 2018 with strong capital presence

There was again a strong presence at the Annual General Meeting 2018 with 59 percent (previous year: 61 percent) of the share capital as defined by our Articles of Incorporation on hand. A total of 692 participants (previous year: 743 participants) attended the event. All the resolutions were passed as recommended by the management with large majorities. We will continue to encourage our shareholders to exercise their voting rights in 2019 – either in person or through a proxy.

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B.1 The Bilfinger Group

B.1.1 Business model

Bilfinger is a leading international industrial services provider. The Group enhances the efficiency of assets in the process industry, ensures they have a high level of availability and reduces maintenance costs. The portfolio covers the entire value chain from consulting, engineering, manufacturing, construction, maintenance, plant expansion as well as turnarounds and also includes environmental technologies and digital applications.

B.1.2 Legal form and management

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

The Executive Board manages the company in its own responsibility. The Supervisory Board appoints, supervises and advises the Executive Board and is directly involved in key decisions affecting the company. These bodies work in close cooperation for the benefit of Bilfinger. Details are described in Chapter *A.4 Declaration of corporate governance and corporate governance report*, which is also available on the Internet site www.bilfinger.com under 'Company / Corporate Governance'.

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B.1.3 Organization, strategy and objectives

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

Our operating companies deliver their services for the most part in our customers' plants. The business processes are therefore largely organized in a decentralized manner and this also applies to sales structures and procurement markets. In order to continuously improve process and cost efficiency, we initiate central business development projects in relevant positions in the sales area. Central instruments also play an increasingly important role in procurement. Such instruments include the bundling of buying processes and the use of e-procurement platforms.

Key factors for our business are quantified in Chapter *B.2.4 Financial position – origin and distribution of value creation.* With our comprehensive range of services for plants in the process industry, an organizational structure that is aligned with the needs of our customers and a focus on defined customer industries, we have established the foundation for the successful development of our company. Information on our research and development activities is included in Chapter *B.2.6.6 Innovation (research and development report)*.

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Two business segments

We report on the business development in 2018 in the segments Engineering & Technologies and Maintenance, Modifications & Operations.

REPORTING STRUCTURE

Engineering & Technologies (E&T)	Maintenance, Modifications & Operations (MMO)
Division:	Divisions:
Engineering & Technologies	Continental Europe
	Northwest Europe
	North America
	Middle East

In the reporting year, the Engineering & Technologies segment primarily bundled our activities based on engineering services and technical solutions. The project business is predominant; important drivers are capital expenditures on the part of our customers (CAPEX) on their property, plant and equipment. We meet the requirements of our customers by means of a centrally controlled project management system in an internationally-active division focused on defined industries and engineering disciplines.

In the Maintenance, Modifications & Operations segment, for 2018 we report on our activities in ongoing maintenance services, modifications and operational management of industrial plants. The predominant factor here is the share of the services business based on long-term framework agreements. The main drivers of the business are, in many cases, the budgets of our customers for the ongoing operation of their plants (operational expenditure – OPEX). Because these relate primarily to activities with specific local demand structures, we have organized this business in regions.

Four regions

Bilfinger concentrates its business on the core regions Continental Europe, Northwest Europe, North America and the Middle East. In these regions, we have partially very good market positions and see opportunities to expand our business in selected areas. We have carefully analyzed the respective environments and evaluated our regional development potential in defined customer groups.

Six industries

Bilfinger has exceptional competences and particularly strong customer relationships in the industrial sectors chemicals & petrochemicals, oil & gas as well as energy & utilities which account for the majority of our current output volume. In the pharma & biopharma, cement and metallurgy industries, we intend to further expand our existing business and grow to an even greater extent in the future.

Other Operations

We report on operating units that are active outside the defined business segments, regions and industries under Other Operations. These units are not part of the strategic positioning of the Group. The loss-making units in this segment were sold or terminated in financial years 2017 and 2018. The remaining four units will be managed independently for value until a suitable owner has been found. For two companies, selling contracts were signed at the end of the reporting year and in January 2019, respectively. Both transactions were completed in the first quarter of 2019.

At the beginning of financial year 2018, the Group company Bilfinger VAM Anlagentechnik GmbH was spun off from Other Operations and newly allocated to the Maintenance, Modifications & Operations segment (services business) and the Engineering & Technologies segment (project business). As a result of the reorganization as well as the disposals, the Other Operations division no longer represents a reportable segment in financial year 2018. The segment reporting for 2018 thus consists of two business segments; the prior-year figures have been adjusted accordingly. The remaining Other Operations activities are presented as reconciliation Group in segment reporting for financial year 2018.

Reorganization of the business and reporting segments as of January 1, 2019

As of January 1, 2019, the business segments of the Group were reorganized in the course of the strategic development and the reporting segments adapted accordingly. The reporting structure that is valid from the beginning of financial year 2019 is explained in Chapter *B.4 Outlook*.

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B.1.4 Financial management system

Our key financial management metrics for financial year 2018 include figures for growth, profitability, capital efficiency as well as for liquidity and capital structure. Revenue, adjusted EBITA, return on capital employed (ROCE) and free cash flow serve as the most important key figures for financial management.

B.1.4.1 Growth

Revenue Profitable organic growth in volume is a cornerstone of our strategy for increasing Bilfinger’s enterprise value. In addition, targeted acquisitions can contribute to the growth in volume.

Planning is conducted on the basis of orders received and order backlog, both represent early indicators for revenue. For projects, we recognize the entire contract volume after signing, for framework agreements without a guaranteed volume, we book the expected revenue for the coming 12 months on a rolling basis in orders received and order backlog.

B.1.4.2 Profitability

EBITA / adjusted 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’ (EBITA). We focus here on ‘adjusted EBITA’ with adjustments made for special items. For better comparability of operating performance over time, special items are eliminated. These include, for example, gains on disposals, restructuring measures as well as expenses in connection with the further development of our IT landscape and our compliance system.

Initial application of IFRS 16 will, from financial year 2019, have a positive effect on the Group’s EBITA because the previous straight-line recognition for operating leases in accordance with IAS 17 will be replaced by amortization of the right-of-use assets and interest expense on the lease liabilities.

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

Dividend policy We generally pursue a sustainable dividend policy with the objective of allowing our shareholders to participate appropriately in the Group’s success. The Executive Board and the Supervisory Board will propose to the Annual General Meeting a dividend of €1.00 per share for financial year 2018. Provided that the development of the company is in line with planning, the Executive Board and

the Supervisory Board will seek to maintain the amount of the dividend until the general dividend distribution policy takes hold. This targets the payment to shareholders of between 40 and 60 percent of adjusted net profit, depending on the foreseeable medium term development of the company.

Share buyback The buyback of own shares announced on February 14, 2017 was started on September 6, 2017 and completed on October 31, 2018. In this period, a total of 3,942,211 own shares (8.92 percent of the capital stock of Bilfinger SE) at a total value of €149,999,972.62 (not including acquisition costs) were acquired. This corresponds to an average price of €38.05 (not including supplementary costs of acquisition) per re-acquired share.

The share buyback took place on the basis of the authorization granted by the Annual General Meeting on May 24, 2017 which called for the buyback of a maximum of 10 percent of the capital stock at a purchase price of up to €150 million. The authorization also regulates all options for a possible use of the shares acquired.

B.1.4.3 Capital efficiency

Value added and ROCE The value added by our business segments and the Group is measured with the help of value and cash oriented management. We employ our capital in a targeted manner in order to achieve high value added. Positive value added is only achieved for the Group if the return on the average capital employed is higher than the weighted average cost of capital (WACC). We calculate these figures after taxes and considering special items. For further details, please refer to the corresponding explanations in Chapter B.2. Results of operations – Value added. The parameters are regularly reviewed and are adjusted for any relevant changes in the market environment.

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Free cash flow / adjusted free cash flow / net working capital To facilitate the operationalization of value-oriented management, we orient ourselves on free cash flow. Free cash flow is calculated on the basis of cash flow from operating activities less net investments in property, plant and equipment. A major factor to be considered in this regard is the change in net working capital. Net working capital is calculated as the difference between current assets excluding cash and cash equivalents and current liabilities excluding financial debt. A reduction in net working capital leads to lower capital employed and thus also contributes toward an increase in the return on capital employed (ROCE) and in the value added by the business segment concerned.

In addition, we also continue to consider adjusted free cash flow at Group level. As described above, it is calculated on the basis of cash inflow from operating activities less net investment in property, plant and equipment as well as under adjustment for special items. These special items correspond to the adjustments in EBITA:

From financial year 2019, the initial application of IFRS 16 will lead to an improved cash flow from operating activities and to a decrease in cash flow from financing activities. The application of IFRS 16 will thus have a positive effect on the free cash flow of the Group in 2019.

Investments Although compared with some industries our business is not very capital intensive, planned additions to property, plant and equipment are subject to intensive investment controlling.

B.1.4.4 Capital structure and liquidity

Net debt and dynamic gearing ratio To manage liquidity, we focus on the important key figures net debt and the dynamic debt ratio, which also includes net debt as relates to EBITDA.

Note on pro forma key figures

In addition to the key figures prepared in accordance with IFRS, Bilfinger also prepares pro forma key figures (for example EBITA, adjusted EBITA, EBITA margin, adjusted EBITA margin, adjusted earnings per share, adjusted net profit, adjusted cash flow from operating activities, adjusted free cash flow) which are not a component of the accounting regulations and which are also not subject to these regulations. These pro-forma key figures are to be seen as a supplement, but not as a substitute for the disclosures required by IFRS. The pro forma key figures are based on the definitions provided in this Annual Report. Other companies may calculate these key figures differently.

B.2 Economic report

B.2.1 General statement of the Executive Board on the economic situation

PLAN/ACTUAL COMPARISON	Actual 2018	Forecast Interim report H1 2018	Forecast Annual Report Year-end 2017	Actual 2017
Orders received				
Group	€4,459 million / organically 12%	organic increase in mid single digit percentage range	organic increase in mid single digit percentage range	€4,055 million
Sales revenue				
Group	€4,153 million / organically 6 %	organically stable to slightly growing	organically stable to slightly growing	€4,044 million
Engineering & Technologies	€1,235 million	stabilization	stabilization	€1,157 million
Maintenance, Modifications & Operations	€2,758 million	at prior-year level or slightly growing	at prior-year level or slightly growing	€2,628 million
EBITA adjusted				
Group	€65 million	significant increase to mid to high double-digit million euro range	significant increase to mid to high double-digit million euro range	€3 million
Engineering & Technologies	€27 million	substantial improvement, positive earnings	substantial improvement, positive earnings	-€24 million
Maintenance, Modifications & Operations	€110 million	slight improvement	slight improvement	€103 million
Net profit	-€24 million	significantly improved, though again negative as a result of special items	significantly improved, though again negative as a result of special items	-€89 million
Adjusted net profit from continuing operations	€36 million	significant improvement to positive figure	significant improvement to positive figure	-€9 million
Free cash flow	-€4 million	significant improvement, but again negative	significant improvement, but again negative	-€181 million
Adjusted free cash flow	€56 million	break-even	break-even	-€69 million
Return on capital employed (ROCE)	0.1 %	significantly improved, but still negative return on capital employed after taxes due to special items	significantly improved, but still negative return on capital employed after taxes due to special items	-4.3%*

* In the reporting year, effects from the preferred participation notes – equity-like participation rights that were transferred in the course of the sale of the Building, Facility Services and Real Estate divisions in 2016 – were taken into account for the first time. The prior-year figure has been adjusted accordingly.

Due to the rounding of the disclosed figures, it is possible that individual figures do not precisely add up to the totals provided and that percentage figures provided do not precisely reflect the absolute values that they relate to.

In financial year 2018, Bilfinger met and in some instances outperformed the forecast issued in the Annual Report 2017 and confirmed in the report on the first six months of 2018. In an improved market environment, the stabilization phase that was initiated in 2017 was completed: Orders received, revenue and earnings showed positive development while liquidity and return on capital employed were above the level of the prior year.

With the implementation of our strategic positioning we remain on the right path. A standardized project management process was established and the share buyback program that was launched in 2017 was completed as planned at the end of October 2018.

In terms of profitability, the E&T segment presents what is still a heterogeneous picture, although some of the companies in the segment that had negative earnings contributions in 2018 have good growth and earnings prospects. It was not least against this backdrop that in the course of the strategic development, the Group's business segments were reorganized with effect from January 1, 2019. The main features of this step are described in chapter B.4 Outlook.

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To further increase the profitability of the Bilfinger Group, we continue to concentrate on reducing complexities, improving our operational procedures and further decreasing costs. At the same time, we are working on entering attractive markets where we can deploy our considerable competences.

Business development

In the Engineering & Technologies segment, orders received increased significantly to €1,479 million (previous year: €1,119 million) while orders received in the Maintenance, Modifications & Operations segment also grew to €2,854 million (previous year: €2,664 million). At Group level, a figure of €4,459 million (previous year: €4,055 million) meant that a figure significantly above the prior-year level was achieved.

Revenue in the Engineering & Technologies segment increased to €1,235 million (previous year: €1,157 million), at Maintenance, Modifications & Operations it rose to €2,758 million (previous year: €2,628 million). The Group recorded a revenue increase to €4,153 million (previous year: €4,044 million).

Adjusted EBITA of €65 million (previous year: €3 million) was well above prior year figure, which was burdened by risk provisions for legacy projects in the USA. In relation to revenue, the adjusted EBITA margin was 1.6 percent (previous year: 0.1 percent). In the Engineering & Technologies segment, adjusted EBITA improved substantially, reaching profitability with €27 million (previous year: -€24 million). The EBITA margin was 2.2 percent (previous year: -2.1 percent). In the Maintenance, Modifications & Operations segment, adjusted EBITA grew to €110 million (previous year: €103 million). The EBITA margin was stable at 4.0 percent (previous year: 3.9 percent).

Net profit was -€24 million (previous year: -€89 million). Adjusted net profit from continuing operations was increased to €36 million (previous year: -€9 million) and was thus positive again for the first time since 2014.

Return on capital employed (ROCE) improved again after negative figures in prior years achieving 0.1 percent in the reporting year (previous year: -4.3 percent).

Investments in property, plant and equipment and intangible assets were decreased slightly to €66 million (previous year: €71 million). These outflows were countered by cash inflows of €12 million (previous year: €9 million) so that net investments decreased to €54 million (previous year: €62 million). This led to a nearly balanced free cash flow of -€4 million, following a prior-year figure that was still significantly negative at -€181 million. Adjusted free cash flow was positive at €56 million (previous year: -€69 million).

Dividend

We pursue a sustainable dividend policy with the objective of letting our shareholders participate appropriately in the Group's success. The Executive Board and the Supervisory Board will propose to the Annual General Meeting that a dividend of €1.00 per share for financial year 2018 be distributed. Provided that the development of the company is in line with planning, the Executive Board and the Supervisory Board will seek to maintain the amount of the dividend until the general dividend distribution policy takes hold. This targets the payment to shareholders of between 40 and 60 percent of adjusted net profit, depending on the foreseeable medium term development of the company.

B.2.1.1 Economic environment

Economy as a whole

The economy in the euro zone again grew perceptibly in 2018, although the dynamic development weakened with a decrease in the growth rate from 2.4 percent in the prior year to 1.9 percent (DG ECFIN Winter). Rising uncertainty concerning the consequences of international trade disputes and the United Kingdom's upcoming exit from the European Union burdened development over the course of the year. This was on top of new worries about a return of the European debt crisis due to the budget crisis between the government of Italy and the European Commission. In this environment, German growth also weakened from 2.2 percent in the previous year to 1.5 percent in the reporting year (DG ECFIN Winter).

Nevertheless, company expenditures for investments in equipment in the euro zone managed to increase again by 5.5 percent after 5.0 percent in the previous year (DG ECFIN, p. 177). In the United Kingdom, Brexit uncertainty had a debilitating effect on companies' capital expenditures. Here, investments in equipment decreased by 3.2 percent (DG ECFIN, p. 177). The investment dynamic in Germany was strong and with a plus of 4.7 percent, was just slightly below the average for the euro zone (DG ECFIN, p. 177). The favorable investment economy boosted growth of the German market for industrial services to 5.5 percent – the highest figure since 2012 (Lün, p. 3).

The US economy grew significantly stronger than the euro zone with 2.9 percent (DG ECFIN, p. 172). Impetus was provided by the comprehensive tax reform which took effect at the beginning of the year with its substantial relief in terms of corporate taxes and a strong investment economy in the oil and gas sector.

Economic development in the Arabian Gulf states stabilized as a result of intermittently higher oil prices. For the first time in years, Saudi Arabia was once again able to record a positive growth rate of 2.2 percent (IMF WEO, p. 14), though the investment economy has not yet been extensively reinvigorated.

Engineering & Technologies

Chemicals & Petrochemicals Following a start to the year that was still shaped by an economic boom, the growth dynamic in the European chemical industry slowed in the course of the year. The reason for the slowdown was the noticeable decrease in production in the key customer industries automotive and plastics processing (VCI Q3). In the first 10 months of the year, chemical production in the EU reached the level of the previous year (VCI World). Despite stagnating production volumes, the chemical industry was able to increase sales as a result of a nearly 3 percent increase in producer prices (VCI Barometer Jan). Capacity utilization remained high, again reaching 85 percent in the German chemical industry (VCI Q3). This high capacity utilization in combination with higher producer prices supported demand for externally sourced services.

Various developments in the national markets are behind the overall European picture. While chemical and petrochemical production in Germany decreased by 1.6 percent (as compared with the

previous year, it managed to increase by 3.1 percent in Poland and declined by 1.1 percent in the United Kingdom (January to October 2018 as compared with the previous year, VCI World).

The chemical industry in North America left development in Europe in its wake with continued strong production expansions of 3.6 percent in the USA and 6.3 percent in Canada (January to October 2018 as compared with previous year, VCI World). Investments in petrochemicals and polymer chemicals increased further and are being driven by shale-gas related transformations in the energy supply in USA (GTAI USA).

In the countries of the Gulf Cooperation Council, the market profited from a renewed increase in the financial strength of the public sector and the ramping-up of extensive downstream investments. The focus of Saudi Arabia's "Vision 2030" strategy is the strengthening of local value creation outside direct oil and gas production. To this end, investments were made in new petrochemical locations (GTAI Saudi Arabia Industries), so that the market for industrial services in this sector received additional momentum.

Across all markets, the chemical industry has demanded ever-stronger digital solutions and the use of big data for the integration of production, logistics and customer relationships from its suppliers (VCI Digi 2018).

Oil & Gas In the reporting year, business in the oil and gas sector was able to profit from the significant increases in the price of oil up until the downward correction in the fall. In the USA, this price increase was accompanied by a continuation of the strong expansion of production that had started in 2016. The number of active wells increased again as compared with the previous year by 17 percent to 1,077 (as of December, Baker Hughes). Natural gas production was 10 percent higher than prior-year levels (EIA August 28). The US oil industry exceeded key benchmarks in 2018. Not only was the previous historical high for daily production from 1970 beaten, but the country also overtook Saudi Arabia and Russia in its daily production, thus becoming the world's largest oil producer (EIA September 12, November 1). In this context, the regional weighting in the country shifted. The northeastern Appalachian region's share of natural gas production increased substantially as did the Permian Basin's (Texas and New Mexico) share of oil and gas production, while the shale gas region of Dakota became less important (EIA November 1).

With these production expansions, the USA continues to find itself on the path toward becoming a net energy exporter. While the ratio between the export and the import figures was 10 to one just 10 years ago, the ratio in 2018 was a mere 1.5 to one (EIA October 16). The strong increase in imports were made possible by new infrastructure for liquid gas facilities and shipping, so that it was possible for net gas exports to double in the reporting year (EIA October 1).

The oil and gas sector in the United Kingdom was also able to expand its production and, at the same time, to profit from the first half-year's 30 percent rise in Brent crude prices as compared to the previous year. Oil production reached a level of 20 percent above the lows of the years 2013/14 (Oil & Gas UK, p. 22). The combination of price increase and volume expansion pushed cash flow in the British oil and gas sector up to an estimated GBP 10 billion, thus significantly strengthening companies' ability to invest (Oil & Gas UK, p. 15). After years of substantial declines, capital expenditures stabilized at GBP 5.5 billion (Oil & Gas UK, p. 23). Another indication that the turning point has been reached was the fact that in the first eight months of the year, six major development projects with a total volume of GBP 2.5 billion were already approved, which was two projects more than in the two previous years combined (Oil & Gas UK, p. 6 and p. 26). Cost pressure for the new investments remains high, however. Companies in the sector continued to calculate their investments with careful break-even oil prices of a mere USD 40 per barrel (Oil & Gas UK, p. 16).

Production in the Norwegian Shelf was expanded only slightly. After three years with falling investment budgets, things have also stabilized here. The investment budget adjusted for acquisitions

("organic") of majority state-owned company Equinor (formerly: Statoil) remained at the previous year's level of USD 10 billion (Equinor Q3).

Energy & Utilities The markets in Germany and its neighboring countries continued to suffer from the effects related to a lack of incentive to invest. Age and profitability-related shutdowns of gas and coal-fired power stations have progressed without there being larger-scale investments in new plants. The German Association of the Energy and Water Industries counted 52 power plant projects for Germany that were in the planning stages in 2018, but indicated that the execution of 28 gas and pumped storage power plants was questionable (BDEW). The willingness for investment in existing coal-fired power plants suffered an additional setback as a result of the emotional debate regarding a possible rapid withdrawal from coal power and the dispute in connection with surface mining in Hambacher Forst.

While the market for industrial services related to fossil fuel power plants has thus not been able to recover, the market for industrial services in the area of demolition of nuclear power plants in Europe grew (KIT). In Germany, this market developed well as a result of the phasing out of nuclear energy by 2022. But in France, too, which continues to rely on nuclear energy, demand for demolition services grew due to the age-related shutdown of nuclear reactors. In the United Kingdom, on the other hand, new construction was the focus of activities with the beginning of work on the new Hinkley Point C nuclear power plant.

In Poland, extensive investments continued to be made to strengthen the use of natural gas in electricity and heat supply, even when coal and lignite continue to dominate as sources of energy and a withdrawal from coal-fired generation is not up for political debate. A series of new gas power plants with combined heat and power were under construction. In addition, Polish energy companies have undertaken projects in the area of gas distribution and storage. These include investments in underground gas tanks and new liquid natural gas terminals (GTAI Poland).

Hungary is relying on the expansion of nuclear energy in order to reduce its dependence on import of Russian natural gas. Investment volume for the planned two new blocks of the Peks 2 nuclear power plant is estimated at €12 billion. Initial work got underway in the reporting year (GTAI Hungary).

In the course of the ongoing shale gas boom, extensive investments are being made in new gas-fired power plants in the USA. As a result of the coal-friendly energy policy of the current administration, coal-fired power plants were refurbished through investments in waste gas purification and efficiency enhancements for further use and longer service lives.

In the Gulf states, rising oil income has improved financing conditions for the execution of new power plant investments. The administrations continued to pursue the strategy of reducing the share of fossil fuel energy production through regenerative energy and nuclear power. In the year under review, they laid the foundation for a comprehensive expansion of nuclear energy with the resolution on the National Atomic Energy Plan. The plan calls for the construction of up to 16 nuclear power plants in the coming 20 years and, from today's perspective, requires an investment volume of USD 80 billion (n-tv/AFP).

A new international market for waste gas purification systems using competences for fossil fuel power plants has emerged in the maritime sector. In accordance with requirements from the International Maritime Organization (IMO), stricter threshold limits for sulfur emissions of commercial ships will be in place from 2020 which can be met, among other things, by flue gas desulfurization systems (scrubber technology).

Pharma & Biopharma Worldwide, the pharmaceutical industry was able to achieve an accelerated growth in sales of 6.4 percent with prescription medications in the reporting year (Evaluate Pharma, p. 8). Concerns in the industry regarding legally enforced price reductions in the US market, which the

US President talked about repeatedly following his election have to date not materialized. Growth benefited to an ever-increasing extent from new therapies for rare diseases (EvaluatePharma, p. 8). The European pharmaceutical industry also had a part in this strong worldwide momentum and was able to expand its production in the first 10 months of the year by 5.5 percent as compared with the prior-year period (VCI World).

Maintenance, Modifications & Operations

Chemicals & Petrochemicals Chemicals and petrochemicals remain the most important sectors in the overall market for outsourced industrial services by a wide margin. In Germany, their share in the reporting period was 45 percent (Lün, p. 31). The still high capacity utilization and higher producer prices with stagnating production volumes benefited the business in Europe.

In the USA, demand was helped not only by higher prices, but also by the ongoing expansion of production on the part of chemical and petrochemical companies as an adjustment to the considerable increase in the availability of oil and gas from more affordable domestic production.

The oil-price related economic recovery was noticeable in the Gulf states. In addition, companies' increasing efforts to reduce their deficit in efficient maintenance as compared to the more mature chemicals regions was recognizable.

Digital solution in connection with the data supported control of maintenance and repair cycles ("predictive maintenance") played a growing role in the chemicals industry in particular.

Oil & Gas Brent crude prices that were higher until the fall and an expansion of production volumes in the British extraction areas increased demand for maintenance services in the North Sea oil and gas fields. In the British oil and gas industry in 2018, for the first time since the beginning of the upswing in 2013, there was once again an increase in operational expenditures with growth of 3 percent to a good GBP 7 billion (Oil & Gas UK, p. 22). On the Norwegian Shelf, too, a turning point was reached in terms of the industry's ongoing expenditures. Market leader Equinor significantly raised its operating budget for the first time in years. The considerable expansion of a good 10 percent in the first eight months of the year was applied for the most part within the scope of the ramping up of new production (Equinor Q3, p. 7). The European market, however, continued to be shaped by strict cost controls on the part of customers and a high degree of competition. The market segment for services related to the shutdown of production facilities was stable. There was tremendous momentum in the US market as a result of the strong expansion of production facilities and volumes as well as the country's development into the world's largest oil and gas producer.

Energy & Utilities In Europe, the importance of the power plant business as a customer sector for industrial services again declined slightly. In Germany, this industry for the first time fell below a share of 10 percent of the total market for externally sourced services. The energy sector thus had to give up second place to mechanical engineering (Lün, p. 31). The lack of profitability among most fossil fuel power plants and the intensified discussion regarding a possibly faster than planned withdrawal from coal power has further reduced the willingness of coal-fired power plant operators to rely on a long-term value oriented maintenance strategy.

Poland remained far away from abandoning coal-fired generation and coal will dominate the energy supply for the foreseeable future. Development of ongoing maintenance and upgrading of existing coal-fired power plants was correspondingly sustainable.

In the USA, too, stable political framework conditions were in place for the existing power plant portfolio due to the energy policy of the current administration – not only for gas but also for coal-fired power plants. The operators can calculate with long remaining time-lines also for older plants, so that even comprehensive maintenance budgets pay for themselves.

In the Gulf region, the improved financial situation of the states accompanied by rising oil income and the renewed positive economic growth alleviated financial bottlenecks in the energy industry and revived the business for power plant services.

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B.2.1.2 Factors influencing business development

The operating business in the Engineering & Technologies as well as the Maintenance, Modifications & Operations business segments in the core regions Continental Europe, Northwest Europe, North America and the Middle East was subject in 2018 to specific influencing factors in the respective core industries. In the key sectors, the following main trends were recorded:

FACTORS INFLUENCING BUSINESS DEVELOPMENT

	Oil & Gas	Chemicals & Petrochem	Energy & Utilities	Pharma & Biopharma
	Share of revenue: 20%	Share of revenue: 40%	Share of revenue: 15%	Share of revenue: 10%
Continental Europe	• Maintenance & field life extension investments continue. • Upgrades along the “European gas network”	• Stable maintenance business • Demand for general contractor solutions within maintenance projects • Turn-around pipeline filling fast • Willingness for further contracting-out of maintenance depends on country/region	• CHP / district heating • Perceived increase of contracting-out rate in maintenance • Distributed power generation • Focus on renewable energy and digitalization	• Few investments but larger projects • Good activity around ‘modules’ • Market remains positive but slowing dynamic • Price-driven maintenance for pharma
North West Europe	• Record profits & cash for many O&G customers • Maintenance backlog being addressed • O&G majors continuing to offload later life assets and investing in new fields	• Chemical / downstream investments and expansions continue • IMO 2020 beginning to impact refinery upgrades • Chemical companies becoming more interested in plastic to X technologies	• Majors maintaining focus on renewables market • Wylfa nuclear project suspended • Hinkley Point continues on track	
North America	• Number of active drilling rigs ramp-up and stable • Mid-stream gas investments continue • Gulf of Mexico picking up • LNG new builds announced	• American Chemical Council confirms growth with slowing pace in general, however • Gas monetization expansion on the US Gulf Coast continues	• Energy storage market is expected to double • Trend towards renewable energy continues and becomes competitive due to decreasing CAPEX	• US is largest market in the world • Single use batch processing is rising • Rising investment in Biopharmaceutical R&D (personalized medicines)
Middle East	• Oil & Gas upwards trend fueled by NOC investments • Major opportunities in the pipeline in gas and upstream oil • Environmental tech in focus • The OPEX market remains solid and steady	• Petrochemical market steady on Opex and upbeat on Capex • Shifting Capex to integrate the value chain to consumer spots leading to multiple ME funded American and Asian projects • Refining under margin pressure; focus on Opex optimization creates opportunity	• Energy utility (conventional) under pressure due to arrival of renewable revolution to Middle East as well as excess thermal capacity • Energy efficiency back on the agenda • Electrical Energy demand plateauing	• Expected market growth in the next few years due to pressure on localization

* International Maritime Organization 2020: date for ships to comply with low sulfur fuel oil requirement

Significant markets for Bilfinger (based on current revenue). In addition, Metallurgy accounted for 5% and Cement and industries outside the defined core industries for 10% of Group revenue in 2018

In the Engineering & Technologies segment, we generated about 90 percent of our sales in the project business in 2018. About 10 percent of segment revenue was accounted for by framework agreements.

In the Maintenance, Modifications & Operations business segment, the services business dominated on the basis of long-term framework agreements with a share of roughly 75 percent of revenue. About 25 percent of the business related to projects during ongoing maintenance service and to the modification of industrial plants.

B.2.2 Results of operations

OVERVIEW OF ORDERS AND REVENUE
in € million

	2018	2017	Δ in %
Orders received	4,459	4,055	10
Order backlog	2,818	2,531	11
Revenue	4,153	4,044	3

Orders received by the Bilfinger Group in financial year 2018 increased by 10 percent to €4,459 million, organically growth was 12 percent. At the end of the year, order backlog amounted to €2,818 million, and was thus 11 percent above the figure for the prior year (organically: 12 percent). Revenue increased by 3 percent to €4,153 million, organically it increased by 6 percent.

REVENUE BY REGION
in € million

	2018		2017		Δ in %
Germany	970	23%	995	25%	-3
Rest of Europe	2,324	56%	2,159	53%	8
America	644	16%	611	15%	5
Africa	89	2%	129	3%	-31
Asia	126	3%	149	4%	-15
Total	**4,153**		**4,044**		**3**

In the reporting year, about 79 percent of revenue was accounted for by our European markets. Germany contributed 23 percent of sales volume, the focus in European countries outside Germany was Scandinavia, the United Kingdom, the Netherlands and Belgium as well as Austria and Eastern European countries. 16 percent of our revenue was generated in America and 3 percent in the Middle East.

REVENUE BY BUSINESS SEGMENT
in € million

	2018	2017	Δ in %
Engineering & Technologies	1,235	1,157	7
Maintenance, Modifications & Operations	2,758	2,628	5
Reconciliation Group			
thereof Other Operations	195	293	-33
thereof headquarters / consolidation / other	-35	-34	-3
Total	**4,153**	**4,044**	**3**

Engineering & Technologies

ENGINEERING & TECHNOLOGIES in € million	2018	2017	Δ in %
Orders received	1,479	1,119	32
Order backlog	1,002	747	34
Revenue	1,235	1,157	7

In the Engineering & Technologies segment orders received increased significantly by 32 percent (organically: +34 percent) to €1,479 million. Order backlog of €1,002 million was significantly above the prior-year figure. Revenue increased against the backdrop of the higher orders received by 7 percent (organically: +8 percent) to €1,235 million.

ENGINEERING & TECHNOLOGIES: REVENUE BY REGION in € million	2018		2017		Δ in %
Germany	393	32%	356	31%	10
Rest of Europe	426	34%	419	36%	2
America	365	30%	317	27%	15
Africa	3	0%	3	0%	0
Asia	47	4%	62	5%	-24
Total	**1,235**		**1,157**		**7**

In the Engineering & Technologies segment, 32 percent of revenue was attributable to Germany, and 34 percent of volume was generated in European countries outside Germany with a focus on France, the Netherlands and Austria. America was also an important international market with a share of 30 percent. The Middle East accounted for 4 percent of revenue.

Maintenance, Modifications & Operations

MAINTENANCE, MODIFICATIONS & OPERATIONS in € million	2018	2017	Δ in %
Orders received	2,854	2,664	7
Order backlog	1,717	1,623	6
Revenue	2,758	2,628	5

In the Maintenance, Modifications & Operations segment, orders received grew by 7 percent (organically: +9 percent) to €2,854 million thus exceeding the figure for revenue. Order backlog at the end of the year of €1,717 million was also above the figure for the prior year, as was revenue which increased by 5 percent (organically: +6 percent) to €2,758 million.

MAINTENANCE, MODIFICATIONS & OPERATIONS: REVENUE BY REGION
in € million

	2018		2017		Δ in %
Germany	513	19%	539	21%	-5
Rest of Europe	1,882	68%	1,709	65%	10
America	287	10%	292	11%	-2
Asia	76	3%	87	3%	-13
Total	**2,758**		**2,628**		**5**

In 2018, about 87 percent of revenue generated in the Maintenance, Modifications & Operations segment came from Europe. Of this, 19 percentage points were attributable to Germany, 68 percentage points were achieved in other European countries, especially Scandinavia, the United Kingdom, the Netherlands and Belgium as well as Eastern Europe and Austria. 10 percent of segment revenue was generated by the American market while the Middle East contributed 3 percent.

Reconciliation Group

RECONCILIATION GROUP
in € million

	2018	2017	Δ in %
Orders received	126	271	-54
thereof Other Operations	171	286	-40
thereof headquarters / consolidation / other	-45	-15	-200
Revenue	160	259	-38
thereof Other Operations	195	293	-33
thereof headquarters / consolidation / other	-35	-34	-3
EBITA adjusted	-72	-76	5
thereof Other Operations	-3	-4	25
thereof headquarters / consolidation / other	-69	-72	4

Those units that are no longer part of the core business were allocated to Other Operations at the beginning of 2017. In this context, a difference was made between companies with positive earnings contributions (accretive) and negative earnings contributions (dilutive).

Accretive units From the initial five companies with positive earnings contributions, we reclassified Bilfinger VAM to the core business at the beginning of 2018. Here we see significant synergies within the scope of our strategy. For two companies, selling contracts were signed at the end of the reporting year and in January 2019, respectively. Both transactions were completed in the first quarter of 2019.

Dilutive units The 13 loss-making units in this category have now been sold or closed. In this regard, there were, as expected, disposal and impairment losses totaling €30 million incurred in financial years 2017 and 2018.

In Other Operations, orders received decreased by 40 percent (organically: 25 percent) to €171 million. Revenue declined by 33 percent (organically: 10 percent) to €195 million. Significant deconsolidation effects as a result of the companies sold in 2018 are reflected here.

In headquarters/consolidation/other adjusted EBITA improved to -€69 million (previous year: -€72 million) as a result of the increase in efficiency in administration as well as through lower costs for special projects despite additional expenses for business development and digitalization.

Revenue

CONSOLIDATED INCOME STATEMENT (ABRIDGED)
in € million

	2018	2017
Revenue	**4,153**	**4,044**
Cost of sales	-3,762	-3,708
Gross profit	**391**	**336**
Selling and administrative expense	-403	-395
Impairments and reversals in accordance with IFRS 9	0	0
Other operating income and expense	-14	-81
Income from investments accounted for using the equity method	14	14
Earnings before interest and taxes (EBIT)	**-12**	**-126**
Financial income	15	-12
Earnings before taxes	**3**	**-138**
Income taxes	-23	-3
Earnings after taxes from continuing operations	**-20**	**-141**
Earnings after taxes from discontinued operations	**-3**	**55**
Earnings after taxes	-23	-86
thereof attributable to minority interest	1	3
Net profit	**-24**	**-89**
Average number of shares (in thousand)	41,458	43,975
Earnings per share (in €)*	-0.59	-2.01
thereof from continuing operations	-0.51	-3.25
thereof from discontinued operations	-0.08	1.24

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

Group revenue increased by 3 percent to €4,153 million (previous year: €4,044 million). It includes in particular revenue from the provision of services and from production orders.

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 selling process. The level of these costs in relation to sales revenue differs from period to period and fluctuates from order to order, mainly depending on the extent that subcontractors are used. Whereas order processing in the Group's own output volume is reflected in both material expenses and personnel expenses, all costs for the use of subcontractors are allocated to material expenses.

Cost of sales increased slightly by 1 percent to €3,762 million (previous year: €3,708 million), and in relation to revenue was 91 percent (previous year: 92 percent). Of that total, material and personnel expenses accounted for 86 percentage points (previous year: 85 percentage points).

Cost of sales also includes amortization of intangible assets from acquisitions of €5 million (previous year: €8 million). This relates to scheduled amortization of capitalized items from acquired order backlogs and long-term customer relations from acquisitions. Depreciation of property, plant and

equipment decreased to €65 million (previous year: €72 million). This represents a significant portion of the cost of sales at €58 million (previous year: €64 million), of which €3 million was unscheduled in the prior year. The remaining depreciation of property, plant and equipment is allocated to selling and administrative expenses.

Gross profit

Gross profit increased to €391 million (previous year: €336 million). The gross margin – adjusted for non-cash impairments on property plant and equipment – accounted for a share of 9.4 percent of revenue (previous year: 8.4 percent). It should be taken into account in this regard that the prior year was burdened by losses from legacy projects.

Selling and administrative expense

Selling and administrative expense increased slightly, with higher revenue, to €403 million (previous year: €395 million), primarily as a result of additional expenses for business development and digitalization. Adjusted for special items from IT projects as well as restructuring and compliance expenses, it was possible to further reduce the ratio to 8.7 percent (previous year: 8.9 percent).

Other operating income and expense

The negative balance from other operating income and expense decreased significantly to -€14 million (previous year: -€81 million). The reasons relate mainly to lower restructuring expenses in the amount of €18 million (previous year: €40 million) as well as a more limited expense from disposals and impairments of investments in the course of portfolio streamlining of €14 million (previous year: €42 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 remained unchanged as compared to the previous year at €14 million.

EBITA / adjusted EBITA / EBIT

Adjusted EBITA increased significantly to €65 million (previous year: €3 million); in relation to revenue, the adjusted EBITA margin improved to 1.6 percent (previous year: 0.1 percent). Exchange rate effects had an insignificant impact of €1 million.

	Adjusted EBITA in € million		Adjusted EBITA margin in %	
	2018	2017	**2018**	2017
Engineering & Technologies	27	-24	2.2	-2.1
Maintenance, Modifications & Operations	110	103	4.0	3.9
Reconciliation Group	-72	-76		
thereof Other Operations	-3	-4	-1.4	-1.2
thereof headquarters / consolidation / other	-69	-72		
Continuing operations	**65**	**3**	**1.6**	**0.1**

In the Engineering & Technologies segment, adjusted EBITA improved substantially, reaching a positive figure of €27 million (previous year: -€24 million). Here, measures introduced to enhance efficien-

cy as well as improved project management had an impact. The prior-year figure was burdened by losses from legacy projects. The adjusted EBITA margin in the reporting year was 2.2 percent (previous year: -2.1 percent).

In the Maintenance, Modifications & Operations segment, adjusted EBITA grew to €110 million (previous year: €103 million). The adjusted EBITA margin was stable at 4.0 percent (previous year: 3.9 percent).

Adjusted negative EBITA not allocated to the business segments improved, despite additional expenses for business development and digitalization, to -€72 million (previous year: -€76 million). This is attributable, among other things, to the capacity adjustment at Group headquarters which continued in the reporting year as well as reduced costs for special projects.

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Including the special items described under *adjusted earnings per share*, it was possible to significantly improve EBITA to -€7 million (previous year: -€118 million). Respective restructuring costs including special write-offs on property, plant and equipment are included in the figures for the business segments. At Engineering & Technologies, EBITA thus amounted to €9 million (previous year: -€43 million) and at Maintenance, Modifications & Operations €106 million (previous year: €88 million).

EBITA not allocated to the business segments amounted to -€122 million (previous year: -€164 million). It includes restructuring costs as well as costs arising in connection with the further development of our compliance system. In addition, there were expenses for projects related to process and system harmonization as well as from disposals and write-downs on investments in the course of portfolio adjustments.

After deducting scheduled amortization of intangible assets from acquisitions, a negative though significantly improved EBIT of -€12 million remains in the Group (previous year: -€126 million).

Financial income

Financial income improved significantly to €15 million. Included for the first time are earnings in the amount of €26 million from the measurement of our preferred participation notes – equity-like participation rights from the 2016 sale of the divisions Building Facility Services and Real Estate (Apleona) – at fair value. In the previous year, there was a write-up in the amount of €15 million directly in equity in accordance with IAS 39. On a comparative basis, financial income was -€11 million (previous year: -€12 million). Interest income was unchanged at €14 million. This included in particular interest income from the deferred purchase price claim from the 2016 sale of the divisions Building, Facility Services and Real Estate (Apleona). Ongoing interest expense declined to €16 million (previous year: €19 million). In the reporting year, a loss of €2 million was incurred in securities. The interest expense from the increase in the retirement benefit obligation – offset against the income from plan assets – was unchanged at €5 million. The interest expense for minority interest was unchanged at €2 million.

Earnings before and after taxes

Earnings from continuing operations continued to improve significantly to €3 million (previous year: -€138 million) before taxes and to -€20 million (previous year: -€141 million) after taxes. Despite the low result before tax of just €3 million, a tax expense of €23 million (previous year: €3 million) was incurred. This is based for the most part on the fact that no deferred taxes in the German tax group were capitalized for tax losses in the current year because the utilization of tax-loss carryforwards is not reasonably certain in the relevant period. The basic claim in domestic tax-loss carryforwards remains unaffected.

