ANNUAL REPORT
BILFINGER SE

2019

BILFINGER

Contents

A

	To our shareholders	**5**
A.1	Letter from the Chairman of the Executive Board	6
A.2	Executive Board of Bilfinger SE	10
A.3	Report of the Supervisory Board	13
A.4	Corporate Governance	24
A.5	Bilfinger in the capital market	47

B

	Combined management report	**51**
B.1	The Bilfinger Group	53
B.2	Economic report	57
B.3	Risk and opportunity report	90
B.4	Outlook	111
B.5	Takeover-relevant information pursuant to Section 289a Subsection 1 and Section 315a Subsection 1 of the German Commercial Code (HGB)	119
B.6	Executive Board remuneration	123

C

	Consolidated financial statements	**124**
C.1	Consolidated income statement	125
C.2	Consolidated statement of comprehensive income	126
C.3	Consolidated balance sheet	127
C.4	Consolidated statement of changes in equity	128
C.5	Consolidated statement of cash flows	129
C.6	Notes to the consolidated financial statements	130

D

	Explanations and additional information	**195**
D.1	Responsibility statement	196
D.2	Reproduction of the auditor’s report	197
D.3	Return-on-capital-employed controlling	205
D.4	Boards of the company	207

E

	Non-financial report	**212**
E.1	Non-financial aspects of business operations	213
E.2	Counteracting corruption and bribery	216
E.3	Respect for human rights	220
E.4	Employee matters	222
E.5	Data security	226
E.6	Customer satisfaction and quality	228
E.7	Reproduction of the auditor’s report	229

Ten-year overview	232
Financial calendar	234
Imprint	235

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

A.1 Letter from the Chairman of the Executive Board 6

A.2 Executive Board of Bilfinger SE 10

A.3 Report of the Supervisory Board 13

A.4 Corporate Governance 24

A.4.1 Declaration of corporate governance and corporate governance report 24

A.4.2 Remuneration report (part of the combined management report) 36

A.5 Bilfinger in the capital market 47

A.1 Letter from the Chairman of the Executive Board

Executive Board of Bilfinger SE
From left:

Tom Blades
Chief Executive Officer

Christina Johansson

Duncan Hall

Dear Shareholders,
Ladies and Gentlemen,

Bilfinger can look back on yet another year of significant progress. FY 2019 saw net earnings at €24 million swing back into positive territory for the first time since 2016 and we reached another major milestone with a reported free cash flow of €57 million. Furthermore, we had completed the build-up phase of our strategy program by the end of the financial year and can now press ahead and focus on the build-out phase. This means we have delivered on all of our targets and commitments for FY 2019 and are well positioned for the future.

Financial targets for 2019 attained

In 2019, the Group generated revenues of €4,327 million in a robust market environment, representing year-on-year growth of 4 percent (organically: 6 percent). Adjusted EBITA rose by 60 percent (organically: 65 percent), up from €65 million to €104 million. With the award of several major projects shifted to FY 2020, orders received at €4,159 million were down 7 percent (organically: 4 percent) on the high prior-year figure. As of December 31, 2019, the order backlog stood at €2,567 million. That is 9 percent (organically: 7 percent) lower than at the end of the prior year.

While the EBITA margin increased to 2.4 percent (previous year: 1.6 percent), the gross margin rose only slightly to 9.5 percent (prior year: 9.4 percent) and the SG&A ratio showed a further improvement to 8 percent (prior year 8.7 percent). In light of this gratifying performance, the Executive Board and the Supervisory Board have decided to again propose a dividend of €1.00 per share at the Annual General Meeting.

Promising growth potential

The company will build on its current position and target further improvements with a view to achieving an adjusted EBITA margin of 5 percent by 2021 and in years beyond on a reported level. With an organic CAGR of 5 percent in revenues generating additional value, combined with selected bolt-on M&A transactions, Group revenues will grow to more than €5 billion by 2024.

Our confidence is buoyed by a number of global trends that are attractive growth drivers for us. These notably include ESG and climate change, ageing industrial plants and asset integrity, data and digitalization and the increasing shortage of skilled labor or 'war for talent'.

Bilfinger is ideally positioned to benefit from these trends with credentials that include a multi-decade track record in the industrial services market. This gives us unique expertise in enhancing system reliability and efficiency, modernizing industrial plants and delivering asset life extensions. In recent years, we have systematically expanded our environmental services for industrial plants to support and enable our customers in ever more wide-ranging ways in their efforts to reach their ESG goals. At the same time, we have invested in our digitalization expertise, put an effective team and services in place and carved out a promising position as a digitalization partner to the process industry. Moreover, we view the shortage of skilled labor as more of an opportunity than a threat, given Bilfinger's reputation as an attractive employer that invests in its people and is well positioned to continue to profit from industrial outsourcing.

In the foreseeable future we will continue to focus on our key industries of Oil & Gas, Chemicals & Petrochemicals and Energy & Utilities, all of which offer Bilfinger a particularly broad scope for growth throughout economic cycles. We will do so in both our Engineering & Maintenance and Technologies segments. With customers looking for more seamless end-to-end services, we aim to exploit even more synergies between our business segments through differentiated value-added offerings.

Build-up phase successfully concluded

In 2019, we again made great strides in implementing our strategy. Following the completion of the stabilization phase in 2018, we attained every one of our build-up phase milestones in the past financial year. Subsequently we entered the third and final build-out phase of the strategy we presented in 2017.

Key components of the build-out phase include boosting our productivity, improving our performance culture and reducing complexity. To achieve these goals, we are in the process of further streamlining our organizational structures and transferring more business accountability to the operating units. These measures are geared toward helping reduce the administrative workload, speeding up decision-making processes and improving the agility of our operating units.

We are supporting this move by replacing the previously dominant divisional structure with a regional structure. The heads of the newly formed regions report directly to the Executive Board. This will result in more direct management, increased business accountability and leaner administration. The harmonization of our IT systems over the past few years has contributed toward making this possible and is now helping to enhance the Group's efficiency.

Our headquarters will take on the role of "strategic architect" and focus on essential rather than broad governance functions. In addition, we are setting up three Global Excellence Teams to better leverage the size and key strengths of our Group. These teams will make the most of cross-divisional market opportunities, forge strategic partnerships, introduce innovations and improve operating efficiency across the Group. They will provide pragmatic support to the operating units on key projects and tasks.

Strategy 2020+

We have revisited and fine-tuned our 2-4-6 approach to the Bilfinger Strategy 2020+ and will further deliver on this to present our stakeholders with a predictable, reliable and sustainable company. In executing our Strategy 2020+, we will increase revenue to more than €5 billion by 2024. In doing this, we will adhere to our "asset-light" business model centering on return on capital employed (ROCE), strict working capital management and disciplined capital allocation criteria while focusing on increasing our margins and enhancing our efficiency. At the same time, we are confident that we will continue to drive organic growth thanks to our motivated and skilled employees, our high integrity and HSE standards and our numerous unique selling points. This applies particularly to the North America and Middle East regions.

Strong cash conversion will continue to be an imperative going forward, with the aim of achieving reported free cash flow of more than €200 million by 2024. This lays the foundations for a sustainable payout ratio of 40 to 60 percent of adjusted net profit to our shareholders and remains a prerequisite for returning Bilfinger to a sustainable investment grade rating.

Occupational safety further improved

Our meeting the highest occupational safety standards is non-negotiable. This was true in the past and will remain so in the future. For many years, we have been routinely meeting even the most stringent requirements and have rightly earned the reputation of making safety considerations our top priority in all we do.

Our numerous health and safety measures have led to a successive improvement in our occupational safety indicators over each of the last years. In FY 2019, the Lost Time Injury Frequency indicator (LTIF = accidents per 1 million working hours performed) improved to 0.25, equivalent to a 62 percent year-on-year improvement. Naturally, we want to see this figure reduced even further as we continue toward our target of "zero" accidents.

Optimistic for 2020

We look to the future with cautious optimism. With a selective bias toward higher-margin order intake in 2019 and the shift of major project awards into 2020, we expect organic revenue levels to be stable in 2020. We forecast an increase in adjusted EBITA (2019: €104 million) to a margin of around 4 percent (2019: 2.4 percent). We also anticipate a further significantly positive development in reported free cash flow (2019: €57 million) in 2020.

Our employees are and will remain our greatest asset. Their qualifications and commitment are the reasons why our customers place great confidence and trust in Bilfinger. We owe our employees a debt of gratitude for their willingness to devote their energy to the best interests of our company and our customers.

My thanks also go to my colleagues on the Executive Board and to the members of the Supervisory Board for their constructive cooperation, their ongoing support and advice.

In particular, I would like to thank our shareholders for their trust and their willingness to join us on our chosen path into the future.

Yours truly,

Tom Blades
Vorstandsvorsitzender der Bilfinger SE

A.2 Executive Board of Bilfinger SE

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

Career

2016	Chief Executive Officer of Bilfinger SE, Mannheim Germany
2012	Linde AG, 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)
Degree: Awarded Bachelor of Science in Electrical Engineering

Christina Johansson

Born 1966 in Ljungby, Sweden

Career

2018	Member of the Executive Board and Chief Financial Officer 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 and 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

Educational background

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

Duncan Hall

Born 1967 in Leigh, United Kingdom

Career

2018	Member of the Executive Board and Chief Operating Officer at 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 the 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

A.3 Report of the Supervisory Board

Dr. Eckhard Cordes
Chairman
of the Supervisory Board

Dear Shareholders,

In financial year 2019, Bilfinger successfully implemented further important steps forward in its Strategy 2020 and, following the stabilization phase, has now completed the build-up phase. The procedures and core processes that have been newly implemented and harmonized in recent years (including in the areas of HSEQ, compliance, legal, risk management and human resources) were converted into standard processes in 2019. This means that at the beginning of the 2020 financial year, Bilfinger entered the final phase of its Strategy 2020, the build-out phase.

In the build-out phase, the Group's productivity will be further increased, the performance culture improved, and the complexity of structures and processes reduced. To prepare the organization for this important phase, changes to the operating model were decided in November 2019 that affect all areas of the company, i.e. both headquarters and the operating units. The objective of these changes is to strengthen the individual responsibility of the operating units and to increase their performance and efficiency, thus ultimately increasing the profitability and sustainability of our business.

One of the core elements of this amended operating model is the transfer of the previous divisional structure to a regional structure. This measure is intended to streamline decision-making processes and reduce administrative expenses. Three Global Excellence Teams will also be established to support the operating units in developing new business areas, increasing efficiency and ensuring our HSEQ (Health, Safety, Environment, Quality) standards. These changes in the Group's operating model

have been and will continue to receive positive advice from and be monitored by the Supervisory Board.

In line with the objective of streamlining the organizational structures and giving the operating units more individual responsibility, the Supervisory Board has reduced the size of the Executive Board from four to three members. Mr. Michael Bernhardt stepped down from the Executive Board at the end of the reporting year on the best of terms. The Supervisory Board has also assigned Mr. Tom Blades the function of Labor Director as of January 1, 2020, while retaining his function as Chairman of the Executive Board. He is now also responsible for human resources.
With a view to future challenges and growth potential in the market, the Executive Board, in consultation with the Supervisory Board, further developed Strategy 2020 in the past financial year and laid out the strategic orientation for the coming years. Strategic development focuses on three success factors (people, assets, data), the provision of services in two service lines (Engineering & Maintenance and Technologies) and joint market development under one name (Bilfinger). The Supervisory Board is convinced that the Executive Board is well positioned to meet the challenges that lie ahead and the implementation of Strategy 2020 and 2020+, and that Executive Board members Tom Blades (Chairman), Duncan Hall and Christina Johansson will advance and further develop Bilfinger as a competitive and leading international industrial services provider. The Supervisory Board firmly expects that the implementation of the new strategy and the broad range of measures that have been initiated will result in profitable growth.

Particularly after the successful conclusion of the Deferred Prosecution Agreement (DPA) in December 2018, Bilfinger continued to push forward in the compliance area with the continuous optimization of the organization, risk management and control systems during the reporting year. In 2019, the Supervisory Board and its committees again dealt intensively with the compliance management system and with specific compliance issues and risks in the Group. As in the past, the Supervisory Board and, in particular, the Audit Committee, will in the future also dedicate special attention to the topic of compliance and will accompany the ongoing development and optimization of the compliance system in an advisory capacity.

The Supervisory Board also acted in an advisory capacity in the course of the successful refinancing of the €500 million corporate bond with maturity at the end of 2019. Various financing instruments with differing maturities and a complementary investor base were used for this purpose.

Overall, the activities of the Supervisory Board and its committees in financial year 2019 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 2019, 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 Executive Board and the Supervisory Board worked together in a spirit of mutual trust for the benefit of the company. The Executive Board informed the Supervisory Board and its committees regularly, without delay and comprehensively both in writing and orally, of all issues of relevance to the company, particularly with regard to 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 positioning and development of the company, in particular with regard to the implementation of

the Strategy 2020. The Supervisory Board was involved regularly, directly and at an early stage, especially for decisions of fundamental importance for the company. 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 rules of procedure for the Executive Board and the Supervisory Board as well as the responsible committees 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 the Supervisory Board in the reporting year and requiring its approval after reviewing them and discussing them with the Executive Board.

In the reporting year, no conflicts of interest of members of the Executive Board or Supervisory Board arose that would have had to be disclosed to the Supervisory Board without delay. Where potential conflicts of interest were reported to the Supervisory Board or otherwise became known, they were examined and no conflicts of interest requiring disclosure were identified.

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 and as lead negotiator with the Executive Board in the HRcules project. These activities lasted through to December 31, 2019 and had a scope of €80,325 in financial year 2019.

In the reporting period, there were no related-party transactions in accordance with the new Section 111a Subsection 1 Sentence 2 and Section 111b Subsection 1 of the German Stock Corporation Act (AktG).