Earnings after taxes from discontinued operations amounted to -€3 million and relate to the sold units Building, Facility Services and Real Estate as well as the former construction activities. Earnings in the previous year in the amount of €55 million resulted with €60 million primarily from the payment

received for a previously not capitalized receivable in connection with a long-standing legal dispute in Qatar.

Minority interest

Profit attributable to minority interest was €1 million (previous year: €3 million).

Net profit / earnings per share

Net profit improved significantly to -€24 million (previous year: -€89 million), earnings per share improved to -€0.59 (previous year: -€2.01). Net profit from continuing operations adjusted for amortization of intangible assets from acquisitions and goodwill impairments and for the special items described below increased to €36 million (previous year: -€9 million), the adjusted earnings per share from continuing operations improved to €0.87 (previous year: -€0.19). The item is thus positive again for the first time since 2014.

Dividend

With a view to the sound balance sheet as well as the planned positive corporate development, the Executive Board and the Supervisory Board will propose to the Annual General Meeting the distribution of an unchanged dividend for financial year 2018 of €1.00.

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.

RECONCILIATION OF ADJUSTED EARNINGS PER SHARE FROM CONTINUING OPERATIONS
in € million

	2018	2017
Earnings before taxes	3	-138
Special items in EBITA	72	121
Special items in financial income	-26	
Amortization of intangible assets from acquisitions and goodwill impairment	5	8
Adjusted earnings before taxes	**54**	**-9**
Adjusted income tax income / expense	-17	3
Adjusted earnings after taxes from continuing operations	**37**	**-6**
thereof attributable to minority interest	1	3
Adjusted net profit from continuing operations	**36**	**-9**
Average number of shares (in thousand)	41,458	43,975
Adjusted earnings per share from continuing operations (in €)	**0.87**	**-0.19**

Special items in EBITA in the amount of €22 million (previous year: €50 million) resulted from restructuring expenses, in the prior year including special write-downs on property, plant and equipment of €3 million. Costs of €9 million (previous year: €12 million) were incurred in connection with the further improvement of our compliance system. €24 million (previous year: €19 million) was spent on projects for process and system harmonization. Disposals and write-downs on subsidiaries as part of the streamlining of the portfolio resulted in an expense of €17 million (previous year: €40 million).

Special items in financial income relate to earnings from the measurement at fair value of our preferred participation notes.

Scheduled amortization of intangible assets from acquisitions and impairment of goodwill totaling €5 million (previous year: €8 million) relates to the amortization of intangible assets resulting from purchase price allocation following acquisitions and is therefore of a temporary nature.

Adjustments to income tax expense take into account the tax effects of the special items in EBITA and the amortization of intangible assets from acquisitions, as well as the non-capitalization of deferred tax assets on losses in the reporting year and the change to write-downs on deferred tax assets on tax- loss carryforwards from previous years. The adjusted effective tax rate was 31 percent.

Adjusted earnings figures are metrics that are not defined under IFRSs. Their disclosure is to be regarded as supplementary information.

Value added

VALUE ADDED IN THE BUSINESS SEGMENTS	Capital employed in € million		Return in € million		ROCE in %		Cost of capital in %		Value added in € million	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Engineering & Technologies	534	489	-3	-21	-0.6	-4.4	9.0	10.0	-51	-70
Maintenance, Modifications & Operations	858	816	95	67	11.1	8.2	7.4	8.4	32	-1
Reconciliation Group										
thereof Other Operations	64	102	-3	-12	-5.2	-12.0	11.8	11.0	-11	-24
thereof headquarters / consolidation / other	618	897	-86	-133	–	–	7.6	8.6	-133	-212
Continuing operations	**2,074**	**2,304**	**3**	**-99**	**0.1**	**-4.3**	**8.0**	**9.0**	**-163**	**-307**

Value added – the difference between return on capital employed (ROCE) and the cost of capital – is an important key figure for measuring the return on capital employed and for its efficient controlling. We include continuing operations in order to provide better comparability over time in the consideration of return on capital employed.

To determine the return, we rely on an after taxes calculation, based on EBIT and including interest income and income from securities. This means that we also consider special items, amortization of capitalized assets from acquisitions as well as potentially goodwill impairments in the calculation of the return. We thus want to ensure that all success components are represented in our return on capital employed. The so-called preferred participation notes transferred in the course of the sale of the Building, Facility Services and Real Estate divisions were included for the first time in the calculation of capital employed. These are countered by corresponding income from the mark-to-market measurement in return, the prior-year figures have been adjusted accordingly.

The weighted average cost of capital (WACC) for the Group amounts to 8.0 percent after taxes (previous year 9.0 percent). The drop in WACC resulted from lower beta factors in our peer group. ROCE of the business segments is compared with segment-specific cost-of-capital rates, these also decreased. Further details can be found in Chapter D.3 Return-on-capital-employed controlling.

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The average capital employed of continuing operations decreased to €2,074 million in the reporting year (previous year: €2,304 million). In this context, the decrease in reconciliation Group is attributable to the drop in liquidity. In our business segments, average capital employed, on the other hand, increased slightly which is attributable in particular to higher working capital.

The return from continuing operations improved significantly, despite a higher tax expense, with clearly increased adjusted EBITA also as a result of lower negative special items and higher earnings from securities. It is positive at €3 million following a negative figure of -€115 million in the previous year. ROCE therefore also improved to 0.1 percent (previous year: -4.3 percent) and the still negative absolute value added to -€163 million (previous year: -€307 million). In the Engineering & Technologies segment, as a result of the increased return, value added improved with an ROCE of -0.6 percent (previous year: -4.4 percent) to -€51 million (previous year: -€70 million). In the Maintenance, Modifications & Operations segment, it was possible to increase ROCE with higher EBITA to 11.1 percent (previous year: 8.2 percent) and value added to €32 million (previous year: -€1 million).

B.2.3 Net assets

CONSOLIDATED BALANCE SHEET (ABRIDGED VERSION)
in € million

	Dec. 31, 2018	Dec. 31, 2017
Assets		
Non-current assets		
Intangible assets	804	804
Property, plant and equipment	324	367
Other non-current assets	486	472
	1,614	1,643
Current assets		
Receivables and other current assets	1,238	1,198
Marketable securities	120	150
Cash and cash equivalents	454	617
Assets classified as held for sale	50	12
	1,862	1,977
Total	3,476	3,620
Equity & liabilities		
Equity	1,205	1,383
Non-current liabilities		
Provisions for pensions and similar obligations	288	293
Non-current financial debt	11	509
Other non-current liabilities	64	72
	363	874
Current liabilities		
Current financial debt	502	2
Other current liabilities	1,380	1,335
Liabilities classified as held for sale	26	26
	1,908	1,363
Total	3,476	3,620

The balance sheet total decreased with a drop in cash and cash equivalents on the assets side and a decrease in equity on the liabilities side to €3.5 billion (previous year: €3.6 billion).

On the assets side, non-current assets decreased slightly to €1,614 million (previous year: €1,643 million). Intangible assets remained unchanged at €804 million. The goodwill included in this figure increased due to exchange rates to €793 million (previous year: €789 million). Property, plant and equipment decreased to €324 million (previous year: €367 million).

An increase to €486 million (previous year: €472 million) was recorded in other non-current assets. Included here are the non-cash purchase price components from the sale of the Building, Facility Services and Real Estate divisions – a receivable from a vendor note including accrued interest of €117 million (previous year: €114 million) as well as preferred participation notes of €237 million

(previous year: €210 million); fair value measurement led in the reporting year to an increase in the carrying amount of €26million. Deferred tax assets declined to €75 million (previous year: €86 million).

Receivables and other current assets amounted to €1,238 million (previous year: €1,198 million). Receivables from work-in-progress (WIP) increased to €387 million (previous year: €315 million).

Cash and cash equivalents as well as marketable securities decreased, in particular as a result of the share buyback and the dividend payment, to €574 million (previous year: €767 million) due to the negative cash flow; current and non-current financial debt was nearly unchanged at €513 million (previous year: €511 million). Net liquidity on the balance sheet date was €61 million (previous year: €256 million).

The assets and liabilities classified as held for sale amount to €50 million (previous year: €12 million) and €26 million (previous year: €26 million) and relate to three entities scheduled to be sold in the first quarter 2019.

There was little change from the prior year in pension provisions of €288 million (previous year: €293 million). The discount rate in the euro zone was nearly unchanged at 1.7 percent (previous year: 1.6 percent).

Other non-current liabilities decreased as a result of lower deferred taxes to €64 million (previous year: €72 million).

Other current liabilities increased to €1,380 million (previous year: €1,335 million). In this context, trade payables rose to €444 million (previous year: €401 million) and advance payments received to €152 million (previous year: €91 million), whereas other provisions decreased to €384 million (previous year: €442 million). Negative working capital was nearly unchanged at -€142 million (previous year: -€137 million).

Equity fell to €1,205 million (previous year: €1,383 million). The share buyback with -€112 million and the dividend payment with -€42 million had a particular impact here as did the negative earnings after taxes with -€23 million and adjustment effects from the initial application of IFRS 9 with -€17 million. The equity ratio fell to 35 percent at the balance sheet date (previous year: 38 percent).

B.2.4 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 for the entire Bilfinger Group are managed and executed by Corporate Treasury.

Controlling of market price change risks as well as creditworthiness risks of financial counterparties is also carried out by means of a Group-wide limit and control system. To this end, financial derivatives are also used to a limited extent. We report on the management of financial risks in Chapter *B.3.2.3 Risk and opportunity report – Financial risks* and in detail in the notes to the consolidated financial statements under Chapter *C.6 Notes to the consolidated financial statements, Note 29 Risks related to financial instruments, financial risk management and hedging transactions*.

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GROUP FINANCIAL STATUS RECOURSE LIABILITIES in € million	Credit facility	Availment	Credit facility	Availment
		2018		2017
Bank guarantees	1,053	639	1,175	703
thereof with residual term < 1 year	1,053	639	1,175	703
Syndicated credit facilities	385	0	385	0
thereof with residual term < 1 year	85	0	85	0
Corporate bond	500	500	500	500
thereof with residual term < 1 year	500	500	0	0
Finance leases	12	12	11	11
thereof with residual term < 1 year	2	2	2	2

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, which is carried out under consideration of matching maturities, our main banks have provided a firmly committed, syndicated credit facility of €300 million, available until June 2, 2022, which had not been utilized at the balance sheet date. The respective interest rate for drawings depends on the interest rate period selected, the credit margin is oriented toward a rating grid. The syndicated cash credit line includes a financial covenant in the form of a limitation of the dynamic gearing ratio (adjusted net debt / adjusted EBITDA). We also have additional short-term bilateral credit commitments of approximately €85 million. In 2012, a €500 million bond with maturity in December 2019 was issued with a fixed interest rate over the entire period. We are currently looking at a number of options for refinancing of the bond. We have credit by way of bank guarantees of €1.1 billion from various banks and bonding insurers available to meet the needs of the project business, which is not fully utilized. Information on existing financial debt is provided in Chapter *C.6 Notes to the consolidated financial statements, Note 25 Financial liabilities*.

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Financial debt amounts to €513 million as of the balance sheet date (previous year: €511 million). Of that total, €11 million is non-current (previous year: €509 million) and €502 million is current (previous year: €2 million). It includes finance leases of €12 million (previous year: €11 million). We do not utilize off-balance sheet financing instruments. Bank deposits in the amount of €3 million have been pledged.

Approved capital of €69 million is available for future capital increases. Bilfinger also has conditional capital of €14 million to be used to grant conversion and/or warrant rights in the case of convertible bonds being issued. We report in detail on the existing authorizations of the Executive Board to raise capital in Chapter *B.5 Takeover relevant information pursuant to Section 289a Subsection 1 and Section 315a Subsection 1 of the German Commercial Code (HGB)*.

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Investments

Capital expenditure on property, plant and equipment and intangible assets – excluding intangible assets from acquisitions in accordance with IFRS 3 – amounted to €66 million (previous year: €71 million). €40 million of the total was invested in operating equipment and office equipment, €19 million in technical equipment and machinery, €4 million in land and buildings and €3 million in intangible assets. Investments were countered by depreciation and amortization of €65 million (previous year: €72 million). This figure includes impairment charges of €1 million (previous year: €3 million).

INVESTMENTS / DEPRECIATION BY BUSINESS SEGMENT
in € million

	Investments	Depreciation	Investments	Depreciation
		2018		2017
Engineering & Technologies	10	10	9	10
Maintenance, Modifications & Operations	41	39	49	41
Reconciliation Group				
thereof Other Operations	11	11	9	16
thereof headquarters / consolidation / other	4	5	4	5
Total	**66**	**65**	**71**	**72**

€10 million (previous year: €9 million) or 15 percent of the investments were accounted for by the Engineering & Technologies segment. With €5 million, these related mainly to fixtures, furniture and office equipment. A further €3 million was invested in technical equipment and machinery, €1 million in real estate and €1 million in intangible assets.

In the Maintenance, Modifications & Operations segment, we invested a total of €41 million (previous year: €49 million) or 62 percent; of that total, €28 million was invested in fixtures, furniture and office equipment and of that, an amount of €16 million was accounted for by scaffolding. A further €10 million was invested in technical equipment and machinery, €2 million in real estate and €1 million in intangible assets.

Investments in Other Operations totaled €11 million (previous year: €9 million).

CAPITAL EXPENDITURE ON PROPERTY, PLANT AND EQUIPMENT BY REGION
in € million

	2018	2017	Δ in %
Germany	24	23	4
Rest of Europe	36	41	-12
America	4	5	-20
Africa	1	1	0
Asia	1	1	0
Total	**66**	**71**	**-7**

The regional focus of investment was again on Europe, which accounted for 91 percent of the total (previous year: 90 percent). Germany accounted for 36 percentage points of European investment (previous year: 32 percentage points).

Investments in financial assets were of minor importance in the financial year.

Cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (ABRIDGED VERSION) in € million	2018	2017
Cash flow from operating activities of continuing operations	**50**	-119
thereof special items	*-60*	*-112*
Adjusted cash flow from operating activities of continuing operations	*110*	*-7*
Capital expenditure on P, P & E and intangible assets	-66	-71
Proceeds from the disposal of property, plant and equipment	12	9
Net cash outflow for property, plant and equipment / intangible assets	**-54**	-62
Free cash flow from continuing operations	**-4**	-181
thereof special items	*-60*	*-112*
Adjusted free cash flow from operating activities of continuing operations	*56*	*-69*
Payments made / proceeds from the disposal of financial assets	**0**	-18
Investments in financial assets	**-1**	-5
Changes in marketable securities	**28**	-150
Cash flow from financing activities of continuing operations	**-167**	-104
Share buyback	-111	-39
Dividends	-44	-46
Repayment of financial debt	3	0
Interest paid	-15	-19
Change in cash and cash equivalents of continuing operations	**-144**	-458
Change in cash and cash equivalents of discontinued operations	**-16**	37
Change in value of cash and cash equivalents due to changes in foreign exchange rates	**-1**	-1
Change in cash and cash equivalents	**-161**	-422
Cash and cash equivalents at January 1 / October 1	617	1,032
Change in cash and cash equivalents of assets classified as held for sale	-3	7
Cash and cash equivalents at December 31	**453**	617

The cash flow from operating activities of continuing operations increased significantly to €50 million (previous year: -€119 million). Contributing here, in addition to improved earnings, was a lower increase in working capital of just €12 million as compared to the prior year (€83 million). After eliminating negative special items from restructuring, compliance expenses and IT projects, adjusted cash flow from operating activities increased to €110 million (previous year: -€7 million).

Investments in property, plant and equipment and intangible assets were decreased slightly to €66 million (previous year: €71 million). These outflows were countered by lower cash inflows of €12 million (previous year: €9 million), resulting in a decrease in net investments to €54 million (previous year: €62 million). This led to a nearly balanced free cash flow of -€4 million, following a prior-year figure that was still significantly negative at -€181 million and to an adjusted free cash flow of €56 million (previous year: -€69 million).

The disposals of financial assets and investments in financial assets resulted overall in a cash outflow of just €1 million (previous year: €23 million). From the reduction of marketable securities there was an inflow in the reporting year of €28 million, following a cash outflow of €150 million in the previous year.

The net cash outflow from financing activities amounted to -€167 million (previous year: -€104 million). The increase resulted primarily from the share buyback program started in the previous year.

Continuing operations resulted in a net cash outflow of €144 million (previous year: €458 million).

Discontinued operations accounted for €16 million. This is related to former construction activities as well as the sold divisions Building, Facility Services and Real Estate. As a result of the cash received from a legal dispute in Qatar, a cash inflow of €37 million was realized in the previous year.

Changes in exchange rates led, as was the case in the previous year, to an arithmetical decrease in cash and cash equivalents of €1 million. Cash and cash equivalents of activities classified as held for sale saw a change of -€3 million in the reporting year (previous year: €7 million). In total, cash and cash equivalents at the end of the year decreased to €453 million (previous year: €617 million).

Origin and distribution of value creation

The Group's value creation originates from revenue, income from investments accounted for using the equity method and other operating income. Depreciation, material expenses and other costs had an impact on value creation.

In the distribution of value creation in 2018, 99 percent was accounted for by employees, 1 percent by the state, 1 percent by creditors and 2 percent by the dividend payment to the shareholders. This led to a negative change in equity.

ORIGIN OF VALUE CREATION

in € million, continuing operations and discontinued operations

	2018	2017
Revenue	4,155	4,122
Income from investments accounted for using the equity method	14	14
Other operating income	41	37
Depreciation and amortization	-70	-80
Cost of materials	-1,386	-1,351
Other costs of value creation	-625	-704
Value creation	**2,129**	**2,038**

DISTRIBUTION OF VALUE CREATION

in € million, continuing operations and discontinued operations

	2018	in %	2017	in %
To employees	2,113	99	2,106	103
To the state	23	1	-1	0
To creditors	16	1	19	1
To minority interest	1	0	3	0
To shareholders (dividend for the respective financial year)	42	2	44	2
Change in equity	-66	-3	-133	-6

B.2.5 Information on the results of operations, net assets and financial position of Bilfinger SE

Results of operations

INCOME STATEMENT OF BILFINGER SE (HGB)
in € million

	2018	2017
Revenue	140	122
Other operating income	12	35
Personnel expense	-52	-49
Amortization of intangible assets / depreciation of P, P & E	-1	-1
Other operating expense	-161	-167
Earnings from financial assets	43	113
Interest result	-17	-11
Earnings before taxes	**-36**	**42**
Income tax expense	0	0
Annual loss (previous year: annual profit)	**-36**	**42**
Profit carryforward	2	2
Allocation to other retained earnings	0	0
Release from other retained earnings	78	0
Distributable earnings	**44**	**44**

The income statement of the company financial statements of Bilfinger SE is characterized by its holding function. Revenue amounted to €140 million (previous year: €122 million) and resulted almost solely from output volume charged to companies of the Group.

Other operating income of €12 million (previous year: €35 million) relates for the most part to income from the reversal of other provisions and write-ups on investments and receivables from subsidiaries. The prior-year figure mainly included gains from the sale of investments.

The slight increase in personnel expenses from €49 million to €52 million resulted from salary increases with a nearly unchanged number of employees.

Other operating expenses in the amount of €161 million (previous year: €167 million) primarily include non-personnel administrative expenses, rents and leases, IT costs, insurance premiums, legal and consulting expenses, other service and personnel expenses, losses from the disposal of subsidiaries. The decrease as compared to the previous year resulted, among other things, from lower rent and fleet costs in connection with the downsizing of Group headquarters as well as lower costs for process and compliance risks.

Earnings from financial assets of €43 million (previous year: €113 million) mainly comprised income from profit-and-loss-transfer agreements, dividends received from Group companies, earnings from loans of financial assets and impairments of investments. The decrease was the result of loss transfers from companies in the E&T division as well as due to impairments on associates in liquidation. In addition, there was in the previous year a positive special item from the settlement of a legal dispute at a subsidiary that is bound by a profit and loss transfer agreement.

The decrease in the interest result is based for the most part on increased interest expense for pension provisions due to a significant decrease in the discount rate published by the Deutsche Bundesbank.

Earnings before taxes thus decreased from €42 million to -€36 million.

In terms of the income tax expense, it should generally be kept in mind that distributions as well as income and expense from investment measurement and disposals are mainly tax-neutral. Overall, a tax loss was recorded in Germany as in the previous year.

Distributable earnings in the amount of €44 million result from the annual loss of -€36 million (previous year: annual profit of €42 million) and retained earnings in the amount of €2 million and a release from retained earnings in the amount of €78 million (previous year: €0 million). It will be proposed that an unchanged dividend for financial year 2018 of €1.00 per share be paid out. This represents a dividend distribution of €40 million in relation to the number of shares entitled to a dividend as of March 1, 2019.

Net assets and financial position

BALANCE SHEET OF BILFINGER SE (HGB / ABRIDGED)

in € million

	Dec. 31, 2018	Dec. 31, 2017
Assets		
Non-current assets		
Intangible assets and P, P & E	5	4
Financial assets	2,067	2,071
	2,072	2,075
Current assets		
Receivables and other assets	355	308
Cash and cash equivalents	522	728
	877	1,036
Excess of plan assets over pension liabilities	10	31
Total	2,959	3,142
Equity & liabilities		
Equity	1,404	1,594
Provisions	195	219
Liabilities	1,360	1,329
Total	2,959	3,142

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

Total assets of €2,959 million (previous year: €3,142 million) primarily comprised financial assets of €2,067 million (previous year: €2.071 million), receivables of €355 million (previous year: €308 million), and cash, cash equivalents and securities of €522 million (previous year: €728 million).

Financial assets were nearly unchanged at €2,067 million (previous year: €2,071million). An increase as a result of the capitalization of the interest claim from the vendor note within the scope of the sale of companies in the former Building, Facility Services and Real Estate divisions (Apleona) is countered by a reduction as a result of a negative balance from write-ups and write-downs on subsidiaries and loans. The selling processes of equity investments carried out in the financial year did not impact the presentation of financial assets because the carrying amounts of the relevant companies had already been nearly fully written off in previous years.

Receivables and other assets of €340 million (previous year: €290 million) mainly comprised receivables from subsidiaries in connection with the Group's centralized corporate financing.

The decrease in cash and cash equivalents and securities by €206 million to €522 million resulted primarily from the share buyback program (2018: €111 million), dividend payments in the amount of €42 million as well as a higher financing need from subsidiaries.

The excess of plan assets over pension liabilities resulted from the existing surplus cover of pension provisions and partial retirement benefit obligations through plan assets. The reduction resulted mainly from the release of plan assets to offset the pension payments made in 2016 and 2017.

The other side of the balance sheet included equity of €1,404 million (previous year: €1,594 million), provisions of €195 million (previous year: €219 million) and liabilities of €1,360 million (previous year: €1,329 million).

The decrease in equity resulted from the share buyback program which was started in 2017 and completed in 2018 as well as the annual loss and the dividend payment that was made.

Provisions included defined benefit obligations in the amount of €19 million (previous year: €20 million), tax provisions of €21 million (previous year: €21 million) and other provisions of €154 million (previous year: €178 million). Pension provisions related to obligations not covered by plan assets.

The reduction in other provisions resulted primarily from the decrease in risk provisions in connection with the sale of subsidiaries, with provisions for restructuring as well as provisions for process and compliance costs.

Liabilities in the amount of €816 million (previous year: €795 million) included liabilities to associates from deposits in connection with centralized cash pooling.

They also included financial debt in the amount of €500 million, as in the previous year, for a primary unsecured bond issued in December 2012 with a term until December 2019.

The equity ratio was 47 percent at the balance sheet date (previous year: 51 percent). The reduction was based for the most part on the decrease of equity described above.

Opportunities and risks

The business development of Bilfinger SE as the Group holding company is generally subject to the same risks and opportunities as the Bilfinger Group.

As the parent company of the Bilfinger Group, Bilfinger SE is included in the Group-wide internal control and risk-management system.

Outlook

As the parent company of the Group without any business operations of its own, Bilfinger SE receives revenue primarily from its subsidiaries. Expectations with regard to the Group's business development will generally affect the earnings of Bilfinger SE. For financial year 2019, we expect improved earnings.

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

The declaration of corporate governance in accordance with Section 289f of the German Commercial Code (HGB) is included in Chapter *A.4 Declaration of corporate governance and corporate governance report*, which is also available on the Internet site www.bilfinger.com under 'Company / Corporate Governance'.

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B.2.6 Non-financial aspects of business operations

B.2.6.1 Group declaration pursuant to Section 315b ff. HGB and Section 289b ff. HGB

Comprehensive reporting on non-financial aspects of business operations for financial year 2018 is provided in our Sustainability Report, which is published separately. It includes, as a separate non-financial report, the information on environmental issues, social issues as well as on respect for human rights and on fighting bribery and corruption as required in accordance with the CSR Guideline Implementation Act (CSR-RL-UmsG) and pursuant to Section 315b ff. HGB and Section 289b ff. HGB. We will publish our Sustainability Report in April 2019 on our Internet site at https://csrreport.bilfinger.com/2018/sustainability-report

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The disclosures required in relation to the diversity concept are included in Chapter *A.4 Declaration of corporate governance and corporate governance report*, which is also available on the Internet site www.bilfinger.com under 'Company / Corporate Governance':

The focus of the content of our sustainability reporting is derived from a materiality analysis through which we identified the significant topics for our company. We have reviewed and in parts re-prioritized the findings gained from the 2017 materiality analysis according to their relevance in financial year 2018.

SIGNIFICANT NON-FINANCIAL TOPICS OF BUSINESS OPERATIONS*

- Occupational safety
- Compliance
- Customer satisfaction and quality
- Employee development
- Sustainable supply-chain management
- Innovation
- Sustainable industrial services
- Employer attractiveness
- Equal opportunity
- Corporate citizenship

* Evaluated and prioritized on the basis of the materiality analysis conducted in 2018

Our company is a member of the UN Global Compact and follows the rules of the German Corporate Governance Code. We have prepared a declaration in accordance with the German Sustainability Code each year since 2011. We also regularly participate in the CDP surveys on emission data, climate strategies and the responsible handling of environmental risks.

B.2.6.2 Occupational safety

The health of our employees is the number one priority for Bilfinger. This means that the aspects of occupational safety are of key importance to whatever activities we pursue. In addition, safe work processes, the execution of occupational safety campaigns and key figures on occupational safety are important criteria that, with increasing frequency, are being surveyed by our customers prior to the awarding of orders.

The topic of occupational safety at Bilfinger is coordinated by Corporate HSEQ: Our "Road to Zero" concept helps us to consistently reduce the number of work-related illnesses and accidents. In financial year 2018, the Group-wide parameter LTIF (Lost Time Injury Frequency – accidents per 1,000,000

working hours performed) was at 0.66. This represents a percentage decrease over the previous year (0.74) of 11 percent. Our objective is an annual improvement of at least 10 percent as compared to the average of the previous three years.

B.2.6.3 Compliance

At Bilfinger, compliance refers to adherence to all applicable laws, internal policies, internationally recognized standards of behavior and voluntary commitments in all our business activities. Compliant behavior is the basic foundation for a successful business development at Bilfinger. Integrity and compliance are therefore vital components of strategy and corporate culture for us.

For this reason, a first-class compliance system implemented and adhered to in all Bilfinger business units and subsidiaries in Germany and abroad is of utmost importance to us. Our compliance focus is primarily on the areas of anti-corruption, antitrust and data protection because these can have a significant impact on our business activities.

The topic of compliance is of particular importance for us because deficits in our compliance system could lead to substantial legal consequences, significant fines, damage to the company's reputation and high costs until the deficits have been rectified. In the past, this has been the case once: As a result of violations of the US Foreign Corrupt Practices Act (FCPA) in the years prior to 2005, a Deferred Prosecution Agreement (DPA) was signed in 2013 with the US Department of Justice which, among other things, called for the monitoring of our compliance system by a Compliance Monitor. The DPA was extended in 2016 until the end of 2018.

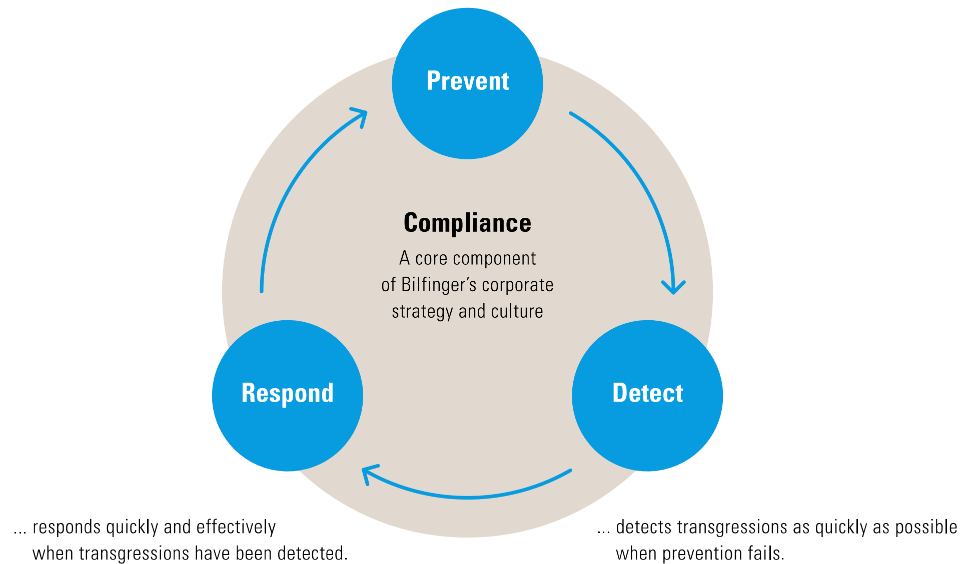
On December 6, 2018, Bilfinger's compliance system was certified by the Monitor. He thus confirmed that Bilfinger has met its obligations within the scope of the DPA. The role of the Monitor also ends for Bilfinger with the termination of the DPA.

Concept

Corporate Legal & Compliance is responsible for the area of compliance. The department is headed by the General Counsel and Chief Compliance Officer. He reports directly to the Chairman of the Executive Board and has an additional reporting line to the Chairman of the Supervisory Board.

The compliance program developed by Corporate Legal & Compliance pursues the objective of preventing compliance violations through preventive measures, recognizing early any type of misconduct and, in the case of confirmed violations, to react quickly and consistently punish misconduct. The respective compliance program covers all business areas and processes.

COMPLIANCE OBJECTIVES AT BILFINGER



The basis for our compliance program is integrity in dealing with customers, suppliers, business partners and colleagues. It forms the foundation of our corporate culture. In order to embed this culture along with the importance of compliance throughout the company and in its business processes, Bilfinger introduced a new Code of Conduct in 2017 that is binding for all employees worldwide.

In addition, since 2017, numerous new Group Policies have formulated and implemented which include rules on compliant behavior in special work situations, for example when dealing with third parties, accepting or giving gifts, or in cases of conflicts of interest. These policies are reviewed on a regular basis and revised whenever necessary in order to ensure that our compliance system meets, at all times, the ever-changing demands of everyday work.

Managers have a special role to play in the implementation of our Code of Conduct and the compliance policies: They must act as role models. The annual performance evaluation of managers therefore includes an individual integrity assessment that then forms part of the annual dialogue on career development. In addition, variable remuneration for managers at management levels 1 and 2 includes an individual integrity factor. This factor is determined and taken into consideration annually with regard to the extent a manager implements the topics of integrity and compliance into his daily actions and how much he actively supports and promotes them in his environment.

The Compliance Review Board (CRB) manages and monitors the organization and implementation of our compliance system and helps to anchor compliance as a management task in all areas of the business. It is comprised of the Executive Board as well as a number of the heads of the Corporate Departments and meets at least quarterly under the chairmanship of the General Counsel and Chief Compliance Officer. The CRB is supported by divisional compliance review boards, which manage and monitor the implementation of the compliance program in the divisions.

Our subsidiaries are supported by a Compliance Manager. In addition, internal control systems (ICS) are implemented in our subsidiaries which, in the organization of the compliance and control measures, take into consideration the relevant risk profile and the respective local company requirements and necessities.

The Internal Audit & Controls department also assumes control functions. Within the scope of anti-corruption audits, it verifies the implementation of the compliance guidelines and processes in the individual business units.

Goals

Key to this compliance program is a detailed and regular assessment and evaluation of compliance risk factors in the divisions and companies of the Group. Only in this way are able to adequately classify risks and to counter them at an early stage with appropriate measures.

We update the risk landscape of our subsidiaries regularly and, on this basis, derive specific measures to manage the risks. Bilfinger's overall risk profile results from the combination of these individual risks and, in turn, represents the basis for implementation of Group-wide measures to manage risks.

The goal of our compliance program is, above all else, to prevent future misconduct. To this end, we rely primarily on information, communications, clear guidelines, training, supporting compliance IT tools as well as specific, practical compliance accompaniment and consulting for employees. Among the topics we focus on is making our employees aware of potential compliance violations. For this reason, we further expanded our compliance training program globally again in 2018. The uniformly organized training modules include both on-site training and e-learning programs in order to maximize the reach of our training measures. We not only convey knowledge but also explain compliance-relevant questions on the basis of case studies. In 2018, managers also held workshops with their respective teams in which case studies relevant for the area – so-called "Compliance Moments" – were discussed.

NUMBER OF PERSONS TRAINED IN COMPLIANCE-RELATED QUESTIONS (2018)	Total number of persons Target group	Number of trained persons (absolute)	Share of trained employees (relative)
E-learning – E-learning module 'anti-corruption & bribery'	13,782	12,938	93.88%
E-learning – E-learning module 'Code of Conduct'	3,666	3,125	85.24%
E-learning - Module 'Code of Conduct refresher 2018'	10,062	9,528	94.69%
On-site training – Module 'Third Party Due Diligence'	2,003	1,938*	96.75%
On-site training – Module 'anti-corruption & bribery'	4,362	3,804	87.21%

* This information relates to financial years 2017 and 2018

Since 2016, all employees also have access to a central Compliance Help Desk that offers support in all compliance-related questions.

NUMBER OF INQUIRIES TO THE COMPLIANCE HELP DESK (2018)	Number (absolute)	Share (relative)
AMO allegations (e.g. bullying, discrimination, harassment, conflicts of interest, fraud, breach of trust, theft, embezzlement, money laundering, illegal employment, personnel issues)	16	2%
Group policies and internal standards (e.g. Code of Conduct, compliance review in hiring and promotion process, delegation trips, third-party due diligence, gifts, entertainment and hospitality, conflicts of interest, donations for charitable purposes and sponsoring)	84	8%
Tool – gifts, entertainment and hospitality (e.g. reporting on gifts, entertainment and hospitality, tool administration)	409	37%
Tool – third party due diligence (e.g. integrity hits, re-opening scope check and risk assessment, tool administration)	427	39%
Compliance trainings	42	4%
Inquiries related to other compliance topics	113	10%
Total	**1,091**	**100%**

In order to deliver our services, we are dependent on cooperation with numerous business partners. Because compliant behavior on the part of our business partners is an indispensable requirement for us, we revised the process for evaluating their integrity in 2017 and made risk-oriented adjustments (third party due diligence). When carrying out such integrity audits, the business units of Bilfinger and their purchasing departments are supported by the Compliance department in the risk evaluation. This risk assessment process has been conducted since mid 2017 with the help of a central IT-supported tool.

To ensure that each employee at each location has a compliance contact person on site or close by, we established an international network of Compliance Representatives in June 2018. The Compliance Representatives are specially trained employees who, in addition to their primary functions in the company, support their colleagues with compliance and integrity questions and thus strengthen the presence and visibility of the topic of compliance at their locations. The Compliance Representatives regularly exchange information among themselves and, through their participation in meetings of the Executive Management of their units, ensure that the experience and challenges of the individual locations are taken into account in the further development of the compliance program.

In addition to prevention, the early detection of potential misconduct is a key component of the Bilfinger Compliance Program. A diverse range of internal sources are used for this purpose. There is a whistleblower system in place for the receipt, documentation and processing of suspicious cases in connection with possible violations of our Code of Conduct. Both our employees and external parties can, on a confidential basis and, if desired, also anonymously provide information on potential misconduct on the part of Bilfinger employees. Results from Internal Audit & Controls, Compliance and Human Resources as well as data from Bilfinger's due diligence processes also serve to identify suspected cases.

INFORMATION ON COMPLIANCE VIOLATIONS, INVESTIGATIONS INITIATED AND EMPLOYMENT-RELATED CONSEQUENCES	2018	2017	2016
Indications of compliance violations [1]	82	125	129
Investigations initiated [2]	69	97	113
Disciplinary measures as a result of investigations [3]	32	37	approx. 20

1 Reports in the period from January 1 to December 31 of the respective year.
2 Includes investigations as a result of information received in the financial year and previous years.
3 Includes disciplinary measures as a result of investigations in the financial year and previous years.

The Allegation Management Office deals with all relevant notifications related to suspicious cases from both internal and external sources, beginning with irregularities identified within the scope of internal audits through to cases that are communicated confidentially (whistleblowing). In cooperation with the Compliance Organization, the Allegation Management Office conducts a preliminary review of the information received and forwards it to the Independent Allegation Management Committee for evaluation and a decision on the steps to be taken next. The Independent Allegation Management Committee – a committee of experts from Corporate Legal & Compliance, Internal Audit, Tax and Human Resources – evaluates each reported suspected case and, where necessary, initiates internal investigations. In this context, all involved persons and/or the respective suspicious cases are dealt with fairly, consistently, transparently and sustainably irrespective of status or position.

If misconduct is identified, the Disciplinary Committee headed by the member of the Executive Board responsible for personnel, decides on the measures and sanctions that are to be taken. Possible sanctions range from the informal warning through to immediate termination including negative financial consequences. The same misconduct consistently leads to the same sanctions, regardless of the position or importance of an employee.

B.2.6.4 Customer satisfaction and quality

Our orders received, the continuation or intensifying of cooperation and thus also our economic success depend, to a very great extent, on the satisfaction of our customers. We therefore survey our customers on a regular basis – either following the completion of a project or within the scope of standardized questionnaires – regarding their satisfaction with us and with our services.

There is a direct correlation between the quality of the services we provide and the satisfaction of our customers. We ensure the high standard of quality through a comprehensive quality management system. Management systems based on DIN EN ISO 9001 certification are in place in 64 of Bilfinger's 73 operating companies. In addition, Bilfinger has had a cross-divisional matrix certificate since 2015 which helps ensure uniform quality standards in the Group and which, by the end of 2018 had already included 23 operating companies with 79 locations.

B.2.6.5 Employee development and employer attractiveness

The training and qualification of our employees is a key competitive factor. We can only maintain and expand our market position as an industrial company by regularly training our employees, qualifying them on an ongoing basis and systematically developing them.

In order meet our demand for qualified employees, we train our employees ourselves and offer a broad range of opportunities for further development. These include both internal and external training and development offerings, role-specific qualification programs, traineeships as well as job rotation models. We develop our managers, who each year undergo a talent review, in programs designed specifically for them.

The measures and programs implemented for the training and development of our employees are described in detail in our Sustainability Report.

In order to retain our employees and attract qualified new employees, we work on the attractiveness of our employer brand. In this regard, we see in particular work-life balance, health management, remuneration and additional benefits as well as employee representation as key levers.

In order to be able to better combine private and professional demands, we offer our employees flexible working time models, home-office possibilities as well as trust-based flexitime models. Within the scope of our health management, we conduct medical checkups and occupational health examinations as well as seminars on stress management and healthy lifestyle seminars. A performance-based, fair remuneration and company pension plans are a matter of course for us as are compliance with the rights of employees and statutory co-determination.

At the end of 2018, 35,905 people were employed by the Bilfinger Group (previous year: 35,644). In Germany, 7,405 (previous year: 7,896) employees worked for the Group while 28,500 people were employed abroad (previous year: 27,748). 8,483 people were employed in countries outside Europe (previous year: 8,144 people).

EMPLOYEES BY REGION

	2018	2017	Δ in %
Germany	7,405	7,896	-6
Rest of Europe	20,017	19,604	2
America	4,005	3,257	23
Africa	781	803	-3
Asia	3,697	4,084	-9
Group	**35,905**	**35,644**	**1**

EMPLOYEES BY BUSINESS SEGMENT

	2018	2017	Δ in %
Engineering & Technologies	9,267	8,347	11
Maintenance, Modifications & Operations	24,847	24,897	0
Reconciliation Group	1,791	2,400	-25
Headquarters / consolidation / other	540	523	3
Other Operations	1,251	1,877	-33
Group	**35,905**	**35,644**	**1**

EMPLOYEE GROUPS	Salaried	Industrial employees	Total	Salaried	Industrial employees	Total
			2018			2017
Engineering & Technologies	5,424	3,843	9,267	5,398	2,949	8,347
Maintenance, Modifications & Operations	6,023	18,824	24,847	5,876	19,021	24,897
Reconciliation Group	1,158	633	1,791	1,313	1,087	2,400
Headquarters / consolidation / other	530	10	540	514	9	523
Other Operations	628	623	1,251	799	1,078	1,877
Group	**12,605**	**23,300**	**35,905**	**12,587**	**23,057**	**35,644**

AVERAGE AGE OF EMPLOYEES In years	2018
Engineering & Technologies	40.9
Maintenance, Modifications & Operations	42.2
Reconciliation Group	
Headquarters / consolidation / other	43.4
Other Operations	41.1
Group	**41.9**

AVERAGE YEARS OF SERVICE PER EMPLOYEE In years	2018
Engineering & Technologies	7.9
Maintenance, Modifications & Operations	9.3
Reconciliation Group	
Headquarters / consolidation / other	10.2
Other Operations	9.8
Group	**9.0**

B.2.6.6 Innovation (research and development report)

The satisfaction of our customers and the quality of our services are determined to a significant extent by the impact that our services have on the performance of industrial plants. Our customers therefore expect us to use the newest technological findings, the most modern standards and the most up-to-date procedures and instruments in the provision of our services.

RESEARCH AND DEVELOPMENT EXPENSES in € million	2018	2017
Total expense	12.3	10.9
thereof digitalization	8.5	6.5
thereof industry	3.5	3.8
thereof energy and environment	0.3	0.6

The development of innovations is, first and foremost, the responsibility of our operating units. These are intimately familiar with the needs of our customers and know the industry and regional requirements of our customers best. In the reporting year, Bilfinger pursued innovation projects with a total expense of €12.3 million (previous year: €10.9 million).

The major portion of this expense is accounted for by the digitalization area of innovation and is closely related to Bilfinger Digital Next, a company we founded in 2018 for the development and marketing of digital solutions. At the end of 2018, the company employed about 30 people and is tasked with supporting the operating units with their digitalization projects as well as to advise new and existing customers of Bilfinger within the scope of their digital transformations. Also included among the tasks of the company is the market launch of digital solutions. To this end, Bilfinger Digital Next bundles Bilfinger's digitalization competences, fosters an internal exchange of knowledge and information and develops digital solutions in cooperation with the operating companies and existing customers. In this regard, the company also cooperates with technology partners such as Microsoft, Siemens and Software AG as well as with start-ups or research institutes.

The exchange of knowledge and information supported through regular meetings of the digital experts from the operating units, through open-day events with customers and operating companies, through sales trainings and workshops, including for the business development managers in the Group companies and divisions. In 2018 an Accelerator was appointed for each division whose job is to ensure the quick distribution of innovative ideas and best practices within the Group. Networks between individual Group companies with similar business models also generate an intensive exchange of expertise and experience and support the development of marketable solutions.

B.2.6.7 Sustainable industrial services

Requirements for the operation of industrial plants have expanded constantly in recent years. It is foreseeable that the requirements in terms of emissions, energy efficiency and performance will increase further. Public expectations that industrial plants be operated with as low an ecological impact as possible have continuously increased.

With our services – in the areas of environmental technologies, flue gas desulfurization, insulation or turnarounds, for example – we help our customers meet these requirements while at the same time achieving their sustainability goals. We therefore see an attractive market in sustainable industrial services – a market that is becoming increasingly important across industries and regions. Our goal, in the coming years, is to develop new products and solutions in these areas, to expand existing services and adapt established sustainability expertise to new industrial applications.

B.2.6.8 Sustainable supply chain management

Because the quality of our products and services depends to a large extent on the preliminary work of our suppliers, we place great importance on comprehensive supplier management. This applies in particular with regard to the integrity of our suppliers.

We pursue a Group-wide supplier management system that consists of the core processes, supplier selection, evaluation, development and phasing out. In order to select the best suppliers for our business, we apply uniform Group wide evaluation criteria which, in addition to price, quality, contract fidelity and the supply or execution performance, also include criteria such as compliance, risk management, environment, cooperation and innovation as well as occupational safety and health protection. We expect our suppliers to act in accordance with our Code of Conduct for Suppliers. In it, we formulate clear expectations in terms of integrity, adherence to the law and ethical conduct. The process for the evaluation of the integrity of suppliers and subcontractors is described in Chapter B.2.6.3 Compliance.

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B.2.6.9 Equal opportunity

We are an internationally-focused Group that provides what tend to be highly diversified services. We therefore depend on employees who bring a broad range of experience, qualifications and perspectives to their jobs and help us to successfully take advantage of the market opportunities that arise. Safeguarding equal opportunity and diversity is thus a cornerstone of our human resources policy.

One aspect of our activities in the area of equal opportunity is equality among male and female employees. At the end of the reporting period, the share of women in the overall workforce worldwide was 10.1 percent (previous year: 9.9 percent).

EMPLOYEES BY GENDER	male	female	total	male	female	total
			2018			**2017**
Engineering & Technologies	7,854	1,413	**9,267**	6,940	1,407	**8,347**
Maintenance, Modifications & Operations	23,040	1,807	**24,847**	23,194	1,703	**24,897**
Reconciliation Group						
Headquarters / consolidation / other	344	196	**540**	339	184	**523**
Other Operations	1,041	210	**1,251**	1,642	235	**1,877**
Group	**32,279**	**3,626**	**35,905**	**32,115**	**3,529**	**35,644**

Information in relation to the law on the equal participation of women and men in management positions in the private sector and in the civil service which took effect in Germany in May 2015 is included in Chapter *A.4 Declaration of corporate governance and corporate governance report*, which is also available on the website www.bilfinger.com under, 'Company / Corporate Governance'.

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B.2.6.10 Corporate citizenship

As a company, we benefit from good framework conditions that we encounter in society: a strong education system, stable political processes, a healthy environment, and social balance. For these reasons, we believe it is important to make contributions to the establishment and/or maintenance of good social framework conditions. For us, corporate citizenship activities also serve as key measures to increase awareness of our brand, positively influence our reputation and to create opportunities for dialogue with those stakeholder groups that we do not communicate with on a regular basis.

We restructured our global donations and sponsoring strategy in 2017 and created binding criteria for the awarding of donations as well as the agreement of sponsoring activities for all Group units by means of a Group Policy. We undertake donations and sponsoring activities exclusively in the areas of education / training, culture / society as well as promoting sport. In 2018, the total volume of our donations and sponsoring activities was €172,640 (previous year: €318,595).

B.3 Risk and opportunity report

The recognition of opportunities and risks is an integral part of the process management system at all of our units, both operational and administrative. We define risks as negative deviations and opportunities as favorable deviations from our plans.

Bilfinger has a systematic management system to identify, evaluate and manage risks. Opportunities are identified, evaluated and managed as part of our strategic planning.

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For reasons of consistency with Chapter *B.4 Outlook*, the underlying timeline for the likelihood of risks and opportunities includes financial year 2019.

B.3.1 Risk management

B.3.1.1 Basic principles

The Group-wide risk management system serves to identify, evaluate and control significant risks in a targeted manner. It is focused on achieving the goals of the company in the context of the strategy developed for the Group.

The risk management process covers all activities for the systematic handling of risks in the Group. At Bilfinger, risk management is not an isolated process that runs parallel to company activities, but rather an integral part of existing company and business processes.

Bilfinger began a comprehensive redesign of the risk management system at the end of 2015. The objective was to optimize the risk management system using consistent and future-oriented methods. To this end, a systematic approach to the identification, evaluation and control of relevant risks was defined. It is oriented on *Enterprise Risk Management – Integrated Framework (2004) from the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*. As part of this redesign, Bilfinger introduced an integrated, top-down / bottom-up process throughout the Group. Since the beginning of the year, this has been extensively supported by the newly-implemented risk management tool. The establishment of a robust risk management organization includes, among other things, the definition of clear roles and responsibilities. Implementation of the central element of the risk management system achieved a significant milestone with publication of the new version of the Group Policy on Risk Management in July 2018.

The risk strategy for the Bilfinger Group is formulated by the Executive Board in the context of the planning process and also includes the definition of parameters to assess which risks the company should take in order to achieve its desired goals, for example, by determining risk classes for projects and framework agreements. The starting point is the company's risk capacity. This describes the amount of risk the Group can take on without jeopardizing its continued existence. To summarize, the following applies:

- Individual risks that put the Group in jeopardy may not be taken. This also applies if liquidity cannot be quickly restored when a risk occurs.
- Possible combinations of significant individual risks are reviewed as to whether they represent an existential threat in total. This creates an informative overall picture of the risk profile.

- Risks from large projects and services contracts are subject to a special review, among others by Corporate Internal Audit & Controls.
- Insurable risks are, where financially viable, transferred centrally to external insurance companies.

The line organization's management is primarily accountable for the responsible handling of risks. Supervisory Board, Audit Committee and Executive Board perform these superordinate functions.

- Supervisory Board and Audit Committee The Audit Committee monitors the risk situation and the functionality of the risk management system for the Supervisory Board on the basis of the risk report provided each quarter by the Executive Board. The Audit Committee is also informed of the results of the monitoring activities carried out by Corporate Project Controlling, Internal Audit & Controls and Corporate Compliance. The Supervisory Board and Audit Committee may make decisions regarding additional internal or external reviews.
- Executive Board The Executive Board assumes overall responsibility for the functionality of the risk management system. It monitors the risk management cycle, carries out the final review and prioritization of significant Group risks and reports to the Audit Committee and Supervisory Board in this regard.

Bilfinger is oriented toward the *Three Lines of Defense* model, with operations and functional supervision structured under Group headquarters and Corporate Internal Audit & Controls. Bilfinger's responsibilities and tasks are clearly defined at these levels:

- First Line: Operational
    - Division Heads (Executive President/Financial Director) Divisional management is responsible for the functionality of the risk management system and its monitoring at divisional levels and in the local units. Divisional management regularly itemizes risks, as well as providing the final evaluation and prioritization of significant risks for the divisions. This also includes the classification of risks to a defined risk owner and the approval of a division's risk portfolio in the context of the reporting process.
    - Division Risk Officer In its entirety, specific responsibility for the operational implementation of the risk management process and for monitoring and identifying risks lies with the division risk officer. This function is normally performed by a division's financial director. The tasks of the division risk officer include, among other things, the plausibility of the overall risk situation with regard to its completeness and the evaluation of significant risks as well as the appropriateness and effectiveness of the mitigation measures – including the evaluation of necessary investments or expenses – and regular updates on the risk situation.
    - Division Risk Coordinator Division Risk Coordinators consolidate the individual risks at divisional levels in the course of risk inventory. They support the heads of the divisions in the consistent application of risk management methods and in reporting to Corporate Risk Management.
    - Risk Owner Risk Owners are responsible for the identification, analysis and evaluation of individual risks. This also includes the evaluation and implementation of appropriate mitigation measures and the regular analysis and monitoring of the current situation regarding individual risks. This also comprises the evaluation of necessary investments and other expenses.

- Second Line: Functional supervision of headquarters
  - **Bilfinger Risk Committee** The Bilfinger Risk Committee generally meets every quarter on behalf of the Executive Board. Members include the Chief Financial Officer (CFO), the Financial Directors of the divisions, the Group Risk Officer as well as the heads of Corporate Controlling, Corporate Accounting, Tax & M&A, Corporate Treasury, Corporate Legal & Compliance, Corporate Internal Audit & Controls and the Head of Internal Control Systems.

    The committee establishes plausibility for the risk reports quarterly and submits these to the Executive Board. It supports the design of a pragmatic risk management system, shares best practice approaches and assumes responsibility for superordinate quality assurance of the quarterly risk report for significant Group risks. The Risk Committee also fulfills an important advisory function and contributes recommendations on the design of the risk management system.
  - **Corporate Risk Management / Group Risk Officer** Corporate Risk Management, to which the Group Risk Officer also belongs, has decision-making powers and is responsible for the methods and further development of the risk management system. This includes the monitoring and design of all risk management processes at the level of the divisions, headquarters and the Group as a whole. Corporate Risk Management and the Group Risk Officer bear overall responsibility for the execution of risk inventories at regular intervals, as well as for generating and submitting reports to the Executive Board, the Audit Committee and the Supervisory Board. Ongoing monitoring of the risk management system should ensure its effectiveness in light of constantly changing conditions and also continuously improve the process in future.
  - **Corporate Central Functions** In consultation with the Executive Board, Corporate Central Functions perform specialist monitoring tasks throughout the Group. They have wide-ranging obligations to request and receive information, to intervene in some cases and to issue individually defined guidelines, and be actively involved with their specialist colleagues at the divisions and subsidiaries. Corporate Central Functions partially assume primary responsibility for risks or make tax-related interventions in the context of their Group-wide functional supervision.
- Third Line: Independent review
  - In accordance with the *Three Lines of Defense* model, Corporate Internal Audit & Controls, as an independent monitoring body, has the task of regularly reviewing the effectiveness and appropriateness of the risk management system and the internal control system on an incident-related or ad hoc basis. This includes their respective implementation into the corporate departments, divisions as well as individual companies if necessary.

    As part of the audit of the annual financial statements, external auditors also carry out a review of the appropriateness of the system in order to detect early threats to the continued existence of the Group.

In addition to the specific tasks and functions described above, the Principles of Risk Awareness, which are Group-wide and binding, apply to all staff. These aim to ensure that only manageable risks are taken. We promote risk awareness among staff by taking appropriate communication and training measures. Each employee is required to act responsibly in the handling of risks and to immediately report any knowledge of risk-related behavior.

B.3.1.2 Identification

Risk identification is conducted continuously in the course of daily business processes. It includes the regular and systematic analysis of internal and external developments and events that could lead to negative deviations from underlying framework conditions.

In order to achieve comprehensive Group-internal transparency, risk identification is conducted as part of an ongoing, institutionalized process:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan (n+1)
Risk workshops			at least one workshop per division annually										
Bottom-up update			●			●			●			●	
Alignment – Bilfinger Risk Committee				●			●			●			●
Audit Committee meetings				●			●			●			●
Fast track (part of the reporting process)			incident-related										

The annual calendar calls for at least one risk workshop at division level as well as a quarterly update of the risk portfolio. Directly following this, the Bilfinger Risk Committee convenes, performs quality assurance on the quarterly risk report and forwards it for processing in the Executive Board and for submission to the Audit Committee.

Any significant risk is documented with a high degree of transparency and described comprehensibly. The description indicates cause and effect clearly.

The operating companies and divisions as well as units at headquarters entrusted with company-wide functional supervision immediately report relevant risks occurring on short notice to the responsible corporate departments and, if relevant, to the Executive Board.

In accordance with the COSO standard, the identified risks are identified in four categories: strategic risks, operational risks, financial risks and compliance risks. In this regard, the cause of a risk is decisive for the categorization.

B.3.1.3 Evaluation

Fundamental risks are evaluated as part of the yearly Risk Assessment Workshops of the divisions. In so doing, the respective form of the risk (net) is determined while also considering the mitigation measures currently implemented. Each risk is evaluated in five defined levels using the parameters of *effect* and *likelihood*.

Different reference sizes are specified at both the Group and divisional level to assess the effect. The evaluation primarily takes place using a qualitative approach. At times, an additional monetary evaluation is made. However, this is assigned a subordinate value.

Evaluation scale of effect

Category	Level	Sample form	Indicative value corridor (€ million)
Limited	1	No (perceptible) effect on service provision or customer satisfaction	0-20
Relevant	2	Achievement of strategic goal delayed	21-50
Substantial	3	Achievement of multiple goals delayed or individual goals no longer achievable	51-100
Significant	4	Clear and protracted impairment of daily operations	100-500
Critical	5	Group's continued existence in jeopardy	> 500

Evaluation scale of likelihood within the next 12 months

Category	Level	Likelihood of risk occurring and forecast horizon
Very limited	1	0 - 5%
Limited	2	6 - 15%
Possible	3	16 - 30%
Increased	4	31 - 50%
More likely than not	5	> 50%

The assessment of the *effect* and *likelihood* allows for risks to be prioritized and for necessary action to be taken in order to manage risks. Here, a focus is on the 10 most significant risks.

B.3.1.4 Financial management

Additional measures to manage risks, where reasonable and necessary, are taken on the basis of risks that have been identified and evaluated. Depending on the scope and value, this take place in consultation with those in the companies defined as responsible for the risk management process and according to line functions.

Bilfinger differentiates between four fundamental strategies to deal with individual risks:

Avoid Incalculable risks or risks with a disadvantageous risk-return ratio are avoided, for example by not accepting projects with higher risk categories or ensuring that these risks are explicitly eliminated by means of contractual provisions.

Transfer Depending on the situation, risks are contractually transferred to third parties such as insurers, subcontractors and customers outside the Group.

Manage Manageable risks or their impact are reduced or limited by better operational execution, strengthened control or other mitigation measures (hedging etc.).

Accept Remaining risks are accepted as such in their current respective form whenever further mitigation measures are not economically viable.

The costs and benefits will be taken into account in the selection of a control measure. Risk management is carried out within the business processes by the risk owner. The risk owner regularly monitors the evaluation of the identified risks in order to determine significant changes. The risk owner reviews the appropriateness of the implemented control measures for the risks assigned to him, as well as the implementation of additional measures deemed necessary.

The transparency necessary to control risks is achieved by communicating significant risks in the risk report, at least quarterly, to the Executive Board and to the Audit Committee of the Supervisory Board. The report regularly prepared by Corporate Risk Management and the Group Risk Officer concerning significant risks and the overall picture of risks within the Group is the basis for this.

B.3.2 Significant risks

Significant risks for Bilfinger are calculated on the basis of the described evaluation method. If risks calculated as significant occur, this could lead to negative effects on the net assets and financial position as well as our reputation. The risks are presented on a net basis after risk limitation measures.

As of the balance sheet date, the following significant risks result from the parameters of *effect* and *likelihood*:

Risk title	Rank	Risk field	Evaluation	
			Impact (1-5)	Likelihood (1-5)
Adverse market developments	1	Strategic	●●●	●●●
Lack of adequate personnel	2	Operational	●●	●●●●
Risks from projects and framework agreements	3	Operational	●●	●●●
Insufficient speed for achieving required operational excellence	4	Operational	●●	●●●
Risks related to the introduction of an effective compliance system	5	Compliance	●●	●●
Litigation and completed legacy projects	6	Compliance	●●●●	●
Overloading the organization	7	Strategic	●	●●●●
Serious HSEQ incident	8	Operational	●●	●●
Inadequate focus on working capital / cash management	9	Financial	●	●●●
Changes in local legal requirements	10	Strategic	●	●●

The individual risks compiled under semantically aggregated risk titles in the fields of strategic risks, operational risks, financial risks and compliance risks are described in the following. Unless otherwise stated, the risks presented affect the entire Group. Risks specific to business segments include an appropriate indication.

Risks are monitored in accordance with COSO requirements. Additional risks with a lesser meaning for Bilfinger are followed alongside identified significant risks. Obligatory information, such as on risks from financial instruments, is explained in Chapter *C.6 Notes to the consolidated financial statements*.

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B.3.2.1 Strategic risks

Adverse market developments

Bilfinger depends on the general economic situation and the development of its markets. Competition in our markets is significant, and in all markets a very low concentration is currently recorded on the provider side. In particular, the high amount of employee capacities contingent on our business model leads to lower marginal costs in this regard. However, this is a decisive factor in competitors' tactical pricing and thus supports their aggressive bidding approach in the near term. Bilfinger is also smaller than a range of its customers, who try to exploit their relative market strength, particularly in the context of new tenders.

In addition to this general situation and in light of the major activities in the oil and gas segment, Bilfinger is dependent on the development in the price of oil and its effect on the spending behavior of customers in this market segment. A volatile development in the price of oil is thus a potential risk for our activities. A long-term regression in the oil price to a lower level or significant fluctuations could adversely impact the net assets and financial position of Bilfinger. Particularly affected by this are our businesses in the Middle East, the United States as well as the United Kingdom and Scandinavia.

We counter these risks by gradually strengthening our product range, by regularly expanding the customer portfolio and by actively managing productivity and capacity to minimize potential remnant costs, in addition to intensive cooperation with customers. In general, Bilfinger's strategy targets a wider distribution of the business between the six core industries and four regions.

A delay in planned projects in the area of nuclear energy represents additional risks in the development of our markets. Increases in material costs for our customers in the chemical sector, a long-term increase in the price of oil for example, could also have negative effects on their spending behavior regarding investments and maintenance. And, not least, a further acceleration of the energy transformation and a departure from conventional energy, particularly in Germany, could lead to additional over-capacities.

In order to better manage the described market risks through better use of synergies, Bilfinger is planning an adjustment to the organization for 2019, the details of which are described in *B.4 Outlook*. The new positioning will make it possible to take better advantage of synergies. The focus of the Technologies segment is on delivery of technology components while the two segments Engineering & Technologies Europe and International are focused on local services related to the maintenance, repair and productivity improvements of industrial plants. The strengthening of regional responsibilities in business development will also lead to a further improved understanding of market trends and customer requirements. At the same time, all units will continuously and rigorously manage capacity, making it possible to react flexibly to potential short-term market fluctuations.

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Bilfinger's assessment of the risk from unfavorable market developments is for the most part unchanged compared to the last reporting period.

Overloading the organization

Bilfinger's strategic transformation is comprehensive and applies to all levels and areas of the company. As a result, a multitude of requirements must be reconciled.

Group-wide programs should ensure that the standards at Bilfinger are implemented and applied with equal measure. A few examples worth mentioning here are the compliance program, process and system harmonization through the introduction of a uniform ERP system or also the worldwide introduction of a uniform standard for project management. In addition to these, there are also strategic initiatives such as the development and further refinement of sales activities across the divisions. At the same time, a clear goal is the reduction of costs for sales and administrative functions to a competitive level.

The number of tasks as well as their interconnected dependencies lead to considerable complexity in their implementation. Errors in implementation, delays or unplanned additional costs can occur as a result of concurrent time and cost pressure. Furthermore, individual employees and managers may become overloaded due to their involvement in various projects and activities, which can lead to them leaving the company or to an insufficient focus on daily business activities.

In order to counter this risk, Bilfinger relies on a professional project and program management, effective coordination with the local units regarding the timing of roll-out activities and, where necessary, the involvement of additional temporary resources. Reserves have also been provided to the budgets of major projects in order to finance any additional resources necessary.

Bilfinger evaluates the risk from overloading the organization as limited in its effect. According to current assessment, the likelihood of occurrence has declined by one stage as compared to the previous year. The reasons for this include, among other things, the established procedural compliance routines and the robust compliance culture, as they have been confirmed through the certification from the Monitor.

Changes in local legal requirements

Bilfinger is active in many different countries worldwide. The local requirements of each need to be met in their various forms, though regulatory requirements in particular are subject to constant change.

Here, with respect to the business model of Bilfinger, particular relevance is placed on changes in requirements regarding localization, meaning increasing requirements on the employment of local workers in markets like the Middle East or South Africa. The regulations have been tightened in recent years and it has been an increasing struggle to find local talent. This may lead to key positions in local units only being filled with significant effort and at less attractive conditions than planned. This can also result in higher fluctuation, as employees are recruited by other employers with inflated offers. This increased fluctuation risk then leads to additional training costs in order to increase the productivity of newly hired employees to the level of those who left. If, conversely, the local requirements are not met, this can lead to a disadvantage within the scope of tenders up to and including exclusion, so that growth in the regions mentioned could be negatively impacted.

There are also general political and social risks in each region that can significantly influence operating activities, for example, the situation with regard to businesses in Iran and with Iranian companies.

In addition to risks with regard to localization, there may also be problems in the proper implementation of new requirements, primarily arising from smaller units as a result of potential fundamental changes in local conditions.

In total, the risks for Bilfinger from changing local legal requirements are limited to markets with strong dynamics, but where current business activity is still manageable. As a result, Bilfinger considers the effect of the risks as limited, with a not insignificant probability of occurrence. In order to

address the risks, Bilfinger strengthened its regional presence and local management. Local requirements are complied with continuously and accompanied by relevant projects. At the same time, local units and the Bilfinger Group coordinate closely among themselves when filling positions, implementing necessary personnel and compliance processes, financially securing customer defaults or when implementing necessary legal frameworks and structures. Here, significant progress in the adequate positioning of the regional management structures was achieved in 2018.

Building on the significant strengthening of activities in export control, Bilfinger also successfully met the challenges it faced in 2018.

As a result, Bilfinger's assessment of the risk from changed local legal requirements was reduced to limited with regard to occurrence.

B.3.2.2 Operational risks

Lack of adequate personnel

The strategic repositioning of the Bilfinger Group and the necessary optimization of the organizational structures are of course associated with uncertainty for employees, but were generally understood as positive. There is, however, a continued risk that qualified staff will leave the company and potential new employees will be reluctant to move to Bilfinger. Because the company is reliant on technically qualified and motivated employees in many areas in order to be able to meet the requirements of its customers, this could have a negative impact on customer satisfaction. If this affects the regular business and order acquisition, negative effects on the net assets and financial position are possible.

As part of our human resources controlling, we closely follow structural changes within the workforce and can thus counteract any negative developments at an early stage.

We counter attempts by competitors to recruit our employees with attractive wage and salary structures and a targeted identification of personal development prospects. Overall, we counter human resources risks that could arise from a lack of young talent, fluctuation, a lack of qualifications, limited motivation or an aging of the workforce with a broad range of measures that are described in Chapter *B.2.6.5 Employee development and employer attractiveness*.

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Overall, it should be noted that the situation in the labor market for specialists has gotten worse, the risk for Bilfinger has thus increased slightly as compared to the previous year.

Risks from projects and framework agreements

When planning and executing projects, significant calculation and execution risks exist which are often larger than in the service business due to the project volumes and higher degree of technical complexity. Risks from the project business therefore related primarily to the Engineering & Technologies segment but are becoming increasingly relevant for the maintenance and repair units.

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

Bilfinger takes responsibility for the engineering, procurement and construction (EPC) in a number of project orders. Plant construction projects carried out as part of EPC/turnkey fixed price contracts are often complex, require substantial purchasing volumes and a qualified project management. Such project contracts are typically concluded with the obligation to provide turnkey construction of the plant or plant components, often also with assurances of certain functionalities or key performance indicators. A key risk lies in the fact that the calculated prices are inadequate for the contractual performance for diverse reasons (e.g. construction site conditions, delays due to weather conditions, mistakes by subcontractors) and that further claims cannot be obtained from the customer. This can result in a decreased profit margin and in some cases can lead to significant losses from the contract.

The limitation of risks is a key task of the unit responsible for the individual project at Bilfinger. There are thus minimum requirements which a project must fulfill in order to be accepted by the responsible unit. Depending on the bid volume and specific risk categories, the independent corporate departments of Project Controlling and Corporate Legal & Compliance must be involved as additional supervisory authorities – until the Executive and Supervisory Boards have given their approval.

Risk management begins in total with the targeted selection of the projects. In addition to the actual task of the project, the experience with the client, conditions in the region in which the project is to be carried out, the competence and capacity of the Group unit that will potentially do the work, execution risks, the draft contract as well as the payment plan and payment security are analyzed. In the following bid phase, positive or negative deviations from the generally expected conditions are systematically listed. In the determination of costs, the calculation initially assumes planned conditions. Positive or negative particularities are subsequently analyzed, evaluated and transferred into significant projects in a quantitative risk analysis. The risk structure is decisively taken into account in the final decision on the bid and its formulation. Furthermore, it is consistently monitored by a central unit in accordance with defined regulations from the bid phase through to the implementation, completion and processing of any warranty claims.

The high-risk project from the previous year, the construction of a methane plant in the United States, was conclusively discussed with the customer in Q4/2018. No further significant earnings effects resulted from this.

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

The basis for the management of risks in the service sector is a profound understanding of the customer, the services being provided and of the contract conditions that have been agreed. For the execution of the work, our operative companies have competent, reliable and experienced staff. Wage increases, which are partly influenced by external factors, primarily wage settlements, will be partially absorbed by the indexing of contractual remuneration.

In view of the high degree of involvement in the business processes of our customers, we pay particular attention to the appropriate level of qualification of the persons assigned. Precise knowledge of the specific conditions in the plants we manage is a decisive factor for our business success. Service contracts above a certain volume must be subject to a regular review by Corporate Project Controlling over the contract period.

Bilfinger evaluates the risk from project and framework agreement risks in their effect overall as relevant. On the basis of internal analyses, the risk of occurrence is currently assessed as possible, which corresponds to a decline by one stage as compared to the previous year. The reason for this is primarily the now globally-established project governance and standardized project management processes.

Insufficient speed for achieving required operational excellence

The achievement of our medium-term margin goals requires a substantial increase in productivity in both the direct and indirect functions. At the same time, we face an ongoing high level of pressure in the market and in our margins, with customers demanding that we pass on cost reductions to them. Steady increases in inflation also cannot be readily carried over to the customer in full. Newly accepted framework agreements in the Maintenance, Modifications & Operations business segment are less profitable due to set-up costs and the initial training necessary for a specific plant in the start phase.

In light of the required productivity increases, Bilfinger views the risk's effect as relevant, with a likelihood in the area of possible.

The situation requires the cost basis to be managed consistently and a questioning of the status quo at regular intervals. In so doing, productivity management is the task of all those with operational responsibilities. The productivity management system BTOP, which was introduced in 2017, is now established and is having an increasing impact in the operating units. It is targeted towards deriving productivity improvements needed each year for the achievement of financial goals and to support these improvements with ongoing measures. This includes consistent monitoring of the measures taken using fulfillment rates on a monthly basis and their concrete effect on the consolidated income statement.

In addition, Bilfinger has identified transformation units and is subjecting these to a comprehensive reorganization program to, among other things, improve operating performance.

Not least, with effect from January 1, 2018, Bilfinger appointed a new Executive Board member who, as Chief Operating Officer, will be fully focused on improving operational processes and the performance of Bilfinger.

Bilfinger's assessment for this risk is unchanged until the effectiveness of the established measures is secured through sustainable results.

Serious HSEQ incident (Health, Safety, Environment and Quality)

As a service provider, we are almost exclusively active at the locations of our customers. In the execution of our work, we place the highest possible demands on health, safety, and environmental protection as well as on the quality of the services provided. The goal of 'zero accidents' is a fundamental part of our safety culture. At the same time, we strictly maintain the safety requirements of our customers, though it is still not possible to prevent all incidents.

Failures in environmental protection or in occupational health and safety that result in a serious incident could lead to adverse effects on our customer relationships through to loss of orders as well as contractual penalties and damage claims and could thus have a negative impact on the net assets and financial position of the Group.

We counteract risks from quality defects by using far-reaching quality and process management. It starts with the operating units, which are responsible for the process as well as the quality of their services. Through system requirements and targets and internal audits, they work toward the continued development of quality standards. Our processes and units are also externally audited and certified.

Bilfinger's assessment of the HSEQ risk is unchanged with a relevant effect on the earnings situation and a simultaneously lower likelihood of occurrence.

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Details of HSEQ management at Bilfinger can be found in Chapters 2.6.2 Occupational safety as well as 2.6.4 Customer satisfaction and quality.

B.3.2.3 Financial risks

Inadequate focus on working capital / cash management

Bilfinger lists significant working capital positions on the balance sheet, particularly in the area of customer requirements and *work-in-progress* (services that have been provided but not yet invoiced). Furthermore, Bilfinger's business model involves substantial liabilities due to warranty and follow-up costs as well as significant advance payments, particularly from the project business. The involvement of suppliers and external staff that is typical of the business leads to substantial liabilities from trade receivables. This results in Bilfinger normally being in a net position for accounts receivable because the payment due dates for suppliers are often shorter than those of customers, mainly due to temporary staff. This results in an imbalance which typically widens during the year.

With a view to Bilfinger's growth plans, there is a risk that this imbalance continues to increase in the future and that there will arise both an increased need of financing and additional costs to finance this position. Moreover, an active management of working capital can also be identified on the customer side, for example, in the even more restrictive interpretation of requirements for milestones when billing. This can also lead to a further imbalance in relation to receivables and liabilities, with corresponding additional costs for financing.

In total, the effect of this risk can be classified currently as limited because refinancing costs are rather low at the moment due to the financing and interest rate situation.

The mitigation measures focus on a consistent local management of receivables and liabilities, which is formalized in the Group policy on the minimum standards in working capital management, to which all employees are bound. This extends comprehensively to the order to cash (OtC) and purchase to pay (PtP) processes. The Executive Board placed greater significance on working capital management in 2017 by strengthening cash flow performance initially in the individual target agreements at all levels. As a next step, in 2018 this factor was considered in the bonuses of the most important managers in the local units. Bilfinger is currently driving forward a comprehensive process and system harmonization which should lead to an enhanced Group-wide exchange of best practice approaches and to better system support in working capital management.

In addition to working capital, Bilfinger monitors all financial risks with proven control mechanisms that allow for timely and transparent reporting. The Group's reporting system guarantees the regular identification, analysis, assessment and management of financial risks by Corporate Treasury. All relevant equity interests and joint ventures are included in this monitoring.

An unexpected negative business development may give rise to increased financing needs in the operating units affected. At the same time, a negative business development can entail a change in Bilfinger's creditworthiness, particularly from rating agencies and banks, which can lead to more difficult and expensive financing or a more difficult and expensive provision of securities and guarantees. External financing can also result in a worsening of the dynamic gearing ratio. Within the scope of the agreed financial covenant, it is ensured that this gearing ratio is met. Any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis and can thereby also lead to an unplanned loss of liquidity.

We counter this risk by centrally monitoring liquidity development and risks in the Group using a rolling cash flow planning and introducing countermeasures at an early stage. Within the context of central financing, Bilfinger SE makes necessary liquidity available to its subsidiaries. Notwithstanding economically less relevant regions, the Group's internal equalization of liquidity in Europe and in the USA is supported by cross-border cash pooling.

Investment financing is carried out with consideration of matching maturities. To finance working capital, we have a €300 million pre-approved syndicated credit line at attractive conditions that is in place until June 2022. This includes a standard market financial covenant in the form of a limitation of the dynamic gearing ratio adjusted net debt / adjusted EBITDA. The value as of December 31, 2018 is below the contractually agreed cap. If, in the case of a significant worsening, adjustment does not take place in agreement with the lender, any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis.

The sureties available for the execution of our project and service business with a volume of €1.1 billion are sufficiently dimensioned to accompany the further development of the company. In addition, we have a US surety program in the amount of USD 750 million for the execution of our business in North America. All credit commitments can be called due prematurely in the case of a change of control.

We are currently looking at a number of options for the refinancing of the €500 million bond issued in 2012 with maturity in December 2019. In light of the various refinancing possibilities that are open to us, we are confident that we will be able to satisfactorily cover the financing need and assess the likelihood of the occurrence of a risk for the financial position as limited.

Bilfinger's assessment for the risk from insufficient focus on working capital management / cash management is unchanged for a potential occurrence and limited impact.

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For a presentation of the risks we refer to Chapter *C.6 Notes to the consolidated financial statements, Note 29 Risks related to financial instruments, financial risk management and hedging transactions*. You will also find further information in Chapter *C.6 Notes to the consolidated financial statements, Note 28 Additional information on financial instruments*.

B.3.2.4 Compliance risks (including legal risks)

Litigation and completed legacy projects

In addition to the costs and expenses that arise as a result of legal disputes, there is also the risk of financial loss arising from correct, incorrect or lengthy decisions on the part of courts or public authorities.

Legal disputes predominantly arise from our provision of services. Controversies with customers mainly relate to claimed defects in our services, delays to completion or to the scope of services provided. In such cases there is often also a similar dispute with the subcontractors that were used. We strive to avoid legal disputes wherever possible or to settle them at an early stage. This goal cannot always be achieved, however, with the result that German and international companies are sometimes involved in litigation or arbitration. The outcome of such can of course not be predicted with any degree of certainty, but is often dependent on inquiry or assessments on the part of the courts. We

therefore cannot exclude the possibility that the outcomes of litigation and proceedings may deviate from our assessments and forecasts and that damages may occur to our net assets and financial position.

Important ongoing damage cases include the incident regarding the *collapse of the Cologne Municipal Archives* in 2009. There are multiple ongoing independent investigations to determine the cause of the collapse and the magnitude of the resulting damages. The cause of the damages as well as the size of the claim have not yet been determined. Bilfinger participates with a share of one third in the joint venture that was commissioned with the construction of an underground rail line in front of the former location of the municipal archives. Two criminal proceedings that commenced in 2018 against individual and, in part, former staff of the customer and the joint venture construction company ended in October 2018 and February 2019 respectively in the lower court with a conviction of one employee of the customer and one employee of the construction joint venture and acquittals for other employees of the construction joint venture and the customer. According to the justification of the criminal court, it is established that the archive collapsed as a result of a serious error in the construction of a diaphragm wall crossover structure. The decision of the lower court has been or will be appealed and the search for the cause will continue in the civil taking of evidence.

There now exists a preliminary assessment of the potential magnitude of the damages to the contents of the archive. For legal reasons amongst others, this assessment is highly controversial. From today's perspective, we expect that in case of a proportionate availment we would, if necessary, have sufficient insurance coverage. Should risks from this case occur, claims would also be made against the owners of the commissioned joint venture who are jointly and severally liable. Bilfinger, however, assesses the risk of the sole claim in relation to third parties with a simultaneous refusal of a settlement from the partners in an internal relationship from joint liability as relatively low. There are no specific indications that the shareholders of the joint venture will not meet their obligations.

The insurance coverage does not include the costs of rehabilitation that go beyond the original construction costs for the structure, among other things. From today's perspective, sufficient provisions have been taken for any burdens that may arise as a result.

In connection with an explosion incident at a gas station in Austria, the public prosecutor is investigating a Bilfinger company and other involved parties. The reason for the accident has not yet been determined. From today's perspective, we expect that in case of a conviction or civil law availment by injured parties, we would, if necessary, have sufficient insurance coverage.

Several lawsuits in various courts of the United States relate to the services of an American subsidiary and open compensation claims against the customers. The customer's claim is an amount in the low double-digit million US dollar range and was recently reduced significantly by a lower court decision. There are also substantial counter-claims in the mid double-digit million range. In another case, a US subsidiary is asserting claims for compensation for construction process disruptions and damages against two customers in the mid double digit million dollar range.

For individual projects in Germany, Poland and other countries, clients have made claims for various reasons with a total volume in the double digit million euro range. The objects of the disputes are, among other things, the appointment of blame for the causes of construction delays, defects and disagreement related to the technical features of the plants. In one case, a joint venture that we are a part of is asserting in the mid double digit million euro range for compensation from a customer.

The leniency agreement concluded in Brazil in 2017 with the responsible authorities will continue until August 2019. The leniency agreement stipulates a payment in the low single digit million euro range as well as improvements in the compliance system. Its execution is proceeding according to plans. In return, the Brazilian authorities renounced any further prosecution of the incidents against Bilfinger.

Overall, following careful examinations, we can assume that sufficient provisions have been recognized in the balance sheet for all ongoing disputes and partially with counter-claims. However, it is still possible that the available provisions are insufficient as a result of the difficulty in making projections or because capitalized receivables cannot be fully collected.

Bilfinger continues to assess the risk from legal disputes and legacy projects in their effect as substantial with a simultaneous very limited likelihood of occurrence.

Risks related to the introduction of an effective compliance system

At Bilfinger, the overall importance of compliance and of specific compliance risks remains high.

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As described in Chapter *B.2.6.3. Compliance*, the Deferred Prosecution Agreement (DPA) with the US Department of Justice (DoJ) was ended as planned on December 9, 2018. Prior to that, the independent Compliance Monitor officially certified that Bilfinger's Compliance Program meets the requirements of the DPA. The final formal act is the closing of the case by the responsible court which, upon application by the DoJ will be carried out six months after the end of the DPA, which means in June 2019.

In the future, our compliance focus will be mainly on areas of activity including anti-corruption, anti-trust and data protection because the occurrence of relevant risks can have a significant impact on our business activities and thus on the net assets and financial position.

Violations of corruption, antitrust or data protection provisions can lead to criminal or civil prosecution as well as fines, sanctions, injunctions, disgorgement of profits, to the exclusion from direct or indirect participation in certain business activities or to other restrictions. In addition, corruption and antitrust cases or other misconduct could have a detrimental effect on our involvement in business with public-sector customers – up to exclusion from public-sector contracts. Criminal prosecution could also result in the cancellation of some of our existing contracts and third parties, including competitors, could initiate proceedings against us on a large scale.

In order to counter these risks, the compliance program implemented in the company pursues the objective of preventing compliance violations to as great an extent as possible through preventive measures, recognizing early any type of misconduct and, in the case of confirmed violations, of reacting quickly and consistently punishing misconduct. The respective compliance program covers all business areas and processes that are relevant for Bilfinger. The foundation for this Compliance Program is a detailed analysis repeated at regular intervals and an assessment of compliance risk factors in the divisions and companies of the Group. These risk analyses form the basis for a corresponding compliance risk classification and a detailed structure for compliance measures.

Individual and suspected cases do however occur from time to time, which we generally detect ourselves, investigate in detail and, when necessary, impose strict sanctions and remediation measures. We cooperate with the authorities where necessary. From the investigations that are currently ongoing, we have no concrete information relating to risks from corporate fines, from the disgorgement of profits or from specific liability claims against third parties.

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Details of the compliance program including the handling of suspected cases are described in Chapter *B.2.6.3 Compliance*.

Bilfinger assesses the risk from compliance incidents in their effect unchanged as relevant with a simultaneously reduced likelihood of occurrence due, among other things, to the certification of the compliance system by the independent Compliance Monitor appointed by the Department of Justice.

B.3.3 General assessment of the risk situation

The evaluation of the overall risk is the result of a consolidated consideration of all significant individual risks. Bilfinger expects that the general risk situation of the Bilfinger Group improved slightly as compared with the previous year. Particularly noteworthy in this context is the successful certification of the compliance system by the independent Compliance Monitor. Bilfinger has thus taken an important step forward in the implementation of the target compliance culture. The new processes for project selection are also having an impact and are contributing to the improved risk situation.

Overall, Bilfinger is convinced that the existing risks are sustainable for the Group as a result of the instruments put in place to manage them.

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 occur, the possibility that they would have an impact on the development of our sales or earnings cannot be ruled out. 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.

B.3.4 Opportunity management

B.3.4.1 Principles, identification, evaluation and control

Opportunities are defined as potential future developments or events which may lead to a positive deviation from plans, forecasts and targets. Their occurrence may have additional positive impacts on our net assets and financial position.

In its dynamic competitive environment, Bilfinger is presented with opportunities, both externally through new customer requirements, market structures or legal framework conditions, and internally through new services, innovations, quality improvements and competitive differentiation.

Opportunities are identified by Bilfinger's employees and management in the course of their daily processes and market observations. In addition to this, a strategic planning process at regular intervals supports a fundamental annual analysis of the opportunities presented to us.

In the overall context of the company, opportunities that are considered advantageous to Bilfinger's development and, with it, to the interests of shareholders, should be – where it makes financial sense – encouraged and realized using targeted measures. These are managed by established planning and forecasting processes as well as by projects.

B.3.5 Significant opportunities

Significant opportunities for Bilfinger that are established on the basis of the described method are present in the following areas:

1 Advantageous market developments
2 Effective project and contract execution
3 Realization of tax-loss carryforwards
4 Optimization of personnel availability and costs
5 Digitalization and business development
6 Positive outcomes for pending legal cases
7 Value development in Apleona shares
8 Compliance and safety culture as a positive differentiation feature
9 Successful selling of companies / portfolio rotation
10 Accelerated implementation of productivity measures

Like risks, the opportunities described below fall under the four core areas of the COSO framework and generally relate to the entire Group. Segment-specific opportunities are declared as such.

B.3.5.1 Strategic opportunities

Advantageous market developments

Our strategic planning is based on certain assumptions with regard to the economic framework conditions in our markets in Europe, the United States and the Middle East. If the actual development deviates positively from this planning basis, it can lead to additional impetus on demand.

A substantial and sustainable increase in global market prices for fossil fuels beyond the level that we assume in our strategic planning would have additional positive effects on our business operations. An oil price that, over a longer term, is above the profitability threshold of the respective extraction technologies used would revive the investing activities of our customers. This would primarily impact the maintenance and investment budgets in the Norwegian, British and US oil and gas sectors.

An additional revival of demand in the area of nuclear energy as a result of targets on the reduction of CO_2 emissions could also open further earnings potentials in selected national markets.