Supervisory Board meetings

In financial year 2019, the Supervisory Board convened for six regular (seven in the previous year) and one extraordinary (four in the previous year) meetings. The regular meetings took place on February 12, March 8, May 7, August 9, November 12 and December 11. The extraordinary meeting was held on April 10. All members of the Supervisory Board, with the exception of Lone Fønss Schrøder (who was a member of the Supervisory Board until May 8, 2019), each took part in more than half of the meetings of the Supervisory Board and of the committees to which they belonged; the average attendance rate was 87.35 percent in the reporting year (89.3 percent in the previous year). The following overview shows which Supervisory Board meetings and committee meetings the individual members participated in:

Committee	Name of the Supervisory Board member												
	Dr. Eckhard Cordes	Stephan Brückner	Agnieszka Al-Selwi	Dorothée Deuring	Lone Fønss Schrøder	Nicoletta Giadrossi	Dr. Ralph Heck	Susanne Hupe	Rainer Knerler	Dr. Janna Köke	Frank Lutz	Jörg Sommer	Jens Tischendorf
Supervisory Board													
February 12, 2019	●	●	●	●	x	–	x	●	●	●	●	●	●
March 8, 2019	●	●	●	x	x	–	●	●	●	●	●	●	●
April 10, 2019	●	●	●	x	x	–	●	●	●	●	x	●	●
May 7, 2019	●	●	●	●	x	–	●	●	●	●	●	●	●
August 9, 2019	x	●	●	●	–	●	●	●	●	●	●	●	●
November 12, 2019	●	●	●	●	–	●	●	●	●	●	●	●	●
December 11, 2019	●	x	●	●	–	●	●	●	●	●	●	●	●
Presiding Committee													
February 2, 2019	●	●	–	–	–	–	●	–	●	–	–	–	–
March 7, 2019	●	●	–	–	–	–	●	–	●	–	–	–	–
May 7, 2019	●	●	–	–	–	–	●	–	●	–	–	–	–
June 14, 2019	●	●	–	–	–	–	●	–	●	–	–	–	–
November 11, 2019	●	●	–	–	–	–	●	–	●	–	–	–	–
December 10, 2019	●	x	–	–	–	–	●	–	●	–	–	–	–
Audit Committee													
February 8, 2019	–	–	–	●	–	–	–	–	–	●	●	●	–
March 1, 2019	–	–	–	●	–	–	–	–	–	●	●	●	–
May 6, 2019	–	–	–	●	–	–	–	–	–	●	●	●	–
August 9, 2019	–	–	–	●	–	–	–	–	–	●	●	●	–
October 14, 2019	–	–	–	●	–	–	–	–	–	●	●	●	–
November 8, 2019	–	–	–	●	–	–	–	–	–	●	●	●	–
Strategy Committee													
April 4, 2019	●	●	–	–	–	–	●	●	●	–	–	–	●
June 14, 2019	●	●	–	–	–	–	x	●	●	–	–	–	●
September 5, 2019	●	●	–	–	–	–	●	●	●	–	–	–	x
October 24, 2019	●	●	–	–	–	–	x	●	●	–	–	–	●
Nomination Committee													
February 12, 2019	●	–	–	–	–	–	–	–	–	–	●	–	●
May 20, 2019	●	–	–	–	–	–	–	–	–	–	●	–	●
Meeting participation rate for each Supervisory Board member in %	94.74	88.24	100.00	84.62	0.00	100.00	82.35	100.00	100.00	100.00	93.33	100.00	92.31
Total meeting participation rate of the members of the Supervisory Board in %	87.35												

● = Participation (in individual cases also by telephone) X = (excused) non-participation

In the reporting year, the members of the Executive Board regularly took part in the meetings of the Supervisory Board; however, the Supervisory Board also convened without the Executive Board when warranted.

Topics in the plenary sessions

Current business development, the position of the company and the Group, the ongoing assertion and pursuit of damage claims against former members of the Executive Board due to breaches of duty as well as the topic of compliance 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. Other focal points of the Supervisory Board's plenary sessions included refinancing, the financial position, corporate planning, development of earnings in the individual business segments, changes to the corporate structure and the optimization of administrative costs, as well as the expected requirements of the Second Shareholder Rights Directive Implementation Act (ARUG II) and the new version of the German Corporate Governance Code (DCGK). The Supervisory Board continued to deal intensively with the topic of compliance, the compliance system and the 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. In addition, since the reporting year, members of the Supervisory Board have been linked to Bilfinger's system for regular online training on compliance issues.

In detail, the meetings of the Supervisory Board also dealt with the following topics:

On February 12, 2019, the preliminary results for the 2018 financial year and the outlook for 2019, corporate planning for 2019 to 2023 including the budget and investment plan for 2019, refinancing in 2019 and preparations for the 2019 Annual General Meeting were discussed. In addition, the topics of the D&O insurance program, Executive Board remuneration, particularly variables 2018 / 2019, and the course of business were discussed, and updated rules of procedure for the Executive Board were adopted. At this meeting, the Supervisory Board also dealt with the Report of the Supervisory Board, the combined Corporate Governance Report and Declaration of Corporate Governance as well as the Remuneration Report for the 2018 financial year.

On March 18, 2019, the Supervisory Board focused primarily on the annual and consolidated financial statements for 2018 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 2019. The Annual General Meeting approved this proposal on May 8, 2019. The auditor responsible for Bilfinger at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft was for the first time Prof. Dr. Sven Hayn. Further, Executive Board remuneration topics, digitalization as well as the topic of refinancing 2019 were dealt with in the March meeting. In addition, the Sustainability Report 2018 and the non-financial report 2018 were also topics of the meeting.

At the extraordinary meeting on April 10, 2019, the Supervisory Board discussed specific Supervisory Board personnel issues.

On May 7, 2019, the Supervisory Board dealt with the quarterly statement as of March 31, 2019, refinancing 2019, Supervisory Board and Executive Board personnel issues, compliance topics as well as preparation for the Annual General Meeting. In connection with the assertion of claims for damages against former members of the Executive Board for breaches of duty, the Supervisory Board resolved at this meeting to submit specific letters of claim to the former members of the Executive Board.

On August 9, 2019, the focus was on the half-year report as of June 30, 2019 with the outlook for 2019, the discussion of Executive Board, insurance and compliance issues and the North-South Cologne light rail system matter. In addition, the members of the Supervisory Board received training on

the upcoming changes in legislation and the draft status of ARUG II and the draft version of the new GCGC.

On November 12, 2019, the Supervisory Board dealt with the quarterly report as of September 30, 2019, the changes to the Group structure and the program to reduce administrative costs, issues relating to sustainability reporting, and Executive Board topics. The results and recommendations of the Supervisory Board's internal efficiency review 2019 were also discussed.

At the meeting on December 11, 2019, the Supervisory Board dealt with the issues of the Bilfinger strategy for the years 2021 and thereafter, corporate planning 2020 to 2024 including the budget and investment plan 2020, changes to Group structure and the program to reduce administrative costs. Other focal points of the meeting were the proposal to the Annual General Meeting on the election of the auditor for 2021, shareholder issues, insurance issues, compliance and information security. In addition, the Supervisory Board discussed Executive Board remuneration issues at this meeting and again dealt with the requirements of ARUG II and the recommendations of the expected new GCGC.

With regard to the assertion of claims for damages against former members of the Company's Executive Board for breaches of duty, the Supervisory Board decided at its meeting on February 12, 2019 to pursue the claims for damages against the former members of the Executive Board without change and to enforce them, taking into account any exonerating statements by the former members of the Executive Board. In May 2019, following a further resolution of the Supervisory Board, specific claim letters were sent to the former members of the Executive Board. The Supervisory Board continued to pursue the proceedings consistently thereafter. In February 2020, the Supervisory Board reached an out-of-court settlement with the 12 former members of the Executive Board and the D&O insurers and approved this settlement by resolution. The settlement is subject to approval by the Annual General Meeting of Bilfinger SE which will take place on April 23, 2020. The settlement ends the assertion of the damage claims asserted by Bilfinger SE against the former members of the Executive Board.

Work of the committees

In order to ensure the efficiency of its activities, the Supervisory Board has formed a Presiding Committee, an Audit Committee, a Strategy Committee as well as a Nomination Committee. The meetings and decisions taken by the committees, especially the meetings of the Audit Committee, Presiding Committee and Strategy 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

see page 211

The Presiding Committee of the Supervisory Board consists of *four members*. It partially prepares the plenary meetings and makes recommendations on important resolutions. Its duties include, in particular, dealing with personnel and remuneration matters of the Executive Board, including conflicts of interest, insofar as these do not have to be regulated by the Supervisory Board as a whole in accordance with the German Stock Corporation Act or the recommendations of the GCGC (in such a case, preparation takes place in the Presiding Committee).

In financial year 2019, there were five regular meetings of the Presiding Committee of the Supervisory Board. The Presiding Committee regularly and thoroughly dealt with Executive Board remuneration, the Executive Board remuneration system, including the expected requirements of ARUG II and the recommendations of the expected new GCGC, Executive Board personnel matters and other Executive Board topics. In addition, the Presiding Committee of the Supervisory Board made recommendations to the Supervisory Board on governance topics. As an exception, a few of the resolutions of the Presiding Committee of the Supervisory Board were made in written form.

Audit Committee

see page 211

The Audit Committee also consists of *four members* and has equal representation. 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. In addition, it is incumbent on the Audit Committee to conduct a preliminary review of the non-financial (Group) report and the non-financial (Group) declaration. The Chairman of the Audit Committee in the reporting year, Mr. Lutz, has 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 2018, the quarterly statements and half-year reports for 2019, including the corresponding interim financial statements as of March 31, June 30 and September 30. A further focus of the meetings throughout the reporting year was the public tender for the audit of the financial statements for the 2021 financial year. Representatives of the auditor participated in all regular meetings of the Audit Committee and reported in detail on the results of the audit of the individual and consolidated financial statements 2018, the auditor's review of the half-year report as of Sunday, June 30, 2019 and on the significant findings and statutory amendments and developments in the area of accounting and auditing 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, the interim financial reports and additional finance topics with her. Furthermore, the Chief Financial Officer took part in the meetings of the Audit Committee on a regular basis.

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 2019. 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, 2019 to the auditors, negotiated the audit fee with them and determined the focus of the audit. It also reviewed and approved the non-audit services to be provided by the auditor, where consistent with the established guidelines and other requirements, and ensured compliance with the fee limit for such services. In addition, representatives of the auditor informed the members of the Audit Committee about the new regulations for the audit of the consolidated financial statements and reporting by the auditor, in particular the changes to the audit of the management report in accordance with IDW PS 350 n.F. and the requirements of the European electronic reporting format as well as other upcoming changes to standards. In addition, the Chairman of the Audit Committee informed the members of the committee by way of an update on the requirements under the EU Audit Reform Regulation. The Audit Committee carried out the invitation to tender for the audit of the consolidated financial statements of Bilfinger SE for the 2021 financial year in accordance with the statutory requirements and had a report on the selection procedure drawn up. On this basis, the Audit Committee made a recommendation to the Plenum at the December meeting of the Supervisory Board on the appointment of the new auditors for 2021.

The Audit Committee was informed about the development of the risk situation through quarterly reports from Corporate Controlling, which were also submitted to the full Supervisory Board. The Audit Committee was regularly informed about the activities of Corporate Internal Audit & Controls (including Internal Audit, Project Audit and Internal Control Systems) and Corporate Compliance and discussed the issues. 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 accounting 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. Other topics on the agenda in the reporting year included the Sustainability Report and Non-Financial Report 2018, refinancing 2019, the evaluation of the quality of the audit 2018, and the internal efficiency review by means of the Audit Committee's self-assessment.

The Audit Committee dealt in particular with questions of compliance in detail and on a regular basis. The Chief Compliance Officer regularly reported to the committee on his activity as well as on the status of the of the compliance management system and its development, he also communicated personally with the Chairman of the Audit Committee over the course of the reporting year.

Nomination Committee

see page 211

In line with the recommendation of the German Corporate Governance Code, the Supervisory Board has formed a *Nomination Committee*. This committee consists of 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. There were two meetings of the Nomination Committee in the reporting year. Due to the resignation of Ms. Fønss Schrøder, the Nomination Committee decided in May 2019 to recommend to the shareholders on the Supervisory Board that Ms. Nicoletta Giadrossi be proposed for election to the Supervisory Board at the next Annual General Meeting and to apply for the court appointment of Ms. Giadrossi as a member of the Supervisory Board for the interim period until the next Annual General Meeting; the court appointment was made on July 11, 2019. Beyond this, the Nomination Committee did not convene in financial year 2019.

Strategy Committee

see page 211

The Strategy Committee consists of *six members* and has equal representation. It 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. It is also responsible for the decisions on legal and other transactions subject to approval that were assigned to it.

The Strategy Committee convened for four regular meetings in financial year 2019. At its meetings, it dealt in particular with issues relating to Strategy 2020, refinancing in 2019, energy transformation, changes to the Group structure and the program to reduce administrative costs. The committee also dealt in detail with the individual divisions and regions of the Group, their business and positioning, the profile and performance of selected Group companies as well as selected transaction projects and legal transactions subject to approval. As an exception, a few of the resolutions of the Strategy Committee were made in written form.

Corporate governance and declaration of compliance

In financial year 2019, the Supervisory Board dealt in detail with questions of corporate governance and with the German Corporate Governance Code as well as its requirements. On December 11, 2019, the Executive Board and the Supervisory Board issued a joint Declaration of Compliance pursuant to Section 161 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

www.bilfinger.com/en/company/corporate-governance/declarations-of-compliance/. In addition, the Executive Board also reports on corporate governance at Bilfinger for the Supervisory Board in the *Combined Declaration of Corporate Governance and the Corporate Governance Report*.

see page 24 et seqq.

Self-assessment

In the year under review, the Supervisory Board and the Audit Committee evaluated the efficiency of their activities internally on a regular basis. The efficiency review by means of self-assessment by the Supervisory Board and the Audit Committee resulted in a positive to very positive opinion on all topics. No fundamental weaknesses were identified. Potential for further optimization in committee work in individual areas was identified and relevant measures were initiated. The next self-assessment of efficiency for the two committees is scheduled for 2021.

Audit of the annual 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 2019 and has issued them with an unqualified audit opinion. The consolidated financial statements of Bilfinger SE for the year 2019 were prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with Section 315e Subsection 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 8, 2019. 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 meet the demands that are made of them, but should be continually optimized. In addition, the Audit Committee discussed with the auditor his audit report on the separate Non-Financial Report for financial year 2019 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 2019 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 2019, 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 at its meeting on Tuesday, March 10, 2020. The audit from the Supervisory Board also covered the separate Non-Financial Report 2019 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 10, 2020. 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 pursuit for ongoing for improvement. The Supervisory Board was convinced that the audit by the external auditors 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 to be made; this applied, in particular, to the corporate governance statement summarized together 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 Tuesday, March 10, 2020, the Supervisory Board approved the annual and consolidated financial statements and the combined management report for the 2019 financial year as submitted by the Executive Board. The company's financial statements for financial year 2019 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 to the proposed dividend distribution.

Executive Board personnel matters

Mr. Michael Bernhardt stepped down as Labor Director and member of the Executive Board as of December 31, 2019 and, by mutual agreement with the Supervisory Board, left the Executive Board as of December 31, 2019. While retaining his position as Chairman of the Executive Board, the Supervisory Board transferred to Mr. Tom Blades the responsibilities previously held by Mr. Bernhardt in the area of human resources, including the function of Labor Director, effective January 1, 2020.

The Supervisory Board thus reduced the Executive Board from four to three members; Tom Blades (Chairman), Duncan Hall (Chief Operating Officer) and Christina Johansson (Chief Financial Officer) now form the Executive Board.

Supervisory Board personnel matters

Ms. Lone Fønss Schrøder stepped down from her position on the company's Supervisory Board at the beginning of the Annual General Meeting on May 8, 2019. In her place, the Mannheim Local Court appointed Ms. Nicoletta Giadrossi as shareholder representative on the Supervisory Board of Bilfinger SE on July 11, 2019, following the proposal of the Supervisory Board and at the request of the Executive Board. Ms. Giadrossi accepted the Supervisory Board mandate and was supported by the company during her inauguration through individual discussions with the Executive Board, selected department heads and other experts as well as comprehensive corporate documentation and legal information and instruction. Nicoletta Giadrossi's appointment is initially only valid until the Annual General Meeting votes on a corresponding motion for election to the Supervisory Board.

Thus, Dr. Eckhard Cordes (Chairman), Ms. Dorothée Deuring, Ms. Nicoletta Giadrossi, 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 duration of each person's membership in the Supervisory Board can be seen in the overview of the *Boards of the Company*. The current members of the Supervisory Board are, as a whole, familiar with the sector in which the company operates.

see page 208

Thanks to the Executive Board and the 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 at its meeting on March 10, 2020 in accordance with Section 171 Subsection 2 AktG.

For the Supervisory Board

Dr. Eckhard Cordes
Chairman of the Supervisory Board
Mannheim, March 10, 2020

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 as amended on February 7, 2017 (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 www.bilfinger.com/en/company/corporate-governance/declaration-of-corporate-governance/.

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

On December 11, 2019, 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 Number 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 PSUs 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 December 13, 2018, the company has, until today's date, complied with all recommendations of the German Corporate Governance Code as amended on February 7, 2017, with the exception of the recommendation in Number 4.2.3 Subsection 2 Sentence 6."

Mannheim, December 11, 2019

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 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 avail- able 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. A 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 (Number 2.3.2 Subsection 2 Sentence 2 GCGC). The suggestion that shareholders should be given access to the Annual General Meeting through modern communication technology such as the Internet (Number 2.3.3 GCGC) 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 the 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 by corresponding Group policies. 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. Our objective is to ensure that all employees worldwide always fulfill their tasks in accordance with all applicable laws, internal policies, internationally recognized standards of behavior and voluntary commitments – because we never compromise on integrity, compliance and safety. Our comprehensive Bilfinger compliance system pursues the objective of preventing compliance violations through preventive measures, recognizing early any type of misconduct and, in the case of confirmed violations, reacting quickly and consistently punishing misconduct.

The primary objectives of our compliance program are ensuring compliance with anti-corruption regulations and with legal and regulatory requirements in general on the basis of regular risk analyses, maintaining and promoting fair competition, adhering to data protection laws, and complying with export control regulations and sanctions list audits.

To firmly and sustainably establish the Compliance Program in the company, we rely on clear and comprehensive compliance governance, which is understood and internalized by our employees, and on the smooth interaction of all control functions within the company.

The supporting of Group companies through compliance managers, training courses and regular internal communication ensures that all employees are familiar with the Code of Conduct and all relevant policies, including their amendments and updates. In addition, a Compliance Help Desk offers a central point of contact for comprehensive advice for all employees on compliance-related issues. All of our employees are required to report possible compliance violations. Such reports can also be made anonymously through the whistleblower system, which is not only available internally, but also to external third parties. Internal whistleblowers are particularly protected against reprisals. Information provided in this manner as well as other possible violations of compliance rules are first validated by the Allegation Management Office and then reviewed to determine and prove possible misconduct. Particularly serious allegations are evaluated and decided upon by an independent and cross-departmental Allegation Management Committee. An additional committee (*Disciplinary Committee*) sanctions misconduct and ensures the consistent application of sanctions. Findings from the investigations are also used to continually improve the compliance system as well as the effectiveness of processes and controls.

To manage and monitor the organization as well as the implementation and further development of the entire Bilfinger compliance system, there is a Compliance Review Board in place. This body consists of the members of the Executive Board as well as a number of corporate department heads and convenes at least quarterly under the chairmanship of the Chief Compliance Officer. Corporate Internal Audit & Controls verifies the implementation of the compliance management system and the implementation of the compliance policies within the scope of internal audits and separate audits from the internal control system (ICS) in the individual business units.

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 these before entering into a business relationship. For third parties classified as very risky, there are also audits conducted by Corporate Internal Audit & Controls.

The appropriateness and effectiveness of the 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 is a top priority for Bilfinger.

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 SE Implementation Act 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.

see page 207

The *members of the Executive Board* are appointed by the Supervisory Board. In the reporting year, the Executive Board had four members and, since January 1, 2020 has consisted of three 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 public, with the aim of a 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 the other relevant regulations. In accordance with the Schedule of Responsibilities approved by the Presiding Committee of the Supervisory Board, 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 of the Executive Board or self-defined requirements require a resolution by the full Executive Board for certain transactions and actions. Approval from the Supervisory Board or one of its committees is also 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. At regular intervals, the Executive Board reports to the Supervisory Board or its relevant committee on the strategy of the business units, the corporate planning, profitability, business development and the position of the company as well as on the internal control system, the risk management system and the compliance system.

In the reporting year 2019, 27 Executive Board meetings were convened. The Executive Board has not formed any 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 Subsection 2 No. 6 HGB. This is described in greater detail in Chapter *A.4.1 under Joint diversity concept and competence profile for the cooperation between the Executive Board and the Supervisory Board*.

see page 30

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 36

Composition and working methods of the Supervisory Board and its committees

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. The Supervisory Board, taking into account the external auditors and the audit reports submitted by them, also 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. In general, it receives reports from the Executive Board at regular intervals on issues provided for by law and other relevant topics. The information and reporting obligations of the Executive Board to the Supervisory Board, the Audit Committee and – between Supervisory Board meetings – to the Chairman of the Supervisory Board were defined in greater detail by the Supervisory Board in an information regulation. For transactions of fundamental importance or which were otherwise classified as particularly significant, the Articles of Association and Rules of Procedure stipulate that approval is required from the Supervisory Board or one of its committees.

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 the reporting year 2019, there were seven meetings of the Supervisory Board. In the reporting year, in accordance with the recommendation in Number 5.6 GCGC, the Supervisory Board also reviewed the efficiency of its activities as part of an internal self-assessment using written assessment forms and, on this basis, made further improvements to the working methods already identified as efficient.

see page 13

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

see page 208

see page 36

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 Supervisory Board in the controlling bodies of other companies as well as significant activities beyond the Supervisory Board mandate with the company are listed.

The remuneration of the members of the Supervisory Board is presented in the connected *remuneration report* (forming part of the combined 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 Strategy Committee. With the exception of the Nomination Committee, all committees have equal representation.

The Presiding Committee of the Supervisory Board, consisting of four members, includes Dr. Eckhard Cordes (Chairman of the Presiding Committee), Mr. Stephan Brückner (Deputy Chairman of the Presiding Committee), Dr. Ralph Heck and Mr. 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 financial year 2019, six meetings of the Presiding Committee took place.

The Audit Committee, consisting of four members, includes Mr. Frank Lutz (Chairman of the Audit Committee), Dr. Janna Köke (Deputy Chairwoman of the Audit Committee), Ms. Dorothée Deuring and Mr. Jörg Sommer. In the reporting year, the committee had and continues to have an independent member in the person of Mr. Frank Lutz, who, in accordance with Section 100 Subsection 5 AktG, has expert knowledge in the areas of accounting and auditing and has particular experience in the application of internal control procedures due to his training and previous activities, including as CFO and in other audit committees. The Audit Committee 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. It 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. In the reporting year, in accordance with the recommendation in Number 5.6 GCGC, the Audit Committee also reviewed the efficiency of its activities as part of an internal self-assessment using written assessment forms and, on this basis, made further improvements to the working methods already identified as efficient. In financial year 2019, six meetings of the Audit Committee took place.

In accordance with the recommendation of the GCGC, the Supervisory Board also established a Nomination Committee consisting exclusively of shareholder representatives. The Nomination Committee, which has three members, included in the reporting year Dr. Eckhard Cordes (Chairman of the Nomination Committee), Mr. Jens Tischendorf and Mr. Frank Lutz. The committee proposes suitable candidates to the Supervisory Board for its proposals to the Annual General Meeting for the election of shareholder representatives to the Supervisory Board. The committee convened twice in the 2019 reporting year.

The Strategy Committee, consisting of six members, includes Dr. Eckhard Cordes (Chairman of the Strategy Committee), Mr. Stephan Brückner (Deputy Chairman of the Strategy Committee), Dr. Ralph Heck, Mr. Rainer Knerler, Mr. Jens Tischendorf and Ms. Susanne Hupe. 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 has responsibility for decisions on assigned legal business and transactions that require approval. The committee convened four times in the 2019 reporting year.

Which meetings of the committees each individual member participated in can be viewed in the overview in Chapter *A.3 under Meetings of the Supervisory Board*.

see page 16

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 Board and the Supervisory Board

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, Bilfinger SE shall report on the diversity concept it follows for the composition of the Executive Board and Supervisory Board, its objectives, the form if its implementation and the results achieved in the reporting year. The Supervisory Board has combined the diversity concept with the requirements of the German Act on Equal Participation of and Women and Men in Executive Positions and the targets defined in the fulfillment of relevant targets for the composition of the boards in the joint competence profiles for the Executive Board and the Supervisory Board described below. The competence profiles also serve as a basis for a 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. The objective of the requirement profile for the Executive Board of Bilfinger SE is to ensure that the composition of a strong Executive Board is as diverse and complementary as possible. As part of its decisions in the filling of Executive Board positions, the Supervisory Board also considers the following aspects, whereby the Supervisory Board, as well as the Presiding Committee, 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.
- The Executive Board in its entirety should also embody an international perspective in the sense of various cultural backgrounds or international experience whereby, wherever possible, at least one member of the Executive Board should be of international origin.

- 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 of 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 under Act on the Equal Participation of Women and Men in Executive 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 end of 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.

see page 34

The composition of the Executive Board as of December 31, 2019, 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 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 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, including expertise in personnel, and has a professional background in the process industry with a focus on oil and gas. The same applies to Mr. Hall. Ms. Johansson, as an experienced financial expert, has many years of experience in the field of finance. Mr. Bernhardt, member of the Executive Board until the end of the reporting year, is an expert in the field of human resources management. Compliance and integrity are a top priority for all members of the Executive Board. 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.

see page 10

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. The objective of the requirement profile for the full Supervisory Board of Bilfinger SE is to ensure that the composition of the Supervisory Board is as diverse and complementary as possible. Pursuant to the recommendation in Number 5.4.1 Subsection 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 of 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 Subsection 2 No. 6 HGB, shall prepare a diversity concept.

Against this backdrop, the Supervisory Board within the framework of the specific situation of the company, has named 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 criterion 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 Subsection 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 Number 5.4.2 Sentence 2 GCGC, 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 board. 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 expected that the concepts have been met with the current compositions in the Executive Board and the Supervisory Board. The composition of the Supervisory Board as of December 31, 2019 corresponds, in the Supervisory Board's own assessment, to the composition targets and the diversity concept.

The Rules of Procedure of the Supervisory Board call for a rule to limit the length of service on the Supervisory Board. Accordingly, as a rule, only those candidates who have not already served three full regular periods in office at the time of their election shall be proposed for election to the Supervisory Board for a full period in office. This standard period in office was only exceeded by one incumbent member of the Supervisory Board: Mr. Rainer Knerler has been a member of the Supervisory Board since 1996 and thus – as the only member of the Supervisory Board – 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. The current composition as well as length of service 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 under www.bilfinger.com/en/company/executive-supervisory-board/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.

see page 208

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 Chairman

of the Supervisory Board meets the requirements related to particular knowledge and experience in the areas of accounting and auditing as well as internal control procedures. He must be qualified as a financial expert in accordance with Section 100 Subsection 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, 2019 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 shareholder representatives on the Supervisory Board, the appropriate number of independent shareholder representatives in the Supervisory Board under consideration of the ownership structure is four. Ms. Dorothée Deuring, Dr. Ralph Heck, Mr. Frank Lutz and Ms. Nicoletta Giadrossi (appointed by court order from July 11, 2019; until May 8, 2019 Ms. Lone Fønss Schrøder) are categorized as independent for the purposes of the GCGC.

Act on the Equal Participation of Women and Men in Executive Positions

In relation to the law on the equal participation of women and men in executive positions in the private and public sectors and its implementation in Sections 76 Subsection 4, 96 Subsection 2 and 111 Subsection 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 was fulfilled with a share of women in the Supervisory Board of 42 percent as of the balance-sheet date of December 31, 2019.

With regard to the share of women in the Executive Board, a target of zero percent was defined for the period up until December 31, 2020. It was also determined that the Supervisory Board will attempt to find an appropriately qualified woman who would be suitable for joining the Executive Board. Since December 1, 2018, Christina Johansson has been a member of the Executive Board, which means that the requirement was exceeded as of the balance-sheet date of December 31, 2019.