Successful selling of companies

Operating units that are active outside the defined business segments, regions or industries are allocated the Other Operations segment. These units are not part of the strategic positioning of the Group. The remaining portion of the loss-making units in this segment were sold in financial year 2018 or liquidated. Units with a positive earnings contribution are initially managed independently for value until a suitable owner has been found.

In the case of the selling of these companies or for other strategic considerations, cash inflows can have an additional positive effect on the liquidity of the Group and can be put to use for the expansion of growth areas (portfolio rotation). Should it come to a sale with proceeds below the current carrying amount, this would be associated with a corresponding disposal loss.

B.3.5.2 Operational opportunities

Effective project and contract execution

Supplementary earnings opportunities are present in the effective management of project execution and the identification of additional potential contracts resulting from this. The realization of these potentials relies on the excellent application of project management processes and instruments, which are also used in the mitigation of project risks. This also requires a profound understanding of the underlying contracts in each case. Bilfinger therefore utilizes professional project managers with comprehensive experience and training.

Optimization of personnel availability and costs

A positive deviation from the underlying planning on the availability of cost-efficient personnel resources presents an opportunity for Bilfinger. In particular, the possibilities here are in a more effective integration of qualified suppliers and subcontractors as well as in a moderate development of labor and incidental wage costs in our focus regions. There are also additional modern methods for personnel deployment as part of a better process and system landscape, among other things, with regard to an even more effective administration of necessary training.

Digitalization and business development

The digitalization of processes in our customer industries is being driven forward with a high degree of commitment under the keyword ‘Industry 4.0’. We consider ourselves to be a comprehensive service provider for the process industry in the development of new digital solutions, and view ourselves as a link between industrial companies and pure IT providers. We want to actively shape the transformation and, among other things, to contribute to enabling digitally networked production, even for medium-sized companies. To this end, in 2017 we installed a competence center and in future will undertake targeted investments in this area (see Chapter *B.2.6.6 Innovations)*. In January 2018, the competence center was upgraded further and transferred into an independent unit under the management of the Chairman of the Executive Board. An acceleration of market development beyond our underlying planning can, along with an additional boost in growth, also lead to a business that can more easily scale and thus to the use of economies of scale. Both can have a significant, positive impact on the financial position of Bilfinger.

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Accelerated implementation of productivity measures

The achievement of our medium-term margin goals requires a substantial increase in productivity in all areas of the Group. We expect the implemented improvement measures to take effect at a later timeframe in the planning period. If the measures can be implemented more quickly or effectively, this would generate additional finance and earnings potentials for Bilfinger.

B.3.5.3 Financial opportunities

Value development in Apleona shares

The selling price for the Bilfinger Building, Facility Services and Real Estate divisions sold in 2016 included non-cash components that are to be paid when the new owner EQT resells the company, at the latest. Bilfinger will therefore be entitled to 49 percent of the resale proceeds from EQT for Apleona in its current state, and will thus continue to participate in a proportionate amount in the development of the business. If its value should develop better than currently expected, at the time of a resale there is an opportunity of positive effects on Bilfinger’s results of operations, net assets and financial position.

Realization of tax-loss carryforwards

In the Bilfinger Group there are substantial tax loss carryforwards for which no deferred taxes have been capitalized because the conditions pursuant to IFRS are not currently given. A rapid increase in profitability in the corresponding companies could harness non-capitalized tax-loss carryforwards and thus improve the Group's financial and earnings situation beyond current forecasts.

B.3.5.4 Compliance opportunities

Compliance and safety culture as a positive differentiation feature

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Our customers place a greater focus on compliance and HSEQ performance when choosing their partners. In light of the optimization of integrity and HSEQ culture described in Chapter *B.2.6.3 Compliance*, Bilfinger rigorously meets these requirements and can gain an important positive differentiation feature in the competitive environment. This is proven by the contracts awarded to Bilfinger, for which the compliance system was an important factor in the customer's decision. This trend opens up additional growth and earnings potential, particularly following the successful certification of the compliance system by the independent Compliance Monitor in December 2018.

Positive outcomes in pending legal cases

Bilfinger's business activities occasionally lead to disputes with customers concerning the appropriateness of certain requirements. Bilfinger has reflected the current expectations through relevant balance-sheet provisions. Should the processes end more favorably than currently expected, this would, in some instances, provide significant potentials for our net assets and financial position. Here we see opportunities, particularly in the USA and in our European technology units.

At its meeting on February 20, 2018, the Supervisory Board of Bilfinger SE resolved to assert claims for damages against former members of the company's Executive Board. This relates to all former members of the Executive Board in office from 2006 to 2015 but who joined the Executive Board prior to 2015. The Supervisory Board took this decision on the basis of the findings from the investigation it initiated in March 2016. The former members of the Executive Board are accused of breach of duty in the implementation of an orderly compliance management system. In the view of the Supervisory Board, some former members of the Executive Board also breached their duties in connection with an M&A project in the past. According to the current provisional calculation, the amount of damages recoverable by Bilfinger as a result of these breaches is in the low triple-digit million euro range. In the course of 2018 and at the beginning of 2019, the Supervisory Board obtained additional expert legal opinions in order to clarify unresolved legal questions in this complex legal matter. Following final clarification of these unresolved legal questions as well as further expert opinions based on them, the Supervisory Board decided in February 2019 to continue to pursue damage claims. In this regard, affected members of the Executive Board were given the opportunity to comment on the basis of the relevant documentation. Under consideration of these comments, specific damage claims will be asserted in 2019.

In what exact amount damage claims exist and to what extent these can actually be asserted has not yet been determined. If claims can be asserted, this would have a positive effect on the net assets and financial position.

B.3.6 General assessment of the opportunities situation

Our current forecast already calls for a substantial improvement in our financial and earnings position, with the result that further opportunities are rather limited.

As compared to the previous year, the opportunities situation for Bilfinger has improved to the effect that opportunity management has been accorded more significance along with the new Risk management system. Furthermore, a range of measures for the realization of opportunities have been initiated, for example, the implementation of the productivity management system BTOP. At the same time, opportunity potential was realized through successful projects and the settlement of legal disputes – potential that is no longer available for the future.

B.3.7 Internal control and risk management system as relates to the accounting process

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

Accounting process

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

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

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

Internal control and risk management system

The internal control system (ICS) consists of principles, procedures and measures to secure the effectiveness, efficiency and accuracy of the company's accounting as well as the observance of applicable legal requirements. This also includes the internal auditing system insofar as it relates to accounting. On this basis, the observance of fundamental controlling principles such as separation of functions, four-eyes principle or lawful access regulations in the IT systems is ensured for the accounting and consolidation process. The ICS at Bilfinger for both the units included and for the consolidation is based on the COSO standard 2013.

Under consideration of legal requirements and standards that are usual for the industry, Bilfinger has established a Group-wide internal control and risk-management system in order to recognize

potential risks and minimize them. This system is being systematically developed based on the determined need for improvement.

The basic structure of the internal control system includes the five core business processes Purchase to Pay, Order to Cash, Hire to Retire, Investment to Disposal and Financial Reporting. The controls embedded in the financial reporting process relate to both the accounting process in the included units as well as the consolidation. The key risks have been identified for these business processes and necessary correlating controls are defined annually within the framework of a risk control matrix. This structure represents the Group-wide binding ICS standard.

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

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

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

The effectiveness of the internal control system is ensured through annual effectiveness checks (tests). The tests are carried out by external auditors, Corporate Internal Audit & Controls and by the units themselves (control self-assessments). By means of regular training measures, it is ensured that all those involved in the internal control system have current and valid information available. This forms the basis for the evaluation of the appropriateness and effectiveness of the Group-wide control system by the Executive Board at the end of the financial year. Recommendations for improvement become part of the ongoing development of the internal control system.

Within the scope of the internal control and risk management system with regard to the accounting and consolidation process, Bilfinger has taken the measures described above for the identification and evaluation of risks that could counter the objective of conformity with standards in the consolidated financial statements and the combined management report (especially inaccuracies, violations of standards and requirements, manipulation, data collection and security, elimination of existing internal controls, inaccurate assessments of situations, inappropriate exercise of organization and assessment latitude as well as inaccurate estimates and evaluations). These relate primarily to systematic and manual coordination processes at Group, divisional and company level.

To limit the identified risks that exist with regard to the Group accounting processes, Bilfinger, within the scope of the internal control and risk management system with regard to the accounting and consolidation process, has taken the measures described above, primarily the establishment of the internal control system, the requirement of a conceptual framework and the establishment of quality assuring control and monitoring mechanisms.

B.4 Outlook

B.4.1. Adjustment of the reporting segments as of January 1, 2019

Bilfinger adjusted its reporting segments at the beginning of 2019. In this regard, we are abiding by the strategic positioning we introduced at the beginning of 2017: Bilfinger continues to focus its activities in the two service lines Technologies and Engineering & Maintenance on the enhancement of plant efficiency in the process industry.

Over the course of the past two years – in the stabilization phase of the company – the improvement and the uniform introduction of our project governance and management systems were the focus of our efforts. In this regard, the former Engineering & Technologies segment bundled all units that have a stronger focus on the project business under a single management. The objective was to ensure a systematic and more comprehensive approach to the assessment of the risk and opportunity profile of potential project contracts. Derived from this is an adequate price setting as well as the continuing accompaniment in the execution within the scope of a stage gate process. In the former Maintenance, Modifications & Operations (MMO) segment, on the other hand, a higher degree of maturity in terms of the organization was achieved so that within the scope of a regional approach customer proximity and the realization of cost efficiencies in sales and administration were in the foreground.

Now that Bilfinger has left the stabilization phase and finds itself in the build-up phase, the organization was adjusted with effect from January 1, 2019: The Technologies division will be globally-positioned and will focus on products and technologies that it offers throughout the world. Examples include components for biopharma plants (skids), filter technologies for ships (scrubbers) and components for the nuclear industry. The division concentrates on growth areas in which Bilfinger demonstrates particular technological expertise enabling us to benefit from sustainable global trends. Technologies will coordinate Group-wide market development in these growth areas. We now report on this business in the Technologies segment.

Engineering (“E”) was transferred to the responsibility of the respective regionally-positioned divisions and will be provided locally from a single source, along with services related to maintenance, modifications and operations. As a result, we are in a position to deliver premium services. This also makes it possible to achieve a higher degree of integration in sales and in administration.

Due to the similarity of the markets, the economic environment as well as the financial parameters – particularly growth expectations and the extent of the margins – we combine the reporting through the regionally positioned divisions Continental Europe and Northwest Europe in the Engineering & Maintenance segment. The activities of the divisions Engineering & Maintenance North America and Middle East in our strategic growth regions outside of Europe make up the reporting segment Engineering & Maintenance International. Here, we expect similar growth rates and margins in the planning period.

In addition, we decided, in the segment presentation from financial year 2019, to more consistently charge services from headquarters to the units that incur the costs. This leads to an improvement in the reconciliation Group and, at the same time, to a corresponding burden in the operating business segments. The figures for the reporting year have been adjusted accordingly in the table below.

REPORTING SEGMENTS
FROM JANUARY 1, 2019

Technologies	Engineering & Maintenance Europe	Engineering & Maintenance International
Division:	Divisions:	Divisions:
Technologies	E&M Continental Europe	E&M North America
	E&M Northwest Europe	E&M Middle East

REVENUE AND ADJUSTED EBITA IN FINANCIAL YEAR 2018 IN ACCORDANCE WITH THE REPORTING STRUCTURE VALID FROM JANUARY 1, 2019
in € million

	Technologies	Engineering & Maintenance		Reconciliation Group (incl. OOP)	**Group**
		E&M Europe	E&M International		
Revenue	499	2,732	763	159	**4,153**
Adjusted EBITA	-24	101	32	-44	**65**
Adjusted EBITA margin	-4.8%	3.7%	4.2%	–	**1.6%**

Regions and customer industries

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As described in Chapter *B.1.3 Organization, Strategy and Objectives*, Bilfinger focuses its business activities as before on the four core regions Continental Europe, Northwest Europe, North America and Middle East. The customer industries Chemicals & Petrochemicals, Oil & Gas and Energy & Utilities as well as Pharma & Biopharma, Cement and Metallurgy remain the focus of the business.

The forecasts and statements related to the expected development of Bilfinger are made within the scope of these adjusted reporting structures.

B.4.2 Economic development

The global markets for industrial services could lose momentum in 2019 as a result of the worsening economic outlook. The effects of international trade conflicts and the consequences of Brexit which are difficult to calculate for Europe will likely dampen the willingness to invest in key customer industries. A positive counter-weight to this is the intact structural trend toward the outsourcing of maintenance services.

Technologies

For the German power plant market, there is hope in the medium term that the elimination of the remaining nuclear power plants with the decommissionings planned for 2019, 2021 and 2022 could increase demand and the profitability of modern gas-fired power plants (Energate). Only then would it be possible to expect a noticeably higher willingness to invest in this type of power plant. In January 2019, the Coal Commission recommended to the German government that the country fully withdraw from coal-fired power by the year 2038; by the year 2022, capacities in the amount of 5 gigawatts in lignite and 7.7 gigawatts in coal should be taken off the grid. To ensure a secure supply of power, there should in return be investment incentives for new gas-fired power plants and an acceleration of the approval process (Coal Commission). As a result of this fundamental course, a direct further decrease in services for coal-fired power plants is to be expected. This could be countered by rising

investments in modern gas-fired power plants if the prospective improved framework conditions can be achieved.

In the coming years, the western European market for the demolition of nuclear power plants will grow reliably very strong. The legally binding German decision defined in the Atomic Energy Act for the decommissioning of the remaining nuclear power plants by the end of 2022 makes it very easy to forecast market growth. In France and Belgium, too, older reactors will have to be fully or partially decommissioned. The entire market volume for decommissioning services in France up until 2030 is estimated at €26 billion, for Germany €14 billion and for Belgium €4 billion (KIT, p. 271). In France, there is also tremendous volume offered by the market for the modernization of nuclear power plants. Nuclear power plant operator Électricité de France has undertaken an investment program for service life extensions of existing power plants ("Grand Carénage") into which €48 billion will be invested by the year 2025 (EDF). In the United Kingdom, momentum is expected in the coming years from the new nuclear power plant Hinkley Point C, which has been under construction since December 2018. The investment volume for the project is estimated at about GBP 20 billion (The Times). The further ability of Poland and Hungary to invest in a modern energy infrastructure will depend on whether the two countries are once again among the largest recipients of cohesion funding in the new EU financial framework for the years 2021 to 2027. The European Commission has proposed making the funding dependent on the maintenance of rule-of-law standards in the future. Because both of these countries face accusations that they have violated rule-of-law principles of the EU, a rule-of-law audit of Poland and Hungary could have serious financial consequences. Currently, however, it is not foreseeable whether the European Commission will be able to enforce the proposal.

Markets for waste gas purification should also see positive development. For the coming years, there is substantial potential for desulfurization systems for ship engines because about half of all commercial ships are affected by the most recent tightening of emission limits.

The biopharmaceuticals industry has become a key growth driver for the pharmaceutical sector as a whole. Global growth of the biopharmaceutical market is estimated at about 14 percent per year in industry forecasts for the next five years (Biopharmaceutical). Europe and the USA are still the largest markets, particularly high growth, however, is expected in Asia as a result of population growth and rapidly increasing medical standards.

Engineering & Maintenance Europe

The Brexit presents a substantial risk factor for all important industry service sectors in the United Kingdom. If in the spring of 2019 the United Kingdom leaves the EU domestic market, it could result in additional trade costs for the country's oil and gas industry of up to GBP 500 million (UK Oil and Gas, p. 20). In a worst-case scenario, the United Kingdom's chemical industry is faced with a temporary export ban to the continent in the case of an unregulated Brexit, if the United Kingdom were no longer integrated in the EU Chemicals Authority ECHA and, until a follow-up agreement is reached, chemical products would not be compatible with the EU chemicals regulation REACH (VCI domestic market). All industries would suffer further damage when British companies can no longer access qualified professionals from other EU states in the same way they had in the past. Depending on the scenario, there could be considerable friction with damage to the integrated supply chains between the country and Continental Europe. Brexit is not of direct importance for construction of the Hinkley Point C nuclear power plant which is currently in the early stages. The project, however, is controversial in parts of the political landscape, so that the domestic political consequences of Brexit could also have an impact on the future positioning of the country in nuclear energy and on the construction project.

In the European chemical and petrochemical industries, the prospects for the future business development were estimated as significantly more reserved at the change of the year 2018/2019 than they were one year before; expectations did, however, improve slightly again in January 2019 (VCI Barometer Jan). In addition to the risk factors mentioned, concerns related to further setbacks in emerging countries are playing a burdening role. In years past, emerging markets such as China and India made significant contributions to global expansion in chemical production.

For European oil and gas production, the production expansion seen in 2018 proved not sustainable. In the last five years, exploration activities in the British oil and gas industry dropped by 50 percent, the number of exploratory drillings was at a new low in 2018 (UK Oil & Gas, p. 4, p. 30). As a result, there may be a lack of a replacement in the coming years for those fields that are reaching the end of their ability to produce.

The oil price, which has been low again since the fall of 2018, is not a serious threat to the European oil and gas sector for the time being. The considerable progress in productivity from the last slump in oil prices led to a significant drop in the break-even prices, thus making the industry more resistant when it comes to new low price phases. Strong momentum in the maintenance market is otherwise not to be expected due to the limited capacities for an expansion of production and the continued strict cost controls on the side of the customers.

Maintenance budgets in the German energy industry will stagnate further, new momentum will only develop with the commissioning of a new generation of modern gas power plants, though this can only be expected following a transition period of several years.

The aluminum and steel industry in Scandinavia will, in the coming years, be confronted with the challenges of a particularly ambitious climate policy. Sweden intends to reduce the net emissions from greenhouse gases to zero by 2045. The metallurgy sector will also have to make a contribution to this. In the steel industry, pilot projects for the reduction of CO2 emissions through the replacement of coal and coke with hydrogen have begun (GTAI Sweden steel production). In Germany, the shortage of qualified personnel is perceived as a major obstacle to future growth in the medium term (Lün, p. 34). In this regard, increasing recruitment problems are forecast primarily for skilled professionals less for service personnel (Lün p. 22).

Customer demands will rise further in all regions. High on the list of requirements is an extremely flexible maintenance concept with a higher degree of availability and reaction speed on the part of the provider, followed by greater occupational safety and efficiency improvements (Lün., p. 35). For the United Kingdom, against the backdrop of the Brexit, a near-term end to uncertainty in with regard to the country's further integration into the European single market is not anticipated.

Engineering & Maintenance International

As a result of the oil price correction in the fall of 2018, it is not expected, from today's perspective, that the income of natural gas producing countries could noticeably increase again in the coming year (EIA September 18). This will slow the momentum in industrial services in chemicals, petrochemicals and energy in the Gulf states despite ambitious development plans. Business with Saudi Arabia has been subjected to new political risks due to political uncertainties and the associated worsening of the relationship with the West. Extensive economic sanctions are currently not expected. Prior to the most recent escalation, however, there were already reports of politically-motivated declines in orders for European companies.

The USA continues to be a growing market with tremendous potential as a result of the foreseeable further increase in production in the oil and gas sector. The US Energy Information Administration (EIA) expects that the country will become a net energy exporter in 2022 (EIA AEO). The reasons behind this include a further increase in oil and gas exports as well as progress in the expansion of the liquefied gas infrastructure (EIA October 1). The foreseeable further market growth relates not only to

the oil and gas sector. The strong availability of domestic sources of energy supports the expansion of chemicals and petrochemicals and massive investments in modern gas power plants so that all important industries on the US market for industrial services benefit.

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B.4.3 Assumptions

We are subject to currency translation effects, primarily with regard to the US dollar, British pound, Norwegian krone and South African rand. Planning is based on the assumption that the exchange rates will be within the range of the average level from 2018.

In our forecast, we anticipate a lasting stabilization of the oil price at a level of USD 55 to 75/bbl. In several business segments, we continue to expect intensive competition. This applies in particular to the oil and gas business in the USA as well as to the maintenance business in our core market Germany. In other markets, strong demand allows for a gradual price increase which, however, will be at least partially eroded by an increasing shortage of specialists and the associated cost pressure. This is valid, for example, for our business in the North Sea.

In addition to possible impacts on the currency development and overall economic demand, Brexit does not have any significant specific risks for our business because the value creation in the United Kingdom takes place nearly entirely within the country itself.

B.4.4 Expected business development in 2019

OUTLOOK 2019	Initial situation Financial year 2018	Outlook financial year 2019
Revenue	€4,153 million	organic growth in mid-single digit percentage range
Adjusted EBITA	€65 million	significant increase to more than €100 million

Revenue After orders received developed pleasingly in the reporting year with €4,459 million, we expect, on the basis of the current order backlog, organic revenue growth in the mid-single digit percentage range.

In the Technologies segment, we expect a significant increase in revenue as a result of growth in the order backlog, subject to continued strong orders received in the course of the year, which is also anticipated. We expect stable revenue development in the Engineering & Maintenance Europe segment. At Engineering & Maintenance International, we see positive momentum in the markets and therefore expect significant revenue growth.

As of December 31, 2018, order backlog was €2,818 million. We expect that most of this amount will translate into revenue in 2019.

EBITA / adjusted EBITA For adjusted EBITA (reporting year: €65 million), we expect a significant increase to a figure of more than €100 million. Initial application of IFRS 16 will, in financial year 2019, have a slightly positive effect on Group EBITA in the low to mid-single digit million euro range.

The basis for the significantly higher Group EBITA is a substantial improvement in the Technologies segment. Following a loss of -€24 million in the reporting year caused by under-utilization of capacities, legacy projects and a company in transformation, we expect a significant improvement to at least a break-even level in earnings.

Bilfinger expects stable development of adjusted EBITA in the Engineering & Maintenance Europe segment (2018: €101 million).

Adjusted EBITA at Engineering & Maintenance International will again improve slightly in financial year 2019 on the basis of what is already a relatively high level (2018: €32 million).

An improvement in adjusted EBITA is also to be expected from the positions summarized in the reconciliation Group, also as a result of better earnings from companies in Other Operations that are presented here.

Significant special items in 2019 From today’s perspective, we expect special items on EBITA from expenses for restructuring and efficiency enhancements, investments in IT systems for the standardization of the system landscape and final expenses in connection with the further development of our compliance system totaling about €30 million. Not included in this are potential disposal gains and losses from the streamlining of the portfolio. Further, the reported net profit will likely be burdened by the non-capitalization of deferred tax assets on the negative result of the holding company.

Adjusted net profit Net profit will improve significantly as compared to the figure from the reporting year, reaching at least the break-even level. We also expect a significant improvement in adjusted net profit (reporting year: €36 million).

Return on capital employed In 2019, we expect a slightly improved return on capital employed after taxes (reporting year: 0.1%).

Dividend policy We generally pursue a sustainable dividend policy with the objective of allowing our shareholders to participate appropriately in the Group's success. With a view to the sound balance sheet as well as the planned positive corporate development, the Executive Board and the Supervisory Board will propose to the Annual General Meeting the distribution of a dividend for financial year 2018 of €1.00. Provided that the development of the company is in line with planning, the Executive Board and the Supervisory Board will seek to maintain the amount of the dividend until the general dividend distribution policy takes hold. This targets a pay out to shareholders of between 40 and 60 percent of adjusted net profit, depending on the foreseeable medium term development of the company.

Free cash flow In terms of free cash flow, we expect a figure at least at the break-even level in 2019 on a comparable basis (reporting year: -€4 million). The first-time application of IFRS 16 will also have a positive effect.

Investments in property, plant and equipment For investments in property, plant and equipment we expect a figure at the sustainable level of 1.5 to 2 percent of revenue in 2019.

Financing We have a syndicated cash credit line of €300 million available which is due in 2022. We expect that the limit defined in the loan agreement for the financial covenant (dynamic debt-equity ratio = adjusted net debt / adjusted EBITDA) can be maintained.

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

In financial year 2019, on the basis of the current order backlog, we anticipate organic revenue growth in the mid-single digit percentage range. At the same time, we expect a significant improvement in earnings. We anticipate a slight improvement in return on capital employed after taxes and for free cash flow we expect a figure at least at the break-even level on a comparable basis.

Following the initial growth successes in 2018, we are now continuing to concentrate on our business development and digitalization activities as a foundation for a positive revenue development in the future. Following the conclusion of the stabilization phase, we are entering the upcoming build-up and build-out phases with an adjusted organizational structure: The Technologies division will from now on be globally-active and will focus on products and technologies that it offers throughout the world. Responsibility for engineering activities has been transferred to the respective regional divisions and will be offered locally. As a result, we are in a position to deliver premium services. This operational positioning will help us to achieve our medium-term goals.

B.5 Takeover relevant information pursuant to Section 289a Subsection 1 and Section 315a Subsection 1 of the German Commercial Code (HGB)

Structure of subscribed capital

The subscribed capital of €132,627,126 is divided into 44,209,042 bearer shares with an arithmetical value of €3.00 per share. Each share entitles its holder to one vote at the Annual General Meeting.

Limitations relating to voting rights or the transfer of shares

We are not aware of any limitations to voting rights beyond the legal limitations – such as in accordance with Sections 136 and 71 b of the German Stock Corporation Act (AktG).

Shareholdings in Bilfinger exceeding 10 percent of voting rights

Investment company Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, notified us on March 9, 2017 that its shareholding in Bilfinger was 29.53 percent of the voting rights. In accordance with Section 22 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 and Cevian Capital Partners Limited with 25.53 percent of the voting rights and Cevian Capital II Co-Investment Fund LP with 3.99 percent of the voting rights.

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 from current and former employees who 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 10,152 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, also in a second voting, the Chairman has a casting vote.

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 in the object of the company, for which a resolution in accordance with Section 8 Subsection 6 SE.VO is required as well as for cases in which a greater voting or capital majority is stipulated by law. Pursuant to Article 25 of the Articles of Incorporation, the Supervisory Board is authorized to make resolutions concerning amendments and supplements that affect only the wording of the Articles of Incorporation.

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

The Annual General Meeting of May 24, 2017 lifted the authorization for the purchase of the company's own shares granted to the Annual General Meeting of May 7, 2015. The authorizations in the Annual General Meeting resolution of May 7, 2015 on the use of the company's own shares remain unaffected. The Annual General Meeting held on May 24, 2017 authorized the Executive Board, with the consent of the Supervisory Board, to acquire the company's own shares until May 23, 2022 in the total amount of up to 10 percent of the share capital of the company under the condition that the shares to be acquired on the basis of this authorization, together with other shares held by the company which the company has already acquired and which are still in its possession or attributable to the company in accordance with Sections 71d and 71e of the AktG, at no time exceed 10 percent of the share capital of the company. Furthermore, the requirements of Section 71 Subsection 2 Sentences 2 and 3 AktG are also to be observed. The authorization can be exercised for any legally permissible purpose; 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 53a 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 20 percent lower than the stock-exchange price of Bilfinger shares with the same rights resulting from the opening auction in the XETRA trading system of the Frankfurt Stock Exchange (or a comparable successor system). In the case of a public purchase offer, the company can either publish a formal offer or publicly request the issue of offers from the shareholders. In both cases, the company defines a purchase price or a purchase price range per share, whereby in the latter case the final purchase price is calculated on the basis of the current declarations of acceptance and/or sales offers. The purchase price per share of the company (excluding incidental costs) in the case of the issue of a formal offer by the company may not be more than 10 percent higher or 20 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 the XETRA trading system of the Frankfurt Stock Exchange (or a comparable successor system). In the case of an adjustment to the offer, the day of the publication of the offer to buy shall be replaced by the day of publication of the adjustment to the offer. If the company publicly requests the submission of offers to sell, the day of the publication of the offer to buy or the adjustment to such offer shall be replaced by the day of the accepting of offers to sell by the company.

The Annual General Meeting of May 24, 2017 authorized the Executive Board to offer the own shares acquired by means of this authorization for sale to all shareholders under consideration of the principle of equal treatment or to sell them through the stock exchange. It also authorized the Executive Board to sell the own shares acquired as a result of this authorization with the approval of the Supervisory Board in a way other than over the stock exchange or through an offer to sell to all shareholders if the shares are sold in return for a cash payment at a price that is not significantly lower than the average stock market price of the share of the company on the previous three trading days prior to

the final determination of the selling price by the Executive Board, calculated on the basis of the arithmetical average of the closing auction price of the Bilfinger share in the XETRA trading system of the Frankfurt Stock Exchange (or a comparable successor system); this authorization is limited to a total of 10 percent of the current share capital of the company at the time of the resolution of the Annual General Meeting on May 24, 2017 or – if this figure is lower – 10 percent of the share capital of the company. The authorized volume is reduced by the proportionate part of the share capital which is attributable to shares or to which conversion and / or option rights or conversion and / or option obligations apply under bonds which were issued or sold, subject to an exclusion of subscription rights, on or after May 24, 2017 pursuant to Section 186 Subsection 3 Sentence 4 of the AktG either directly, analogously or mutatis mutandis. The shares may also be used within the scope of corporate mergers or acquisitions or the purchase of assets associated with such mergers or acquisitions, recalled without any further resolution by the Annual General Meeting, or used for the fulfillment of conversion and / or option rights or obligations under bonds. In addition, they can be used for the execution of a so-called scrip dividend for which the shareholder receives an offer to transfer to the company their dividend entitlement either wholly or partially as payment in kind in return for the granting of shares in the company. The shares can also, with the approval of the Supervisory Board, be offered for sale, pledged or transferred within the scope of a contractual remuneration agreement to employees of Bilfinger SE and of those subordinated subsidiary companies in the sense of Sections 15 ff. of the German Stock Corporation Act as well as to the management of subordinated subsidiary companies in the sense of Sections 15 ff. of the German Stock Corporation Act.

The Annual General Meeting of May 24, 2017 also authorized the Supervisory Board to use treasury shares that are acquired as a result of this authorization to meet the rights of members of the Executive Board to the granting of shares of Bilfinger SE which the Supervisory Board had granted as part of the Executive Board remuneration.

The purchase of shares may be fully or partially carried out through (i) the sale of options to third parties which obligate the company to acquire shares in the company upon the exercise of the option ("put option"), (ii) the purchase of options which give the company the right to acquire shares of the company upon exercise of the option ("call option"), (iii) forward purchases with which the company acquires own shares at a certain point of time in the future, and (iv) use of a combination of put and call options and forward purchases (together "derivatives"). Derivative transactions may only be concluded with one or more credit institutes or other companies that meet the conditions of Section 186 Paragraph 5 Sentence 1 of the German Stock Corporation Act. Through the conditions of the derivative transaction it must be ensured that the company is only supplied with shares which are acquired under consideration of the principle of equal treatment (Section 53a AktG). All share acquisitions under the use of derivatives are to be limited to shares in a maximum volume of 5 percent of the current share capital at the time of the resolution of the Annual General Meeting on this authorization or – if it is lower – the share capital of the company at the time of the utilization of this authorization. The terms of the derivatives must end at the latest on May 23, 2022, whereby the term of the individual derivatives may each not exceed 18 months and it must be ensured that an acquisition of shares of the company in the exercise or fulfillment of the derivative is carried out no later than May 23, 2022. The option fees paid by the company for call options and collected for put options may not be significantly above or below the theoretical market value of the respective option, calculated in accordance with of a recognized method from financial mathematic method, for which the calculation, among other things, of the agreed exercise price is to be take into account. The purchase price to be paid for the exercise of the options or upon maturity of forward purchase agreements per share of the company (not including supplementary purchase costs but under consideration of the paid or received option fees), may not exceedthe average price of the share of the company with the same rights in the closing auction of the XETRA trading system of the Frankfurt SExchange (or a comparable successor sys-

tem) during the previous three stock exchange trading days prior to the conclusion of the relevant option or futures transaction by more than 10 percent or not lower than 20 percent. If own shares under the use of derivatives under consideration of the aforementioned requirements are acquired, a right of the shareholders to conclude such derivative transactions with the company, in appropriate application of Section186 Paragraph 3 Sentence 4 AktG is ruled out. Shareholders have the right to tender their shares to the company only insofar as the company is obligated on the basis of the derivative transaction to accept their shares.

On September 6, 2017, the company started a program to buy back its own shares which was completed on October 31, 2018. The share buyback took place under the authorization granted by the Annual General Meeting on May 24, 2017. The program called for the buy back of a maximum of 10 percent of the share capital at a purchase price of up to €150 million. Within the scope of the program, a total of 3,942,211 own shares (8.92 percent of the capital stock of Bilfinger SE) at a total value of €149,999,972.62 (not including supplementary costs of acquisition) were acquired. This corresponds to an average price of €38.05 (not including supplementary costs of acquisition) per re-acquired share. The authorization from the Annual General Meeting of May 24, 2017 also regulates all options for a possible use of the shares acquired.

Approved capital

The Annual General Meeting of May 15, 2018 lifted the authorization for the creation of approved capital resolved by the Annual General Meeting of May 8, 2014 and included in Section 4 Paragraph 3 of the Articles of Incorporation (approved capital 2014). By resolution of the Annual General Meeting of May 15, 2018, the Executive Board was authorized for a period ending on May 14, 2023 to increase the company's capital stock, subject to the consent of the Supervisory Board, by up to €66,313,563 by issuing new no-par value bearer shares on one or more occasions (approved capital 2018). Such issue of new shares may be effected against cash or non-cash contributions. The new shares are to be offered to the shareholders for subscription. An indirect subscription right within the meaning of Section 186 Subsection 5 of the AktG shall suffice in this context.

Limited to new shares representing a total proportionate amount of share capital of up to 20 percent 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 as well as for the execution of a so-called scrip dividend.

Conditional capital

The Annual General Meeting of May 24, 2017 lifted the conditional capital increase resolved by the Annual General Meeting of April 18, 2013 and included in the company's Articles of Incorporation (conditional capital 2013). By resolution of the Annual General Meeting of May 24, 2017, the share capital was conditionally increased by up to €13,262,712 through the issue of up to 4,420,904 new bearer shares representing a proportionate amount of the share capital of €3.00 per share (conditional capital 2017). The conditional capital increase serves the granting of shares or under the exercise of conversion and/or option rights or under conversion and/or option obligations under promissory notes that are issued by the company or a Group company by May 23, 2022. The issue of the new shares is carried out according to the aforementioned authorization resolution each at certain conversion and/or option prices.

The conditional capital increase will only be carried out to the extent that holders of bonds make use of their conversion or option rights or fulfill their obligations to exercise conversions or options, and the conditional capital is required in accordance with the conditions of the promissory notes. Each new share issued as a result of the exercise of the conversion or option right or the fulfillment of the conversion or option right participates in the profit from the beginning of the financial year in which it is created.

Agreements related to a change of control

In the case of a change of control resulting from an offer to take over Bilfinger SE, as is common business practice, termination possibilities exist for the providers of credit for our syndicated cash credit lines of €300 million, for the bilateral credit lines of €1,053 million, and for the investors in our corporate bond of €500 million.

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

In the case of a change of control and if certain other conditions are fulfilled, the members of the Executive Board have a special 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 Chapter *A.4.2 Remuneration report*.

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B.6 Executive Board remuneration

The remuneration of the members of the Executive Board is generally comprised of a fixed annual salary, variable remuneration components as well as fringe benefits and retirement benefits. Further information including individualized details of payments can be found in Chapter *A.4.2 Remuneration report*. The remuneration report is part of the combined management report.

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C Consolidated financial statements

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C.1 Consolidated income statement

in € million

	Notes	2018	2017
Revenue	(6)	4,152.6	4,044.2
Cost of sales		-3,762.0	-3,708.8
Gross profit		**390.6**	**335.4**
Selling and administrative expense		-402.5	-394.8
Impairment losses and reversals of impairment losses in accordance with IFRS 9	(7)	-0.3	–
Other operating income	(8)	40.0	36.9
Other operating expense	(9)	-54.3	-117.9
Income from investments accounted for using the equity method	(17)	14.3	14.3
Earnings before interest and taxes (EBIT)		**-12.2**	**-126.1**
Interest income	(12)	14.3	14.3
Interest expense	(12)	-21.2	-23.8
Other financial result	(12)	21.9	-2.3
Earnings before taxes		**2.8**	**-137.9**
Income tax expense	(13)	-22.8	-2.5
Earnings after taxes from continuing operations		**-20.0**	**-140.4**
Earnings after taxes from discontinued operations	(5.1)	**-3.3**	**54.5**
Earnings after taxes		-23.3	-85.9
thereof attributable to minority interest		1.0	2.6
Net profit		**-24.3**	**-88.5**
Average number of shares (in thousand)	(14)	41,458	43,975
Earnings per share* (in €)	(14)	-0.59	-2.01
thereof from continuing operations		-0.51	-3.25
thereof from discontinued operations		-0.08	1.24

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

C.2 Consolidated statement of comprehensive income

in € million

	2018	2017
Earnings after taxes	**-23.3**	**-85.9**
Items that will not be reclassified to the income statement		
Gains / losses from remeasurement of net defined-benefit liability (asset)		
Unrealized gains / losses	3.2	0.9
Income taxes on unrealized gains / losses	4.9	-26.4
	8.1	**-25.5**
Gains / losses from fair-value measurement of equity instruments in accordance with IFRS 9.5.7.5		
Unrealized gains / losses	-3.6	–
Income taxes on unrealized gains / losses	0.1	–
	-3.5	**–**
	4.6	**-25.5**
Items that may subsequently be reclassified to the income statement		
Gains / losses from fair-value measurement of securities in accordance with IAS 39		
Unrealized gains / losses	–	12.6
Reclassifications to the income statement	–	1.4
Income taxes on unrealized gains / losses	–	-0.2
	–	13.8
Gains / losses on hedging instruments		
Unrealized gains / losses	–	0.0
Reclassifications to the income statement	–	0.1
Income taxes on unrealized gains / losses	–	0.0
	–	0.1
Currency translation differences		
Unrealized gains / losses	5.1	-51.8
Reclassifications to the income statement	3.2	2.5
Income taxes on unrealized gains / losses	-3.5	-10.2
	4.8	-59.5
	4.8	**-45.6**
Other comprehensive income after taxes	**9.4**	**-71.1**
Total comprehensive income after taxes	**-13.9**	**-157.0**
attributable to shareholders of Bilfinger SE	-16.1	-161.1
Minority interest	2.2	4.1

See also further explanations on the components of other comprehensive income in section 22 of the notes to the consolidated financial statements.

C.3 Consolidated balance sheet

in € million

		Notes	Dec. 31, 2018	Dec. 31, 2017
Assets				
	Intangible assets	(15)	803.9	803.5
	Property, plant and equipment	(16)	324.0	367.0
	Investments accounted for using the equity method	(17)	34.9	22.4
	Other assets	(18)	376.7	364.0
	Deferred taxes	(13)	74.9	86.1
			1,614.4	**1,643.0**
	Current assets			
	Inventories	(19)	61.7	82.3
	Receivables and other financial assets	(20)	1,102.3	1,031.1
	Current tax assets		22.8	29.6
	Other assets	(21)	50.6	54.9
	Marketable securities		120.0	149.8
	Cash and cash equivalents		453.8	617.1
	Assets classified as held for sale	(5.2)	50.4	12.5
			1,861.6	**1,977.3**
			3,476.0	**3,620.3**
Equity & liabilities	**Equity**	(22)		
	Share capital		132.6	132.6
	Capital reserve		767.0	764.6
	Retained and distributable earnings		465.3	532.1
	Other reserves		3.1	17.2
	Treasury shares		-150.4	-38.7
	Equity attributable to shareholders of Bilfinger SE		**1,217.6**	**1,407.8**
	Attributable to minority interest		-12.9	-24.7
			1,204.7	**1,383.1**
	Non-current liabilities			
	Provisions for pensions and similar obligations	(23)	288.2	293.2
	Other provisions	(24)	24.6	26.7
	Financial debt	(25)	10.8	509.0
	Other liabilities		0.1	0.0
	Deferred taxes	(13)	39.4	44.7
			363.1	**873.6**
	Current liabilities			
	Current tax liabilities	(24)	33.8	34.1
	Other provisions	(24)	383.6	442.0
	Financial debt	(25)	501.6	2.3
	Trade and other payables	(26)	750.5	639.8
	Other liabilities	(27)	212.7	219.3
	Liabilities classified as held for sale	(5.2)	26.0	26.1
			1,908.2	**1,363.6**
			3,476.0	**3,620.3**

C.4 Consolidated statement of changes in equity

in € million

	Equity attributable to the shareholders of Bilfinger SE										Attributable to minority interest	Equity
				Other reserves								
	Share capital	Other reserves	Retained and distributable earnings	Reserve from the fair-value measurement of securities	Reserve from the fair-value measurement of debt instruments	Reserve from the fair-value measurement of equity instruments	Reserve from hedging transactions	Currency translation reserve	Treasury shares	Total		
Balance at January 1, 2017	**138.1**	**762.2**	**780.8**	**1.2**			**-0.1**	**63.3**	**-96.3**	**1,649.2**	**-28.3**	**1,620.9**
Earnings after taxes	0.0	0.0	-88.5	0.0			0.0	0.0	0.0	-88.5	2.6	-85.9
Other comprehensive income after taxes	0.0	0.0	-25.4	13.8			0.1	-61.1	0.0	-72.6	1.5	-71.1
Total comprehensive income	**0.0**	**0.0**	**-113.9**	**13.8**			**0.1**	**-61.1**	**0.0**	**-161.1**	**4.1**	**-157.0**
Dividends paid out	0.0	0.0	-44.2	0.0			0.0	0.0	0.0	-44.2	-0.5	-44.7
Share-based payments	0.0	2.4	0.5	0.0			0.0	0.0	0.0	2.9	0.0	2.9
Changes in ownership interest without change in control	0.0	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0
Cancellation of treasury shares	-5.5	0.0	-90.8	0.0			0.0	0.0	96.3	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0			0.0	0.0	-38.7	-38.7	0.0	-38.7
Other changes	0.0	0.0	-0.3	0.0			0.0	0.0	0.0	-0.3	0.0	-0.3
Balance at December 31, 2017	**132.6**	**764.6**	**532.1**	**15.0**			**0.0**	**2.2**	**-38.7**	**1,407.8**	**-24.7**	**1,383.1**
Balance at January 1, 2018	**132.6**	**764.6**	**532.1**	**15.0**			**0.0**	**2.2**	**-38.7**	**1,407.8**	**-24.7**	**1,383.1**
Adjustments due to transition effects from the initial application of IFRS 9	0.0	0.0	-2.0	-15.0	0.0	0.0	0.0	0.0	0.0	-17.0	-0.2	-17.2
Adjusted opening balance at January 1, 2018	**132.6**	**764.6**	**530.1**	**0.0**	**0.0**	**0.0**	**0.0**	**2.2**	**-38.7**	**1,390.8**	**-24.9**	**1,365.9**
Earnings after taxes	0.0	0.0	-24.3		0.0	0.0	0.0	0.0	0.0	-24.3	1.0	-23.3
Other comprehensive income after taxes	0.0	0.0	8.1		0.0	-3.5	0.0	3.6	0.0	8.2	1.2	9.4
Total comprehensive income after taxes	**0.0**	**0.0**	**-16.2**		**0.0**	**-3.5**	**0.0**	**3.6**	**0.0**	**-16.1**	**2.2**	**-13.9**
Dividends paid out	0.0	0.0	-42.0		0.0	0.0	0.0	0.0	0.0	-42.0	-0.6	-42.6
Share-based payments	0.0	2.4	2.3		0.0	0.0	0.0	0.0	0.1	4.8	0.0	4.8
Changes in ownership interest without change in control	0.0	0.0	-1.1		0.0	0.0	0.0	0.8	0.0	-0.3	1.5	1.2
Purchase of own shares	0.0	0.0	0.0		0.0	0.0	0.0	0.0	-111.8	-111.8	0.0	-111.8
Other changes	0.0	0.0	-7.8		0.0	0.0	0.0	0.0	0.0	-7.8	8.9	1.1
Balance at December 31, 2018	**132.6**	**767.0**	**465.3**		**0.0**	**-3.5**	**0.0**	**6.6**	**-150.4**	**1,217.6**	**-12.9**	**1,204.7**

C.5 Consolidated statement of cash flows

in € million

	2018	2017
Earnings before taxes from continuing operations	2.8	-137.9
Interest and other financial income / expense	-15.0	11.8
Amortization of goodwill and other intangible assets from acquisitions	4.8	7.8
EBITA	-7.4	-118.3
Depreciation of property, plant and equipment and amortization of intangible assets (except from acquisitions)	64.9	72.1
Other impairments	19.0	23.9
Gains / losses on disposals of non-current assets	-8.8	15.6
Income from investments accounted for using the equity method	-14.9	-12.4
Dividends received	3.4	4.5
Interest received	2.7	4.0
Income tax payments	-6.3	-23.1
Change in advance payments received	39.5	-39.3
Change in trade receivables	-82.9	-7.1
Change in trade payables and advance payments made	69.0	-4.4
Change in net trade assets	**25.6**	**-50.8**
Change in current provisions	-57.1	-32.8
Change in other current assets (including other inventories) and liabilities	20.0	0.3
Change in working capital	**-11.5**	**-83.3**
Change in non-current assets and liabilities	8.8	-2.4
Cash flow from operating activities of continuing operations	**49.9**	**-119.4**
Cash flow from operating activities of discontinued operations	-15.4	36.4
Cash flow from operating activities, total	**34.5**	**-83.0**
Investments in property, plant and equipment and intangible assets	-65.6	-70.9
Payments received from the disposal of property, plant and equipment and intangible assets	12.1	9.0
Acquisition of subsidiaries net of cash and cash equivalents acquired	-0.7	-5.1
Payments made from the disposal of subsidiaries net of cash and cash equivalents disposed of	-2.0	-18.1
Payments received / investments in other financial assets	2.3	0.3
Investments in securities	27.4	-149.9
Cash flow from investing activities of continuing operations	**-26.5**	**-234.7**
Cash flow from investing activities of discontinued operations	0.0	0.6
Cash flow from investing activities, total	**-26.5**	**-234.1**
Acquisition of own shares	-111.3	-38.7
Dividends paid to the shareholders of Bilfinger SE	-42.0	-44.2
Dividends paid to minority interest	-2.1	-2.4
Borrowing	3.4	2.1
Repayment of financial debt	-0.4	-1.9
Interest paid	-15.1	-19.2
Cash flow from financing activities of continuing operations	**-167.5**	**-104.3**
Cash flow from financing activities of discontinued operations	0.0	0.0
Cash flow from financing activities, total	**-167.5**	**-104.3**
Change in cash and cash equivalents	**-159.5**	**-421.4**
Change in value of cash and cash equivalents due to changes in foreign exchange rates	-0.8	-0.4
Cash and cash equivalents at January 1	617.1	1,032.2
Cash and cash equivalents classified as assets held for sale at January 1 (+)	0.3	7.0
Cash and cash equivalents classified as assets held for sale at December 31 (-)	3.3	0.3
Cash and cash equivalents at December 31	**453.8**	**617.1**

C.6 Notes to the consolidated financial statements *

1 Segment reporting

As in the previous year, segment reporting has been prepared in accordance with IFRS 8. The reportable segments of the Bilfinger Group reflect the internal reporting structure. Segment reporting depicts the Group's continuing operations. The definition of the segments is based on products and services.

At the beginning of financial year 2018, the Group company Bilfinger VAM Anlagentechnik GmbH was spun off from *Other Operations* and newly allocated to the *Maintenance, Modifications & Operations* business segment (services business) and the *Engineering & Technologies* business segment (project business). As a result of the reorganization as well as the disposals already made, the *Other Operations* division no longer represents a reportable segment. For that reason, the *Other Operations* division is presented in the segment reporting under 'Reconciliation Group'. Segment reporting now comprises only two reportable segments and was adjusted accordingly in the prior-year figures. The reportable segment *Maintenance, Modifications & Operations* includes the divisions *Continental Europe, Northwest Europe, North America* and *Middle East*, which are also operating segments. The *Engineering & Technologies* division is an operating segment.

Description of reportable segments:

Engineering & Technologies The *Engineering & Technologies* business segment bundles activities based on engineering services and technical solutions. The project business is predominant; important drivers are capital expenditures on the part of our customers (CAPEX) in their property, plant and equipment. We meet the requirements of our customers by means of a centrally-controlled project-management system in an internationally-active division focused on defined industries and engineering disciplines.

Maintenance, Modifications & Operations The *Maintenance, Modifications & Operations* business segment includes activities in ongoing maintenance services, modifications and operational management of industrial plants. The predominant factor here is the share of the services business based on long-term framework agreements. The main drivers of the business are, in many cases, the budgets of our customers for the ongoing operation of their plants (operational expenditure – OPEX). Because these relate primarily to activities with specific local demand structures, we have organized this business in regions.

The *Other Operations* division as well as headquarters, consolidation effects and other items are presented under 'Reconciliation Group'. The *Other Operations* division includes operating units that are active outside of the business segments, regions or customer groups defined above. These units are not a focus of the new strategic positioning of the Group, but rather are up for sale in the short term or independently managed for value with the goal of a later sale.

* Figures in € million, unless stated otherwise.

Adjusted earnings before interest, taxes and amortization of intangible assets from acquisitions (EBITA adjusted) is the key performance indicator for the business units and the Group, and thus the metric for earnings in our segment reporting. EBITA and EBIT are also presented. The reconciliation of EBIT to earnings before taxes from continuing operations is derived from the consolidated income statement. Internal revenue reflects the supply of goods and services between the segments. These are invoiced at the usual market prices. In the reconciliation to the consolidated financial statements, the Group's internal expenses and income as well as intra-Group profits are eliminated. Consolidation includes the consolidation of business transactions between the business segments. The reconciliation also includes income and expenses from headquarters as well as other items that cannot be allocated to the individual segments according to our internal accounting policies. The allocation of external revenue to the regions is carried out according to the location of the service provision.

The reconciliation of segment assets in particular includes cash and cash equivalents as well as the non-current and current assets that are not allocated to the business segments. The segment liabilities shown in the reconciliation include the liabilities of Group headquarters and interest-bearing liabilities such as debt and provisions for pensions and similar obligations. Accordingly, the corresponding expense and income items are not recorded in segment earnings (EBITA). Investments in property, plant and equipment also include investments in intangible assets such as licenses or software of €3.1 million (previous year: €1.6 million).

RECONCILIATION GROUP in € million	EBIT		Segment assets		Segment liabilities	
	2018	2017	**2018**	2017	**2018**	2017
Other Operations	-2.9	-4.1	106.0	133.1	72.7	76.2
Headquarters	-69.5	-72.4	1,016.6	1,216.9	974.6	1,084.7
Consolidation	-50.2	-87.6	0.0	0.0	0.0	0.0
Reconciliation Group	**-122.6**	**-164.1**	**1,122.6**	**1,350.0**	**1,047.3**	**1,160.9**

SEGMENT REPORTING BY BUSINESS SEGMENT
in € million

	Engineering & Technologies		Maintenance, Modifications & Operations		Total of segments		Reconciliation Group		Total continuing operations	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External revenue	1,230.8	1,146.1	2,719.3	2,600.9	3,950.1	3,747.0	202.5	297.2	4,152.6	4,044.2
Internal revenue	3.8	11.0	38.6	27.4	42.4	38.4	-42.4	-38.4	0.0	0.0
Total revenue	1,234.6	1,157.1	2,757.9	2,628.3	3,992.5	3,785.4	160.1	258.8	4,152.6	4,044.2
EBITA adjusted (segment earnings)	26.9	-23.8	110.1	102.6	137.0	78.8	-71.9	-75.6	65.1	3.2
Special items	-17.7	-18.9	-4.4	-14.7	-22.1	-33.6	-50.4	-87.9	-72.5	-121.5
EBITA (segment earnings)	9.2	-42.7	105.7	87.9	114.9	45.2	-122.3	-163.5	-7.4	-118.3
Amortization of intangible assets from acquisitions and impairment of goodwill	-3.8	-6.2	-0.7	-1.0	-4.5	-7.2	-0.3	-0.6	-4.8	-7.8
EBIT (segment earnings)	5.4	-48.9	105.0	86.9	110.4	38.0	-122.6	-164.1	-12.2	-126.1
therein depreciation of property, plant and equipment and other intangible assets	-10.2	-10.0	-38.5	-41.3	-48.7	-51.3	-16.4	-21.0	-65.1	-72.3
therein income from investments accounted for using the equity method	11.4	10.7	2.8	3.7	14.2	14.4	0.1	-0.1	14.3	14.3
Segment assets December 31	930.2	860.8	1,423.3	1,409.5	2,353.5	2,270.3	1,122.6	1,350.0	3,476.1	3,620.3
thereof investments in associates and joint ventures accounted for using the equity method	22.6	12.1	5.3	3.5	27.9	15.6	7.0	6.8	34.9	22.4
Segment liabilities December 31	546.0	458.4	678.0	617.9	1,224.0	1,076.3	1,047.3	1,160.9	2,271.3	2,237.2
Capital expenditure on P, P & E	9.6	9.0	40.9	48.6	53.6	57.6	15.1	13.4	65.6	71.0
Employees December 31	9,267	8,347	24,847	24,897	34,114	33,244	1,791	2,400	35,905	35,644

SEGMENT REPORTING BY REGION
in € million

	Germany		Rest of Europe		America		Africa		Asia		Australia		Total continuing operations	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
External revenue	970.2	994.9	2,323.8	2,158.4	643.4	611.3	89.3	129.2	125.8	149.3	0.1	1.1	4,152.6	4,044.2
Non-current assets at December 31	543.0	577.3	313.8	326.1	246.7	240.2	2.5	3.7	21.9	23.3	0.0	0.0	1,127.9	1,170.6

2 General information

Bilfinger SE is a stock company in accordance with European law (Societas Europaea – SE) and, in addition to German stock corporation law, is also subject to specific SE regulations and the German law on implementing a European company as well as the German SE Employee Involvement Act. The company is registered with the Commercial Register of the Mannheim District Court under HRB 710296 and has its headquarters at Oskar-Meixner-Straße 1, 68165 Mannheim, Germany.

Bilfinger is an internationally-oriented industrial-services company, which offers engineering and other industrial services to customers in the process industry.

The consolidated financial statements of Bilfinger SE for financial year 2018 were released for publication by the Executive Board on March 1, 2019.

The consolidated financial statements of Bilfinger SE have been prepared in accordance with International Financial Reporting Standards (IFRSs), as they are to be applied in the European Union, and

the complementary guidelines that are applicable pursuant to Section 315e Subsection 1 of the German Commercial Code (HGB), and are published in the electronic version of the German Federal Gazette ('Bundesanzeiger').

All amounts are shown in millions of euros (€ million), unless stated otherwise.

3 Accounting policies

3.1 New and amended IFRSs

The significant accounting policies applied generally correspond with those applied in the prior year, with the following exceptions:

Amended IFRSs relevant to Bilfinger and applied as of January 1, 2018 are:

- IFRS 2 *Share-based payment*
- IFRS 9 *Financial instruments*
- IFRS 15 *Revenue from contracts with customers*

The effects of these changes are as follows:

IFRS 2 *Share-based payment*

The changes to IFRS 2 include the following clarifications: While the determination of fair value for cash-settled share-based remuneration has not been clearly regulated in the past, in the future the measurement is to be carried out in accordance with the measurement requirements for share-based payments with settlement through equity instruments. A further clarification concerns the classification of share-based payments while withholding tax. Following the changes, share-based payment is to be considered as remuneration with settlement in equity instruments, insofar as this classification would have been approved for application without a net-settlement clause. As a third clarification, the changes to IFRS 2 include specifications for the accounting of share-based payment with cash settlement, which are to be reclassified as shared-based payments with settlement in equity instruments as a result of modifications. The changes have not led to any significant effects on the consolidated financial statements.

See Note 3.2 for a presentation of the effects of the initial application of IFRS 9 and IFRS 15.

IFRSs already published but not yet applied:

IFRS *3 Business Combinations*

The changes to IFRS 3 relate to the definition of a business operation. Accordingly, in the future, for the existence of a business operation, it must be shown that, in addition to economic resources (input), there is at least one substantial process which, together with the resources, creates the possibility to generate output. Pure cost savings are no longer viewed as output. For a simplified review to determine whether a business operation or group of assets has been acquired, an optional "concentration test" (concentration of the fair values of an asset or a group of similar assets) was introduced. The amendment is to be applied to business combinations from January 1, 2020.

IFRS 9 *Financial Instruments*

The amendments to IFRS 9 (published in October 2017) stipulate that measurement at amortized cost and at fair value through other comprehensive income is also permissible for financial assets for which a contract party receives or pays financial compensation upon its termination (reasonable compensation). Previously, the SPPI criterion (cash flows) for such compensation payments would not have been met as a requirement for the corresponding measurement methods (initial application for annual periods beginning on or after January 1, 2019).

IFRS 16 *Leases*

IFRS 16 Leases replaces the previous standard as well as the associated interpretations for the accounting for leases (IAS 17, IFRIC 4, SIC 15 and SIC 27) and regulates the recognition, the measurement, the presentation and the disclosures in the notes for leases in the financial statements of the lessee and lessor. In accordance with IFRS 16, a lessee has to recognize a right-of-use asset and a lease liability for basically all leases (initial application for annual periods beginning on or after January 1, 2019).

Bilfinger will make use of the recognition exemption for leasing objects of limited value and for short-term leases. The change to IFRS 16 will be carried out at Bilfinger in line with the modified retrospective approach, according to which the comparative figures from prior-year periods are not adjusted. For leases which to date have been classified in accordance with IAS 17 as operating leases, the leasing liability is recognized in the amount of the cash value of the outstanding lease payments. The right of use is generally capitalized with the same amount so that no equity effects will result at the time of initial application.

The initial application of IFRS 16 will, according to the current status of the analyses, lead to the following effects on the financial performance and financial position of Bilfinger: Non-current assets will increase by more than €200 million as a result of the capitalization of the right-of-use assets. Accordingly, financial debt will rise as a result of the recognition of the lease liabilities. Due to this increase in the balance-sheet total, the equity ratio will decline by approximately 2 percentage points. The difference between the total of undiscounted minimum lease payments as a result of non-cancellable operating leases presented in Note 31 in accordance with IAS 17 as of December 31, 2018 in the amount of €212.8 million, and lease liabilities to be recognized due to the initial application of IFRS 16 mainly results from the following effects: leasing payments are discounted for the measurement of the leasing liability; on the other hand, options are taken into account if the corresponding conditions are met. In accordance with IFRS 16, short-term leases and leases for which the underlying asset is of low value, will not be recognized. The straight-line recognition of expense for operating leases in accordance with IAS 17 will be replaced by amortization of the right-of-use assets and interest expense on the lease liabilities. As a result, EBIT in financial year 2019 will likely improve by a low-to-mid-single-digit-million-euro amount. In the statement of cash flows, the payments will in future be recognized in cash flow from financing activities. This will lead to an improved cash flow from operating activities in a magnitude of a mid-double-digit-million-euro amount. Furthermore, additional qualitative and quantitative disclosures will be necessary.

IFRS 17 *Insurance Contracts*

IFRS 17 was published in May 2017 and will replace IFRS 4 in the future for accounting for insurance contracts. IFRS 17 aims at unifying and standardizing recognition and measurement principles for insurance contracts. The standard stipulates three approaches to accounting for insurance contracts: building-block approach, premium-allocation approach and variable-fee approach (initial application on January 1, 2021).

IAS 28 *Investments in Associates and Joint Ventures*

The amendment to IAS 28 clarifies that long-term interests that are classified as a net investment in an investment accounted for using the equity method, but which are not themselves accounted for using the equity method, must be recognized and measured in accordance with IFRS 9. These long-term interests must still be included in the allocation of loss in accordance with the equity method (initial application for annual periods beginning on or after January 1, 2019).

IAS 19 *Employee Benefits*

The changes to IAS 19 relate to the accounting of plan amendments, curtailments and settlements (i.e. interventions in defined-benefit plans) and define the basis for which the current service cost and the net earnings for the period between the intervention and the end of the reporting period are to be calculated. The amendment is to be prospectively applied from January 1, 2019.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 contains requirements on assessing and accounting for uncertainties in income taxes and closes the previous loophole from IAS 12 *Income Taxes*, which makes every tax balance-sheet item uncertain until a definitive assessment has been presented. The expected date for the initial application of the interpretation is January 1, 2019.

Annual Improvements to IFRSs, cycle 2015-2017

The improvements in the collective standards published in the context of the Annual Improvements Process include improvements to several IFRSs (IFRS 3, IFRS 11, IAS 12 and IAS 23), mainly to remove inconsistencies and to clarify wording (initial application on January 1, 2021).

At the balance-sheet date, IFRS 17, the amendments to IFRS3, IAS 19 and IAS 28 as well as annual improvements to IFRSs, cycle 2015-2017 had not yet been recognized by the EU Commission in the context of the endorsement procedure. Unless otherwise stated, the future application of the standards is unlikely to have any material effect on the financial position, cash flows or profitability of the Bilfinger Group. Bilfinger intends to apply those IFRSs as of the mandatory date of application insofar as they have been endorsed.

3.2 Initial application of IFRS 9 and IFRS 15

3.2.1 IFRS 9 Financial Instruments

IFRS 9 replaces IAS 39 *Financial Instruments*: *Recognition and Measurement*. The new standard contains amended provisions on the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. Bilfinger has applied IFRS 9 without adjusting prior-year figures since January 1, 2018. The previous year's figures were not restated, and cumulative transition effects were recognized directly in retained earnings outside of profit or loss. In accordance with IFRS 9, the classification and measurement of financial assets is determined by the business model of the reporting entity and the cash-flow characteristics of the respective financial assets. The requirements for the classification and measurement of financial liabilities in accordance with IFRS 9 are largely

identical to those in accordance with IAS 39. In accordance with IFRS 9, impairment of financial assets measured at amortized cost or at fair value through other comprehensive income is to be recognized on the basis of expected credit losses; in accordance with IAS 39, it was recognized only for actual credit losses incurred. Bilfinger has currently not designated any hedging relationships that fall within the scope of the hedge-accounting provisions of IAS 39 or IFRS 9.

The following transition effects resulted from initial application:

Classification and measurement

The classification and measurement requirements primarily affected the equity instruments of other entities previously classified as 'available for sale' (AfS) in accordance with IAS 39. These financial assets were measured at fair value through other comprehensive income and the cumulative gains or losses were reclassified to profit or loss at the time of derecognition or in case of impairment. For these financial assets, Bilfinger generally exercised the option in accordance with IFRS 9.4.1.4 at the time of transition to measure them at fair value through other comprehensive income without reclassification to profit or loss. In one material individual case (equity-like participation rights in Triangle Holding II S.A.), the option was not exercised, so that future changes in the fair value of this financial asset are measured through profit or loss. In principle, this option can be irrevocably exercised separately for each individual equity instrument at the time of initial recognition.

The following tables show the classification and measurement categories of financial assets in accordance with IAS 39 and the reconciliation to the new classification and measurement categories in accordance with IFRS 9 as well as the respective carrying amounts as of January 1, 2018.

Balance-sheet items	Class in accordance with IFRS 7 or asset	Measurement category in accordance with IAS 39	Carrying amount as of December 31, 2017 in € million	Measurement category in accordance with IFRS 9	Measurement adjustment (expected credit loss)	Carrying amount as of January 1, 2018 in € million
Other assets (non-current)	Securities – equity-like participation rights	Available for sale (AfS)	210.5	At fair value through profit or loss (FVtPL)	–	210.5
	Securities – investment in Julius Berger Nigeria PLC	Available for sale (AfS)	14.1	At fair value through other comprehensive income without reclassification (FVtOCI-EI)	–	14.1
	Securities	Available for sale (AfS)	0.4	At fair value through other comprehensive income with reclassification (FA-FVtOCI-DI)	–	0.4
	Equity interests	Available for sale and at cost (AfS-aC)	0.4	At fair value through other comprehensive income without reclassification (FA-FVtOCI-EI)	–	0.4
	Loans	Loans and receivables (LaR)	120.2	At amortized cost (FA-AC)	-7.8	112.4
	Securities	Held to maturity (HtM)	0.1	At amortized cost (FA-AC)	–	0.1
	Other financial assets	Loans and receivables (LaR)	7.0	At amortized cost (FA-AC)	0.0	7.0
Receivables and other financial assets	Receivables	Loans and receivables (LaR)	996.0	At amortized cost (FA-AC)	-11.4	984.6
	Derivatives, not in hedging relationships	Financial assets held for trading (FAHfT)	1.0	At fair value through profit or loss (FA-FVtPL)	–	1.0
	Other financial, non-derivative assets	Loans and receivables (LaR)	34.1	At amortized cost (FA-AC)	–	34.1
Marketable securities	Marketable securities	Financial assets held for trading (FAHfT)	149.8	At fair value through profit or loss (FA-FVtPL)	–	149.8
Cash and cash equivalents	Cash and cash equivalents	Loans and receivables (LaR)	617.1	At amortized cost (FA-AC)	–	617.1

The initial application of IFRS 9 had no effect on the classification and measurement of financial liabilities. Liabilities from derivatives (not in hedging relationships) are now allocated to the ‘at fair value through profit or loss’ (FL-FVtPL) measurement category instead of the previous ‘financial liabilities held for trading’ (FLHfT) measurement category.

The initial application of the new impairment model (expected credit loss) had the following effect on the loss allowance for credit risks:

in € million	Loans	Receivables
Closing balance, December 31, 2017	**1.4**	**22.3**
Measurement adjustment outside of profit or loss (expected credit loss)	7.8	11.4
Adjusted opening balance at January 1, 2018	**9.2**	**33.7**

Transition effects recognized outside of profit or loss directly in retained earnings

The measurement adjustments resulting from the initial application of the new impairment model (expected credit loss) in the amount of -€19.2 million before deferred taxes and -€17.2 million after deferred taxes (deferred taxes in the amount of €3 million at Bilfinger SE and its tax-group companies were not capitalized due to the loss situation) were recognized directly in equity (*retained earnings*). Of this amount, -€0.2 million was attributable to non-controlling interests. Due to the reclassification of the equity-like participation rights from the previous measurement category 'available for sale' (AfS) to 'at fair value through profit or loss' (FA-FVtPL), the cumulative after-tax gains of €15.0 million were also reclassified from the reserve from the fair-value measurement of securities to retained earnings. See the presentation in the consolidated statement of changes in equity in this regard.

3.2.2 IFRS 15 Revenue from contracts with customers

IFRS 15 replaces the previous standards and interpretations on revenue recognition (IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31) and uniformly regulates the recognition, measurement, presentation and disclosures on revenues from contracts with customers based on a five-step model. Bilfinger has to date recognized revenue in accordance with both IAS 11 and IAS 18. Bilfinger has applied IFRS 15 using the modified retrospective approach since January 1, 2018. The amended regulations for determining the amount and timing of revenues had no effect on revenues from contracts with customers that had not yet been completed at the time of transition, which were already recognized in accordance with IAS 11 and IAS 18. Accordingly, there were no transition effects from the initial application which are to be recognized in the opening balance of retained earnings. There were, however, balance-sheet-extending effects which affected the following receivables and liabilities:

- Receivables from percentage-of-completion €19.9 million *(receivables and other financial assets)*
- Provisions for onerous contracts €4.1 million *(other provisions*, current)
- Contract liabilities €15.8 million *(trade and other payables)*

These arose from the recognition of

- receivables from advance and partial invoices for which services had not yet been rendered together with corresponding contract liabilities and
- provisions for onerous contracts in accordance with IAS 37 which are no longer netted with the amount due from customers as required by IAS 11 and the corresponding presentation of contract assets on a gross basis.

3.3 Significant accounting policies

Intangible assets with a finite life are capitalized at cost of acquisition and amortized over their expected useful lives on a straight-line basis. The expected useful life is generally regarded as being between three and eight years. In accordance with IFRS 3/IAS 36, goodwill and other intangible assets with an indefinite or unlimited useful life are no longer amortized. Instead, these items are subjected to regular annual impairment tests, which are also carried out during the year if there are indications of a lasting reduction in value.

Property, plant and equipment are valued at the cost of acquisition or production. Their loss in value is accounted for by systematic, straight-line depreciation, except in some exceptional cases where a different method of depreciation reflects the use of the asset more adequately. Production costs include all costs that are directly or indirectly attributable to the production process. Repair costs are always expensed as incurred.

Buildings are depreciated over a useful life of 20 to 50 years using the straight-line method. The useful life of technical equipment and machinery is generally between three and 20 years; other equipment including office and factory equipment is usually depreciated over three to 12 years.

For intangible assets and property, plant and equipment, an impairment charge is recognized wherever the recoverable amount of an asset has fallen below its carrying value. The recoverable amount is the higher of an asset’s fair value less cost of disposal (netselling price) and the present value of estimated future cash flows (value in use). If the reason for an impairment loss recognized in prior years no longer applies, the carrying value is increased again accordingly, at the most up to the amount of the amortized cost of acquisition. Impairment tests are carried out at the level of the smallest cash-generating unit.

With lease agreements where the risks and rewards of ownership of the leased asset are allocated to a company of the Bilfinger Group (finance leases), the item is capitalized at the lower of its fair value or the present value of the lease payments. Systematic depreciation takes place over the useful lifetime. The payment obligations resulting from future lease payments are recognized under financial liabilities.

The classification of agreements as lease agreements takes place on the basis of the substance of the transaction. That is, a test is carried out as to whether the fulfillment of the agreement depends on the use of specific assets and whether the agreement confers the right of use of those assets.

Investments accounted for using the equity method – associates and jointly-controlled entities – are valued with consideration of the prorated net asset change of the company as well as any impairments which may have been recognized.

Joint arrangements are contractual agreements in which two or more parties carry out a business activity under joint control. These include not only joint ventures, which also comprise construction consortiums, but also joint operations. The share of assets, liabilities, income and expenses of joint operations allocable to Bilfinger under the arrangement is recognized in the consolidated financial statements.

Deferred taxes are recognized for any deviations between the valuation of assets and liabilities according to IFRS and the tax valuation in the amount of the expected future tax charge or relief. In addition, deferred tax assets are recognized for the carryforwards of unused tax losses if their future realization is probable. Deferred tax assets and liabilities from temporary differences are offset provided that offsetting is legally possible.

Inventories of merchandise and real estate held for sale, finished and unfinished goods, raw materials and supplies are measured at cost of purchase or production or at net realizable value on the balance-sheet date if this is lower. If the net realizable value of inventories that were written down in the past has risen again, their carrying values are increased accordingly. Production costs include all

costs that are directly or indirectly attributable to the production process. Overheads are calculated on the basis of normal employment. Financing costs are not taken into consideration.

Other assets comprise non-financial assets that are not allocated to any other balance-sheet item. They are measured at the lower of cost of acquisition or fair value.

The purchase, sale or withdrawal of treasury shares are recognized directly in equity. At the time of acquisition, treasury shares are entered in equity in the amount of the acquisition costs.

Provisions for pensions and similar obligations are measured for defined-benefit pension plans using the projected-unit credit method, with consideration of future salary and pension increases. As far as possible, pension-plan assets are set off. Net interest expense or income resulting from the net pension obligations is presented within financial income / expense. Actuarial gains or losses from pension obligations and gains or losses on the remeasurement of plan assets are recognized in other comprehensive income.

Other provisions are recognized if there is a present obligation resulting from a past event, its occurrence is more likely than not, and the amount of the obligation can be reliably estimated. Provisions are only recognized for legal or constructive obligations toward third parties. Provisions are measured at their settlement amounts, i.e., with due consideration of any price and/or cost increases, and are not set off against profit contributions. In the case of a single obligation, the amount of the most likely outcome is recognized as a liability. If the effect of the time value of money is material, provisions are discounted using the market interest rate for risk-free investments.

The amounts of provisions are estimated with consideration of experiences with similar situations in the past and of all knowledge of events up to the preparation of the consolidated financial statements. The general conditions can be very complex, in particular with provisions for risks relating to contracts and litigation as well as warranty risks. For this reason, uncertainty exists with regard to the timing and exact amounts of obligations.

Other liabilities comprise non-financial liabilities that are not allocated to any other balance-sheet item. They are measured at cost of acquisition or settlement value.

Financial instruments are contracts that simultaneously give rise to a financial asset of one entity and an equity instrument or financial liability of another entity. A financial instrument is to be recognized in the balance sheet as soon as an entity becomes a party to the contractual provisions of the instrument. Initial recognition – with the exception of trade receivables – shall be made at fair value and, in the case of financial assets and financial liabilities not measured at fair value through profit or loss, under consideration of transaction costs. At initial recognition, trade receivables are measured at the transaction price. Subsequent measurement of financial instruments is either at amortized cost, at fair value through profit or loss or at fair value through other comprehensive income (with and without reclassification to profit or loss), depending on the classification of the instrument according to IFRS 9.

IFRS 9 divides financial assets on the basis of the intention to hold ("business model") and the contractual cash-flow characteristics ("SPPI test") into the following categories:

Category	Business model	Contractual cash-flow characteristics
Measurement at amortized cost (FA-AC)	Hold the financial assets to collect the contractual cash flows (hold to collect)	Solely payments of principal and interest on specified dates (basic lending arrangement or receivable, SPPI)) arrangement or receivable, SPPI)
At fair value through other comprehensive income (FA-FVtOCI-DI)	Hold the financial assets both to collect the contractual cash flows and to sell them (hold & sell)	Solely payments of principal and interest on specified dates (basic lending arrangement or receivable, SPPI)
Measurement at fair value through profit or loss – with reclassification to profit or loss (FA-FVtPL)	Held for trading or neither "hold to collect" nor "hold & sell" (or application of the "fair-value option")	(not relevant)
	(not relevant)	Not solely payments of principal and interest on specified dates (derivative, equity instrument, convertible bond, etc.)
Measurement at fair value through other comprehensive income – without reclassification to profit or loss (FA-FVtOCI-EI)	Not held for trading (financial investments in equity instruments of other entities) and exercise of the option in accordance with IFRS 9.5.7.5	Equity instrument of another entity

For financial assets that are measured "at amortized cost" (FA-AC) or "at fair value through other comprehensive income with reclassification to profit or loss" (FA-FVtOCI-DI), impairments for expected credit losses (ECL) or write-downs as well as interest income are to be recognized according to the effective-interest method.

The option in accordance with IFRS 9.4.1.4 and IFRS 9.5.7.5 for the classification of financial investments in the equity instruments of other entities as "measured at fair value through other comprehensive income without reclassification to profit or loss" (FA-FVtOCI-EI) can generally be irrevocably exercised separately for each individual equity instrument at the time of initial recognition. Bilfinger generally exercises the option for all shares held. In one material individual case (equity-like participation rights in Triangle Holding II S.A.), the option was not exercised, so that these participation rights are classified as "measured at fair value through profit or loss".

No use has been made of the option to designate financial instruments upon initial recognition to be measured at fair value through profit or loss (fair-value option).

Financial liabilities are divided into the following categories:

- Measurement at amortized cost (FL-AC)
- Measurement at fair value through profit or loss (FL-FVtPL)

Financial liabilities are to be generally classified as "measured at amortized cost" (FL-AC). Derivatives with negative market values and liabilities from contingent considerations recognized in a business combination in accordance with IFRS 3 are, however, to be classified as "measured at fair value through profit or loss" (FL-FVtPL).

Initial recocgnition of non-derivative financial assets is at the settlement date. Initial recognition of derivative financial instruments is at the trading date.

The amortized cost of a financial asset or a financial liability is a result of the carrying amount at initial recognition minus principal repayments, plus or minus the accumulated amortization of any differences between the original amount and the amount repayable at maturity under application of the effective-interest method as well as, for financial assets, adjusted for any loss allowance. With current receivables and liabilities, amortized cost is equal to the nominal value or the redemption amount.

Expected credit losses are the credit losses weighted with their respective probabilities (difference between all contractual payments and the expected incoming payments, discounted using the original effective interest rate). The calculation of the default probabilities as a significant input variable for the determination of expected credit loss is carried out on the basis of external, debtor-specific ratings. For trade receivables (including receivables from partial payment invoices and work in progress) as well as receivables from leases, the expected credit losses are measured over the entire term. With all other financial assets for which impairments for expected credit risks are to be recognized, if the default risk since initial recognition has not increased significantly, the time horizon is 12 months. Otherwise, the time horizon to be considered corresponds to the entire residual period (lifetime). Financial assets with a low default risk are those with a rating in the "investment grade" range. Bilfinger assumes that there is a significant increase in the default risk since initial recognition if the external rating worsens by at least one bandwidth (that means, for example, from "investment grade / lower medium grade" to "non-investment grade" or from "non-investment grade" to "highly speculative") as compared to the rating score at initial recognition and if it is below "investment grade". Default events include, for example, the insolvency of the issuer of the financial asset (in contrast to a foreseeable insolvency). Default events are generally defined on the basis of the external rating ("in default with little prospect for recovery" and worse). In addition, on the basis of experience to date (in particular payment behavior in certain countries and regions as well as the nature of our business and our customers), it is assumed there is a default event after an overdue period of 365 days or more. A financial asset is credit-impaired when one or more events that have a detrimental impact on its estimated future cash flows have occurred. Indicators for credit impairment include, among other things, information on the following observable events: significant financial difficulties of the issuer or borrower, breach of contract, such as, for example, default or past due event, concessions such as deferral or reduction of payments, and foreseeable insolvency or other financial reorganization.

Fair value is the (market) price that could be obtained on the hypothetical transfer of a certain asset or a certain liability in an orderly (market) transaction in the respective accessible primary market or in the most advantageous market between market participants at the measurement date. For the measurement of fair value, the valuation technique is to be applied which is the most appropriate to the given circumstances and which makes use of as much objective and/or observable information as possible. Depending on the type of asset or liability to be measured, this is the market-price method (e.g., with traded financial instruments), the replacement method (e.g., with property, plant and

equipment) or the discounted-cash-flow method (e.g. OTC derivatives and shares in non-listed companies).

Equity interests shown under other non-current financial assets are classified as "measured at fair value through profit or loss" (FA-FVtPL) or "at fair value through other comprehensive income – without reclassification to profit or loss" (FA-FVtOCI-EI). For financial assets classified as FA-FVtOCI-EI, unrealized gains and losses from changes in fair value are recognized, with due consideration of deferred taxes, in retained earnings (reserve from the market valuation of equity instruments).

Receivables and other financial assets are measured at amortized cost, with the exception of derivative financial instruments. A loss allowance is recognized for expected credit losses. Irrecoverable receivables are written off.

Trade receivables (including receivables from partial payment invoices and services not yet invoiced) are valued at initial recognition with the transaction price of the (partially) met performance obligations. Unconditional rights to consideration from customers are presented as receivables, even if the corresponding performance obligation was not (yet) fully met. The amount of the recognized receivables, which exceeds the amount of the recognized revenue of the corresponding performance obligation, is recognized as a customer contractual liability. Payments received that exceed the amount of the realized revenue of the corresponding performance obligation are also recognized as a customer contractual liability.

Present obligations from onerous contracts with customers are, in accordance with IAS 37, recognized at the time they become known in their full amount and presented as provisions.

Listed securities are measured at fair value. Non-listed securities are measured at fair value using a suitable valuation technique. Changes in the market prices of securities held for trading (FA-FVtPL) are recognized in profit or loss. Market-value changes in securities that are measured at fair value through profit or loss with reclassification to profit or loss (FA-FVtOCI-DI) are, with due consideration of deferred taxes, presented in other reserves (reserve from the market valuation of securities).

Cash and cash equivalents, primarily comprising cash at banks and cash in hand, are measured at amortized cost (FA-AC).

Financial liabilities primarily comprise financial debt as well as trade and other payables. With the exception of derivative financial instruments, they are measured at amortized cost (FL-AC).

Derivative financial instruments are used solely to hedge against interest-rate and currency exchange-rate risks. Purely speculative transactions without any underlying basic transaction are not undertaken. The most important derivative financial instruments are currency futures and currency options. In accordance with IFRS 9, derivative financial instruments are recognized at their fair values as assets (positive fair value) or liabilities (negative fair value). The fair values of the derivatives used are calculated on the basis of recognized financial-mathematical methods (discounted cash-flow method and option-pricing model). Derivative financial instruments that are not related to a hedging instrument as defined by IFRS 9 are deemed to be financial assets or financial liabilities held for trading (FA-FVtPL or FL-FVtPL). For these financial instruments, changes in fair value are recognized through profit or loss.

Share-based payments as defined by IFRS 2 are measured on the basis of the share price on the balance-sheet date with consideration of a discount due to the lack of dividend entitlement. Here, the Monte Carlo Simulation method is also used. Expenses from share-based payments are recognized on a pro-rata basis in the relevant vesting period. In the case of cash-settled share-based payment transactions, the expense is shown by recognizing a provision; in the case of equity-settled share-based payment transactions, the expense is entered directly in equity.

Non-current assets held for sale and disposal groups as well as related liabilities are classified as such and presented separately in the balance sheet. Assets are classified as held for sale if the carrying amounts are primarily to be realized through a sale transaction rather than through continuing use. The sale must be highly probable and the assets or disposal groups must be immediately saleable in their present condition. These assets and disposal groups are measured at the lower of carrying amount or fair value less cost to sell, and are no longer systematically depreciated or amortized. Impairment losses are recognized if the fair value less cost to sell is lower than the carrying amount. Any reversals of impairment losses due to an increase in fair value less cost to sell are limited to the previously recognized impairment losses. Impairment charges allocated to the carrying amount of goodwill are not reversed.

Assets and liabilities of discontinued operations are treated as disposal groups. A discontinued operation is a separate major line of business or geographical area of operations which is held for sale. In addition, earnings after taxes from discontinued operations are presented separately in the income statement.

Revenue from contracts with customers is recognized when the performance obligations have been satisfied, i.e. with the transfer of the contractually agreed goods or services to the customer (transfer of control to the customer). Performance obligations can be satisfied over a certain period (revenue recognition over time) or at a certain point in time (revenue recognition at a point in time). Bilfinger satisfies its performance obligations in the project and services businesses almost exclusively over a certain period of time in the course of the service provision. Depending on reliability, the measurement of progress for this type of performance obligations is carried out on the basis of the ratio of the revenue already delivered at the end of the reporting period to the total revenue to be delivered or on the basis of the ratio of costs already incurred to the estimated total contract costs (cost-to-cost method). If the outcome of a performance obligation satisfied over time cannot be reasonably measured, revenue is calculated using the zero-profit method in the amount of the contract costs incurred and probably recoverable. Revenue from the sale of goods is recognized at the time of delivery to the customer (transfer of significant risks and rewards of ownership). Lease income from operating leases in accordance with IAS 17 is recognized on a straight-line basis over the lease term.

In the services business, in accordance with the contractual arrangements, there is typically a monthly invoice with the usual payment targets of 30 to 60 days, with some longer payment targets also agreed. In the project business, we generally seek advance payments so that the project, over the course of its execution, does not show a negative cash position; this, however, depends on the specific compensation structure and is not always achievable. Invoicing in the project business is also often tied to the achievement of certain milestones or project progress. Performance-related compensation components play only a minor role.

A description of the type of contractually agreed goods or services can be found in the disclosures on segment reporting.

There are no significant redemption, reimbursement or similar obligations.

The warranties granted by Bilfinger to customers generally comply with the legal requirements on liability for defects and thus do not represent expanded guarantees (independent performance obligations). Provisions are established for corresponding identifiable obligations.

In general, the transaction price corresponds to the contractually agreed consideration. Variable consideration components are such parts of the consideration that are not fixed in terms of the amount at the contract signing. Examples for variable consideration components are discounts, rebates, reimbursements, credits, bonuses, penalties (i.e. price reduction), escalation clauses and indexing processes. Variable consideration components are measured either as the probability-weighted expected value or the most likely amount, depending on which method provides the better estimated value. The measurement of the variable consideration component is limited to the amount which is highly probable to be achieved. An adjustment to the consideration for effects of the time value of money is carried out when the contractually agreed price deviates significantly from the cash selling price because the service provision by Bilfinger and the payment by the customer deviate significantly in terms of time (time lag of more than one year) and the market interest rate shows a relevant magnitude (greater than 3 percent).

If a customer contract comprises several separate performance obligations, the transaction price is allocated to the individual separate performance obligations in relation to the relative stand-alone selling prices of the relevant separate performance obligations. The stand-alone selling price of a separate performance obligation corresponds to the price at which the separate performance obligation alone would have been sold to the customer. If there is no directly observable selling price, this is to be estimated as best as possible using the available information, e.g. on the basis of common market prices or production costs plus an appropriate margin.

Expenditures for research and development such as for the further development of processes and special innovative technical proposals for individual projects are generally recognized in the income statement on a project-related basis. In the reporting period, research and development expenses of €12.3 million (previous year: €10.9 million) were recognized.