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, 2019, the share was at 7.4 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, 2019, the share was at 8.1 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 2019, the share was at 13 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 (Managers' Transactions)

Pursuant to Article 19 of the EU Directive No. 596/2014 of April 16, 2014 on market abuse (Market Abuse Directive), the members of the Supervisory Board and the 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 (as of January 1, 2020: €20,000) in any calendar year, as soon as possible and at the latest within three working days. We immediately publish details of such transactions on our website, among other places, at 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 the 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 AktG and at least the deductible for the Supervisory Board recommended in Number 3.8 Subsection 3 GCGC.

Mannheim, March 10, 2020

Bilfinger SE
The Executive Board The Supervisory Board

A.4.2 Remuneration report

In this remuneration report – prepared on the basis of the relevant recommendations of the German Corporate Governance Code in the version as amended on February 7, 2017 (GCGC 2017) – 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 is described. A fundamental revision of the remuneration system for the Executive Board, taking into account the requirements of the Second Shareholder Rights Directive Implementation Act (ARUG II; Federal Law Gazette 2019, 2637), is currently being prepared for the Supervisory Board by the Presiding Committee of the Supervisory Board. The revision will be completed in the course of 2020.

Partially differing agreements – in terms of value only – on the basis of the current remuneration system were made with individual members of the Executive Board, which are subsequently described in greater detail. The remuneration report also includes the remuneration granted and actually paid to the Executive Board members in financial year 2019; it additionally includes information on the remuneration of the Supervisory Board in 2019. The remuneration report is part of the Group management report.

Executive Board remuneration

The remuneration system of the Executive Board is geared toward a long-term and sustainable, profitable development of Bilfinger. Executive Board remuneration first of all comprises a fixed annual salary and variable remuneration with two components, one single-year component and one multi-year component. In this context, the major portion of the granted variable remuneration components had a multi-year assessment basis and thus a long-term orientation. Members of the Executive Board members can participate in a sustainable increase in the value of Bilfinger and are incentivized in a way that allows them to focus on the long-term well-being of the company. The one-year variable remuneration component is based not only on economic success factors but also on personal performance indicators, which also include non-financial aspects. At the same time, the current remuneration system has been designed to ensure that the remuneration is in an appropriate relationship to the tasks and performance of the Executive Board members and the position of the company. Outstanding performance will be more strongly rewarded; shortfalls in performance, on the other hand, should 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.

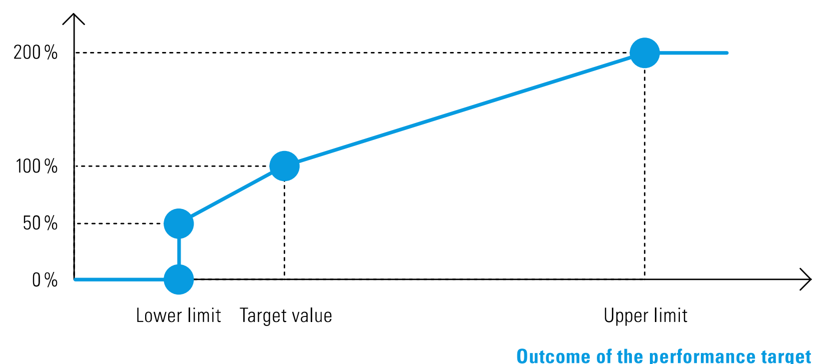
Annual fixed salary The annual fixed salary amounts to €600 thousand for ordinary members of the Executive Board, €650 thousand for Christina Johansson and €1,200 thousand for the Executive Board Chairman.

Variable remuneration The variable remuneration shall consist 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 the economic success targets adjusted EBITA and free cash flow. 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 target figure and the scope of the economic success targets with the upper and lower limit as well as 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.

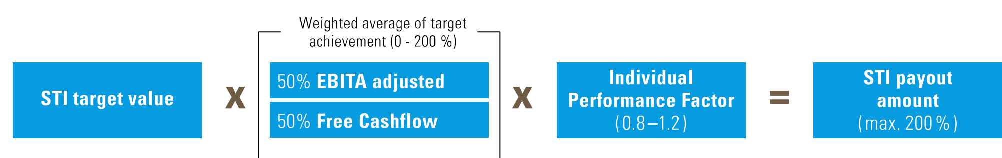
The annual initial value of the STI, corresponding to a 100 percent target achievement, amounts to €500 thousand for ordinary members of the Executive Board, €600 thousand for Christina Johansson and €1,000 thousand for the Chairman of the Executive Board. This figure changes depending on the achievement of targets defined each year by the Supervisory Board for the development of adjusted EBITA and free cash flow of the Bilfinger Group. The achievement of these equally-weighted targets counts only within a corridor between an absolute upper and lower limit that is defined by the Supervisory Board at the beginning of each financial year for each success target. 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 at 200 percent ('cap').



The criteria used to assess the IPF of each member of the Executive Board include strategy implementation, leadership, innovation, market success factors and corporate culture.

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 overall performance, oriented toward the defined criteria and unforeseen events 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.

SHORT TERM INCENTIVE

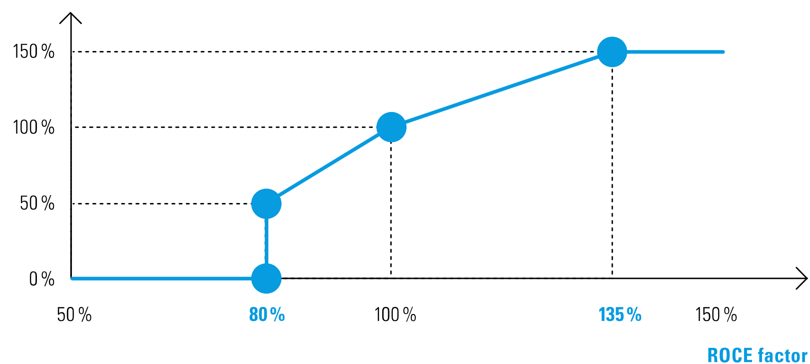


The LTI is designed to reward the sustainable long-term development of the company. It includes the annual issue of virtual shares of Bilfinger SE, so-called performance share units (PSUs). Their number can change over the course of a three-year performance period depending on the degree of target achievement 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.

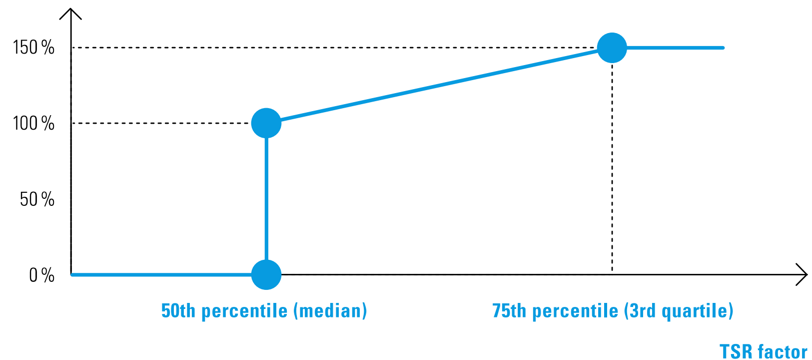
At the beginning of each financial year, full Executive Board members receive PSUs with a current market value of €630 thousand; Christina Johansson receives PSUs with a current market value of €700 thousand, and the Chairman of the Executive Board receives PSUs with a current market value of €1,400 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 was still calculated as adjusted ROCE before taxes; since the tranche 2017-2019, the ROCE has been 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. The 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').

ROCE level of target achievement

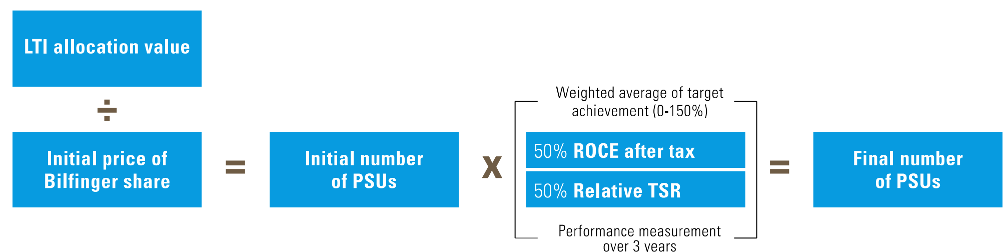


The second success factor for the LTI, the relative TSR value, is determined on the basis of a comparison of the TSR values of the shares of the other companies listed on the MDAX. If Bilfinger is positioned below the median in comparison to the other MDAX companies through the performance period, the 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 of 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.

CALCULATION OF THE FINAL NUMBER OF PSUS



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 fundamental 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 of 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 at the end of the performance period are counted against this purchase obligation.

Fringe benefits The Executive Board remuneration system provides for fringe benefits in the form of benefits in kind and allowances, for the most part consisting of allowances to insurance and the use of company cars including driver. Where relevant, the values to be accounted for in accordance with tax guidelines are taken as a basis.

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. The current members of the Executive Board have not made any such relevant agreement. The entitlements described above have been transferred to an external institution in the form of a reinsured relief fund and are based on contributions made by the company to the relief fund and contractually agreed with the member of the Executive Board in the amount of 45 percent of the fixed remuneration (50 percent in the case of 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. Mr. Hall has not concluded a pension arrangement, but instead receives an annual contribution in an amount paid out as salary.

The following table shows the company's contributions to the relief fund for the year 2019 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	
			2019	2018
Tom Blades (Chairman)	825[a]	82[a]	540	540
Christina Johansson	2,979	86	325	28
Michael Bernhardt	1,242	38	270	270
Duncan Hall[b]	–	–	–	–
			1,135	838

[a] Calculation on the assumption of a retirement age of 65 years.
[b] Mr. Hall receives the annual contribution to the relief fund paid out as part of the fixed remuneration.

Total remuneration granted for the financial year

Total remuneration granted for 2019, comprised of 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 charts below*.

see page 42

Section 4.2.3 Subsection 2 Sentence 6 of the German Corporate Governance Code 2017 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 11, 2019. 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 PSUs 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 achievements, 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 been guaranteed.

Because Mr. Hall was also involved in the Group's corporate planning for fiscal year 2019 only with regard to the partial planning for the Northwest Europe division, the Supervisory Board additionally agreed with Mr. Hall that a weighted average of the degree of target achievement, i.e. the results of the economic performance targets, would be guaranteed at 60 percent for 2019 with regard to the STI and at 100 percent with regard to the LTI for 2019.

No loans or advances were made to the members of the Executive Board in 2019. 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 2019.

VALUE OF BENEFITS GRANTED FOR THE REPORTING YEAR
€ thousand

	Tom Blades (Chairman)				Christina Johansson (Chief Financial Officer)[a]			
	2018	2019	2019 min	2019 max	2018[a]	2019	2019 min	2019 max
Fixed remuneration	1,200	1,200	1,200	1,200	55	650	650	650
Fringe benefits	40	45	45	45	3	39	39	39
One-time payment	72	–	–	–	–	–	–	–
Total	**1,312**	**1,245**	**1,245**	**1,245**	**58**	**689**	**689**	**689**
One-year variable remuneration: STI	1,000	1,000	0	2,000	51	600	480	1,200
Multi-year variable remuneration: LTI (share-based) Tranche 2018-2020[b]	1,209	–	–	–	39	–	–	–
Multi-year variable remuneration: LTI (share-based) Tranche 2019-2021[b]	–	918	0	n/a[c]	–	459	0	n/a[c]
Total	**3,521**	**3,163**	**1,245**	**n/a[c]**	**148**	**1,748**	**1,169**	**n/a[c]**
Benefit expense	540	540	540	540	28	325	325	325
Total remuneration	**4,061**	**3,703**	**1,785**	**n/a[c]**	**176**	**2,073**	**1,494**	**n/a[c]**

VALUE OF BENEFITS GRANTED FOR THE REPORTING YEAR
€ thousand

	Michael Bernhardt (Member of the Executive Board)				Duncan Hall (Member of the Executive Board)			
	2018	2019	2019 min	2019 max	2018	2019	2019 min	2019 max
Fixed remuneration	600	600	600	600	–	870[d]	870	870
Fringe benefits	34	35	35	35	–	13	13	13
One-time payment	–	–	–	–	–	–	–	–
Total	**634**	**635**	**635**	**635**	**–**	**883**	**883**	**883**
One-year variable remuneration: STI	500	500	0	1,000	–	500	240	1,000
Multi-year variable remuneration: LTI (share-based) Tranche 2018-2020[b]	544	–	–	–	–	–	–	–
Multi-year variable remuneration: LTI (share-based) Tranche 2019-2021[b]	–	413	0	n/a[c]	–	413	0	n/a[c]
Total	**1,678**	**1,548**	**635**	**n/a[c]**	**–**	**1,796**	**1,123**	**n/a[c]**
Benefit expense	270	270	270	270	–	–	–	–
Total remuneration	**1,948**	**1,818**	**905**	**n/a[c]**	**–**	**1,796**	**1,123**	**n/a[c]**

a Taking into account the proportionate mandate, because start of the Executive Board mandate as of December 1, 2018
b Fair value at granting
c Not applicable, as the LTI is not limited due to the payment in real shares
d Fixed remuneration of €600 thousand plus payment of the annual contribution for retirement benefits of €270 thousand

ALLOCATION FOR THE REPORTING YEAR € thousand	Tom Blades (Chairman)		Christina Johansson (Chief Financial Officer)	
	2018	2019	2018[a]	2019
Fixed remuneration	1,200	1,200	55	650
Fringe benefits	40	45	3	39
One-time payment	72[b]	–	–	–
Total	**1,312**	**1,245**	**58**	**689**
One-year variable remuneration: STI	1,728	347	73	540
Multi-year variable remuneration: LTI (share-based) Tranche 2016-2018	200[c]	–	–	–
Multi-year variable remuneration: LTI (share-based) Tranche 2017-2019	–	–	–	–
Total	**3,240**	**1,592**	**131**	**1,229**
Benefit expense	540	540	28	325
Total remuneration	**3,780**	**2,132**	**159**	**1,554**

ALLOCATION FOR THE REPORTING YEAR € thousand	Michael Bernhardt (Member of the Executive Board)		Duncan Hall (Member of the Executive Board)	
	2018	2019	2018	2019
Fixed remuneration	600	600	–	870[d]
Fringe benefits	34	35	–	13
One-time payment	–	–	–	–
Total	**634**	**635**	–	**883**
One-year variable remuneration: STI	864	154	–	270
Multi-year variable remuneration: LTI (share-based) Tranche 2016-2018	135[c]	–	–	–
Multi-year variable remuneration: LTI (share-based) Tranche 2017-2019	–	–	–	–
Total	**1,633**	**789**	–	**1,153**
Benefit expense	270	270	–	–
Total remuneration	**1,903**	**1,059**	–	**1,153**

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 day of their booking in the deposit, May 9, 2019 (based on the XETRA closing share price on that day)
d Fixed remuneration of €600 thousand plus payment of the annual contribution for retirement benefits of €270 thousand

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 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 PSUs. 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 is charged at 50 percent against the respective monthly compensation. The company can waive the post-contractual prohibition of competition at any time with a six-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 €3,572 thousand in the reporting year (previous year: €2,484 thousand; solely pension payments). In addition to pension payments to former members of the Executive Board who left the company before the reporting year or their surviving dependents in the reporting year in the amount of €2,611 thousand (previous year: €2,484 thousand), this remuneration also included a non-competition payment to the former Executive Board member Dr. Jochen Keysberg after and in the amount of a settlement agreement of €349 thousand as well as the inflow from the 2017-2019 tranche of the LTI of 17,704 PSUs to be changed into Bilfinger shares to the former Executive Board member Dr. Klaus Patzak, which was calculated on the basis that Dr. Patzak had been guaranteed 100 percent target achievement with the ROCE parameter of the LTI for 2017. As of December 31, 2019, this inflow had a value of €612 thousand based on the XETRA closing price of the Bilfinger share on the last trading day in the year 2019, December 30, 2019.