Borrowing costs that can be directly allocated to the acquisition, construction or production of an asset which requires a considerable period of time to be put into its intended condition for use or for sale are capitalized as part of that asset's cost of acquisition or production. All other borrowing costs are expensed in the period in which they are incurred. In the year under review, no borrowing costs were capitalized, as in the prior year.

Summary of selected measurement methods:

Balance-sheet items	Measurement method
Goodwill and intangible assets with an indefinite or unlimited useful life	Cost of acquisition (no amortization, regular and indication-induced impairment tests)
Intangible assets with a finite useful life	Amortized cost (straight-line amortization, indication-induced impairment tests)
Property, plant and equipment	Depreciated cost of acquisition or production (systematic depreciation, normally straight-line, indication-induced impairment tests)
Assets capitalized in the context of finance leasing	Fair value upon capitalization or present value of minimum leasing payments less systematic depreciation (indication-induced impairment tests)
Investments accounted for using the equity method	Cost of acquisition increased and reduced by the proportionate change in net assets (indication-induced impairment tests)
Equity interests	Cost of acquisition (indication-induced impairment tests)
Securities (FA-FVtPL, FA-FVtOCI-DI, FA-FVtOCI-EI)	Fair value
Inventories	Lower of cost of acquisition or production or net realizable value
Trade receivables (work in progress) and services not yet invoiced	Percentage-of-completion method, amortized cost
Loans granted and receivables	Amortized cost (effective-interest method, impairment for expected credit losses)
Other assets	Lower of cost or fair value
Treasury shares	Cost of acquisition
Provisions for pensions and similar obligations	Projected-unit-credit method less plan assets
Other provisions	Settlement amount
Financial debt and other financial liabilities	Amortized cost (effective-interest method)
Other liabilities	Cost or settlement amount
Derivative financial instruments (FA-FVtPL, FL-FVtPL)	Fair value
Deferred taxes	Undiscounted assessment on the basis of the tax rates expected to be applicable for the period in which an asset is realized or a liability is settled
Assets held for sale / liabilities in disposal groups	Lower of carrying amount upon classification or fair value less cost to sell (no systematic amortization / depreciation, indication-induced impairment tests)

3.4 Assessments and estimates

With the preparation of the consolidated financial statements, to a certain extent it is necessary to make assumptions and estimates that have an effect on the amounts and valuations shown in the Group's balance sheet and income statement as well as on the contingent liabilities for the reporting period.

The assumptions and estimates are the result of premises that are based on currently available knowledge. If future developments differ from these assumptions, the actual amounts may differ from the originally anticipated estimates.

The assumptions and estimates primarily relate to evaluations of the following items:

- Revenue from performance obligations satisfied over a certain period of time (percentage-of-completion method): With the use of the percentage-of-completion-method, estimates have to be made with regard to the percentage of completion, the contract costs to complete the contract and the total contract revenue. Changes in those estimates can lead to an increase or decrease in revenue for the period. In financial year 2018, revenue in the amount of €2,498.0 million (previous year: €2,458.2 million) was realized by the percentage-of-completion method. Disclosures on the sensitivities of the extent of possible effects of changes in estimates cannot reasonably be made due to the large number of individual projects and influencing factors.
- Impairments for expected credit losses on financial assets measured at amortized cost: The recognition of expected credit losses is based primarily on the assessment of the default probability of the individual receivables and/or loans. The default probabilities are calculated to as great an extent as possible on the basis of external ratings. An increase in the default probability would have a direct impact on the amount of the impairments that have to be recognized. The development of impairments for expected credit losses is presented in Notes 18 and 20.
- Provisions for pensions and similar obligations: Provisions for pensions and similar obligations are measured actuarially with consideration of future developments. These measurements are primarily based on assumptions regarding discount rates, expected salary trends, pension trends and life expectancies. See Note 23 for details of the assumptions made and possible risks.
- Other provisions: The recognition of provisions for risks relating to contracts and litigation as well as warranty risks, personnel-related obligations, restructuring measures and other uncertain liabilities to a great extent involves estimates by Bilfinger. These estimates can change as a result of new information, for example with ongoing project progress or with the status of proceedings. The actual cash outflows or expenses can deviate from the original and updated estimates and can affect profit or loss accordingly. The carrying amount of other provisions at December 31, 2018 was €408.2 million (previous year: €468.7 million). Disclosures on the sensitivities of the extent of possible effects of changes in estimates cannot reasonably be made due to the large number of facts and relevant factors.
- Income taxes: Bilfinger is active in numerous tax jurisdictions. The tax items presented in the consolidated financial statements are calculated with consideration of the respective tax laws and of the relevant administrative judgments, and, due to their complexity, may be subject to deviating interpretations by taxable entities on the one hand and by local fiscal authorities on the other. Deferred tax assets are recognized if sufficient taxable income is available in the future. Among other things, the factors considered include the planned earnings from operating activities, the impact on earnings of the reversal of taxable temporary differences, and possible tax strategies. On the basis of the planned future taxable income, Bilfinger's management assesses the measurement of deferred tax assets at the end of each reporting period. As future business developments are un-

certain, assumptions are required on estimates of future taxable income and on the time when deferred tax assets can be utilized. Estimated amounts are adjusted during the period if there are sufficient indications that an adjustment is necessary. If the management assumes that deferred tax assets cannot be realized, either partially or in full, they are impaired by the appropriate amount. The carrying amount of deferred tax assets at December 31, 2018 was €74.9 million (previous year: €86.1 million).

- Goodwill impairment: Bilfinger tests goodwill for impairment at least annually. Determining the recoverable amount of a cash-generating unit to which goodwill is allocated involves estimates by the management. It is equivalent to the value in use resulting from the discounted cash flows calculated on the basis of financial planning approved by the management. See Note 15.1 of the notes to the consolidated financial statements for further details.
- Disposal groups: Non-current assets held for sale and disposal groups as well as related liabilities are measured at the lower of carrying amount or fair value less cost to sell. The measurement of fair value involves estimates by the management.
- Other financial assets: Equity-like participation rights, reported under other financial assets, which were used as non-cash purchase-price components for the former Building, Facility Services and Real Estate divisions, are measured as non-listed securities at fair value through profit or loss (FA-FVtPL) in level 3 in accordance with the IFRS 13 hierarchy. The measurement of fair value involves estimates by the management. See Note 28 of the notes to the consolidated financial statements for further details.

3.5 Principles of consolidation

Capital consolidation takes place by offsetting the price of acquisition against the Group's interest in the newly valued equity of the consolidated subsidiaries at the date of acquisition or first-time consolidation. The assets, liabilities and contingent liabilities of the subsidiaries are entered at their full current fair values irrespective of the size of the minority interest. With each acquisition, there is a special option of electing to recognize minority interest at fair value or at the relevant proportion of net assets. Acquisition-related costs are expensed. In the case of an acquisition achieved in stages (step acquisition), equity interests previously held are remeasured through profit or loss. Contingent consideration is recognized at the time of acquisition at fair value and in following periods is measured at fair value through profit or loss. Any goodwill ensuing from first-time consolidation is capitalized and subjected to an annual impairment test in accordance with IFRS 3 / IAS 36. Any negative goodwill is recognized in profit or loss immediately after acquisition. At deconsolidation, the residual carrying amounts of goodwill are taken into consideration in the calculation of the gain or loss on disposal.

Changes in an equity interest that do not lead to a loss of control are treated as transactions between equity holders and reported within equity. Such transactions lead to the recognition neither of goodwill nor of any disposal gains. In the case of a sale of equity interest that leads to a loss of control, the remaining equity interest is remeasured at fair value through profit or loss and the accumulated other comprehensive income previously recognized in connection with the investment is reclassified to profit or loss or, if it is an actuarial gain or loss, to retained earnings.

Losses attributable to the non-controlling interest are fully attributed to the non-controlling interest, even if this results in a negative carrying amount.

Investments accounted for using the equity method are measured at cost of acquisition plus the prorated change in net assets, whereby any goodwill is included in the carrying amount of the investment. Upon losing a significant influence or losing joint control, the remaining equity interest is remeasured at fair value through profit or loss.

Receivables, liabilities, income and expenses between consolidated companies have been offset. Non-current assets and inventories resulting from Group revenue have been adjusted to exclude any inter-company profits. Deferred taxes from consolidation processes affecting profit have been accrued / deferred.

3.6 Currency translation

In the consolidated financial statements, the assets and liabilities of the accounts prepared in foreign currencies are translated using the average exchange rate at the end of the reporting period; expenses and income are translated using the average exchange rate for the year. The aggregate differences compared with translation at the end of the reporting period are entered separately under other comprehensive income.

Currency translation took place using the following significant exchange rates:

€ 1 =		Annual average		At December 31	
		2018	2017	2018	2016
Australia	AUD	1.5798	1.4732	1.6228	1.5349
Canada	CAD	1.5295	1.4648	1.5615	1.5042
Czech Republic	CZK	25.6468	26.3248	25.7250	25.5400
India	INR	80.7426	73.5398	79.9636	76.6268
Nigeria	NGN	426.7990	377.9586	415.7550	431.8677
Norway	NOK	9.5985	9.3287	9.9494	9.8420
Oman	OMR	0.4547	0.4351	0.4404	0.4620
Poland	PLN	4.2623	4.2583	4.3000	4.1709
Qatar	QAR	4.3184	4.1599	4.1808	4.3871
Saudi Arabia	SAR	4.4297	4.2384	4.2900	4.5019
South Africa	ZAR	15.6168	15.0485	16.4908	14.8233
Sweden	SEK	10.2601	9.6355	10.2499	9.8438
Switzerland	CHF	1.1550	1.1119	1.1270	1.1704
United Arab Emirates	AED	4.3385	4.1505	4.2006	4.4092
United Kingdom	GBP	0.8847	0.8767	0.8942	0.8872
United States	USD	1.1810	1.1298	1.1454	1.1997

4 Consolidated group

4.1 Changes in the consolidated group and inclusion

39 (previous year: 43) companies in Germany and 86 (previous year: 92) based outside of Germany have been included in the consolidated financial statements. Of these, 2 (previous year: 2) based outside of Germany have been consolidated for the first time in the reporting period. In addition, 4 (previous year: 10) companies in Germany and 8 (previous year: 9) companies based outside of Germany were no longer included in the consolidated group due to sale or merger. A further 17 (previous year: 17) have been accounted for using the equity method.

In general, all subsidiaries are fully consolidated with the exception of, in particular, inactive companies such as shelf companies and companies in liquidation. Subsidiaries are all entities that are controlled directly or indirectly by Bilfinger SE. Bilfinger controls an investee where Bilfinger has power over the investee, is exposed to or has rights to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. This is generally the case where Bilfinger has more than half of the voting rights of a company or where, as an exception, Bilfinger is able in another way to exercise power over an investee on the basis of contractual arrangements or the like for purposes of influencing the returns to which Bilfinger is entitled.

Associates are accounted for using the equity method. An associate is an entity over which the Group has significant influence by participating in its financial and business policy but which is not controlled by the Group. Significant influence is generally presumed when Bilfinger has voting rights of 20 percent or more.

Joint ventures are also accounted for using the equity method. A joint venture exists where the owners contractually agree to control the arrangement jointly and the shareholders have rights to the arrangement's net assets.

Information disclosed pursuant to Section 313 Subsection 2 of the German Commercial Code (HGB) is summarized in the list of subsidiaries and equity interests. That list also includes a definitive list of all subsidiaries that make use of the disclosure exemption pursuant to Section 264 Subsection 3 HGB.

As of the balance-sheet date, there were no significant minority interests in the Group with respect to its equity. The list of subsidiaries and equity interests shows the subsidiaries in which minority interests were held.

Furthermore, the Group was not subject to any significant restrictions regarding access to or the use of subsidiaries' assets.

4.2 Acquisitions

As was the case in the prior year, no acquisitions were made during financial year 2018.

4.3 Disposals

In financial year 2018, the disposal groups Bilfinger Neo Structo Private Limited and power-plant-service activities from the *Other Operations* division were sold.

In the previous year, the following Group companies that were held for sale were sold, in addition to the discontinued marine construction activities: Bilfinger MCE Aschersleben GmbH, Bilfinger Babcock Hungary Kft., Bilfinger IT Hungary Kft., Bilfinger Scheven GmbH, STS Steinmüller Siemers GmbH, Envi Con & Plant Engineering GmbH, Bilfinger ELWO S.A., Bilfinger Babcock CZ s.r.o., Hydrobudowa-6 S.A. and Kin Sun Construction & Engineering (Macau) Ltd.

The overall effects of the sales were as follows:

EFFECTS AT THE TIME OF SALE

	2018	2017
Disposal of assets classified as held for sale	-15.4	-78.7
Disposal of assets	**-15.4**	**-78.7**
Disposal of liabilities classified as held for sale	19.5	56.2
Disposal of liabilities	**19.5**	**56.2**
Disposal of net assets	**4.1**	**-22.5**
Derecognition of minority interest	-0.1	0.1
Disposal of intercompany receivables / revival of liabilities	0.0	-22.2
Reclassification of other comprehensive income to the income statement	-3.2	-2.5
Other changes	**-3.3**	**-24.6**
Sale price less selling-transaction expenses	2.6	18.3
Capital gain / loss after selling-transaction expenses	**3.4**	**-28.8**

The disposal result in the amount of €0.0 million (previous year: -€9.3 million) is reported in earnings from discontinued operations and in the amount of €3.4 million (previous year: -€19.5 million) in other operating expense.

4.4 Changes in ownership interest without change in control

Due to changes in equity interests in consolidated subsidiaries that did not lead to the gain or loss of control, retained earnings decreased by -€1.1 million, other reserves by €0.8 million and minority interest by €1.5 million. In the prior year, there were no changes in equity interests in consolidated subsidiaries that did not lead to the gain or loss of control.

5 Discontinued operations and disposal groups

5.1 Earnings from discontinued operations

Discontinued operations comprise:

- the disposed divisions Building, Facility Services and Real Estate from the former Building and Facility Services business segment snf
- the disposed and abandoned construction activities, including the disposed significant portion of the former Offshore Systems and Grids division.

In accordance with the provisions of IFRS 5, the investments put up for sale have been recognized as discontinued operations as of the time of reclassification:

In the consolidated balance sheet, the affected assets and liabilities (disposal group) are presented separately under assets classified as held for sale and liabilities classified as held for sale.

- In the consolidated income statement, the income and expenses of discontinued operations are presented separately from the income and expenses of continuing operations, and are summarized separately in one item as earnings after taxes from discontinued operations.
- In the consolidated statement of cash flows, cash flows from discontinued operations are also presented separately from the cash flows from continuing operations.

Since the dates of their reclassification, non-current assets classified as held for sale have no longer been subject to depreciation or amortization and subsequent measurement according to the equity method was ceased for the investments accounted for using the equity method.

The amounts in the consolidated income statement and the consolidated statement of cash flows for the prior-year period have been adjusted accordingly.

Earnings from discontinued operations are distributed as follows to *construction activities* and *Building, Facility Services, Real Estate*:

	2018	2017
Construction activities	-3.3	54.5
Building, Facility Services, Real Estate	–	–
Earnings after taxes from discontinued operations	**-3.3**	**54.5**

Earnings after taxes from discontinued operations were fully attributable, as was the case in the prior-year period, to the shareholders of Bilfinger SE.

5.1.1 Construction activities

	2018	2017
Revenue	2.8	21.2
Expenses / income	-5.7	40.1
Capital gain / loss including impairment	0.0	-10.6
EBIT	**-2.9**	**50.7**
Interest result	-0.2	0.1
Earnings before taxes	**-3.1**	**50.8**
Income taxes	-0.2	3.7
Earnings after taxes	**-3.3**	**54.5**

Income and expenses from the prior-year period included a positive effect from a long-standing legal dispute in Qatar. The reason for this was a payment received for a previously not capitalized receivable on a joint-venture account that had a positive impact of €60 million on earnings from discontinued operations.

5.2 Assets classified as held for sale and liabilities classified as held for sale

As of the balance-sheet date, assets classified as held for sale and liabilities classified as held for sale comprise the disposal groups Bilfinger Industrial Services Spain S.A. from the division *Continental Europe* in the business segment *Maintenance, Modifications & Operations* as well as the device technology and overhead power lines activities from the division *Other Operations.*

As of December 31, 2017, *assets classified as held for sale* and *liabilities classified as held* for sale comprise the disposal groups of Bilfinger Neo Structo Private Limited as well as the power-plant-service activities from the division *Other Operations*.

For more information on disposals during the reporting year, see Note 4.3.

In the fourth quarter of 2018, Bilfinger Industrial Services Spain as well as the device technology and overhead power lines activities were classified as held for sale and measured at fair value less cost to sell. Fair value was measured on the basis of the expected selling price. This resulted in an impairment loss in the amount of €19.0 million (see Note 11).

The assets classified as held for sale and liabilities classified as held for sale are comprised as follows:

	Dec. 31, 2018	Dec. 31, 2017
Goodwill	0.0	1.3
Other non-current assets	27.6	3.0
Current assets	19.4	7.9
Cash and cash equivalents	3.4	0.3
Assets classified as held for sale	**50.4**	**12.5**
Non-current liabilities	2.8	0.0
Current liabilities	23.2	26.1
Liabilities classified as held for sale	**26.0**	**26.1**

The disposal group’s cumulative other comprehensive income after taxes as of the balance-sheet date amounts to -€0.6 million (previous year: -€3.3 million), of which €0.0 million (previous year: -€0.1 million) is attributable to minority interest.

Notes to the income statement

6 Revenue

The segment reporting depicts a classification of revenue by reporting segment. Of the total revenue, €64.9 million was realized in accordance with IAS 17. The revenue realized in accordance with IFRS 15 was almost exclusively realized over a specific time period.

Of the revenue recognized in the financial year in accordance with IFRS 15, €97.4 million was included in the opening balance of contract liabilities (see Note 26). Furthermore, revenue recognized in the reporting year of €58.4 million includes proceeds from performance obligations that were fully or partially met in the previous years (e.g. from approved claims, termination of the application of the zero-profit method, etc.).

Expected future revenue from not fully met performance obligations (order backlog without expected future call-ups from framework agreements) amounts to €1,688.7 million as of the balance-sheet date; it is expected that, of this total, €1,400.4 million will be realized in the coming financial year and the remaining amount in subsequent financial years.

7 Impairments and reversals in accordance with IFRS 9

The impairments and reversals shown represent the expected credit losses in accordance with IFRS 9 and relate primarily to trade receivables, including receivables from partial payment invoices and work in progress (see Note 20).

In addition, €0.8 million in expected credit losses on capitalized interest from the interest-bearing vendor claim is shown in the financial result (see Notes 12 and 18). The impairments and reversals recognized in the previous year in accordance with IAS 39 amounted to a net -€6.0 million and were presented under *other operating income* and *other operating expense*.

8 Other operating income

	2018	2017
Income from the reversal of other provisions	9.6	8.1
Income from the reversal of impairments on trade receivables	–	4.5
Income from operating investments	7.9	3.8
Income from the disposal of property, plant and equipment	7.9	3.6
Income from currency translation and hedging	4.1	0.4
Other income	10.5	16.5
Total	**40.0**	**36.9**

Other income includes numerous items of minor individual importance.

9 Other operating expense

	2018	2017
Expenses from operating investments	21.6	45.3
Restructuring expenses	17.8	39.2
Expenses from additions to other provisions	4.5	10.6
Impairment of receivables and other financial assets	–	12,4
Expenses from currency translation and hedging	3.5	4.4
Losses on the disposal of property, plant and equipment	2.1	1.2
Other expenses	4.8	4.8
Total	**54.3**	**117.9**

Expenses from operating investments primarily include losses from the disposal of and impairments to investments (see Notes 4.3 and 5.2).

Restructuring expenses primarily include expenses for workforce reductions.

Other expenses include numerous other items of minor individual importance.

10 Personnel expenses and average number of employees

The following table shows personnel expenses as well as the average number of employees.

	2018	2017
Personnel expenses (€ million)	**2,073.2**	**2,032.8**
Wages and salaries	1,726.0	1,689.3
Social security costs	302.6	303.1
Pension obligation expenses	44.6	40.4
Average number of employees		
Salaried	**12,298**	**12,625**
Germany	3,311	3,535
International	8,987	9,090
Industrial employees	**22,621**	**22,743**
Germany	3,876	4,249
International	18,745	18,494
Total employees	**34,919**	**35,368**

The total number of employees relates to continuing operations.

11 Depreciation, amortization and impairments

Scheduled amortization of €4.7 million was carried out on intangible assets from acquisitions (previous year: €7.8 million). This is included in cost of sales. Depreciation of property, plant and equipment and the amortization of other intangible assets amount to €65.0 million (previous year: €72.3 million). This includes impairment losses of €0.6 million (previous year: €3.4 million). In addition, impairment losses on financial assets in the amount of €10.5 million were recognized.

The measurement of disposal groups resulted in a total impairment loss in the amount of €19.0 million (previous year: €13.2 million). This is recognized in other operating expenses (see Note 9).

12 Interest income and expense and other financial result

Interest income and expense and other financial result comprise the following items of the income statement:

	2018		2017	
Interest income		**14.3**		**14.3**
Current interest expense		-16.1		-19.3
Interest expense from defined-benefit obligation (DBO)	-7.9		-7.3	
Interest income on plan assets	2.8	-5.1	2.8	-4.5
Interest expense		**-21.2**		**-23.8**
Income on securities		23.8		-0.3
Interest expense for minority interest		-1.9		-2.0
Other financial result		**21.9**		**-2.3**
Total		**15.0**		**-11.8**

Interest income is primarily earned on accrued interest from the interest-bearing vendor claim from the sale of the former Building, Facility Services and Real Estate divisions (see Note 18), as well as from deposits of cash and cash equivalents with variable interest rates (FA - AC). Current interest expense is mainly incurred on financial debt with fixed interest rates. With an unchanged investment policy, an increase in interest rates would lead to higher interest income.

Income on securities mainly includes the changes to the fair value of the non-listed, equity-like participation rights in Triangle Holding II S.A. (FA-FVtPL) in the amount of €26.3 million (see Note 28.1). Also included are impairments for expected credit losses in the amount of €0.8 million from the interest-bearing vendor claim.

The interest expense for minority interest reflects the share in profits of the minority interest which is classified as borrowing due to contractual regulations, in particular preemption rights pursuant to IAS 32.

13 Income tax

Income taxes are the taxes on income and earnings paid, owed or deferred in the various countries. The calculations are based on the expected tax rates in those countries at the time of realization. Those expected tax rates are derived from the statutory regulations that are in force or enacted at the end of the reporting period.

	2018	2017
Actual taxes	15.3	12.1
Deferred taxes	7.5	-9.6
Total	**22.8**	**2.5**

The tax expense calculated with the tax rate of Bilfinger SE can be reconciled with the reported tax expense as follows:

	2018	2017
Earnings before taxes	2.8	-137.8
Theoretical tax expense at 30.95%	0.9	-42.6
Tax-rate differences	-9.2	-6.2
Tax-rate change United States	0.0	9.1
Tax-rate effects of non-deductible expenses and tax-free income	-1.4	14.9
Losses for which no deferred tax assets are capitalized and changes in value adjustments	31.2	26.7
Taxes from other accounting periods	1.3	0.6
Income tax expense	**22.8**	**2.5**

The combined income tax rate for Bilfinger SE was 30.95 percent, as in the prior year, consisting of corporate income tax at a rate of 15 percent and the solidarity surcharge, which is levied at a rate of 5.5 percent of the applicable corporate income tax, as well as trade tax at an average municipal multiplier of 432 percent.

Deferred tax assets on loss carryforwards are only recognized insofar as their realization is reasonably certain. Based on current assessments, this is not the case, in particular for the losses incurred in the current financial year at Bilfinger SE and its tax-group companies, so that, as in the previous year, no deferred tax assets on tax-loss carryforwards were recognized as of December 31, 2018.

Deferred tax assets and deferred tax liabilities are distributed among the items of the balance sheet as follows:

	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Non-current assets	5.0	17.4	55.1	49.8
Current assets	49.8	47.3	71.8	53.1
Provisions	64.9	71.3	8.0	18.5
Liabilities	31.7	28.8	18.1	27.3
Tax-loss carryforwards	37.1	25.3		–
Corporate income tax (or comparable taxes outside Germany)	37.1	25.3		–
Trade taxes		–	–	–
Offsetting	-113.6	-104.0	-113.6	-104.0
Carried in the balance sheet	**74.9**	**86.1**	**39.4**	**44.7**

At the end of the reporting period, deferred taxes in the amount of €13.6 million (previous year: €11.9 million) mainly from the measurement of retirement-benefit obligations in accordance with IAS 19 were offset against equity.

The total amount of deferred tax assets of €74.9 million (previous year: €86.1 million) includes future reductions in tax payments of €37.1 million (previous year: €25.3 million) that arise from the expected utilization in future years of existing tax-loss carryforwards and other tax advantages. The realization of the tax-loss carryforwards is reasonably certain. Non-capitalized tax-loss carryforwards for corporate income tax (or comparable taxes outside Germany) amount to €970.2 million (previous year: €725.6 million) and for trade tax to €1,391.3 million (previous year: €683.5 million). The increase in non-capitalized tax-loss carryforwards is primarily attributable to the retroactive amendment to Section 8c of the German Corporate Income Tax Act (KStG) as well as the successful outcome of an appeal procedure. Of the tax-loss carryforwards not recognized as deferred tax assets, €1.7 million (previous year: €6.2 million) will expire within the next five years, €22.3 million (previous year: €36.4 million) within the next 10 years and €0 million (previous year: €15.3 million) within the next 20 years.

As of December 31, 2018, no deferred tax liabilities were recognized for temporary differences in connection with subsidiaries in the amount of €481 million (previous year: €486 million) because it is not likely that in the foreseeable future a reversal will take place.

Sufficient provisions have been set aside for risks resulting from tax items not yet assessed as of the date of the calculation of tax assets and tax liabilities. The tax items are determined based on the most likely interpretation of tax-code provisions.

14 Earnings per share

Earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares issued.

	2018	2017
Net profit	-24.3	-88.5
Weighted average number of shares issued	41,458,301	43,975,136
Earnings per share, basic / diluted (in €)	**-0.59**	**-2.01**
thereof from continuing operations	-0.51	-3.25
thereof from discontinued operations	-0.08	1.24

Notes to the balance sheet

15 Intangible assets

COST OF ACQUISITION OR PRODUCTION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
January 1, 2018	**60.0**	**1182.7**	**68.3**	**0.0**	**1,311.0**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.1	0.0	0.0	0.0	0.1
Additions	2.9	0.0	0.0	0.1	3.0
Disposals	2.0	0.0	29.6	0.0	31.6
Reclassifications	0.0	0.0	0.0	0.0	0.0
Currency adjustments	-0.3	5.8	1.0	0.0	6.5
Reclassification of disposal group	-0.7	-32.0	0.0	0.0	-32.7
December 31, 2018	**59.8**	**1,156.5**	**39.7**	**0.1**	**1256.1**

ACCUMULATED AMORTIZATION AND IMPAIRMENT	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
January 1, 2018	**55.1**	**394.0**	**58.4**	**0.0**	**507.5**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.1	0.0	0.0	0.0	0.1
Additions	2.6	0.0	4.7	0.0	7.3
Disposals	1.9	0.0	29.7	0.0	31.6
Reclassifications	0.0	0.0	0.0	0.0	0.0
Write-ups	0.1	0.0	0.0	0.0	0.1
Currency adjustments	0.3	0.0	-0.8	0.0	-0.5
Reclassification of disposal group	0.6	30.7	0.0	0.0	31.3
December 31, 2018	**54.7**	**363.3**	**34.2**	**0.0**	**452.2**
Carrying amount December 31, 2018	**5.1**	**793.2**	**5.5**	**0.1**	**803.9**

COST OF ACQUISITION OR PRODUCTION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
January 1, 2017	**62.2**	**1,230.2**	**71.5**	**0.0**	**1,363.9**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.8	6.5	0.0	0.0	7.3
Additions	1.5	0.0	0.0	0.1	1.6
Disposals	1.2	0.0	0.0	0.0	1.2
Reclassifications	0.1	0.0	0.0	-0.1	0.0
Currency adjustments	-0.8	-30.6	-3.2	0.0	-34.6
Reclassification of disposal group	-1.0	-10.4	0.0	0.0	-11.4
December 31, 2017	**60.0**	**1,182.7**	**68.3**	**0.0**	**1,311.0**

ACCUMULATED AMORTIZATION AND IMPAIRMENT	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
January 1, 2017	**53.8**	**408.6**	**52.7**	**0.0**	**515.1**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.6	5.3	0.0	0.0	5.9
Additions	4.7	0.0	7.7	0.0	12.4
Disposals	1.0	0.0	0.0	0.0	1.0
Reclassifications	0.0	0.0	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0
Currency adjustments	0.8	0.1	2.0	0.0	2.9
Reclassification of disposal group	1.0	9.2	0.0	0.0	10.2
December 31, 2017	**55.1**	**394.0**	**58.4**	**0.0**	**507.5**
Carrying amount December 31, 2017	**4.9**	**788.7**	**9.9**	**0.0**	**803.5**

Under ‘disposals from the consolidated group’, those items are presented that are allocated to deconsolidated business units which, as of January 1 of the respective financial year, were not presented as a disposal group. Under ‘reclassification in disposal groups’ those items are presented that in the respective financial year were reclassified to ‘assets classified as held for sale’ regardless of whether these disposal groups were deconsolidated in the respective financial year or not (see also Notes 4.3 and 5.2).

15.1 Goodwill

Within the context of carrying out annual impairment tests in accordance with IFRS 3 and IAS 36, goodwill was allocated to the relevant divisions as cash-generating units. Goodwill is distributed among the divisions as shown in the following table:

	2018	2017
Division		
Engineering & Technologies	**335.4**	**328.2**
Continental Europe	240.4	217.9
Northwest Europe	138.6	138.8
North America	70.5	70.4
Middle East	8.2	8.2
Maintenance, Modifications & Operations	**457.7**	**435.3**
Other Operations	**–**	**25.1**
Total	**793.1**	**788.6**

The annual impairment test pursuant to IAS 36 takes place at the divisional level. In addition to the annual impairment test, an impairment test is also to be carried out when there are indications for the impairment of a cash-generating unit. The recoverable amounts of the cash-generating units at the balance-sheet date correspond to their values in use, which are derived from their discounted future cash flows. The calculation is based on the most recent planning figures over a five-year period, as approved by the Group’s management. In the steady state for the period thereafter, cash flows are assumed for which future growth only in the form of expected inflation-related price increases is considered and organic growth is not taken into account. The long-term growth rates for the key divisions were 1.04 percent for *Engineering & Technologies*, 0.99 percent for *Continental Europe* and 1.04 percent for *Northwest Europe*.

The planning is based on existing contracts and external benchmarks, past experience and best possible assessment by the Group’s management of future economic developments. Market assumptions, for example development of interest rates, exchange rates and raw-material prices, are taken into consideration with the use of external macroeconomic and industry-specific sources in the relevant markets.

The development of the business segments *Maintenance* as well as *Engineering & Technologies* is influenced by long-term developments in the oil price and the resulting demand of customers in the oil and gas industry for maintenance and operation services as well as for modifications, conversions and extensions. In the medium term, we anticipate the price of oil to remain relatively stable at the current level. Furthermore, we anticipate a continued positive macroeconomic environment for all divisions in our relevant markets as well as a moderate development in costs (salary increases, cost of materials), which can also be passed on to the customer, at least partially. Moreover, intensifying the cooperation of the units in both the *Maintenance* and *Engineering* segments will lead to better access to customers and with it, to growth. We also anticipate an improvement in the margin from the stronger orientation toward higher-value services.

In the *Technologies* area, we plan growth in the (bio) pharmaceutical sector as well as participation in the upcoming construction projects in the core energy market and a successful expansion of activities in the area of ship flue-gas desulfurization (so-called “maritime scrubbers”). Furthermore, the measures we have already introduced to further improve project and risk management as well as restructuring measures will have a positive impact.

In the *Maintenance* business segment, we plan to strengthen our position in the markets of the Middle East and North America as well as to round out our activities in Europe. Additionally, we anticipate a continuous improvement in productivity through the newly-introduced productivity-management system 'BTOP', particularly in this business segment. In addition, for the future we seek a closer interaction of the maintenance activities with the businesses in the *Engineering* area. This will be reflected in additional growth potentials as a "Full Engineering Cycle" provider and corresponding margin potential.

The discount rates before taxes calculated using the capital-asset-pricing model for the cash-generating units are shown in the table below:

CASH-GENERATING UNIT
in %

	Dec. 31, 2018	Dec. 31, 2017
Engineering & Technologies	11.2	12.5
Continental Europe	9.3	10.8
Northwest Europe	9.2	10.8
North America	8.6	10.1
Middle East	9.4	10.6
Other Operations	–	14.4

As of the balance-sheet date, the peer group used to determine the discount rates was changed as compared to the previous year as a result of acquisitions made in the financial year.

As in the previous year, a comparison of the recoverable amounts of the units with their carrying amounts including goodwill did not result in any need for impairments as of December 31, 2018.

The figures for revenue in the five-year planning period for the key cash-generating units are based on an average annual growth rate of between 1.8 and 12.1 percent. For all cash-generating units, even a significant increase in the discount rate (around 1 percentage point) or a significantly negative deviation from the cash flows (around 10 percent) assumed in the planning figures would not have resulted in a need to impair goodwill. For the key cash-generating units with high planned growth rates such as in particular the divisions *North America* and *Engineering & Technologies* even an increase in the discount rate of about 9 percentage points or a negative deviation of the cash flows used as a basis for the planning figures in the amount of about 80 percent would not have resulted in a need to impair goodwill.

15.2 Intangible assets from acquisitions

Intangible assets from acquisitions reflect the portions of purchase prices attributed to acquired customer relations, for example order backlogs, framework agreements and client bases. They are amortized over their useful lives using the straight-line method.

16 Property, plant and equipment

COST OF ACQUISITION OR PRODUCTION	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2018	**306.9**	**360.1**	**504.2**	**2.3**	**1,173.5**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	0.0	0.1	0.0	0.1
Additions	4.1	17.7	41.6	2.2	65.6
Disposals	7.6	15.0	41.8	0.0	64.4
Reclassifications	-2.1	0.4	3.8	-2.1	0.0
Currency adjustments	0.0	-1.4	-1.5	0.0	-2.9
Reclassification of disposal group	-14.5	-58.4	-45.7	-0.1	-118.7
December 31, 2018	**286.8**	**303.4**	**460.5**	**2.3**	**1,053.0**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2018	**148.5**	**289.6**	**368.4**	**0.0**	**806.5**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	0.0	0.1	0.0	0.1
Additions	7.6	16.6	38.2	0.0	62.4
Disposals	5.3	13.9	35.3	0.0	54.5
Write-ups	0.0	0.0	0.0	0.0	0.0
Reclassifications	2.7	0.0	-2.7	0.0	0.0
Currency adjustments	0.5	1.8	1.2	0.0	3.5
Reclassification of disposal group	1.6	45.9	34.3	0.0	81.8
December 31, 2018	**146.0**	**244.6**	**338.4**	**0.0**	**729.0**
Carrying amount December 31, 2018	**140.8**	**58.8**	**122.1**	**2.3**	**324.0**
thereof finance leases **Carrying amount December 31, 2018**	**12.8**	**0.0**	**2.0**	**0.0**	**14.8**

COST OF ACQUISITION OR PRODUCTION	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2017	**315.2**	**383.8**	**486.3**	**3.4**	**1,188.7**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	0.8	0.3	0.0	1.1
Additions	5.6	14.6	46.1	3.2	69.5
Disposals	6.4	11.7	17.3	0.4	35.8
Reclassifications	2.3	-0.1	1.7	-3.9	0.0
Currency adjustments	-3.8	-8.7	-5.1	0.0	-17.6
Reclassification of disposal group	-6.0	-17.0	-7.2	0.0	-30.2
December 31, 2017	**306.9**	**360.1**	**504.2**	**2.3**	**1,173.5**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2017	**149.8**	**301.7**	**354.5**	**0.0**	**806.0**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	1.5	0.2	0.0	1.7
Additions	7.5	20.5	39.6	0.0	67.6
Disposals	3.3	10.1	15.7	0.0	29.1
Write-ups	0.0	0.1	0.0	0.0	0.1
Reclassifications	0.0	0.2	-0.2	0.0	0.0
Currency adjustments	1.4	6.1	4.0	0.0	11.5
Reclassification of disposal group	4.1	14.6	6.0	0.0	24.7
December 31, 2017	**148.5**	**289.6**	**368.4**	**0.0**	**806.5**
Carrying amount December 31, 2017	**158.4**	**70.5**	**135.8**	**2.3**	**367.0**
thereof finance leases **Carrying amount December 31, 2017**	**13.3**	**0.0**	**1.3**	**0.0**	**14.6**

See Note 15 on explanations relating to the lines ‘disposals from the consolidated group’ and ‘reclassification disposal group’.

Finance-lease transactions in the reporting period mainly involve land and buildings with contract periods of up to 30 years.

The payment obligation resulting from finance leases is recognized in the amount of the present value of future lease payments due. The minimum lease payments, consisting of present value and interest portion, are shown in the following table:

	< 1 year	1-5 years	> 5 years	Total
2018				
Lease payments	1.7	8.7	5.0	15.4
Interest portion	0.0	0.5	2.4	2.9
Carrying amount / present value	**1.7**	**8.2**	**2.6**	**12.5**
2017				
Lease payments	2.3	6.7	5.5	14.5
Interest portion	0.0	0.4	2.9	3.3
Carrying amount / present value	**2.3**	**6.3**	**2.6**	**11.2**

17 Investments accounted for using the equity method

For an overview of the investments accounted for using the equity method, please see the list of subsidiaries and equity interests (see Note 38).

The carrying amounts of or income from investments accounted for using the equity method are distributed to associates and joint ventures as follows:

	Associates	Joint ventures	Total
2018			
Carrying amount of investments accounted for using the equity method	8.4	26.5	34.9
Income from investments accounted for using the equity method	1.8	12.5	14.3
2017			
Carrying amount of investments accounted for using the equity method	7.2	15.2	22.4
Income from investments accounted for using the equity method	-0.1	14.4	14.3

If the proportionate losses – including other comprehensive income – exceed the carrying amount of the investment, neither losses nor gains are recognized.

17.1 Associates

Aggregated disclosure concerning insignificant associates:

	2018	2017
Carrying amount of the investee accounted for using the equity method	8.4	7.2
Group's share of profit / loss from continuing operations	1.8	-0.1
Group's share of other comprehensive income for the period	0.0	0.0
Group's share of total comprehensive income for the period	1.8	-0.1

17.2 Joint ventures

Significant joint ventures:

Name		Tebodin & Partner LLC
Principal place of business		Muscat, Oman
Activity		Engineering
Bilfinger share	50.0 %	50.0%
	2018	2017
Dividends received from the investee	**0.0**	**2.4**
Non-current assets	2.5	2.6
Current assets not including cash and cash equivalents	11.2	15.9
Cash and cash equivalents	70.1	41.3
Non-current liabilities not including financial debt	6.2	5.6
Current liabilities not including financial debt	32.1	31.2
Net assets / equity	**45.5**	**23.0**
Group's share of net assets	22.8	11.5
Carrying amount of the investee accounted for using the equity method	**22.8**	**11.5**
Revenue	74.1	79.9
Depreciation and amortization (property, plant and equipment and intangible assets)	-0.2	-0.5
Interest income	1.1	0.0
Interest expense	-0.2	0.0
Income taxes	-3.5	-3.8
Remaining income (loss) from continuing operations	23.8	24.8
Profit from continuing operations	21.0	24.8
Total comprehensive income for the period	**21.0**	**20.5**

Aggregated disclosure concerning insignificant joint ventures:

	2018	2017
Carrying amount of the investee accounted for using the equity method	**3.7**	**3.7**
Group's share of profit / loss from continuing operations	2.0	4.1
Group's share of other comprehensive income for the period	0.0	0.0
Group's share of total comprehensive income for the period	**2.0**	**4.1**

As of the balance-sheet date, there were no obligations to contribute capital or resources to joint ventures or obligations to purchase ownership interests in joint ventures from another party in the event certain future conditions are met.

18 Other assets

Securities – equity-like participation rights (FA-FVtPL) as well as loans – relate almost exclusively to the non-cash purchase-price components from the sale of the former Building, Facility Services and Real Estate divisions. Securities – equity interests in Julius Berger PLC (FA-FVtOCI-EI) – represent listed shares in Julius Berger PLC.

Equity interests (FA-FVtOCI-EI) include shares in non-listed companies.

	2018	2017
Securities – equity-like participation rights (FA-FVtPL) *[previous year: AfS]*	236.8	210.5
Loans (FA-AC) *[previous year: LaR]*	122.0	120.2
Securities – investment in Julius Berger Nigeria PLC (FA-FVtPL) *[previous year: AfS]*	10.5	14.1
Securities (FA-FVtOCI-DI) *[previous year: AfS]*	0.2	0.4
Securities (FA-FVtOCI-EI) *[previous year: AfS-AC]*	0.3	0.4
Securities (FA-AC) *[previous year: HtM]*	0.1	0.1
Net assets in accordance with IAS 19	0.6	11.3
Other financial assets (FA-AC) *[previous year: LaR]*	6.3	7.0
Total	**376.7**	**364.0**

The impairments recognized on loans in accordance with IFRS 9 for expected credit risks developed as follows (previous year: incurred credit losses in accordance with IAS 39; see also Note 3.2.1):

	2018	2017
Opening balance	**9.2**	**3.7**
Changes in the consolidated group, currency differences	–	–
Allocations (impairment losses)	0.8	–
Utilization	0.2	2.3
Withdrawals (gains on impairment reversals)	–	–
Closing balance	**9.8**	**1.4**

The impairment for the loans was measured exclusively in the amount of the expected 12-month credit loss. The gross carrying amounts of the loans are allocated to the rating category 7.

19 Inventories

Inventories are comprised as follows:

	2018	2017
Raw materials and supplies	42.4	44.5
Advance payments made	18.2	35.9
Real-estate properties held for sale	0.7	1.7
Finished goods and work in progress	0.4	0.2
Total	**61.7**	**82.3**

Cost of sales includes cost of inventories, recognized in expenses, in the amount of €1,387.6 million (previous year: €1,351.7 million).