No other payments were made. The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €30,998 thousand (previous year: €30,290 thousand).

Resignation and compensation Michael Bernhardt Mr. Bernhardt stepped down from the Executive Board prematurely on the best of terms at the end of December 31, 2019. In this context, a financial settlement was agreed with him that does not exceed the target remuneration of the base salary, STI and LTI pro rata from January 1, 2020 until October 31, 2020, the original end of the term of the Executive Board contract. Half of the settlement amount will be paid out at the end of January 2020

and the remainder in equal monthly installments until October 2020, whereby the outstanding settlement will expire immediately from that month and no further payments will be made if Mr. Bernhardt takes up another position. In addition, he will be granted a non-competition payment for three months, with monthly payments only being made from November 2020 and only if and as long as Mr. Bernhardt has not taken up any other position in the period between November 2020 and January 2021. The remuneration entitlements earned until December 31, 2019 are not affected and will be paid out in accordance with the provisions of the Executive Board contract if the conditions are met.

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 fixed remuneration. 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 (including participation by telephone or video conference). Members who reside in Germany are also reimbursed for any value added tax applicable to their remuneration. An overview with regard to participation of the individual members of the Supervisory Board in the meetings of the Supervisory Board and its committees in the year 2019 can be found in the *Report of the Supervisory Board*.

see page 16

The remuneration of the members of the Supervisory Board of Bilfinger SE in 2019 amounted to €1,392 thousand (previous year: €1,429 thousand). In financial year 2019, members of the Supervisory Board were also reimbursed for expenses or these expenses were assumed by the company; 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 €107 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 €80 thousand (previous year: €144 thousand) net in financial year 2019. 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

	2019	2018
Dr. Eckhard Cordes (Chairman, Chairman of the Presiding Committee, Chairman of the Strategy Committee)	184.0	186.5
Stephan Brückner (Deputy Chairman, member of the Presiding Committee, member of the Strategy Committee)	147.5	151.0
Agnieszka Al-Selwi	73.5	75.5
Dorothée Deuring (member of the Audit Committee)	110.5	113.5
Lone Fønss Schrøder (until May 8, 2019)	24.5	73.0
Nicoletta Giadrossi (from July 11, 2019)	34.9	–
Dr. Ralph Heck (member of the Presiding Committee, member of the Strategy Committee)	112.0	114.0
Dr. Marion Helmes (until May 15, 2018, Chairwoman of the Audit Committee)	–	54.3
Susanne Hupe (member of the Strategy Committee)	110.5	113.0
Rainer Knerler (member of the Presiding Committee, member of the Strategy Committee)	113.5	115.0
Dr. Janna Köke (member of the Audit Committee)	111.5	113.5
Frank Lutz (from May 15, 2018, Chairman of the Audit Committee)	147.0	92.6
Jörg Sommer (member of the Audit Committee)	111.5	113.5
Jens Tischendorf (member of the Strategy Committee)	111.0	113.5
	1,391,9	**1,428.9**

a Net amounts not including potential income tax reimbursement

A.5 Bilfinger in the capital market

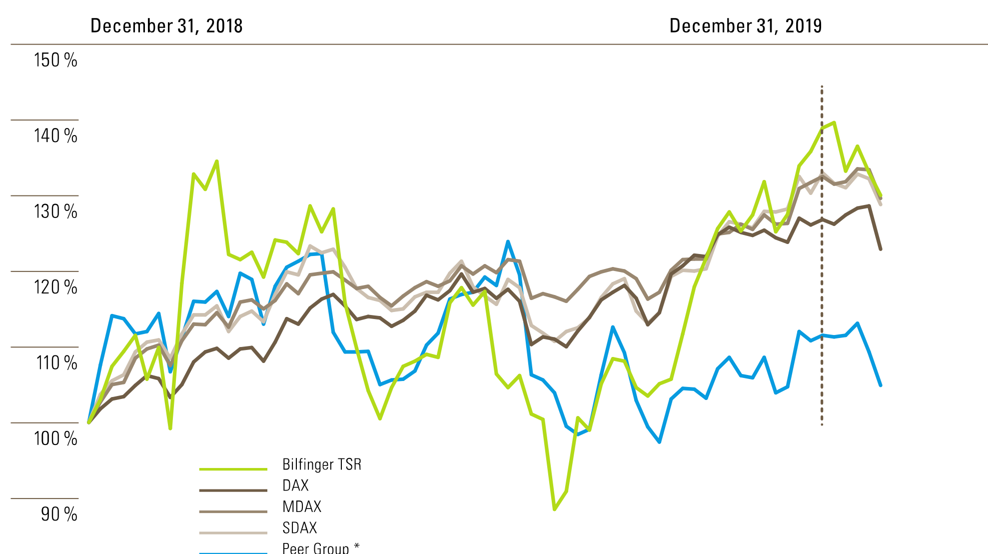
Stock market year 2019

The stock market year 2019 was shaped by significant price gains as well as continued high volatility. The relevant German stock indices generally recorded significant gains in value over the course of the year: The DAX was up by around 25 percent, while the MDAX and SDAX each gained around 31 percent. For full year 2019, the Bilfinger share increased by about 34 percent, and thus greater than that of the group of comparable companies (+12 percent).

The Bilfinger share price was subject to relatively high volatility in the course of the year. It started the stock market year 2019 from a low level of €25.50. In the first nine months of the year, in particular, the share price developed in line with the index of comparable companies. The share reacted very positively to the publication of the preliminary figures for the 2018 financial year and the Capital Markets Day on February 14, 2019: besides achieving all the targets set for 2018, further progress in the implementation of the 2020 strategy was presented. By contrast, subsequent publication of the quarterly figures for the first and second quarters of 2019 were each accompanied by significant price declines, with the Bilfinger share reaching its low for the year of €21.00 on August 15, 2019. In the third and fourth quarters, the share prices of comparable companies also encountered significant pressure.

In the fourth quarter of the financial year, Bilfinger shares made up for previous losses and, with a price increase of 24 percent, performed significantly better than the peer index, which largely moved sideways with a gain of 3 percent. Following publication of the figures for the third quarter and the initial outlook for 2020 provided in November 2019, the positive share price development continued until the end of the year, with the share ending the financial year at a high for the year of €34.58 on the last trading day. Market capitalization totaled roughly €1.5 billion.

RELATIVE PERFORMANCE OF OUR SHARES
1 YEAR



* Weighted index of peer group companies by market capitalization as of December 31, 2018 (Aegion, Fluor, KBR, Matrix Services, Mistras, Petrofac, Spie, Team, Wood Group, Worley Parsons)

KEY FIGURES ON OUR SHARES

€ per share

	2015	2016	2017	2018	2019
Earnings [1]	-11.54	6.13	-2.01	-0.59	0.60
Adjusted earnings [2]	-0.68	-0.17	-0.19	0.87	1.23
Cash flow per share	0.88	-5.07	-2.71	1.21	2.74
Dividend	0.00	1.00	1.00	1.00	1.00
Dividend yield [3]	–	2.7%	2.5%	3.9%	2.9%
Highest price	59.67	44.15	40.72	46.58	34.58
Lowest price	32.63	25.05	32.89	25.08	21.00
Year-end price	43.47	36.57	39.57	25.48	34.58
Book value [5]	33.39	37.30	32.65	30.24	28.92
Market value / book value [3,5]	1.3	1.0	1.2	0.8	1.2
Market capitalization in € million [3,7]	2,001	1,683	1,749	1,126	1,529
SDAX weighting (until 2016 MDAX) [6.8]	0.9%	0.7%	2.6%	1.5%	1.7%
Price-to-earnings ratio [3,4]	-63.93	-215.12	-208.26	29.29	28.11
Number of shares (in thousands) [6,7]	46,024	46,024	44,209	44,209	44,209
Average XETRA daily volume (no. of shares)	363,671	248,551	208,084	166,739	153,241

Unless stated otherwise, all information relates to continuing operations.
All price details refer to XETRA trading
1 Includes continuing and discontinued operations
2 Includes only continuing operations. 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%, from 2019 at 27%.
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 73

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 stable

The rating agency Standard & Poor's gave Bilfinger a credit rating of BB, stable outlook.

Corporate bond – Bilfinger successfully concludes refinancing

Bilfinger successfully refinanced the corporate bond in the amount of €500 million that matured in December 2019. The corporate bond issued in December 2012 has an interest coupon of 2.375 percent. It was fully repaid on December 7, 2019 as planned. In addition to several promissory note loans totaling €123 million, refinancing was carried out through the issue of an additional bond with a volume of €250 million and an annual coupon of 4.5 percent. This bond issued in June 2019 is due on June 14, 2024 and, as is the case with the refinanced bond, is listed in Luxembourg. The closing price of the bond at the end of the year was 108.61 percent.

BILFINGER BOND 12/2019

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 (for maturity on December 7, 2019	100.00

BILFINGER BOND 06/2024

ISIN / stock exchange symbol	DE000A2YNQW7
WKN	A2YNQW
Listing	Luxembourg (official trading)
Issue volume	€250 million
Interest coupon	4.5%
Maturity	June 14, 2024
Year-end closing price (Bloomberg)	108.61

Shareholder structure

In financial year 2019, the number of outstanding shares was 44,209,042. The proportion of treasury shares at the end of the year was 8.86 percent. The largest shareholder was Cevian Capital with 26.81 percent of outstanding shares. The second largest shareholder was Union Investment Privatfonds GmbH, which held 5.04 percent of shares. More detailed information as well as a graphic overview of the current status of shareholder structure is available on the company's website at www.bilfinger.com under Investor Relations/Share, Bond and Rating.

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 be approved for financial year 2019 be distributed. In relation to the share price at the end of 2019, this represents a dividend yield of 2.9 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 foreseeable medium term development of the company.

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 2019

The Bilfinger Capital Markets Day was held on February 14, 2019 in Frankfurt, Germany. In addition to the preliminary figures for financial year 2018, it was primarily progress in the areas of business development and operational excellence that were presented by the Executive Board. In this context, the new CFO Christina Johansson and new COO Duncan Hall presented themselves to analysts, investors and bank representatives.

Annual General Meeting 2019 with higher capital presence

There was again a strong presence at the Annual General Meeting on May 8, 2019 with 56 percent (previous year: 59 percent) of the share capital as defined by our Articles of Incorporation on hand. A total of 512 participants (previous year: 692 participants) attended the event. All of the agenda items published in advance in the invitation to the Annual General Meeting were passed as recommended by the management with large majorities. Only one proposal for the appointment of a special auditor put to the vote during the Annual General Meeting did not receive the necessary majority of 3.02 percent of the votes cast and was therefore rejected by the Annual General Meeting.

We will continue to encourage our shareholders to exercise their voting rights in 2020 – either in person or through a proxy.

B Combined management report

B.1	**The Bilfinger Group**	**53**
B.1.1	Business model	53
B.1.2	Legal form and management	53
B.1.3	Organization, strategy and objectives	53
B.1.4	Financial management system	55
B.1.4.1	Growth	55
B.1.4.2	Profitability	55
B.1.4.3	Capital efficiency	55
B.1.4.4	Capital structure and liquidity	56
B.2	**Economic report**	**57**
B.2.1	General statement of the Executive Board on the economic situation	57
B.2.1.1	Economic environment	59
B.2.1.2	Factors influencing business development	64
B.2.2	Results of operations	65
B.2.3	Net assets	75
B.2.4	Financial position	77
B.2.5	Information on the results of operations, net assets and financial position of Bilfinger SE	82
B.2.6	Employees	86
B.2.7	Innovation (research and development report)	88
B.2.8	Non-Financial Group Declaration pursuant to Sections 315b ff and 289b ff of the German Commercial Code (HGB)	89
B.3	**Risk and opportunity report**	**90**
B.3.1	Risk management	90
B.3.1.1	Basic principles	90
B.3.1.2	Identification	93
B.3.1.3	Evaluation	93
B.3.1.4	Control	94
B.3.2	Significant risks	95
B.3.2.1	Strategic risks	96
B.3.2.2	Operational risks	97
B.3.2.3	Financial risks	101
B.3.2.4	Compliance risks (including legal risks)	102
B.3.3	General assessment of the risk situation	105
B.3.4	Opportunity management	105
B.3.4.1	Principles, identification, evaluation and control	105

B.3.5	Significant opportunities	105
B.3.5.1	Strategic opportunities	106
B.3.5.2	Operational opportunities	106
B.3.5.3	Financial opportunities	107
B.3.5.4	Compliance opportunities	108
B.3.6	General assessment of the opportunities situation	109
B.3.7	Internal control and risk management system as relates to the accounting process	109
B.4	**Outlook**	**111**
B.4.1	Operational Engineering & Maintenance business in Europe from January 1, 2020	111
B.4.2	Economy as a whole	112
B.4.3	Assumptions	116
B.4.4	Expected business development in 2020	116
B.5	**Takeover-relevant information pursuant to Section 289a Subsection 1 and Section 315a Subsection 1 of the German Commercial Code (HGB)**	**119**
B.6	**Executive Board remuneration**	**123**

B.1 The Bilfinger Group

B.1.1 Business model

Bilfinger is an internationally active industrial services provider. The Group enhances the efficiency of assets in the process industry, ensures their availability and reduces maintenance costs. The portfolio covers the 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 company 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.4.1 Declaration of Corporate Governance and the Corporate Governance Report**, which is also available on the Internet site www.bilfinger.com under 'Investor Relations / Corporate Governance'.

see page 24

B.1.3 Organization, strategy and objectives

Bilfinger SE is a holding 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.2.7 Innovation (research and development report)*.

see page 81
see page 88

Two service lines

Bilfinger delivers its services in the two service lines Engineering & Maintenance as well as Technologies. We report on business development in 2019 in the segments Engineering & Maintenance Europe, Engineering & Maintenance International and Technologies.

* information external to the management report / not audited

The service range in the two Engineering & Maintenance segments is provided locally and covers services for the maintenance, expansion and operation of industrial plants from a single source and, since January 1, 2019, also the engineering that was previously bundled in one segment with Technologies. 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.

Activities in the Technologies segment are positioned globally and there is a Group-wide coordination of market development. The most important pillars of the business are components for biopharmaceutical plants, desulfurization technologies for ships and components for the nuclear industry. We consider these activities growth areas due to the technological competence we have in place here.

REPORTABLE SEGMENTS
FINANCIAL YEAR 2019

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

Four regions

In the reporting year, Bilfinger concentrated its business on the core regions Continental Europe, Northwest Europe, North America and the Middle East. In these regions, we have partially strong 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 revenue. 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; they will be managed independently for value until a suitable owner has been found. At the beginning of the reporting year, four units were allocated to Other Operations. The selling process for two of these companies was completed in the course of 2019 so that two companies remain in Other Operations at the end of the year.

Repositioning of the operational Engineering & Maintenance business in Europe as of January 1, 2020.

As of January 1, 2020, Bilfinger repositioned its operational Engineering & Maintenance business in Europe. The reporting segments remain unchanged. Four additional individual companies were, however, shifted to Other Operations. The measures that were completed as of the beginning of financial year 2020 are explained in Chapter *B.4 Outlook*.

see page 111

B.1.4 Financial management system

Our key financial management metrics for financial year 2019 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 gains on disposals, restructuring measures as well as expenses in connection with the further development of our IT landscape and our compliance system.

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

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 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*. We regularly review the underlying parameters and adjust them in the case of relevant changes in the market environment.

see page 74

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 cur-

rent liabilities excluding financial debt. A reduction in net working capital leads to lower capital employed and thus also contributes to 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, and adjusted for special items. These special items correspond to the adjustments in EBITA.

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 (EBITA plus depreciation and amortization on property, plant and equipment and intangible assets).

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. They are used for management purposes because they are based on purely operational development and therefore offer a considerable degree of transparency as relates to the actual business development of the Group. At the same time, a perspective that includes special items is also reported.

The quantitative reconciliation of the special items in the earnings key figures is explained in Chapter *B.2.2 Results of operations*, the quantitative reconciliation of the special items in cash flow is explained in Chapter *B.2.4 Financial position*.

see page 65
see page 77

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 2019	Forecast Interim Report H1 2019	Forecast Annual Report year-end 2018	Actual 2018
Revenue				
Group	€4,326.9 million / organic 6%	organic growth in the mid-single-digit percentage range	organic growth in mid-single-digit percentage range	€4,152.6 million
Technologies	€538.5 million	significant increase	significant increase	€503.4 million
Engineering & Maintenance Europe	€2,748.6 million	stable development	stable development	€2,724.9 million
Engineering & Maintenance International	€911.6 million	significant growth	significant growth	€752.1 million
EBITA adjusted				
Group	€104.0 million	significant increase to more than €100 million	significant increase to more than €100 million	€65.1 million
Technologies	-€27.9 million	significant improvement, again negative	significant improvement to at least a break-even level in earnings	-€26.1 million
Engineering & Maintenance Europe	€101.3 million	stable development	stable development	€102.8 million
Engineering & Maintenance International	€42.3 million	slight improvement	slight improvement	€31.6 million
Net profit	€24.2 million	significant improvement, at least break-even	significant improvement, at least break-even	-€24.3 million
Adjusted net profit from continuing operations	€49.5 million	significant improvement	significant improvement	€36.2 million
Free cash flow	€56.9 million	at least break-even	at least break-even*	-€3.6 million
Return on capital employed (ROCE)	1.8%	slight improvement (after taxes)	slight improvement (after taxes)	0.1%

* Forecast on comparable basis, not including consideration of the effects from initial application of IFRS 16 in financial year 2019 (actual 2019: €4.2 million)

Initial application of IFRS 16 (accounting for leases) in financial year 2019 has effects on assets and liabilities, EBIT, financial result and cash flow. Application since January 1, 2019 is carried out in line with the modified retrospective approach, according to which the comparative figures from prior-year periods are not adjusted. Details are described in Chapter *C.6 Notes to the consolidated financial statements under Note 3.2.*

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.

see page 135

In financial year 2019, Bilfinger met the forecast issued in the Annual Report 2018 and confirmed in the report on the first six months of 2019 with two contrary deviations: Adjusted EBITA in the Technologies segment was slightly below the prior-year figure, whereas the Engineering & Maintenance International segment closed out the year with a significant improvement. After the stabilization phase initiated in the course of the strategic repositioning was completed in 2018, all objectives of the subsequent build-up phase were also reached at the end of 2019. In a stable market environment, the Group developed as expected in the reporting year – revenue, earnings, liquidity and return on capital employed were also at the level of the prior year as forecasted. To grow profitably also in the future, we continue to focus on reducing complexities, improving our operating processes and cutting costs further.

Business development

In the Engineering & Maintenance Europe segment, orders received of €2,711.2 million (previous year: €2,889.6 million) were below the relatively high prior-year figure, while orders received in the Engineering & Maintenance International segment increased to €856.7 million (previous year: €784.3 million). For Technologies, orders received declined to €456.5 million (previous year: €648.3 million); here, the awarding of significant projects was shifted into 2020. At Group level, a figure of €4,158.8 million was achieved (previous year: €4.458.5 million).

Revenue in the Engineering & Maintenance Europe segment was stable at €2,748.6 million (previous year: €2,724.9 million). In Engineering & Maintenance International, revenue was up significantly at €911.6 million (previous year: €752.1 million) and in Technologies to €538.5 million (previous year: €503.4 million). The Group recorded an increase to €4,326.9 million (previous year: €4,152.6 million), corresponding to organic growth of 6 percent.

Adjusted EBITA of €104.0 million (previous year: €65.1 million) was well above the prior-year figure. In relation to revenue, the adjusted EBITA margin was 2.4 percent (previous year: 1.6 percent). Adjusted EBITA in the Engineering & Maintenance Europe segment of €101.3 million (previous year: €102.8 million) was at the magnitude of the previous year. The EBITA margin was 3.7 percent (previous year: 3.8 percent). Adjusted EBITA in the Engineering & Maintenance International segment grew to €42.3 million (previous year: €31.6 million); the adjusted EBITA margin in this segment was 4.6 percent (previous year: 4.2 percent). At Technologies, adjusted EBITA was -€27.9 million (previous year: -€26.1 million), which corresponds to an EBITA margin of -5.2 percent (previous year: -5.2 percent). This meant that the targeted significant improvement as compared with the prior year was not achieved.

Net profit increased considerably to €24.2 million (previous year: -€24.3 million) and was thus positive again for the first time since 2016. Discontinued operations made a significant contribution here of €23.6 million. Adjusted net profit from continuing operations was also increased to €49.5 million (previous year: €36.2 million).

Return on capital employed (ROCE) improved again, reaching 1.8 percent in the reporting year (previous year: 0.1 percent).

Investments in property, plant and equipment and intangible assets decreased slightly to €63.6 million (previous year: €65.6 million). These outflows were countered by lower cash inflows of €10.2 million (previous year: €12.1 million). Net investments were nearly unchanged at €53.4 million (previous year: €53.5 million). Overall, a significantly positive free cash flow of €56.9 million was generated, following a prior-year figure that was still slightly negative at -€3.6 million. Adjusted free cash flow also improved considerably to €127.9 million (previous year: €56.4 million).

B.2.1.1 Economic environment

Economy as a whole

The economy in the euro zone experienced decreased growth in 2019. The trade conflict between the USA and China, uncertainties over Brexit and various other geopolitical risks (Middle East, Hong Kong) have had a noticeable impact on world trade. In the industrial goods sector, global trade volumes have declined since the final quarter of the previous year (DG ECFIN, p. 10). In addition, in the automotive industry there are the imponderables resulting from the transformation toward electric mobility, which have also unsettled demand. These developments have negatively affected export-oriented European industries and led to a decline in industrial production. Against this backdrop, growth in the euro zone declined significantly from 1.9 percent in the previous year to just 1.2 percent despite renewed expansionary measures initiated by the European Central Bank, including a resumption of bond purchases (DG ECFIN Winter, p. 1). The downturn in the export-oriented industry was offset by a comparatively stable development in the domestically oriented services and construction industries. European labor markets remained robust. In this environment, investments in equipment by companies in the euro zone weakened, but nevertheless expanded at a rate of 2.5 percent (after 4.3 percent in the previous year, DG ECFIN, p. 175).

The trade conflict has also not been without consequences for the USA and the declining dynamic of world trade. Although the unemployment rate continued to fall, reaching a 50-year low, GDP growth slowed from 2.9 percent in the previous year to 2.3 percent in 2019 (DG ECFIN p. 155). As in the euro zone, the central bank in the USA also changed course toward a more expansive monetary policy and lowered key interest rates in light of the weaker economic momentum.

The weakening of the global economy was reflected in a slightly lower oil price compared with the previous year. Cost structures of oil production in the Gulf States, however, were improved in recent years. For this reason, cash flows in public-sector budgets, which still depend largely on income from the oil and gas business, increased (Bloomberg Aramco).

Engineering & Maintenance Europe

E&M Continental Europe The European chemical industry experienced a downturn in the reporting year. The cooling off was primarily caused by declining demand from customers that rely heavily on chemicals. This affected demand from the automotive industry in particular – an industry that is suffering from uncertainty relating to the many unresolved issues surrounding the transition to electromobility. Added to this is the slowdown in world trade due to the trade conflict between China and the USA. In this environment, chemical production in the EU countries was 0.7 percent below the previous year's level in the first three quarters (VCI World). For Germany, the production setback was even more pronounced at -3.2 percent (January to September) (VCI World). In addition to the economic hurdles, according to industry assessments, the development in Germany is being hampered by a sharp increase in the duration of approval procedures for new chemical plants (VCI Annual Report). Capacity utilization in the German chemical and pharmaceutical industry has recently fallen to 81.7 percent, which is about five percentage points below the level of the last boom in the first half of 2017 (VCI Q3).

This development, however, has not yet noticeably impacted the market for industrial services for the process industry. Once again, it became apparent that industrial services react to an economic slowdown with a significant delay (Lün, p. 11) and that, initially, even the positive impetus from clearing a maintenance backlog may dominate. Thus, the increased number of shutdowns has made it possible to catch up on extensive repair and optimization work that had been postponed in the previous phase of very high capacity utilization (Lün, p. 47). Despite the slowdown in these sectors, the chemical, petrochemical and refinery sectors therefore remained the most important industry segments in the German industrial services market with a combined share of 47 percent (Lün, p. 28).

The Polish chemical industry performed very well compared with Western European chemical sites, even in a more difficult global environment, with another strong production increase of 5.7 percent (January to September, VCI World). This was mainly due to ongoing capacity expansion resulting from continued high investments in new chemical and petrochemical plants (GTAI Poland Chemicals).

The chemical industry in France performed slightly better than in Germany, achieving a production plus of 1.1 percent in the first three quarters (VCI World).

E&M Northwest Europe Over the course of the full year, the chemical industry in the United Kingdom showed a slightly positive development (+1 percent VCI World); there was, however, a noticeably worsening development over the course of the year as a result of Brexit uncertainties.

The UK oil and gas industry provided an overall stable environment for maintenance service providers. There was a moderate year-on-year decline in oil prices (for Brent). Following a drop in prices at the turn of 2018 / 2019, they stabilized above US$ 60 per barrel over the rest of the year. By contrast, natural gas prices fell by a third in the first half of 2019. The background is growing competition from globally transportable US liquefied petroleum gas on the European market (Oil & Gas UK, p. 20). Despite this price environment, the British oil and gas industry increased production by 2 to 3 percent compared to the previous year (Oil & Gas UK, p. 23) and also increased employment for the first time since 2014 (+3.5 percent to 269,000, Oil & Gas UK, p. 14). However, not least due to the development of oil and gas prices, pressure for strict cost control in operating budgets remained high. Against this background, the issue of minimizing downtimes for scheduled maintenance work continued to gain in importance (Oil & Gas UK, p. 24). Investments in the industry remained at the previous year's level of a good £5 billion (Oil & Gas UK, p. 28). Investment budgets of £2 billion were newly approved for the development of new fields (Oil & Gas UK, p. 30). There was a clear upward trend in the number of wells drilled for the development of new production fields, where the level of 2015 was reached again with an increase of 20 percent (Oil & Gas UK, p. 42).

On the Norwegian Shelf, there was a drop in production of 4 percent in the reporting year as compared with the prior year (Norwegian Petroleum). This was based on a conscious limiting of gas production on the part of producers due to the unsatisfactory price situation (Equinor, p. 2). Exploration activities developed dynamically. Equinor, a company in which the Norwegian state holds a majority stake, reported a 43 percent increase in exploration costs in the first nine months (Equinor, p. 3).