20 Receivables and other financial assets

	2018	2017
Receivables and customer contract assets (FA-AC)		
from trade receivables (including receivables from percentage of completion)	672.4	664.6
from work in progress	387.1	314.7
from consortiums and joint ventures	6.4	9.2
from companies in which equity is held	4.9	7.5
	1,070.8	**996.0**
Derivatives		
not in hedging relationships (FA-FVtPL)	0.6	1.0
	0.6	**1.0**
Other financial, non-derivative assets (FA-AC)	30.9	34.1
Total	**1,102.3**	**1,031.1**

The impairments recognized on trade receivables (including receivables from percentage of completion and work in progress) in accordance with IFRS 9 for expected credit risks developed as follows (previous year: incurred credit losses in accordance with IAS 39; see also Note 3.2.1):

	2018	2017
Opening balance	**33.7**	**24.5**
Changes in the consolidated group, currency differences	-3.6	-3.5
Allocations (impairment losses)	6.7	7.6
Utilization	2.5	1.8
Withdrawals (gains on impairment reversals)	6.1	4.5
Closing balance	**28.2**	**22.3**

Distribution of the gross carrying amounts of the receivables to rating categories:

Rating category	Creditworthiness	Gross carrying amount at December 31, 2018
1	very high creditworthiness	148.3
2	high creditworthiness	198.2
3	good creditworthiness	265.9
4	relatively good creditworthiness	253.4
5	moderate creditworthiness	121.0
6	heightened risk	53.0
7	high risk	28.2
8	very high risk	25.5
9	not creditworthy	0.3
10	insolvent	2.3

Of the receivables written off, a contractually outstanding amount of €3.5 million remains subject to enforcement measures.

Other financial non-derivative assets comprise receivables and assets outside the field of supplying goods and services.

21 Other assets

Other assets primarily include value-added tax claims of €20.6 million (previous year: €25.6 million) and accrued expenses of €17.6 million (previous year: €15.6 million).

Furthermore, financial assets [FA-FVtPL] in the amount of €1.3 million are presented here.

22 Equity

The classification of equity and changes in equity are presented in the consolidated statement of changes in equity.

Share capital is unchanged at €132.6 million as of the balance-sheet date. It is divided into 44,209,042 bearer shares with an arithmetical value of €3.00 per share.

The Annual General Meeting of May 24, 2017 authorized the Executive Board, until May 23, 2022 with the approval of the Supervisory Board, to acquire the company's own shares in an amount of up to €13,262,712.00 (10 percent of the share capital of the company). The company has no rights from these shares (Section 71b AktG). On the basis of this authorization, a total of 2,857,909 shares were acquired in financial year 2018 at an average price of €38.93. The amount of €8,573,727 corresponds to 6.46 percent of the share capital.

Through the relevant resolution of the Annual General Meeting of May 15, 2018, the previous approved capital in accordance with Section 3 of the Articles of Incorporation was removed and replaced by a new authorization (approved capital 2018). The Executive Board is authorized, with the consent of the Supervisory Board, until May 14, 2023 to increase the share capital of the company by up to €66.313.563,00 (approved capital 2018). The capital increase serves to issue new shares against cash and / or non-cash contributions.

By resolution of the Annual General Meeting of May 24, 2017, the share capital was increased by up to €13,262,712 by the issue of up to 4,420,904 new bearer shares with an arithmetical value of €3.00 per share (contingent capital 2017). It serves to grant shares upon the exercise of conversion rights or option rights or upon the fulfillment of conversion obligations or option obligations in connection with bonds until May 23, 2022.

We refer to the explanation given in the combined management report for Bilfinger SE and the Bilfinger Group pursuant to Section 289a Subsection 1 and Section 315a Subsection 1 of the German Commercial Code (HGB) with regard to the authorization for the Executive Board to issue shares out of approved capital and out of contingent capital as well as the possibilities to buy back and use the company's own shares.

22.1 Retained and distributable earnings

	2018	2017
Distributable earnings	44.2	44.2
Remeasurement of net defined pension plans	-132.9	-141.0
Employee share program	3.4	1.1
Other retained earnings	550.6	627.8
Total	**465.3**	**532.1**

Distributable earnings and proposal on the appropriation of earnings

It is proposed that the reported distributable earnings of Bilfinger SE of the 2018 financial year of €44.2 million be appropriated as follows:

Distribution of a dividend of €1 per dividend-entitled share	40.3
Carried forward to new account	3.9
Total	**44.2**

A dividend of €42.0 million was distributed in the previous year.

Remeasurements include the deviations fully included in the retirement-benefit obligation (actuarial gains and losses) between the amount of the retirement-benefit obligation expected at the beginning of the year and the actual amount of the retirement-benefit obligation at the end of the year, as well as the difference between the income recognized from plan assets based on the amount of the discount rate for the retirement-benefit obligation and the income actually achieved from the plan assets.

The accumulated losses from remeasurement recognized in other comprehensive income and attributable to the shareholders of Bilfinger SE amount to €160.1 million before deferred taxes (previous year: €163.3 million) and €132.9 million after consideration of deferred taxes (previous year: €141.0 million).

As part of an employee share program 2012, employees of Group companies in Germany, once the relevant plan conditions were met, were granted the right to free bonus shares. The share buyback carried out through the stock exchange in 2012 for the issue of free shares to the employees, the periodic recognition of expenses from the program in financial years 2012 to 2018 as well as the first-time granting of these bonus shares in financial years 2014 to 2018 and in financial years 2014, 2016 and 2018 led to changes in retained earnings.

Further changes to retained earnings resulted from the granting of virtual shares to managers as part of the Bilfinger 2020 Executive Share Plan.

Other retained earnings principally comprise amounts established from earnings in the reporting period or in previous financial years.

22.2 Other reserves

The fair valuation of securities reserve includes the unrealized gains and losses from debt instruments which, in accordance with IFRS 9.4.1.2A, are measured at fair value in other comprehensive income (FVtOCI-DI) with due consideration of deferred taxes.

The reserve from the market valuation of equity instruments includes the unrealized gains and losses from financial investments in equity instruments of other companies which, in accordance with the option in IFRS 9.5.7.5, are to be measured at fair value through other comprehensive income (FVtOCI-EI) with due consideration of deferred taxes, and relate almost exclusively to the listed shares in Julius Berger Nigeria PLC (see Note 18).

The reserve from hedging transactions contains unrealized profits and losses from hedging highly probable future payments, taking into consideration any deferred-tax effects.

The currency translation reserve reflects all currency differences arising from the translation of financial statements of foreign subsidiaries as well as net investments in foreign operations.

23 Provisions for pensions and similar obligations

Various retirement-benefit obligations exist at the Bilfinger Group, the heterogenic nature of which is historically based in the development of the Group with numerous corporate acquisitions. They comprise both defined-contribution pension plans and defined-benefit pension plans.

With defined-contribution pension plans, the company makes fixed contributions on a contractual or voluntary basis to an external pension fund. Beyond those contributions, the company has no legal or constructive payment obligations in the case that the pension fund should not be sufficient to provide the retirement benefit in full. The contributions are recognized as an expense for pension provision when they fall due. Obligations from multi-employer plans are accounted for as obligations from defined contribution pension plans, if sufficient information is not available to enable the enterprise to account for the plans as a defined-benefit plan. The services of a pension fund in Germany are therefore financed on the basis of the coverage method. The employer contribution is determined depending on the employee contribution and the investment income. The contribution rate is determined by the pension fund. The employer has no obligation toward the pension fund beyond the payment of the fixed contributions, including in the case of withdrawal from the pension fund or unfulfilled obligations of other companies. The anticipated employer contributions in financial year 2019 amount to €3 million. This represents an insignificant portion of the total employer contributions to the pension fund.
Pension plans that do not meet the definition of defined-contribution pension plans are deemed to be defined-benefit plans. These are recognized at the balance-sheet date at the present value of the defined-benefit obligation (DBO). If assets are set aside solely to pay or fund these obligations, those assets are defined as plan assets and are deducted at their fair value and the net amount is presented in the balance sheet. Any amount in excess of the obligation is presented as other financial assets.

Obligations from pension commitments are calculated separately for each plan by estimating the amounts of future pension entitlements. These are discounted to their present values at the end of the reporting period. A discount rate is used equivalent to the rate of return on high-grade corporate bonds with an AA rating denominated in the same currency as the pension obligations and with similar maturities. At the end of the reporting period, the amount of the pension obligations is actuarially calculated with consideration of assumptions on future developments and with application of the so-called projected-unit-credit method. The assumptions underlying the calculations are based on published country- specific statistics and on experience. In addition to estimates of future income and pension developments, they also include biometric assumptions. The latter are based on locally recognized guideline tables. In Germany, in this financial year, the new Heubeck guideline tables 2018 G were applied for the first time.

ACTUARIAL ASSUMPTIONS (WEIGHTED)	Euro zone	Other countries	Euro zone	Other countries
		2018		2017
Discount rate	1.70%	2.25%	1.60%	1.90%
Projected increase in wages and salaries	2.80%	2.00%	2.75%	1.85%
Projected pension increase	1.55%	0.65%	1.55%	0.45%

Gains and losses from changes in actuarial assumptions and from experience adjustments are recognized in other comprehensive income in the period in which they occur. Past service cost due to the curtailment, introduction or amendment of plans is recognized in profit or loss as incurred. The same applies to gains or losses from the settlement of plans.

COMPOSITION BY REGION	Euro zone	Other countries	Total	Euro zone	Other countries	Total
			2018			2017
Defined-benefit obligation of funded pension plans	139.4	45.8	185.2	143.1	43.2	186.3
Defined-benefit obligation of non-funded pension plans	231.4	35.4	266.8	242.9	33.2	276.1
Defined-benefit obligation of all pension plans	**370.8**	**81.2**	**452.0**	**386.0**	**76.4**	**462.4**
in percent	82%	18%	100%	83%	17%	100%
Defined-benefit obligation of funded pension plans	139.4	45.8	185.2	143.1	43.2	186.3
Fair value of plan assets	129.3	35.1	164.4	147.7	32.7	180.5
Funded status	**10.1**	**10.7**	**20.8**	**-4.6**	**10.5**	**5.8**
thereof provisions for pensions	10.7	10.7	21.4	6.6	10.5	17.1
thereof net assets	0.6			11.3		11.3
Provision for funded pension plans	10.7	10.7	21.4	6.6	10.5	17.1
Provision for non-funded pension plans	231.4	35.4	266.8	242.9	33.2	276.1
Provisions for pensions and similar obligations, total	**242.1**	**46.1**	**288.2**	**249.5**	**43.7**	**293.2**

In the euro zone, the present value of future pension obligations relates mainly to Germany with €307.5 million (previous year: €319.5 million), while a further €54.0 million relates to obligations in Austria (previous year: €57.4 million). Outside the euro zone, the pension plans relate to Scandinavia and Switzerland, in particular.

The pension plans of Group companies in Germany are generally structured so that employees receive commitments to retirement, invalidity and dependents pensions in the form of lifetime annuities whose amount depends on the length of time worked at the Group and partially also on an employee's level of wage or salary. In addition to direct pension commitments, generally to managerial staff, commitments exist at the Bilfinger Group in the context of company agreements often reached indirectly through pension funds or in the form of direct insurance. The adjustment of pensions to price developments takes place in line with the provisions of applicable law at the latest after three years.

For the employees of Bilfinger SE and some domestic subsidiaries, plans exist for occupational retirement, invalidity and dependents pensions granting the employees entitlement to annual contribution credits to an individual retirement benefit account. The amount of the contribution credits is staggered by contribution group or for managerial staff is contractually agreed. Furthermore, employees have the possibility to make additional contributions out of their wages or salaries in order to

improve their company pensions. The interest paid on the respective retirement-benefit account balances is based on the returns achieved on the related plan assets, whereby a minimum return of 2 percent per annum is guaranteed by the company. Pension payments can, if applicable and desired by the employee, be made in a lump sum, in installments or in the form of an annuity after the employee has left the company, but at the earliest at the age of 60. Due to the fact that payments are made on a defined-contribution basis, risks from deviations of the actual developments from biometric assumptions are largely excluded.

In order to protect employees' rights from these and other pension commitments, assets have been placed in a contractual trust arrangement (CTA), based on the model of a two-way trust and protected against insolvency. In this context, Bilfinger SE had previously transferred assets to the administration of an independent trustee. With regard to investment policy, the trustee is bound by the decisions of an advisory committee commissioned by the trustor. The investment strategy follows a total-return approach with strict risk limitation. No obligations exist to make further payments into the plan assets.

Pension plans in Austria in particular are claims to severance payments in accordance with national regulations which arose before 2003 and are to be paid as lump sums following termination of employment by the employer or upon retirement. Since 2003, employers have had to pay wage-related contributions to an employee benefit fund in order to finance those claims. These plans qualify as defined-contribution plans and the related expenses are therefore recognized as soon as a payment obligation arises.

PENSION PLANS	Funded	Funded provisions	Total	Funded	Funded provisions	Total
			2018			2017
Defined-benefit obligation at January 1	**186.3**	**276.1**	**462.4**	**186.3**	**284.3**	**470.6**
Reclassification from / to liabilities classified as held for sale	-0.3	-2.0	-2.3	1.1	0.0	1.1
Interest expense	2.9	5.0	7.9	2.4	4.9	7.3
Service cost	2.2	4.2	6.4	1.7	5.2	6.9
Current service cost	*2.2*	*4.3*	*6.5*	*1.7*	*5.2*	*6.9*
Past service cost	*0.0*	*0.1*	*0.1*	*0.0*	*0.2*	*0.2*
Gains / losses on settlements	*0.0*	*-0.2*	*-0.2*	*0.0*	*-0.2*	*-0.2*
Settlement payments	0.0	-0.1	-0.1	-1.0	-0.5	-1.5
Pension payments	-12.6	-12.5	-25.1	-14.0	-13.9	-27.9
Employee contributions	5.2	0.5	5.7	10.2	0.1	10.3
Currency adjustments	0.9	0.8	1.7	-2.7	-1.0	-3.7
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	0.0	0.0	0.0	0.1	0.1
Transfers to / from other companies	1.5	0.1	1.6	-1.1	2.4	1.3
Remeasurement gains (-) / losses (+)	-0.9	-5.3	-6.2	3.4	-5.5	-2.1
from changes in demographic assumptions	*0.6*	*2.4*	*3.0*	*0.0*	*0.0*	*0.0*
from changes in financial assumptions	*-4.0*	*-4.4*	*-8.4*	*0.3*	*-0.4*	*-0.1*
from experience adjustments	*2.5*	*-3.3*	*0.1*	*3.1*	*-5.1*	*-2.0*
Defined-benefit obligation at December 31	**185.2**	**266.8**	**452.0**	**186.3**	**276.1**	**462.4**
Fair value of plan assets at January 1	**180.5**		**180.5**	**177.2**		**177.2**
Reclassification from / to assets classified as held for sale	-0.3		-0.3	1.2		1.2
Interest income on plan assets	2.8		2.8	2.8		2.8
Settlement payments	0.0		0.0	-1.0		-1.0
Pension payments	-12.6		-12.6	-14.0		-14.0
Allocations to fund (company contributions)	-8.2		-8.2	9.0		9.0
Allocations to fund (employee contributions)	4.9		4.9	10.4		10.4
Currency adjustments	0.6		0.6	-2.5		-2.5
Additions to the consolidated group	0.4		0.4	0.0		0.0
Disposals from the consolidated group	0.0		0.0	0.0		0.0
Transfers to / from other companies	-0.1		-0.1	-1.7		-1.7
Remeasurements	-3.0		-3.0	-0.9		-0.9
Fair value of plan assets at December 31	**164.4**		**164.4**	**180.5**		**180.5**
Defined-benefit obligation at December 31	**185.2**	**266.8**	**452.0**	**186.3**	**276.1**	**462.4**
Fair value of plan assets at December 31	**164.4**		**164.4**	**180.5**		**180.5**
Funded status at December 31	-20.8	-266.8	-287.6	-5.8	-276.1	-281.9
Net pension provisions at December 31	**21.4**	**266.8**	**288.2**	**17.1**	**276.1**	**293.2**
Net plan assets at December 31	**0.6**		**0.6**	**11.3**		**11.3**
Gains / losses recognized in profit or loss						
Current service cost	-2.2	-4.3	-6.5	-1.7	-5.2	-6.9
Past service cost	0.0	-0.1	-0.1	0.0	-0.2	-0.2
Gains / losses on settlements	0.0	0.2	0.2	0.0	0.2	0.2
Net interest cost (-) / income (+)	-0.1	-5.0	-5.1	0.4	-4.9	-4.5
Net pension cost	**-2.3**	**-9.2**	**-11.5**	**-1.3**	**-10.1**	**-11.4**

In the income statement, service costs and any gains or losses from settlements are allocated to the respective functional areas and are thus included in EBIT. The net interest cost from the interest accrued on the net pension obligation is presented under interest expense.

The defined-contribution pension expense amounted to €25.9 million (previous year: €25.9 million).

The weighted average duration of the pension obligations is 13.9 years (previous year: 13.1 years).

COMPOSITION OF PLAN ASSETS

	Dec. 31, 2018	Dec. 31, 2017
Total assets	**164.4**	**180.5**
Assets with a quoted market price	**143.8**	**159.7**
Cash and cash equivalents	1.1	31.2
Equity instruments	1.6	2.1
thereof shares Europe, North America, Australia	1.6	2.0
thereof shares emerging markets	0.0	0.1
Debt instruments	16.6	48.5
thereof government bonds	12.9	19.7
thereof corporate bonds investment grade	0.0	10.5
thereof corporate bonds non-investment grade	0.0	0.3
thereof covered bonds	3.7	18.0
Investment funds	124.2	75.3
thereof equity funds	9.2	5.3
thereof bond funds	3.8	7.9
thereof money-market funds	1.3	1.8
thereof other funds	109.8	60.3
Other assets	0.3	2.5
Assets without a quoted market price	**20.6**	**20.8**
Equity instruments	0.0	0.2
thereof shares	0.0	0.0
thereof other equity instruments	0.0	0.2
Debt instruments	0.0	0.0
Real-estate properties	2.9	2.2
Qualifying insurance policies	17.6	18.4
Other assets	0.1	0.0

For 2019, contribution payments to pension plans in the amount of €26 million are planned.

The pension obligations, which exist as of the balance-sheet date, are expected to result in the following – undiscounted – benefit payments in the next 10 financial years:

EXPECTED PENSION PAYMENTS

	2019	2020	2021	2022	2023	2024-28
	23	21	26	25	23	108

Contributions of €72.5 million were paid to state pension insurance institutions (previous year: €65.8 million).

Due to the pension plans, the Group is exposed to various risks. A reduction in the interest rate used to discount the provisions for pensions (interest rate for high-grade corporate bonds) would cause the pension obligations to increase. There would be corresponding effects from higher-than-expected income and pension increases. Higher life expectancies than assumed would also lead to an increase in pension obligations, especially when fixed benefits are paid which are independent of the contributions paid in the past. If plan assets exist to cover the pension obligations, it is assumed that they accrue interest at the rate of interest used to discount defined-benefit obligations. If the actual interest rate is lower, this leads to an increase in the net pension obligations. For pension plans denominated in foreign currencies, exchange-rate risks also exist.

The following sensitivity analysis shows the change in the pension obligations (DBO) in millions of euros caused by a change in one of the assumptions upon which the calculation is based when all the other assumptions remain unchanged. The calculation methods are otherwise unchanged.

SENSITIVITY ANALYSIS ON ACTUARIAL ASSUMPTIONS	Defined-benefit obligation Dec. 31	
	0.5 percentage-point increase	0.5 percentage-point decrease
Discount rate	-27.0	30.2
Projected increase in wages and salaries	4.1	-3.8
Projected pension increase	30.4	-26.3
	1 year increase	1 year decrease
Life expectancy	19.0	-21.9

24 Current tax liabilities and other provisions

	Current tax liabilities	Risks relating to contracts and litigation	Warranty risks	Personnel-related obligations	Restructuring measures	Other uncertain liabilities	**Other provisions**	**Total**
Balance at January 1, 2018	**34.1**	**122.7**	**42.9**	**49.1**	**37.2**	**216.8**	**468.7**	**502.8**
Utilization	4.7	64.3	4.0	64.5	16.6	34.9	184.3	189.0
Release	6.2	12.6	10.5	3.9	10.4	22.1	59.5	65.7
Additions	12.3	50.5	9.6	61.3	21.3	43.3	186.0	198.3
Currency adjustments	0.0	0.4	0.0	0.4	-0.2	0.0	0.6	0.6
Changes in the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification of disposal group	-1.7	- -0.1	0.0	-0.1	0.0	-3.1	-3.3	-5.0
Balance at December 31, 2018	**33.8**	**96.6**	**38.0**	**42.3**	**31.3**	**200.0**	**408.2**	**442.0**

Maturities of current tax liabilities and other provisions

	Non-current		Current		Total	
	2018	2017	**2018**	2017	**2018**	2017
Current tax liabilities	**0.0**	0.0	**33.8**	34.1	**33.8**	34.1
Other provisions	**24.6**	26.7	**383.6**	442.0	**408.2**	468.7
Risks relating to contracts and litigation	0.1	0.1	96.5	122.6	96.6	122.7
Warranty risks	3.6	5.2	34.4	37.7	38.0	42.9
Personnel-related obligations	19.8	19.4	22.5	29.7	42.3	49.2
Restructuring measures	0.0	0.0	31.3	37.2	31.3	37.2
Other uncertain liabilities	1.1	2.0	198.9	214.8	200.0	216.8
Total	**24.6**	26.7	**417.4**	476.1	**442.0**	502.8

Risks relating to contracts and litigation primarily comprise provisions for risks from current projects, provisions for reworking and provisions for litigation risks.

Warranty risks primarily comprise provisions for warranties related to individual cases from the valuation of projects.

Personnel-related obligations mainly consist of provisions for employee anniversaries and pre-retirement part-time employment as well as provisions for personnel severance compensation that do not relate to restructuring measures. The amount of employee anniversaries and pre-retirement part-time employment is calculated annually by external experts.

The provisions for restructurings include mainly expenses for staff reductions.

Other contingent liabilities include, inter alia, provisions for risks in connection with discontinued operations, provisions for contingent losses, costs of annual financial statements, compensation for damages and consultant costs, and other miscellaneous provisions.

25 Financial debt

	Non-current		Current		Total	
	2018	2017	**2018**	2017	**2018**	2017
Bonds (FL-AC)	0.0	500.0	500.0	0.0	500.0	500.0
Bank debt (FL-AC)	0.0	0.0	0.0	0.0	0.0	0.0
Finance leases (IAS 17)	10.8	9.0	1.6	2.3	12.4	11.3
Financial debt	**10.8**	509.0	**501.6**	2.3	**512.4**	511.3

Liabilities from bonds relate to an unsubordinated, unsecured bond placed in December 2012 in the amount of €500 million, for which repayment is due in December 2019.

Financial debt developed as follows:

	Dec. 31, 2017	Cash changes	Non-cash changes				Dec. 31, 2018
			Changes in the consolidated group	Access finance leases	Currency adjustments	Changes in fair value	
Bonds	500.0	–	–	–	–	–	500.0
Bank debt	0.0	–	–	–	–	–	0.0
Finance leases	11.3	-1.9	–	3.0	–	–	12.4
Financial debt	**511.3**	**-1.9**	–	**3.0**	–	–	**512.4**

	Dec. 31, 2016	Cash changes	Non-cash changes				Dec. 31, 2017
			Changes in the consolidated group	Reclassification of disposal group	Currency adjustments	Changes in fair value	
Bonds	500.0	–	–	–	–	–	500.0
Bank debt	9.1	0.0	–	-8.5	-0.6	–	0.0
Finance leases	12.2	-0.9	–	–	–	–	11.3
Financial debt	**521.3**	**-0.9**	–	**-8.5**	**-0.6**	–	**511.3**

26 Trade and other payables

	2018	2017
Trade payables (FL-AC)	444.1	401.1
Advance payments received and counterpart for work in progress (customer contract liabilities)	151.9	91.0
Liabilities to joint ventures and consortiums (FL-AC)	21.0	23.6
Liabilities to companies in which equity is held (FL-AC)	4.6	3.4
	621.6	**519.1**
Liabilities from derivatives, current		
not in hedging relationships (FL-FVtPL)	1.7	1.4
	1.7	**1.4**
Other current financial, non-derivative liabilities (FL-AC)	127.2	119.3
Trade and other current payables	**750.5**	**639.8**

27 Other liabilities

	2018	2017
Liabilities for sales tax and other taxes	74.9	77.1
Personnel obligations	98.5	100.1
Social-security levies	28.0	31.9
Deferred income and / or accrued expenses	11.2	10.2
Total	**212.7**	**219.3**

28 Additional information on financial instruments

28.1 Carrying amounts and fair values

Carrying amounts and fair values of financial assets and financial liabilities, classified according to the categories of IFRS (reporting period) and IAS 39 (previous year) and indicating the fair-value hierarchy according to IFRS 13, are as follows:

	Level according to IFRS 13 hierarchy	IFRS 9 category	Carrying amount	Fair value
				2018
Assets				
Securities – equity-like participation rights	3	FA-FVtPL	236.8	236.8
Securities – investment in Julius Berger Nigeria PLC	1	FA-FVtOCI-EI	10.5	10.5
Equity interests	3	FA-FVtOCI-EI	0.3	0.3
Loans	2	FA-AC	122.0	122.0
Other financial, non-derivative assets	2	FA-AC	37.2	37.2
Securities	1	FA-FVtOCI-DI	0.2	0.2
Securities	2	FA-AC	0.1	0.1
Receivables	2	FA-AC	1,070.8	1,070.8
Other financial assets	3	FA-FVtPL	1.3	1.3
Marketable securities	1	FA-FVtPL	120.0	120.0
Cash and cash equivalents	1	FA-AC	453.8	453.8
Derivatives				
not in hedging relationships	2	FA-FVtPL	0.6	0.6
Equity & liabilities				
Financial debt, bonds	1	FL-AC	500.0	506.3
Financial debt not including bonds and finance leases	2	FL-AC	0.0	0.0
Finance leases	2	(IAS 17)	12.4	17.3
Liabilities	2	FL-AC	621.6	621.6
Other non-derivative liabilities	2	FL-AC	127.2	127.2
Derivatives				
not in hedging relationships	2	FL-FVtPL	1.7	1.7
Aggregated presentation by measurement category				
Financial assets measured at fair value through profit or loss		FA-FVtPL	358.7	358.7
Financial liabilities measured at fair value through profit or loss		FL-FVtPL	1.7	1.7
Financial assets measured at amortized cost		FA-AC	1,683.9	1,683.9
Financial liabilities measured at amortized cost		FL-AC	1,248.8	1,255.1
Financial assets measured at fair value through other comprehensive income – without reclassification to profit or loss		FA-FVtOCI-EI	10.8	10.8
Financial assets measured at fair value through other comprehensive income – with reclassification to profit or loss		FA-FVtOCI-DI	0.2	0.2

	Level according to IFRS 13 hierarchy	IAS 39 category	Carrying amount	Fair value
				2017
Assets				
Equity interests (available for sale, at cost)	–	AfS-aC	0.4	–
Receivables	2	LaR	996.0	996.0
Other financial, non-derivative assets	2	LaR	161.3	161.3
Securities, listed	1	AfS	14.5	14.5
Securities, not listed	3	AfS	210.5	210.5
Securities	2	HtM	0.1	0.1
Marketable securities	1	FAHfT	149.8	149.8
Cash and cash equivalents	1	LaR	617.1	617.1
Derivatives				
not in hedging relationships	2	FAHfT	1.0	1.0
Equity & liabilities				
Financial debt, bonds	1	FLAC	500.0	517.3
Financial debt not including bonds and finance leases	2	FLAC	0.0	0.0
Finance leases	2	(IAS 17)	11.3	16.4
Liabilities	2	FLAC	519.1	519.1
Other non-derivative liabilities	2	FLAC	119.3	119.3
Derivatives				
not in hedging relationships	2	FLHfT	1.4	1.4
Aggregated presentation by measurement category				
Loans and receivables		LaR	1,774.5	1,774.5
Available-for-sale financial assets		AfS	225.0	225.0
Available-for-sale financial assets at amortized cost		AfS-aC	0.4	–
Held-to-maturity financial investments		HtM	0.1	0.1
Financial assets held for trading		FAHfT	150.8	150.8
Financial liabilities held for trading		FLHfT	1.4	1.4
Financial liabilities at amortized cost		FLAC	1,138.4	1,155.6

	Level	Recognized at fair value	Fair value for information only in the notes	Recognized at fair value	Fair value for information only in the notes
			2018		2017
Aggregated presentation by stage in the IFRS 13 hierarchy					
Assets	1	130.7	453.8	164.3	617.1
	2	0.6	1,230.1	1.0	1,157.4
	3	238.4	0.0	210.5	0.0
Liabilities	1	0.0	506.3	0.0	517.3
	2	1.7	766.1	1.4	654.8
	3	0.0	0.0	0.0	0.0

For cash and cash equivalents, current receivables and liabilities and current other financial non-derivative assets and other non-derivative liabilities, the carrying amounts are approximately equal to the fair values due to the short residual terms.

The fair values of non-current financial assets and financial liabilities, which include the measurement categories “financial assets measured at amortized cost” (FA-AC) and “financial liabilities measured at amortized cost” (FL-AC), correspond to the present values calculated using current market-based interest-rate parameters.

For derivatives, the fair values are determined with the use of recognized financial-mathematical methods on the basis of observable market data such as exchange rates and interest rates (forwards and swaps: present-value method; options: option-pricing models).

The fair values of the listed securities (investment in Julius Berger Nigeria PLC, FA-FVtOCI-EI), the marketable securities (FA-FVtPL) and the recourse financial debt form the bond issued in financial year 2012 (FL-AC) are derived from the respective stock-exchange prices.

The fair values of non-listed securities (equity-like participation rights, FA-FVtOCI-EI) are valued using a combined discounted-cash-flow and multiplicator method on the basis of financial planning (unobservable input) and discount rates calculated using the capital-asset-pricing model or multiplicators (observable input). Any changes to the planned results or cash flows have a direct impact on the fair value. The change in the fair value in the amount of €26.3 million was recognized in other financial result. This resulted from the updated planning figures and a lower discount interest rate.

The investments are measured at amortized cost because, as a result of the generally low carrying amounts, it is assumed that these deviate only insignificantly from the fair values.

Hierarchy of fair values by valuation inputs:
All assets and liabilities either measured at fair value or for which fair-value disclosures are required are categorized within a level of the following IFRS 13 measurement hierarchy based on the quality and objectiveness of the inputs used in valuation:

Level 1: Current (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: Market data other than the inputs in Level 1 such as prices in active markets for similar assets or liabilities, prices for identical assets or liabilities in markets that are not active, market-corroborated inputs (interest rates, implied volatilities, credit spreads) and derived prices or valuation inputs. Level 2 inputs may have to be adjusted to reflect the features of the asset or liability being measured (condition, location, market activity, etc.).

Level 3: Unobservable inputs, i.e., not market data but estimates and the Group's own information. This data is to be adjusted so that it reflects the assumptions of the (fictive) market participants.

The assessment as to whether financial assets and liabilities are to be reclassified between the different levels of the IFRS 13 hierarchy levels is made at the end of the reporting period. No reclassifications between the IFRS 13 measurement hierarchy levels took place in the reporting year.

28.2 Net earnings

Net earnings from financial instruments classified according to IFRS 9 measurement categories are as follows:

		2018
Valuation category		
Financial assets liabilities at fair value through profit or loss	FA-FVtPL & FL-FVtPL	23.4
Financial assets at fair value through other comprehensive income – without reclassification to profit or loss	FA-FVtOCI-EI	1.0
Financial assets at fair value through other comprehensive income – with reclassification to profit or loss	FA-FVtOCI-DI	0.0
Financial assets at amortized cost	FA-AC	3.8
Financial liabilities at amortized cost	FL-AC	-0.3

Net earnings from the valuation categories include the following income and expenses:

- FA-FVtPL & FL-FVtPL: income and expenses recognized in profit or loss from the measurement at fair value and gains / losses realized on disposals as well as dividend income
- FA-FVtOCI-EI: dividend income recognized in profit or loss; the income from measurement at fair value in other comprehensive income is presented in the statement of comprehensive income and amounts to -€3.5 million
- FA-FVtOCI-DI: gains / losses realized on disposals recognized in profit or loss (reclassifications from cumulative other comprehensive income in profit or loss); the income from measurement at fair value in other comprehensive income is presented in the statement of comprehensive income and amounts to €0.0 million
- FA-AC: impairments and reversals recognized in profit or loss as well as income from currency translation
- FL-AC: expenses from currency translation recognized in profit or loss

Interest is not a component of the presented net earnings (see Note 12).

Net earnings from financial instruments in the previous year classified according to IAS 39 measurement categories:

Valuation category		2017
Loans and receivables	LaR	-10.2
Available-for-sale financial assets	AfS	-10.3
Financial instruments held for trading	FAHfT & FLHfT	-0.4
Financial liabilities at amortized cost	FLAC	-0.2

Interest and dividends were not components of the net earnings shown in the prior year.

The net earnings of the measurement category *loans and receivables* included impairments (€12.4 million), reversals and income / expense from currency translation.

The net earnings of the measurement category available-for-sale financial assets included impairments (€10.5 million) and gains / losses realized on disposals.

The net earnings of the measurement category *financial instruments held for trading* included gains / losses on measurement at fair value as well as gains / losses realized on disposals.

The net earnings of the measurement category *financial liabilities at amortized cost* primarily included gains / losses realized on currency translation.

With regard to impairment losses, see also the development of the account for allowances for non-collection of trade receivables for the previous year (see Note 20).

28.3 Offsetting agreements

The derivatives contracted by Bilfinger are partially subject to legally enforceable offsetting agreements (ISDA agreement, German framework contract for currency futures), which, however, do not allow any offsetting of receivables and payables in the balance sheet under IAS 32.42, i.e., there is no current legally enforceable right to offsetting with the simultaneous intention to settle on a net basis, but the right to offset in the case of delayed payment or insolvency on the part of a contracted party. These items are therefore presented in the balance sheet on a gross basis. The carrying amount of the derivatives that were subject to offsetting agreements with positive fair values is €0.6 million (previous year: €0.9 million); the carrying amount of the corresponding derivatives with negative fair values is €1.7 million (previous year: €1.4 million). The offsettable amount is €0.4 million (previous year: €0.4 million). This results in arithmetical net assets of €0.2 million (previous year: €0.5 million) and net liabilities of €1.3 million (previous year: €1.0 million). No contractual arrangements exist with regard to offsetting other financial assets and liabilities.

29 Risks related to financial instruments, financial risk management and hedging transactions

We monitor financial risks (default risks, liquidity risks and market-price risks) with proven control mechanisms that allow for timely and transparent reporting. The Group's reporting system guarantees the regular identification, analysis, assessment and management of financial risks by Corporate Treasury. All relevant equity interests and joint ventures are included in this monitoring. There is no extraordinary concentration of risk.

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.

Liquidity risk is the risk that a company will have difficulties fulfilling the payment obligations arising from its financial liabilities. As a result of an unexpected negative business development, increased financing needs can occur in the operating units. At the same time, a negative business development can lead to changes in Bilfinger's credit rating, particularly through rating agencies and banks, which could lead to more difficult and more expensive financing, or make securing bonds and guarantees more difficult and expensive. In addition, external financing can result in a worsened dynamic gearing ratio. This metric is limited by the financial covenant. Any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis and can thereby also lead to an unplanned loss of liquidity.

We counter this risk by centrally monitoring liquidity development and risks in the Group using a rolling cash-flow planning and introducing countermeasures at an early stage. Within the context of central financing, Bilfinger SE makes necessary liquidity available to its subsidiaries. With the exception of economically less relevant regions, the Group's internal equalization of liquidity in Europe and the USA is supported by cross-border cash pooling.

Investment financing is carried out with consideration of matching maturities. To finance working capital, we have a €300 million pre-approved syndicated credit line at attractive conditions that is in place until June 2022. This includes a standard market financial covenant in the form of a limitation of the dynamic gearing ratio adjusted net debt / adjusted EBITDA. The value as of December 31, 2018 is below the contractually agreed cap. If, in the case of a significant worsening, adjustment does not take place in agreement with the lender, any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis.

The sureties available for the execution of our project and services business with a volume of about €1,053 million are sufficiently dimensioned to accompany the further development of the company. In addition, we have a US surety program in the amount of USD 750 million for the execution of our business in North America. All credit commitments can be called due prematurely in the case of a change of control.

The following chart shows the future contractual undiscounted payments on financial liabilities as of December 31, 2018 and December 31, 2017 (repayments, capital repayments, interest and derivatives with negative fair values). For derivative financial liabilities to be fulfilled on a gross basis (currency derivatives), payments received and payments made are shown; for derivative financial liabilities to be fulfilled on a net basis (interest-rate derivatives and commodity derivatives), net payments are shown.

	Carrying value	Total	2019	2020	2021	2022-25	> 2025
2018							
Financial debt, recourse, excluding finance leases	500.0	**511.9**	511.9	–	–	–	–
Finance leases, recourse	12.4	**18.4**	3.5	1.9	3.8	3.5	5.7
Liabilities	621.6	**621.6**	621.4	0.1	0.1	0.0	–
Other financial, non-derivative liabilities	127.2	**127.2**	127.1	0.1	0.0	–	–
Derivative financial liabilities to be fulfilled on a net basis	–	–					
Derivative financial liabilities to be fulfilled on a gross basis	1.7						
Payments received		**168.8**	168.8				
Payments made		**170.3**	170.3				
		1.5	1.5				

	Carrying value	Total	2018	2019	2020	2021-24	> 2024
2017							
Financial debt, recourse, excluding finance leases	500.0	**523.8**	11.9	511.9	–	–	–
Finance leases, recourse	11.3	**17.6**	3.3	1.0	1.0	5.8	6.5
Liabilities	519.1	**519.1**	518.2	0.9	0.0	0.0	–
Other financial, non-derivative liabilities	119.3	**119.3**	119.3	–	–	–	–
Derivative financial liabilities to be fulfilled on a net basis	–	–					
Derivative financial liabilities to be fulfilled on a gross basis	1.4						
Payments received		**124.8**	124.8	–	–	–	–
Payments made		**125.9**	125.9	–	–	–	–
		1.1	1.1	–	–	–	–

With its international operations, the Bilfinger Group is subject to various market-price risks, relating in particular to currency exchange rates, interest rates and the market values of financial investments. We minimize market-price risks by protecting against currency and interest-rate risks through derivative financial instruments. Our centralized controlling of market-price risks 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 the resulting fluctuations in earnings, valuations and cash flows. Depending on the development of exchange rates and interest rates, hedging transactions could affect our net assets and financial position. We therefore do not undertake any financial transactions beyond the underlying business risk. Hedging is primarily carried out via micro-hedges.

Currency risk is the risk that the fair values or future payments of financial instruments might change due to exchange-rate movements. As a globally active company, we are subject to exchange-rate fluctuations, e.g. between the euro and the US dollar, since a portion of our volume of business is generated in the USA. A rise of the euro against the US dollar in particular could therefore have a negative impact on our financial position. 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 mark-to-market results. All future cash flows that

are not denominated in the functional currency of the respective company of the Group are subject to currency risk.

Interest-rate risk is the risk that the fair values or future payments of financial instruments might change due to movements in market interest rates. Interest-rate changes can lead to increasing financing costs or to lower returns on marketable securities. We counter risks from interest-rate changes by continually reviewing loans and investments with fixed and variable interest rates and, when necessary, hedge the interest-rate-change risk.

Bilfinger uses the value-at-risk method to quantify market-price risks. The value at risk is the potential loss of a particular risk position that with a probability of 95 percent will not be exceeded during the next five days. The calculation takes place on the basis of the variance-covariance approach. The value at risk is the maximum possible loss on the basis of the specified parameters, but does not make a statement on the distribution of loss or expected extent of loss if it is actually exceeded.

When calculating the value at risk for currency risks, potential changes in the valuation of the monetary financial instruments (cash and cash equivalents, receivables, interest-bearing debt, liabilities) that are not denominated in the functional currency and currency derivatives are taken into consideration.

The value at risk for the risk of changes in interest rates takes into consideration potential changes in the valuation of financial instruments that are measured at fair value. This generally relates mainly to interest-rate swaps, which are hedging instruments within the scope of cash-flow hedges. On the balance-sheet date, no relevant instruments were held so that there was no corresponding interest-rate risk.

The periodic effects are determined by relating the hypothetical changes in the risk variables to the volume of financial instruments held at the end of the reporting period. It is assumed that the volume at the balance-sheet date is representative of the whole year.

Value at risk amounts to €0.1 million (previous year: €0.1 million) for the currency risk.

Market-value risk of financial investments is the risk that the fair values or future payments from financial instruments might change due to exchange-rate movements. As of the balance-sheet date, Bilfinger is not invested in any financial instruments that are subject to price changes.

The default risk is the risk that a contracting party of a financial instrument does not fulfill its payment obligations. Positive market values and the investment of liquid funds in banks result in credit risks from these banks. In the case of a collapse of the bank, there is the risk of a loss, which can have a negative impact on our net assets and financial position. We counter these risks by concluding relevant financial transactions with such banks that have a short-term public rating of at least A. In addition, on the basis of an internal limit system, a diversification of volumes and maturities takes place.

The risk of default on receivables in our business operations is regularly monitored and controlled by the companies of the Group. In this context, use is made, for example, of guarantees and sureties.

In connection with receivables and other financial non-derivative assets, possible default risks are reflected by impairments.

The maximum default risk connected with financial assets (e.g., cash and cash equivalents, securities, loans, receivables, derivative financial instruments) is equal to their carrying amounts in the balance sheet.

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

Hedging instruments

The following table shows the fair values of the various types of derivative financial instruments that Bilfinger uses to hedge market-price risks. A difference is made depending on whether they are designated as hedging instruments in a hedge accounting relationship pursuant to IFRS 9.

	2018	2017
Derivatives with positive fair values		
not in hedging relationships		
Currency derivatives	0.6	1.0
	0.6	**1.0**
Total derivatives with positive fair values	**0.6**	**1.0**
Derivatives with negative fair values		
not in hedging relationships		
Currency derivatives	1.7	1.4
	1.7	**1.4**
Total derivatives with negative fair values	**1.7**	**1.4**

Other disclosures

30 Additional information on capital management

The goal of capital management at Bilfinger is to maintain a strong financial profile. In addition to securing liquidity and limiting financial risks, the focus is on maintaining sufficient financial flexibility as a precondition for the continuous further development of our business portfolio. We aim to optimize the total cost of capital on the basis of an adequate capital structure under consideration of financial covenants.