The slowdown in world trade also affected the process industries in Scandinavia, Belgium and the Netherlands. In addition, energy-intensive industries in these countries are faced with the challenges of increasingly ambitious climate policies. Tougher burdens such as the CO_2 tax for companies planned in the Netherlands have an ambivalent effect. On the one hand, they will be perceived as a locational burden if they are introduced without international coordination. On the other hand, these new instruments increase the willingness of industry to invest in higher energy efficiency and emission avoidance (GTAI Dutch Chemicals).

Engineering & Maintenance International

E&M North America North America's chemicals industry cooled down over the course of the year following a phase of strong expansion in the previous years. The American chemical industry is also clearly affected by the weakness of world trade as a result of the trade conflict. At +0.3 percent, chemical production in the USA in the first three quarters was only slightly above the level of 2018, and even for Canada there was only a small volume increase of +1.2 percent (VCI World). The industry was supported by the rising demand for paints and coatings as a result of an upturn in residential construction and a continuing strong commercial construction sector. The industry's investments continued to develop dynamically, with an increase of 5.4 percent (GTAI USA Chemicals). The driving

force behind this enthusiastic investment is still the relative cost advantages of the location as a result of the favorable shale gas prices. One focus of investment was on the petrochemical industry (GTAI USA Chemicals).

The oil and gas industry in the USA continued to expand production at a rapid pace despite falling oil and gas prices. Crude oil production rose by 12 percent and gas production by 10 percent in the reporting year (EIA, Short-term Energy Outlook). This contrasted with a noticeable decline of 8 percent in coal production (EIA, Short-term Energy Outlook) as this energy source is becoming less competitive with shale gas and shale oil in terms of price. The sector has been able to expand its gas exports due to the rapid expansion of liquefaction plants and loading infrastructure. As a result, liquefied gas exports in the first half of the year were 37 percent higher than in the same period of the previous year. In the same period, monthly gas net exports doubled (EIA Gas Exports). Although the USA will remain a net importer of crude oil for the foreseeable future, oil exports also increased significantly. The biggest sales markets for US oil, after Canada, were South Korea and India (EIA Oil Exports). Expansion of the production of oil and gas was possible despite the decrease in the number of wells from 1,083 at the end of 2018 to 802 at the end of November (Baker Hughes). The decreasing number of wells, however, indicates a flattening of growth in the future. The clear drop in drilling activity was caused not only by more moderate oil prices and the very low gas prices. It was also driven by the effects of special tariffs on the import of steel and aluminum that have increased costs for pipeline construction and drilling equipment (GTAI USA Chemicals).

E&M Middle East The chemical industry in the Gulf States is benefiting from efforts to use the location advantage of the extensive availability of fossil raw materials to create greater added value in its own petrochemicals. With this objective, Saudi Arabia is investing in integrated “oil to chemicals complexes” (GTAI Saudi Arabia Industries). With the IPO of the former state-owned Saudi Aramco, the country was able to generate considerable funds at the end of the year to drive forward the process of diversification of the economy planned as part of the "Vision 2030" strategy.

Even though the Gulf States are pursuing long-term energy policy strategies to reduce the share of fossil-fuel power generation, there is still a high level of investment in efficient coal and gas-fired power plants. In the United Arab Emirates, a US-Chinese consortium is building a 2.4 gigawatt coal-fired power plant, and further plants are planned. At the same time, gas-fired power plants with a capacity of 4.2 gigawatts are under construction (GTAI UAE Energy Mix). Saudi Arabia is facing a continuously strong increase in electrical consumption, forcing it to expand its capacity by 5 gigawatts per year. At the same time, the country is pursuing a strategy of increasing the efficiency of power generation and reducing its dependence on fossil fuels. The extensive expansion programs in the areas of nuclear power and renewable power generation serve this purpose. Annual investment volumes in power generation currently amount to US$ 5 billion for power plants and US$ 4 billion for distribution networks (export.gov).

Technologies

In Germany, the Federal Government has responded to the intensified public climate debate with the climate package. The new measures, such as CO_2 pricing for transport and buildings, are primarily aimed at reducing emissions in sectors that have not yet been subject to the European emissions trading system (ETS). Measures that would improve investment conditions in the power plant market were not included in the package. For the energy sector, the question remains unanswered as to how security of supply can be reliably guaranteed after the complete phase-out of nuclear power generation by 2022 and the sharp reduction in coal-fired power generation agreed in the coal compromise. The energy industry continues to complain that the expansion of renewables and grid development as well as the construction of modern gas-fired power plants that can be quickly activated are not pro-

gressing fast enough to support the energy turnaround (BDEW Power Plant List). From 2023, Germany could also be threatened by a shortfall in guaranteed capacity that is reliably available even in unfavorable weather conditions ("dark calm" with simultaneously low solar radiation and wind strength). This potential shortfall could also no longer be reliably compensated by electricity imports (BDEW Power Plant List). Of 64 power plant projects currently planned in Germany to provide secure capacity, only 10 are actually under construction because the construction of gas-fired power plants in particular is not profitable in the current market situation (BDEW Power Plant List). As a result of low capacity utilization, lack of profitability, sharply reduced maintenance budgets and the reduction in capacity of fossil-fueled power plants, their importance as a customer group of German industrial service providers has further declined and has meanwhile fallen below a 10 percent share of sales in the full market (Lün, p. 29).

In contrast to the problematic market for fossil power plants, the German market for industrial services relating to the dismantling of nuclear power plants is characterized by greater predictability. The phase-out of nuclear power generation made further progress in the reporting year with the final shutdown of Unit 2 in Philippsburg.

In France, the nuclear market is getting a boost from the "Grand Carénage" modernization program launched by EDF, which aims to extend the service lives of most French nuclear power plants.

In the United Kingdom, work on the new Hinkley Point C nuclear power plant, which started in 2017, is progressing. Despite a tight schedule and cost increases, the first of two new power plant units is to be completed by 2025 (Chemical Engineering).

Poland's power generation remains heavily dependent on hard coal and lignite with a share of nearly 80 percent (Forum Energii, p. 13), which means that in this country, unlike in Germany, the power plant sector still has extremely stable and predictable demand for industrial services. Poland is one of the few countries in the world that continues to make significant investments in new coal-fired power plants (GTAI Poland Coal). However, resistance to coal-fired power generation is also increasing in Poland. The chances of building a planned 1,000 megawatt coal-fired power plant in Ostroleka are uncertain due to an initially successful lawsuit filed by an environmental organization (climate reporter). Higher production costs for domestic coal, rising prices for CO_2 certificates in the European emissions trading system and a growing dependence on coal imports from the Ukraine are creating incentives for extensive new investments in gas-fired power plants (DLF). The Polish government is also pursuing plans to build its first nuclear power plant by 2033.

In anticipation of stricter sulfur emission limits for international shipping from 2020, the market for exhaust gas cleaning systems for ships ("scrubbers") has developed well. Shipowners can meet the obligations either by switching to low-sulfur fuels or by using scrubbers. The German Shipowners' Association puts the conversion costs at €7.5 million per shipping company (of which two-thirds in Germany have fewer than 10 ships) (VDR). In this young market, service providers can apply their technological expertise from the field of flue gas cleaning in the power plant sector to create new added value.

In EU countries, the pharmaceutical industry made strong gains in the first nine months of the year compared to the previous year with growth of 8.2 percent, proving itself a robust industry (VCI World). Worldwide, sales of prescription drugs only expanded by 2.0 percent (after 5.0 percent in the previous year) (Evaluate, p. 9). However, drug sales for rare diseases are growing at an above-average rate and have already reached a share of 16 percent (Evaluate, p. 9). The share of biotechnologically produced drugs is continuously increasing. In 2019, these already accounted for 29 percent of global drug sales; this corresponds to an increase of 7 percentage points within only 5 years (Evaluate, p. 13).

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B.2.1.2 Factors influencing business development

The operating business in the Engineering & Maintenance Europe, Engineering & Maintenance International and Technologies segments in 2019 was subject to specific factors influencing business development in the respected industrial sectors. The following significant trends were seen in the most important sectors:

FACTORS INFLUENCING BUSINESS DEVELOPMENT

	Oil & Gas	Chemicals & Petrochem	Energy & Utilities	Pharma & Biopharma
Group*	**Share of revenue: 30%**	**Share of revenue: 30%**	**Share of revenue: 15%**	**Share of revenue: 10%**
Engineering & Maintenance Europe	Share of revenue: 30% • Overall positive outlook in E&M Oil & Gas driven by gas infrastructure buildout and input terminals / LNG projects • Strong demand for offshore maintenance, turnaround projects and decommissioning	Share of revenue: 40% • Stable market development with turnaround opportunities for the upcoming years • CO_2/emissions impacting future investment decisions	Share of revenue: 10% • Hydrogen beginning to play more of a role in European energy transition • Maturing offshore wind parks leading to opportunities for inspection and maintenance • Nuclear remains in focus in France, UK, and Finland	
Engineering & Maintenance International	Share of revenue: 45% • Large oil & gas and LNG investment plans in several ME countries (e.g. UAE, Qatar, Kuwait) for the upcoming years combined with demand for digital transformation • Brownfield investment in NA offshore assets continues to grow at good pace	Share of revenue: 30% • Expansion programs and need for modernization projects in ME • Significant investments in PetroChemical announced for Texas, Louisiana and North Dakota	Share of revenue: 5% • Continued increase in ME power demand drives further development of alternative and nuclear energy concepts • In NA, energy investment trends focused on energy storage, wind, solar and CO_2 reduction	
Technologies	Share of revenue: 10% • Modification and modernization requirements of European gas distribution systems • Debottlenecking opportunities in refining		Share of revenue: 45% • Energy transition focus in all our regions, esp. Europe and USA • Nuclear demand for new builds and maintenance increasing, esp. in France, UK and ME • Decommissioning a developing opportunity in Germany	Share of revenue: 35% • Classic pharma continues to grow • Many small to medium-size biopharma projects nearing FID (final investment decision)

* In addition, in 2019, 5 percent of Group revenue was accounted for by the metallurgy sector as well as 10 percent by cement and industries outside the defined core industries. Smaller shares are accounted for by these industrial sectors also in the individual segments.

In the Engineering & Maintenance Europe segment, the importance of framework and service agreements was highest with a roughly 80 percent share of segment sales. Sales in the project business totaled about 20 percent.

In the Engineering & Maintenance International segment, the share accounted for by the project business dominated with about 75 percent of sales, while service and framework agreements accounted for about 25 percent of the business.

In Technologies, all sales were generated with the execution of projects and the manufacturing of components.

For the Group as a whole, framework and service agreements as well as projects and component manufacturing were each responsible for roughly 50 percent of Group sales.

B.2.2 Results of operations

OVERVIEW OF ORDERS AND REVENUE
in € million

	2019	2018	Δ in %
Orders received	4,158.8	4,458.5	-7
Order backlog	2,567.1	2,817.6	-9
Revenue	4,326.9	4,152.6	4

In financial year 2019, orders received for the Bilfinger Group of €4,158.8 million were 7 percent below the prior-year figure; organically, the decrease was 4 percent. The reasons were time-related aspects with the awarding of projects in the USA and Europe as well as a prioritization of project execution as opposed to new acquisition in units where development is below expectations. At the end of the year, order backlog amounted to €2,567.1 million, and was thus 9 percent below the figure for the prior year (organically: -7 percent). Revenue grew by 4 percent to €4,326.9 million; organically, it increased by 6 percent.

REVENUE BY REGION
in € million

	2019		2018		Δ in %
Germany	963.2	22%	970.2	23%	-1
Rest of Europe	2,305.4	53%	2,323.8	56%	-1
America	798.3	19%	643.4	16%	24
Africa	123.9	3%	89.3	2%	39
Asia	136.0	3%	125.8	3%	-8
Total	**4,326.9**		**4,152.6**		**4**

In the reporting year, about 75 percent of revenue was accounted for by our European markets. Germany contributed 22 percent of sales volume; the focus in European countries outside Germany was Scandinavia, the United Kingdom, the Netherlands and Belgium as well as Austria. In North America, we generated 19 percent of our revenue, while Asia and Africa each contributed 3 percent.

REVENUE BY BUSINESS SEGMENT
in € million

	2019	2018	Δ in %
Engineering & Maintenance Europe	2,748.6	2,724.9	1
Engineering & Maintenance International	911.6	752.1	21
Technologies	538.5	503.4	7
Reconciliation Group	128.2	172.1	-26
thereof Other Operations	139.4	195.3	-29
thereof headquarters / consolidation / other	-11.1	-23.2	52
Total	4,326.9	4,152.6	4

Engineering & Maintenance Europe

ENGINEERING & MAINTENANCE EUROPE
in € million

	2019	2018	Δ in %
Orders received	2,711.2	2,889.6	-6
Order backlog	1,678.6	1,720.8	-2
Revenue	2,748.6	2,724.9	1

In the Engineering & Maintenance Europe segment, orders received of €2,711.2 million were 6 percent (organically: -5 percent) below the relatively high level of the prior year. Order backlog at the end of the year amounted to €1,678.6 million. The segment recorded sound revenue development, with revenue increasing slightly by 1 percent (organically: 2 percent) to €2,748.6 million.

ENGINEERING & MAINTENANCE EUROPE: REVENUE BY REGION
in € million

	2019		2018		Δ in %
Germany	722.2	26%	653.5	24%	11
Rest of Europe	2,022.4	74%	2,066.1	76%	-2
Other	3.9		5.3		
Total	2,748.6		2,724.9		1

In 2019, about 26 percent of revenue generated in the Engineering & Maintenance Europe segment came from Germany. 74 percent of segment revenue was accounted for by European countries outside Germany – with a focus on Scandinavia, the United Kingdom, the Netherlands and Belgium as well as Austria.

Engineering & Maintenance International

ENGINEERING & MAINTENANCE INTERNATIONAL
in € million

	2019	2018	Δ in %
Orders received	856.7	784.3	9
Order backlog	455.1	501.1	-9
Revenue	911.6	752.1	21

The Engineering & Maintenance International segment showed positive development primarily in North America, whereby major projects progressed especially well. Orders received increased by 9 percent (organically: 4 percent) to €856.7 million. Order backlog at the end of the year was €455.1 million; revenue increased significantly by 21 percent (organically: 15 percent) to €911.6 million.