The syndicated cash credit line includes a financial covenant in the form of a limitation of the dynamic gearing ratio (adjusted net debt / adjusted EBITDA), which we therefore use as a significant key performance indicator. At December 31, 2018, this indicator was well below the permissible threshold.

Since 2012, the credit quality of Bilfinger has been evaluated by rating agency Standard & Poor's. In May 2018, the rating was adjusted to BB / stable outlook (December 31, 2017: BB+ / stable outlook).

On the basis of mid-term corporate planning and with a view to various acquisition and development scenarios, the financial scope for action is regularly analyzed in terms of any action that might need to be taken.

31 Contingent liabilities and other financial obligations

	2018	2017
Liabilities from guarantees	24.2	54.6

Contingent liabilities generally relate to guarantees provided for former Group companies that were sold and companies in which Bilfinger holds a minority interest, the vast majority of which are collateralized by the buyers of the former Group companies. There are bank guarantees in the amount of €12.1 million in place for this. In addition, we are jointly and severally liable as partners in companies constituted under the German Civil Code and in connection with consortiums and joint ventures.

Other contingent liabilities comprise in particular potential litigation charges. These include judicial, arbitrative, and out-of-court proceedings involving customers and subcontractors that file claims or may in the future file claims under various contracts, for example under contracts for maintenance and servicing as well as other supply and service relationships. At this time, however, Bilfinger does not expect that these legal disputes will result in any significant negative effects on its financial position, cash flows or profitability.

Important ongoing damage cases include the incident regarding the *collapse of the Cologne Municipal Archives* in 2009. There are multiple ongoing independent investigations to determine the cause of the collapse and the magnitude of the resulting damages. The cause of the damages as well as the size of the claim have not yet been determined. Bilfinger participates with a share of one-third in the joint venture that was commissioned with the construction of an underground rail line in front of the former location of the municipal archives. Two criminal proceedings that commenced in 2018 against individual and, in part, former staff of the customer and the joint venture construction company ended in October 2018 and in February 2019, respectively, in the lower court with the conviction of one employee of the customer and one employee of the joint-venture construction company and acquittals for further employees of the joint-venture construction company and the customer. According to the justification of the criminal court, it is established that the archive collapsed as a result of a serious error in the construction of a diaphragm wall for a crossover structure. An appeal has been and

will be filed against the decision of the lower court in the criminal proceedings and the search for the cause will continue in the civil taking of evidence.

There now exists a preliminary assessment of the potential magnitude of the damages to the contents of the archive. For legal and other reasons, this assessment is highly controversial. From today's perspective, we expect that in case of a proportionate availment we would, if necessary, have sufficient insurance coverage. Should risks from this case occur, claims would also be made against the owners of the commissioned joint venture who are jointly and severally liable. Bilfinger, however, assesses the risk of the sole claim in relation to third parties with a simultaneous refusal of a settlement from the partners in an internal relationship from joint liability as relatively low. There are no specific indications that the shareholders of the joint venture will not meet their obligations.

The insurance coverage does not include the costs of rehabilitation that go beyond the original construction costs for the structure, among other things. From today's perspective, sufficient provisions have been taken for any burdens that may arise as a result.

The other financial obligations from operating leases also include, in line with IAS 17, other forms of arrangements for the use of assets, in particular rental agreements.

	Operating leases Minimum lease payments	
	2018	2017
< 1 year	69.5	60.4
1-5 years	109.6	110.7
> 5 years	33.7	36.4

The future payments from non-terminable operating leases primarily relate to real estate, scaffolding, items of equipment and furnishings, and vehicles. Some of the contracts include extension options and price-adjustment clauses.

The expenses recognized in profit or loss of operating leases amounted to €166.9 million in 2018 (previous year: €181.0 million).

32 Executive Board and Supervisory Board

More details on the remuneration of members of the Executive Board and the Supervisory Board is included in the remuneration report which is a component of the combined management report.

Compensation for the members of the Executive Board is comprised of several components which are presented in the table below (remuneration pursuant to German accounting standard GAS 17).

€ thousand	Non-performance-related remuneration				Performance-related remuneration				Total remuneration		Expense recognized from share-based remuneration	
	Fixed remuneration		Fringe benefits		Short-term incentive		Long-term incentive (share based)					
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Tom Blades (from July 1, 2016, Chairman)	1,272[1]	1,400[2]	40	40	1,728	0	1,209	1,071	4,249	2,511	1,209	1,071
Christina Johansson (from December 1, 2018, Chief Financial Officer)	55	–	3	–	73	–	39	–	170	–	39	–
Michael Bernhardt (from November 1, 2015, member of the Executive Board)	600	700[3]	34	37	864	0	544	482	2,042	1,219	544	482
Dr. Klaus Patzak (from October 1, 2016 until September 30, 2018, Chief Financial Officer)	524	700	29	39	700	650	549	650	1,802	2,039	549	650
Executive Board total	**2,451**	2,800	**106**	€116	**3,365**	650	**2,341**	2,203	**8,263**	5,769	**2,341**	2,203

1 Including one-time payment of €72 thousand
2 Including one-time payment of €200 thousand
3 Including one-time payment of €100 thousand

Total remuneration as defined by IAS 24 was €9,683 thousand (previous year: €6,629 thousand). Of that amount, €6,150 thousand was accounted for by short-term employee benefits (previous year: €3,266 thousand), €1,100 thousand by post-employment defined benefits (previous year: €1,160 thousand), €92 thousand by termination benefits (previous year: €0 thousand) and €2,341 thousand by long-term share-based remuneration (previous year: €2,203 thousand).

The total remuneration paid to former members of the Executive Board or their surviving dependents amounted to €2,484 thousand (previous year: €2,715 thousand). The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €30,290 thousand (previous year: €29,978 thousand).

Total remuneration of the members of the Supervisory Board amounts to €1,534 thousand (previous year: €1,557 thousand), including reimbursement of expenses in the amount of €105 thousand (previous year: €119 thousand). Mr. Knerler was paid for his advisory role with the Group Works Council, approved by the Supervisory Board, a consulting fee in the amount of €144 thousand net in financial year 2018.

33 Share-based remuneration

For members of the Executive Board, a long-term incentive plan (LTI) exists, which includes the annual issue of virtual shares of Bilfinger SE, so-called performance share units (PSU). The number of the PSUs is subject to adjustment during a three-year performance period depending on the achievement of the average ROCE target value as well as the development of the total shareholder return value (TSR value) of the Bilfinger share in relation to the TSR value of the shares of MDAX-listed companies. At the end of the performance period, members of the Executive Board receive a number of real shares corresponding to the final number of PSUs. The determination of the fair value of a PSU is based on the requirements of IFRS 2 for equity-settled share-based payments at the time of granting. The measurement is conducted on the basis of a recognized method from financial mathematics. In the Monte Carlo simulation used for this purpose, a large number of possible development paths of the

Bilfinger share are simulated, in addition to comparative values from the MDAX. The parameters underlying the measurement are derived in a systematic process. Annualized volatility and correlations are determined on the basis of historical daily returns. The risk-free interest rate was determined on the basis of the level of return of German government bonds with matching maturities. The following average parameter values were taken into consideration when assessing the LTI 2018:

Annualized volatility of the Bilfinger share	30.2%
Average annualized volatility of MDAX companies	27.3%
Average correlation of the Bilfinger share to MDAX securities	25.6%
Risk-free interest rate	-0.6%

The weighted average fair value of the PSUs granted in the financial year was €32.53 at granting (previous year: €27.55).

	PSUs outstanding as of January 1, 2018	PSUs granted in 2018	PSUs forfeited as of December 31, 2017	PSUs exercisable as of December 31, 2018	PSUs outstanding as of December 31, 2018	Weighted average of the residual term in years
Tom Blades	60,450	36,949	14,237	7,335	75,827	1.5
Christina Johansson	0	1,570	0	0	1,570	2.0
Michael Bernhardt	32,078	16,627	9,624	4,958	34,124	1.5
Dr. Klaus Patzak	31,298	17,434	0	8,348	40,384	1.5
Axel Salzmann	10,938	0	10,938	0	0	0.0
Dr. Jochen Keysberg	10,081	0	10,081	0	0	0.0
Total	**144,845**	**72,580**	**44,879**	**20,641**	**151,905**	**1.5**

More details on the above-mentioned components of remuneration for members of the Executive Board are included in the remuneration report, which is a component of the combined management report.

In financial year 2017, the Bilfinger 2020 Executive Share Plan was introduced which presents a one-time long-term remuneration in the form of virtual shares with a term of four years for top management. The share options follow in tranches each representing 20 percent of the target amount for the years 2017 until 2019 as well as 40 percent of the target amount for the year 2020 and grant an entitlement to shares in Bilfinger SE which the beneficiaries receive following the fulfillment of the plan conditions at the end of the term. For each financial year of the plan term, the Executive Board defines target values for the adjusted EBITA margin. If these are met, the conditional share option for the relevant tranche cannot be reversed. Insofar as the target value in the financial year is not achieved, the entitlement from the relevant tranche is forfeited. The number of virtual shares developed as follows:

Outstanding virtual shares at January 1, 2018	137,703
Virtual shares granted in 2018	148,887
Outstanding virtual shares at December 31, 2018	286,590

The fair value of a virtual share granted in the financial year at the time of granting amounted to €36.91, valued with the price of the Bilfinger share at the time of granting less the cash value of the expected dividends during the vesting period.

Equity-settled share-based payments also exist in the context of an employee share program 2012. Under this program, employees of German Group companies were able to acquire Bilfinger shares for up to 10 percent of their annual gross salary for an average price of €75.13 (own investment). For a maximum of five share packages each of five shares, the plan participants received one bonus share per package, totaling 12,250 shares. In addition, for each share package, participants were granted the right to one Bilfinger share free of charge (matching share) after two, four and six years (vesting periods). A precondition for the granting of matching shares is that the plan participants do not dispose of their own investment until the end of the respective vesting period and continue to be employed at the Bilfinger Group. The shares to be issued free of charge from the program have been measured at their fair value at the time of issue. That fair value for future matching shares is the result of the stock-market price of Bilfinger shares less the present value of the dividends expected during the vesting period. The average fair value of the future matching shares was €65.11 when granted. In the financial year, 3,818 bonus shares were issued.

The costs resulting for Bilfinger from the share programs are deferred pro rata over the vesting period. The expense recognized through profit or loss from share-based payments was €5.1 million in 2014 (previous year: €2.7 million).

34 Related-party disclosures

Related parties as defined by IAS 24 are persons or entities that can be influenced by the reporting company or that can exert a significant influence on the reporting company.

The significant transactions between fully consolidated companies of the Group and related parties mainly involved associates, joint ventures and non-consolidated subsidiaries. They are shown in the table below.

	Associates		Joint ventures		Non-consolidated subsidiaries	
	2018	2017	**2018**	2017	**2018**	2017
Revenue	0.0	0.0	27.3	20.8	0.0	0.1
Services received	27.8	42.4	0.0	0.0	2.7	3.1
Receivables	1.0	0.6	5.8	7.3	0.5	2.1
Liabilities	2.0	0.0	0.9	0.5	1.7	2.8
Guarantees granted	0.0	0.0	0.0	0.0	0.0	2.7

Remuneration of the Executive Board and the Supervisory Board is explained in the previous note and in the remuneration report. No further transactions with the Executive Board, the Supervisory Board and their close relations who are subject to disclosure took place in the reporting year.

Pursuant to the notification in accordance with Section 33 Subsection 1 of the German Securities Trading Act (WpHG) dated March 17, 2017, the investment company Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, holds 29.53 percent of voting rights with respect to Bilfinger SE capital. Over the past financial year, as was the case in the prior year, no business was conducted between Bilfinger SE or, respectively, its Group companies and Cevian Capital.

35 Auditors' fees

The amounts listed below cover all of the services provided to the companies of the Bilfinger Group by our external auditors, Ernst & Young, in the 2018 financial year. The amounts of these services provided by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft are shown as 'thereof' in the following table.

	2018	2017
Audit fees	3.5	3.5
thereof in Germany	1.5	1.6
Other assurance fees	0.6	0.7
thereof in Germany	0.5	0.7
Tax-consulting services	0.2	0.3
thereof in Germany	0.0	0.0
Other services	0.5	0.6
thereof in Germany	0.4	0.5
Total	**4.8**	**5.1**

Fees for other confirmation services include for the most part audits of the internal control system, fees for other consultancy services in the area of compliance and for the creation of a financial fact book.

36 Declaration of compliance

Bilfinger SE is included in the consolidated financial statements as a listed company.

As prescribed by Section 161 of the German Stock Corporation Act, an annual declaration of compliance was issued by the Executive Board and the Supervisory Board on December 13, 2018, and on that date was made permanently available to the shareholders on Bilfinger's website.

37 Events after the balance-sheet date

There have been no significant events since the balance-sheet date.

38 List of subsidiaries and equity interests of Bilfinger SE

The list of subsidiaries and equity interests of Bilfinger SE pursuant to Section 313 Subsection 2 of the German Commercial Code (HGB) is an integral part of the audited consolidated financial statements, which have been submitted for publication in the online version of the German Federal Gazette (Bundesanzeiger). It is also published on the Bilfinger website at: https://www.bilfinger.com/investor-relations/berichterstattung/2019

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D.1 Responsibility statement

To the best of our knowledge, and in accordance with the applicable accounting principles for financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report, which has been combined with the management report of Bilfinger SE, includes a fair review of the development and performance of the business and position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Mannheim, March 1, 2019
Bilfinger SE
The Executive Board

Tom Blades

Michael Bernhardt

Christina Johansson

Duncan Hall

D.2 Reproduction of the auditor's report

We issued the following auditor's report on the consolidated financial statements and the group management report, which is combined with the management report of Bilfinger SE:

"Independent auditor's report

To Bilfinger SE

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of Bilfinger SE, Mannheim, and its subsidiaries (the Group), which comprise the consolidated income statement and statement of comprehensive income for the fiscal year from 1 January to 31 December 2018, the consolidated balance sheet as of 31 December 2018, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Bilfinger SE, which is combined with the management report of Bilfinger SE, for the fiscal year from 1 January to 31 December 2018.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) of the HGB ["Handelsgesetzbuch": German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of 31 December 2018, and of its financial performance for the fiscal year from 1 January 2018 to 31 December 2018, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in

the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2018 to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Revenue recognition for project and service contracts

Reasons why the matter was determined to be a key audit matter

The Bilfinger Group conducts a significant portion of its business under long-term project and service contracts. Revenue from long-term contracts is recognized in accordance with IFRS 15 Revenue from Contracts with Customers, generally based on the percentage of completion. We consider the accounting for project and service contracts to be an area posing a significant risk of material misstatement and accordingly a key audit matter as the assessments of the executive directors significantly impact the determination of the percentage of completion. These assessments include, in particular, the scope of deliveries and services required to fulfill contractually defined obligations, total estimated contract costs, remaining costs to completion and total estimated contract revenues, as well as contract risks including technical, political, regulatory and legal risks. Revenue, estimated total costs and profit recognition may deviate significantly from original estimates based on new knowledge about cost overruns and changes in project scope over the term of a contract. Furthermore, the first-time application of IFRS 15 in fiscal year 2018 was of relevance for our audit, as it required the group-wide assessment of contracts in relation to the new accounting criteria.

Auditor's response

As part of our audit, we obtained an understanding of the Group's internally established methods, processes and control mechanisms for project management in the bid and execution phase of project and service contracts. We also assessed the design of the accounting-related internal controls by examining contract-specific business transactions starting with the initiation of the transaction through the recognition in the consolidated financial statements.

As part of our substantive audit procedures, we evaluated the estimates and assumptions of the executive directors based on a risk-based selection of a sample of contracts. Our sample particularly included projects that are subject to significant future uncertainties and risks, such as fixed-price or turnkey projects, projects with complex technical requirements or with a large portion of materials and services to be provided by suppliers, subcontractors or consortium partners, and projects with changes in cost estimates, delays and/or low or negative margins. Our audit procedures included, among others, review of the sample contracts and their terms and conditions including contractually agreed part deliveries and services, termination rights, penalties for delay and breach of contract as well as liqui-

dated damages. In order to evaluate whether revenues were recognized on an accrual basis for the selected projects, we analyzed billable revenues and corresponding cost of sales to be recognized in the statement of income in the reporting period considering the percentage of completion, and examined the accounting for the associated positions in the balance sheet.

Considering the requirements of IFRS 15, we also assessed the accounting for contract amendments or contractually agreed options. We further performed inquiries of project management (both commercial and technical project managers) with respect to the development of the projects, the reasons for deviations between planned and actual costs, the current estimated costs to complete the projects, and the assessments of the executive directors on probabilities that contract risks will materialize. Furthermore, we obtained evidence from third parties for selected projects (for example project acceptance documentation, contractual terms and conditions, and lawyers' confirmations regarding alleged breaches of contract and asserted claims) and inspected project locations.

With respect to the first-time application of IFRS 15, we obtained an understanding of the processes implemented by Bilfinger in response to the new standard. In assessing the contract analysis performed by the executive directors, we evaluated in particular whether the requirements to recognize revenue over time have been met based on a sample of project and service contracts. We also appraised the disclosures on the effects of the first-time application of IFRS 15 in the notes to the consolidated financial statements.

Our audit procedures did not lead to any reservations relating to revenue recognition on project and service contracts.

Reference to related disclosures

With regard to the recognition and measurement policies applied in accounting for project and service contracts, including disclosures about the first-time application of recently published standards, we refer to the disclosures in the notes to the consolidated financial statements in section 3.2.2 "IFRS 15 Revenue from Contracts with Customers", section 3.3 "Accounting policies" and section 3.4 "Assessments and estimates". With respect to contract assets and liabilities as well as provisions for losses and risks relating to project and service contracts, we refer to section 19 "Receivables and other financial assets", section 23 "Current tax liabilities and other provisions" and section 25 "Trade and other payables".

2. Goodwill impairment test

Reasons why the matter was determined to be a key audit matter

Goodwill is tested for impairment at least once a year as at 31 December and, additionally, during the year where there are signs of an impairment. The result of these tests is highly dependent on the executive directors' estimate of future cash flows and the respective discount rates used.

Due to the complexity of the valuation and the judgment exercised during valuation, the goodwill impairment test was one of the key audit matters.

Auditor's response

During our audit, among other things, we obtained an understanding of the procedure for performing an impairment test in accordance with IAS 36. Among other things we discussed with the Company the demarcation of cash-generating units as well as the definition of corporate assets and their allocation and assessed their consistency with the internal reporting structure.

We compared the business plans which form the basis of the goodwill impairment test with the forecasts for the Company's future development prepared by the executive directors. We discussed the significant planning assumptions with the executive directors and compared these with the results and cash inflows realized in the past. Based on our understanding that even relatively small changes

in the discount rates used can at times have significant effects on the amount of the business value calculated, we analyzed the individual components used to determine the discount rate with the involvement of internal experts by analyzing the peer group, comparing market data with external evidence and examining the mathematical accuracy of the calculation.

With respect to rolling forward the medium to the long-term plan, we examined the assumptions by comparing them to industry peers, particularly with regard to the growth rate. Our assessment of the results of the impairment tests as of 31 December 2018 was based among other things on a comparison with general and industry-specific market expectations underlying the expected cash inflows. We also performed sensitivity analyses in order to estimate any potential impairment risk associated with a reasonably possible change in one of the significant assumptions used in the valuation.

Our procedures did not lead to any reservations relating to the valuation of goodwill.

Reference to related disclosures

The approach to performing the goodwill impairment test is presented in the sections 3.3 “Accounting policies”, 3.4 “Assessments and estimates”, and 14.1. “Goodwill” of the notes to the consolidated financial statements.

3. Equity-equivalent profit participation rights

Reasons why the matter was determined to be a key audit matter

The equity-equivalent profit participation rights reported under other financial assets, which were received as a non-cash purchase price component for the former Building, Facility Services and Real Estate divisions, are measured as unlisted securities through profit or loss in accordance with the fair value hierarchy in IFRS 13. The result of these tests, which are carried out using a combined discounted cash flow and multiplier method, is highly dependent on the executive directors’ estimate of future cash flows and the respective valuation parameters used.

Due to the complexity of the valuation and the judgment exercised during valuation, the valuation of equity-equivalent profit participation rights was one of the key audit matters.

Auditor's response

During our audit, among other things, we verified the procedure for determining the fair value of equity-equivalent profit participation rights.

We discussed the significant planning assumptions with the executive directors and compared these with the results and cash inflows realized in the past. Based on our understanding that even small changes in the valuation parameters used can have significant effects on the amount of the fair value calculated, we verified these as part of our audit with the support of our internal valuation experts by analyzing the peer group, comparing market data with external evidence and examined the mathematical accuracy of the calculation.

Our procedures did not lead to any reservations relating to the valuation of equity-equivalent profit participation rights.

Reference to related disclosures

The valuation of the equity-equivalent profit participation rights is addressed in the notes to the consolidated financial statements in sections 3.3 “Accounting policies”, 3.4 “Assessments and estimates” and 27 “Additional information on financial instruments”.

Other information

The Supervisory Board is responsible for the report of the Supervisory Board in section A.3 of the Annual Report 2018 and, together with the Executive Board, for the corporate governance report in

section A.4 of the Annual Report 2018. In all other respects, the executive directors are responsible for the other information.

Other information comprises the prescribed elements of the annual report, which were provided to us prior to us issuing this auditor's report, including, but not limited to:

- the letter from the Chairman of the Executive Board to the shareholders in section A.1 of the Annual Report 2018,
- the report of the Supervisory Board in section A.3 of the Annual Report 2018,
- the corporate governance report and declaration of corporate governance in section A.4 of the Annual Report 2018,
- the responsibility statement in section D.1 of the Annual Report 2018,
- the return-on-capital-employed controlling in section D.3 of the Annual Report 2018,
- the boards of the company in section D.4 of the Annual Report 2018,
- the ten-year overview in section D.5 of the Annual Report 2018,
- the financial calendar in section D.6 of the Annual Report 2018,
- the notes and exclusion of liability in the annual report 2018.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the executive directors and the Supervisory Board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in

the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation

We were elected as group auditor by the Annual General Meeting on 15 May 2018. We were engaged by the Supervisory Board on 12 June 2018. We have been the group auditor of Bilfinger SE without interruption for more than 25 years.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee in accordance with Art. 11 of the EU Audit Regulation (long-form audit report).

Responsible auditor

The German Public Auditor responsible for the engagement is Karen Somes."

Mannheim, March 1, 2018

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Mathieu Meyer
Wirtschaftsprüfer
[German Public Auditor]

Karen Somes
Wirtschaftsprüferin
[German Public Auditor]

D.3 Return-on capital-employed controlling

€ million	Engineering & Technologies		Maintenance, Modifications & Operations		Total of segments		Reconciliation Group		Total continuing operations	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Goodwill	340.3	350.3	458.5	463.9	798.8	814.2	0.0	4.3	798.8	818.5
Property, plant and equipment	57.0	58.0	198.2	197.6	255.2	255.6	108.0	127.2	363.2	382.8
Other non-current assets	43.5	16.4	69.2	78.1	112.7	94.5	361.4	370.3	474.1	464.8
Current assets	467.8	437.5	734.7	653.0	1,202.5	1,090.5	675.0	1,025.6	1,877.5	2,116.1
Segment assets	**908.6**	862.2	**1,460.6**	1,392.6	**2,369.2**	2,254.8	**1,144.4**	1,527.4	**3,513.6**	3,782.2
Segment liabilities	491.4	477.5	627.8	590.9	1,119.2	1,068.4	1,126.4	1,222.3	2,245.6	2,290.7
Interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0	-805.6	-813.0	-805.6	-813.0
Non-interest-bearing liabilities	**491.4**	477.5	**627.8**	590.9	**1,119.2**	1,068.4	**320.8**	409.3	**1,440.0**	1,477.7
Balance	**417.2**	384.7	**832.8**	801.7	**1,250.0**	1,186.4	**823.6**	1,118.1	**2,073.6**	2,304.5
Financial assets, division-related	116.4	104.3	25.2	14.7	141.6	119.0	-141.6	-119.0	0.0	0.0
Operating financial assets	**116.4**	104.3	**25.2**	14.7	**141.6**	119.0	**-141.6**	-119.0	**0.0**	0.0
Capital employed	**533.6**	489.0	**858.0**	816.4	**1,391.6**	1,305.4	**682.0**	999.1	**2,073.6**	2,304.5
EBITA reported	**9.2**	-42.7	**105.7**	87.9	**114.9**	45.2	**-122.3**	-163.5	**-7.4**	-118.3
EBIT	**5.4**	-48.9	**105.0**	86.9	**110.4**	38.0	**-122.6**	-164.1	**-12.2**	-126.1
Impairment of intangible assets from acquisitions	3.8	6.2	0.7	1.0	4.5	7.2	0.3	0.6	4.8	7.8
Interest income and income from securities	0.0	0.0	0.0	0.0	0.0	0.0	38.1	29.1	38.1	29.1
Interest income, division-related (2.31% / previous year 2.31%)	2.7	2.4	0.6	0.3	3.3	2.7	-3.3	-2.7	0.0	0.0
Financial income	2.7	2.4	0.6	0.3	3.3	2.7	34.8	26.4	38.1	29.1
Taxes	-11.3	25.2	-10.2	-20.6	-21.5	4.6	-1.3	-7.1	-22.8	-2.5
Return	**-3.2**	-21.3	**95.4**	66.6	**92.2**	45.3	**-89.1**	-144.8	**3.1**	-99.5
ROCE (return on capital employed)	**-0.6%**	-4.4%	**11.1%**	8.2%	**6.6%**	3.5%	–	–	**0.1%**	-4.3%
WACC (weighted average cost of capital)	**9.0%**	10.0%	**7.4%**	8.4%	**8.0%**	9.0%	–	–	**8.0%**	9.0%
Value added, relative	**-9.6%**	-14.3%	**3.8%**	-0.1%	**-1.4%**	-5.5%	–	–	**-7.8%**	-13.3%
Value added, absolute	**-51.3**	-70.0	**32.3**	-1.0	**-19.0**	-71.0	**-143.6**	-235.7	**-162.6**	-306.7

D.3.1 Explanation of return-on-capital-employed controlling

Our return-on-capital-employed controlling is based on the segment reporting which is conducted in accordance with the organizational structure of our business segments. We focus on continuing operations in order to provide better comparability over time in the consideration of return-on-capital-employed.

To determine the return, we rely on an after taxes calculation, based on EBIT and including interest income and income from securities. This means that we also consider special items, amortization on capitalized assets from acquisitions as well as goodwill impairments in the calculation of the return. We thus want to ensure that all success components are represented in our return on capital employed.

The segment assets of the business segments include goodwill and intangible assets from acquisitions; property, plant and equipment; other non-current assets and current assets. The segment assets shown under 'Reconciliation Group' include cash and cash equivalents, as well as non-current and current assets not allocated to the business segments.

The segment liabilities are deducted from the segment assets. They include liabilities and provisions that are available to the company free of interest. Financial liabilities and retirement-benefit obligations are not included.

We refer to segment liabilities as non-interest-bearing liabilities. The balance of segment assets and non-interest-bearing liabilities represents the capital directly employed in the business segments.

Project-related and business-unit-related financial assets are allocated to the business segments in the context of return-on-capital-employed controlling so that adequate capital resources are taken into consideration. As so-called operating financial assets, they adjust the balance, which results in the average tied-up interest-bearing assets. This item is termed capital employed.

The definition of return as used in the return-on-capital-employed concept is derived from EBIT.

Interest income and income from securities result from the investment of cash and cash equivalents presented under 'Reconciliation Group' as well as from the interest and the mark-to-market valuation of non-current assets.

In order to determine a measure of earnings not affected by the form of financing, interest expenses are fundamentally not taken into consideration in the context of return-on-capital-employed controlling.

Project-related and business-unit-related interest income relates to credit entries on operating financial assets made by headquarters to the benefit of the business segments.

Return as defined by our return-on-capital-employed controlling is the sum of EBIT and the described additional financial components less taxes incurred.

ROCE stands for return on capital employed, expressed as a percentage. It is compared with the weighted average cost of capital after taxes (WACC) for the business segments and for the entire Group.

The difference between ROCE and WACC is the relative value added. The absolute value added is the difference between return and the cost of capital employed, and is equal to the amount of capital employed multiplied by the relative economic value added.

D.4 Boards of the company

D.4.1 Executive Board

Tom Blades, Chairman

Divisions:
Engineering & Technologies (until December 31, 2018) | Other Operations

Regions (until December 31, 2018):
Continental Europe | North America | Northwest Europe | Middle East

Communications & Public Affairs | Legal & Compliance | Strategy & Projects | Transformation Office (until December 31, 2018) | Bilfinger Digital Next

On an interim basis from October 1 to November 30, 2018:
Accounting, Tax & M&A | Bilfinger Infrastructure Mannheim | Controlling & Risk | Internal Audit & Controls | Investor Relations | IT | Procurement | Treasury

Michael Bernhardt

Human Resources (Labor Director) | Health, Safety, Environment & Quality (HSEQ) (until December 31, 2018) | Real Estate | Bilfinger Infrastructure Mannheim (from January 1, 2019)

Duncan Hall (from January 1, 2019)

Division:
Technologies

Regions
Continental Europe | North America | Northwest Europe | Middle East

Health, Safety, Environment & Quality (HSEQ) | Business Development | Project Management Office

Unless otherwise indicated, all details are correct at December 31, 2018

Christina Johansson (from December 1, 2018)

Accounting, Tax & M&A | Bilfinger Infrastructure Mannheim (until December 31, 2018) | Controlling & Risk | Internal Audit & Controls | Investor Relations | IT | Procurement | Treasury

Memberships in comparable monitoring boards of other German and foreign companies:
Emmi AG, Lucerne / Switzerland (Administrative Council)
Optikart AG, Wangen bei Olten / Switzerland (Administrative Council)

Dr. Klaus Patzak (until September 30, 2018)

Accounting, Tax & M&A | Bilfinger Infrastructure Mannheim | Controlling & Risk | Internal Audit & Controls | Investor Relations | IT | Procurement | Treasury

Memberships of other statutory supervisory boards of other German companies:
Bayerische Börse AG, Munich

D.4.2 Supervisory Board

Gert Becker, Honorary Chairman

Dr. Eckhard Cordes, Chairman

Partner at Cevian Capital, Pfäffikon, Switzerland
Partner and Managing Director of EMERAM Capital Partners GmbH, Munich

Memberships of other statutory supervisory boards
of other German companies:
WMP Eurocom AG, Berlin

Memberships in comparable monitoring boards of other
German and foreign companies:
AB Volvo (publ), Gothenburg / Sweden (Board of Directors)

Stephan Brückner, Deputy Chairman

Employee of Bilfinger Maintenance GmbH, Heinsberg

Agnieszka Al-Selwi

Employee at Multiserwis Sp. z o.o., Krapkowice, Poland

Dorothée Deuring

Self-employed corporate consultant in corporate finance

Memberships in comparable monitoring boards of other
German and foreign companies:
Axpo Holding AG, Baden / Switzerland (Administrative Council)
Elementis plc, London / United Kingdom (Board of Directors)
Röchling SE & Co. KG, Mannheim (Advisory Board)

Unless otherwise indicated,
all details are
correct at
December 31, 2018

Lone Fønss Schrøder

Non-executive member in administrative bodies
at German and foreign companies:

Memberships in comparable monitoring boards of other
German and foreign companies:
AKASTOR ASA, Lysaker / Norway (Deputy Chairwoman in the Board of Directors)
Ingka Holding B.V., Leiden / Netherlands (Board of Directors)
Saxo Bank A/S, Copenhagen / Denmark (Chairwoman in the Board of Directors)
Valmet Corporation, Espoo / Finland (Board of Directors)
Volvo Personvagnar AB, Gothenburg / Sweden (Board of Directors)

Dr. Ralph Heck

Entrepreneur and consultant, member in various supervisory and advisory boards

Memberships of other statutory supervisory boards
of other German companies:
Klöckner & Co SE, Duisburg

Memberships in comparable monitoring boards of other
German and foreign companies:
Adolf Würth GmbH & Co. KG, Künzelsau (Advisory Board)
Bertelsmann Stiftung, Gütersloh (Board of Trustees)
Formel D GmbH, Troisdorf (Chairman of the Advisory Board)

Dr. Marion Helmes (until May 15, 2018) [1]

Corporate consultant, independent advisor at UBS Europe SE

Memberships of other statutory supervisory boards
of other German companies:
ProSiebenSat1 Medien SE, Munich (Deputy Chairwoman)
Uniper SE, Düsseldorf

Memberships in comparable monitoring boards of other
German and foreign companies:
NXP Semiconductors NV, Eindhoven / Netherlands (Board of Directors)
British American Tobacco p.l.c., London / United Kingdom (Board of Directors)
Heineken N.V., Amsterdam / Netherlands (Supervisory Board)

1 Status of the memberships listed as of May 15, 2018.

Susanne Hupe

Employee of Bilfinger Engineering & Technologies GmbH, Osterode

Rainer Knerler

Executive employee at IG Bauen-Agrar-Umwelt

Dr. Janna Köke

Trade Union Secretary at IG Metall, Mannheim

Frank Lutz

Chairman of the Executive Board at CRX Markets AG, Munich

Jörg Sommer

Employee of Bilfinger arnholdt GmbH, Gelsenkirchen

Jens Tischendorf

Partner at Cevian Capital, Pfäffikon, Switzerland

Memberships of other statutory supervisory boards
of other German companies:
ThyssenKrupp AG, Essen

Presiding Committee:

Dr. Eckhard Cordes, Chairman
Stephan Brückner, Deputy Chairman
Dr. Ralph Heck
Rainer Knerler

Audit Committee:

Dr. Marion Helmes (until May 15, 2018), Chairwoman
Frank Lutz (from May 15, 2018), Chairman
Dr. Janna Köke, (from March 1, 2019), Deputy Chairwoman
Dorothée Deuring
Jörg Sommer

Nomination Committee:

Dr. Eckhard Cordes, Chairman
Dr. Marion Helmes (until May 15, 2018)
Frank Lutz (from December 13, 2018)
Jens Tischendorf

Strategy Committee (from December 13, 2018)

Dr. Eckhard Cordes, Chairman
Stephan Brückner, Deputy Chairman
Dr. Ralph Heck
Susanne Hupe
Rainer Knerler
Jens Tischendorf

Transformation Committee (until December 13, 2018)

Dr. Eckhard Cordes, Chairman
Stephan Brückner
Dr. Ralph Heck
Susanne Hupe
Rainer Knerler
Jens Tischendorf

D.5 Ten-year overview

GROUP

€ million

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assets										
Non-current assets	**4,914**	**4,460**	**3,090**	**3,519**	**3,012**	**2,491**	**1,525**	**1,690**	**1,643**	**1,614**
Intangible assets	1,539	1,457	1,561	1,890	2,015	1,639	895	849	804	804
Property, plant and equipment	796	663	647	690	629	477	471	383	367	324
Receivables from concession projects	2,134	1,789	377	508	–	–	–	–	–	–
Other non-current assets	216	358	341	254	196	136	40	337	386	411
Deferred taxes	230	193	164	177	172	239	119	121	86	75
Current assets	**3,026**	**3,477**	**4,630**	**3,331**	**3,520**	**3,514**	**3,660**	**2,329**	**1,977**	**1,862**
Inventories, receivables, other	2,228	1,890	2,022	2,244	2,213	1,753	1,380	1,216	1,198	1,238
Cash and cash equivalents	798	537	847	1,087	647	359	427	1,032	767	574
Assets classified as held for sale	–	1,050	1,761	–	660	1,402	1,853	81	12	50
Equity & liabilities										
Equity	**1,561**	**1,812**	**1,793**	**2,037**	**2,165**	**1,917**	**1,418**	**1,621**	**1,383**	**1,205**
Share capital	138	138	138	138	138	138	138	138	133	133
Reserves	1,408	1,650	1,503	1,795	1,972	1,805	1,124	1,562	1,270	1,191
Treasury shares	-100	-100	-100	-100	-99	-97	-97	-97	-39	-150
Distributable earnings	92	115	247	196	138	92	292	46	44	44
Minority interest	23	9	5	8	16	-21	-39	-28	-25	-13
Non-current liabilities	**2,873**	**2,511**	**1,159**	**1,748**	**1,146**	**1,061**	**901**	**898**	**874**	**363**
Provisions for pensions and similar obligations	287	313	325	394	417	400	295	304	293	288
Other provisions	84	71	60	56	55	45	31	29	27	25
Financial liabilities, recourse	320	184	181	519	517	514	513	510	509	11
Financial liabilities, non-recourse	1,880	1,624	339	461	13	13	0	–	–	–
Other liabilities	187	212	128	169	49	22	2	–	–	–
Deferred taxes	116	107	126	149	95	68	60	55	45	39
Current liabilities	**3,506**	**3,614**	**4,768**	**3,065**	**3,221**	**3,027**	**2,866**	**1,500**	**1,363**	**1,908**
Current tax liabilities	133	118	88	102	115	84	39	39	34	34
Other provisions	613	633	755	557	482	360	512	489	442	384
Financial liabilities, recourse	34	89	5	192	28	7	13	12	2	502
Financial liabilities, non-recourse	22	19	9	9	28	27	0	–	–	–
Other liabilities	2,704	2,052	2,116	2,205	1,907	1,484	1,156	892	859	962
Liabilities classified as held for sale	–	703	1,795	0	661	1,065	1,146	68	26	26
Balance-sheet total	**7,941**	**7,937**	**7,720**	**6,850**	**6,532**	**6,005**	**5,185**	**4,019**	**3,620**	**3,476**

2013 pro forma: adjusted for discontinued operations: Construction and Offshore Systems
2014 pro forma: adjusted for discontinued operations: Power
2015 pro forma: adjusted for discontinued operations: Divisions Water Technologies as well as Building, Facility Services and Real Estate
2017: including securities and other investments of €150 million
2018: including securities and other investments of €120 million

BUSINESS DEVELOPMENT

€ million	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Orders received	**11,129**	**7,854**	**7,690**	**8,304**	**7,513**	**5,510**	**4,301**	**4,056**	**4,055**	**4,459**
Order backlog	**11,704**	**8,429**	**7,557**	**7,388**	**6,476**	**4,401**	**2,902**	**2,618**	**2,531**	**2,818**
Revenue / output volume [5]	**10,403**	**7,983**	**8,397**	**8,586**	**7,552**	**6,246**	**5,003**	**4,219**	**4,044**	**4,153**
Investments	**530**	**273**	**310**	**521**	**391**	**258**	**66**	**72**	**76**	**67**
Property, plant and equipment	162	141	127	143	140	117	62	70	71	66
Financial assets	368	132	183	378	251	141	4	2	5	1
Employees (at year-end)	**67,199**	**58,047**	**59,069**	**66,683**	**71,127**	**57,571**	**42,365**	**36,946**	**35,644**	**35,905**
Earnings figures										
Gross profit	1,072	1,015	1,051	1,121	1,052	794	431	395	336	391
EBITA	275	346	379	432	349	207	-157	-221	-118	-7
EBITA adjusted [1]	275	346	379	387	415	262	-23	15	3	65
EBIT	250	305	344	381	298	170	-501	-231	-126	-12
Net profit [4]	140	284	394	276	173	-71	-510	271	-89	-24
Adjusted net profit from continuing operations [1,2]	–	205	235	241	251	160	-30	-8	-9	36
Operating cash flow	368	244	281	232	210	34	39	-224	-119	50
Adjusted free cash flow [1]	–	–	–	–	–	–	136	-111	-69	56
Cash flow per share in €	9.94	5.53	6.37	5.26	4.76	0.77	0.88	-5.77	-2.71	1.21
Earnings per share in € [4]	3.79	6.43	8.93	6.26	3.91	-1.62	-11.54	6.13	-2.01	-0.59
Adjusted earnings per share from continuing operations in € [1,2]	–	4.64	5.32	5.46	5.69	3.62	-0.68	-0.17	-0.19	0.87
Profitability ratios										
Gross profit as a percentage of revenue / output volume [5]	10.3	12.7	12.5	13.1	13.9	12.7	8.6	9.4	8.3	9.4
Return on output volume/revenue (EBITA adjusted) in %	2.6	4.3	4.5	4.5	5.5	4.2	-0.5	0.4	0.1	1.6
Return on equity (adjusted net profit) in %	11.3	12.7	12.8	12.0	12.3	7.8	-1.8	-0.6	-0.6	3.0
Return on capital employed (ROCE) in %	15.6	18.4	17.3	15.7	13.9	11.9	-30.0	-13.8	-5.5	0.1
Value added	98	175	186	165	157	43	-704	-380	-304	-163
BILFINGER SE										
Dividend distribution	88.3	110.4	150.1	132.4	132.5	88.4	–	44.2	–	–
Dividend per share in € [5]	2.00	2.50	2.50	3.00	3.00	2.00	–	1.00	1.00	1.00
Dividend bonus in €	–	–	0.90	–	–	–	–	–	–	–
Share price at year-end in €	53.92	63.20	65.88	73.00	81.53	46.35	43.47	36.57	39.57	25.48
Number of shares year-end [3]	46,024,1	46,024,1	46,024,1	46,024,1	46,024,1	46,024,1	46,024,1	46,024,1	44,209,0	44,209,04

All values relate to continuing operations, unless stated otherwise.
2010 - 2012 continuing operations not including Valemus and Concessions
2013 continuing operations and not including Concessions, Construction and Offshore Systems
2014 continuing operations and not including Power
2015 continuing operations including Power, not including Water Technologies division as well as Building, Facility Services and Real Estate divisions

1 Adjustments see chapter B.2.2 Earnings situation – adjusted earnings per share
2 Based on adjusted tax rate of 31 percent
3 Including shares held as treasury stock. 2008 to 2012: 1,884,000 | 2013: 1,866,365 | 2014: 1,835,318 | 2015: 1,824,383 | 2016: 1,815,085 | 2017: 1,084,302| 2018: 3,938,393
4 Includes continuing and discontinued operations
5 Reporting changed from output volume to revenue 2009-2016 | Revenue 2017 ff

see page 70

D.6 Financial calendar

May 8, 2019

Annual General Meeting
Congress Centrum Rosengarten, Mannheim, 10 a.m.

Quarterly statement Q1 2019

August 14, 2019

Half-year financial report 2019

November 13, 2019

Quarterly statement Q3 2019

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