ENGINEERING & MAINTENANCE INTERNATIONAL: REVENUE BY REGION in € million	2019		2018		Δ in %
America	792.5	87%	638.2	85%	24
Asia	119.1	13%	113.9	15%	5
Total	**911.6**		**752.1**		**21**

Our business outside Europe is bundled in the Engineering & Maintenance International segment. 87 percent of segment revenue was generated by the North American market while the Middle East contributed 13 percent.

Technologies

TECHNOLOGIES in € million	2019	2018	Δ in %
Orders received	456.5	648.3	-30
Order backlog	373.8	498.6	-25
Revenue	538.5	503.4	7

In the Technologies segment, orders received decreased by 30 percent (organically: -30 percent) to €456.5 million as a result of time-related aspects of project awards and a particularly careful selection of new projects in units with development that is below expectations. Order backlog of €373.8 million was also below the prior-year figure. Revenue increased against the backdrop of the higher orders received in the prior year by 7 percent (organically: 7 percent) to €538.5 million.

TECHNOLOGIES: REVENUE BY REGION in € million	2019		2018		Δ in %
Germany	226.4	42%	251.1	50%	-10
Rest of Europe	277.5	51%	244.2	48%	14
America	1.1		1.1		0
Africa	18.8	3%	3.2	1%	488
Asia	14.7	3%	3.8	1%	287
Total	**538.5**		**503.4**		**7**

In the Technologies segment, 42 percent of revenue was attributable to Germany, and 51 percent of volume was generated in European countries outside Germany with a focus on France, the Netherlands and Austria. In our markets outside Europe, the share of revenue from the segment in Africa and the Middle East was at 3 percent each.

Reconciliation Group

RECONCILIATION GROUP
in € million

	2019	2018	Δ in %
Orders received	134.3	136.3	-1
thereof Other Operations	144.9	170.9	-15
thereof headquarters / consolidation / other	-10.5	-34.6	70
Revenue	128.2	172.1	-26
thereof Other Operations	139.4	195.3	-29
thereof headquarters / consolidation / other	-11.1	-23.2	52

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; they will be managed independently for value until a suitable owner has been found. At the beginning of the reporting year, four units were allocated to Other Operations. The selling process for two of these companies was completed in the course of 2019 so that two companies remain in Other Operations at the end of the year.

In Other Operations, orders received decreased by 15 percent (organically: +48 percent) to €144.9 million. Revenue declined by 29 percent (organically: +15 percent) to €139.4 million. Significant deconsolidation effects as a result of the companies sold in 2019 are reflected here.

Revenue

CONSOLIDATED INCOME STATEMENT (ABRIDGED)
in € million

	2019	2018
Revenue	**4,326.9**	**4,152.6**
Cost of sales	-3,915.1	-3,762.0
Gross profit	**411.8**	**390.6**
Selling and administrative expense	-379.5	-402.5
Impairment losses and reversals of impairment losses in accordance with IFRS 9	1.2	-0.3
Other operating income and expense	-25.3	-14.3
Income from investments accounted for using the equity method	19.9	14.3
Earnings before interest and taxes (EBIT)	**28.1**	**-12.2**
Financial result	-21.9	15.0
Earnings before taxes	**6.2**	**2.8**
Income taxes	-3.9	-22.8
Earnings after taxes from continuing operations	**2.3**	**-20.0**
Earnings after taxes from discontinued operations	**23.6**	**-3.3**
Earnings after taxes	25.9	-23.3
thereof non-controlling interests	1.7	1.0
Net profit	**24.2**	**-24.3**
Average number of shares (in thousands)	40,284	41,458
Earnings per share (in €)*	0.60	-0.59
thereof from continuing operations	0.01	-0.51
thereof from discontinued operations	0.59	-0.08

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

Group revenue increased by 4 percent to €4,326.9 million (previous year: €4,152.6 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 rights of use from leases in accordance to IFRS 16 and 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 by 4 percent to €3,915.1 million (previous year: €3,762.0 million), and in relation to revenue was 90 percent (previous year: 91 percent). Of that total, material and personnel expenses accounted for 78 percentage points (previous year: 78 percentage points).

Cost of sales also includes amortization of intangible assets from acquisitions of €3.9 million (previous year: €4.7 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 €55.3 million (previous year: €65.0 million). This represents a significant portion of the cost of sales at €49.1 million (previous year: €57.7 million). Depreciation and amortization on rights of use from leases in accordance with IFRS 16 amounted to €51.3 million. In the prior

year, depreciation on assets capitalized within the scope of finance leasing under application of IAS 17 was presented under depreciation on property, plant and equipment.

Gross profit

Gross profit increased to €411.8 million (previous year: €390.6 million). The gross margin – adjusted for non-cash impairments on property plant and equipment – accounted for a share of 9.5 percent of revenue (previous year: 9.4 percent).

Selling and administrative expenses

Selling and administrative expenses declined significantly despite higher revenue of €379.5 million (previous year: €402.5 million), for the most part as a result of tighter cost controls, the effect of structural efficiency enhancement measures and lower special items. The share of selling and administrative expenses in revenue was reduced further to 8.8 percent (previous year: 9.7 percent). Adjusted for special items from IT projects as well as restructuring and compliance expenses, the ratio decreased to 8.0 percent (previous year: 8.7 percent).

Other operating income and expense

The negative balance from other operating income and expense rose to -€25.3 million (previous year: -€14.3 million). The reasons relate mainly to higher restructuring expenses in the amount of -€36.6 million (previous year: -€17.8 million). This was countered by income from disposals of investments in the course of portfolio streamlining of €4.0 million, following an expense of -€13.7 million in the previous year.

Income from investments accounted for using the equity method

Income from investments accounted for using the equity method is composed of income and expenses from associates and joint ventures. It rose to €19.9 million (previous year: €14.3 million). Increased contributions from both the Middle East and from North America are reflected here.

EBITA / adjusted EBITA / EBIT

Adjusted EBITA increased significantly to €104.0 million (previous year: €65.1 million). In relation to revenue, the adjusted EBITA margin improved to 2.4 percent (previous year: 1.6 percent). Exchange rate effects had an insignificant impact of -€1.0 million.

ADJUSTED EBITA BY BUSINESS SEGMENT	Adjusted EBITA in € million		Adjusted EBITA margin in %	
	2019	2018	**2019**	2018
Engineering & Maintenance Europe	101.3	102.8	3.7	3.8
Engineering & Maintenance International	42.3	31.6	4.6	4.2
Technologies	-27.9	-26.1	-5.2	-5.2
Reconciliation Group	-11.7	-43.2		
thereof Other Operations	3.5	-4.0	2.5	-2.0
thereof headquarters / consolidation / other	-15.1	-39.2		
Continuing operations	**104.0**	**65.1**	**2.4**	**1.6**

Adjusted EBITA in the Engineering & Maintenance Europe segment of €101.3 million (previous year: €102.8 million) was at the magnitude of the previous year. Adjusted EBITA margin was 3.7 percent (previous year: 3.8 percent). Adjusted EBITA at the Engineering & Maintenance International segment grew significantly to €42.3 million (previous year: €31.6 million); the adjusted EBITA margin in this segment was 4.6 percent (previous year: 4.3 percent). At Technologies, adjusted EBITA was -€27.9 million (previous year: -€26.1 million); this corresponds to an EBITA margin that is unchanged as compared with the prior year of -5.2 percent. The segment remains in the turnaround phase. The negative earnings resulted from two units: for one company, action plans initiated in financial year 2019 are currently being implemented at both companies. In addition, a unit from the former Power business segment continues to record losses, some of which are attributable to legacy projects.

Adjusted negative EBITA not allocated to the business segments improved considerably to -€11.7 million (previous year: -€43.2 million). The Other Operations included here provided a positive earnings contribution. Furthermore, the improvement is primarily attributable to the tighter cost control measures, the effect of structural efficiency enhancement measures and the more appropriate allocation of administrative expenses within the Group. Furthermore, positive one-time effects led to a lower cost burden.

see page 73

Including the special items described under *B.2.2 Results of operations – Adjusted earnings per share*, it was possible to significantly improve EBITA to a significantly positive figure of €32.0 million (previous year: -€7.4 million). Respective restructuring costs including special write-offs on property, plant and equipment are included in the figures for the business segments. Accordingly, EBITA at Engineering & Maintenance Europe was €81.1 million (previous year: €99.1 million), at Engineering & Maintenance International it was €36.6 million (previous year: €31.0 million) and at Technologies -€35.1 million (previous year: -€40.5 million).

EBITA not allocated to the business segments amounted to -€50.5 million (previous year: -€97.0 million). It also includes restructuring costs and expenses for projects related to process and system harmonization as well as income from disposals of investments in the course of portfolio adjustments.

After deducting scheduled amortization of intangible assets from acquisitions, a significantly improved, positive EBIT of €28.1 million remains in the Group (previous year: -€12.2 million).

Financial result

The financial result amounted to -€21.9 million (previous year: €15.0 million).

The positive prior-year figure arose from the mark-to-market measurement of the preferred participation note in the amount of €26.3 million from the sale of Apleona, which was recognized in income. The increase in value in the reporting year was €3.5 million.

Interest income in the reporting year totaled €6.8 million (previous year: €14.3 million). The decrease as compared with the prior year resulted for the most part from the repayment of the deferred purchase price claim by Apleona in April 2019 and the resulting elimination of the interest income.

The current interest expense rose to €28.3 million (previous year: €15.6 million). A temporary burden in the amount of €7.5 million from the higher gross debt prior to the repayment of the €500.0 million bond in December 2019 had a particular impact here. In addition, an increase in the interest expense from lease liabilities to -€4.9 million (previous year: -€0.5 million) resulted from the first-time application of IFRS 16.

Income of €12.1 million was achieved from securities in the reporting year (previous year: €23.8 million) – primarily from the preferred participation note and the repayment of the deferred purchase price claim by Apleona.

The interest expense from an increase in the retirement benefit obligation – offset against income from plan assets – amounted to €5.6 million (previous year: €5.1 million). The interest expense for minority interest was €2.0 million (previous year: €1.9 million).

Earnings before and after taxes

Earnings from continuing operations continued to improve to €6.2 million (previous year: €2.8 million) before taxes and to €2.3 million (previous year: -€20.0 million) after taxes. The tax expense fell considerably to -€3.9 million (previous year: -€22.8 million). This is mainly based on the fact that the negative effects from losses in the current year for which no deferred tax assets were capitalized, and because the effects from changes in value adjustments on tax-loss carryforwards from previous years generally decreased significantly. In this context, as in previous years, once again 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 continuing operations increased to €23.6 million (previous year: -€3.3 million). The increase is mainly a result of the reversal of provisions following agreement on selling contract guarantee obligations and as a result of the realization of claims from a legacy project.

Non-controlling interests

Profit attributable to minority interest was €1.7 million (previous year: €1.0 million).

Net profit / earnings per share

Net profit improved significantly to a positive figure of €24.2 million (previous year: -€24.3 million); earnings per share improved to €0.60 (previous year: -€0.59). 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 €49.5 million (previous year: €36.2 million). Adjusted earnings per share from continuing operations improved to €1.23 (previous year: €0.87).

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 2019 of €1.00.

Adjusted earnings per share

The calculation of earnings per share in accordance with IFRS 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	2019	2018
Earnings before taxes	6.2	2.9
Special items in EBITA	71.9	72.6
Special items in financial income	-11.9	-26.3
Amortization of intangible assets from acquisitions and goodwill impairment	3.9	4.7
Adjusted earnings before taxes	**70.1**	**53.9**
Adjusted income tax income / expense	-18.9	-16.7
Adjusted earnings after taxes from continuing operations	**51.2**	**37.2**
thereof non-controlling interests	1.7	1.0
Adjusted net profit from continuing operations	**49.5**	**36.2**
Average number of shares (in thousands)	40,284	41,458
Adjusted earnings per share from continuing operations (in €)	**1.23**	**0.87**

SPECIAL ITEMS IN EBITA € million	2019	2018
EBIT	**28.1**	**-12.2**
Amortization of intangible assets from acquisitions and goodwill	3.9	4.7
EBITA	**32.0**	**-7.5**
Restructuring and efficiency enhancement expense	39.8	22.1
Income / expense for improvement of the compliance-system	-0.8	9.3
Process and system harmonization expense	36.0	24.4
Income / expense from the disposal of investments	3.1	16.8
Total special items	**71.9**	**72.7**
Adjusted EBITA	**104.0**	**65.1**

Special items in financial income relate to earnings from the measurement at fair value of our preferred participation note as well as from the early repayment of the deferred purchase price claim by Apleona.

Scheduled amortization of intangible assets from acquisitions and impairment of goodwill totaling €3.9 million (previous year: €4.7 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 27 percent.

Adjusted earnings is a metric that is not defined under IFRS. 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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Engineering & Maintenance Europe	937.0	835.5	71.7	80.1	7.7	9.6	7.3	7.4	3.3	18,2
Engineering & Maintenance International	376.5	296.5	29.3	25.8	7.8	8.7	7.6	7.5	0.7	3.9
Technologies	270.6	254.6	-31.6	-38.9	-11.7	-15.3	10.1	8.5	-59.0	-60.6
Reconciliation Group	808.7	687.0	-26.3	-63.9	–	–	–	–	-86.1	-116.0
thereof Other Operations	39.3	63.4	2.7	-4.5	6.8	-7.1	11.2	11.8	-1.7	-12.0
thereof headquarters / consolidation / other	769.4	623.6	-29.0	-59.4	–	–	7.4	7.2	-84.4	-104.1
Continuing operations	**2,392.8**	2,073.6	**43.1**	3.1	**1.8**	0.1	**7.7**	7.6	**-141.1**	-154.5

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. For the first time in the reporting year, right of use from leases in accordance with IFRS 16 is considered in capital employed with €235 million. Because first-time application of IFRS 16 only led to a less pronounced increase in EBITA, on the other hand, IFRS 16 as a whole, ceteris paribus, had a slightly decreasing effect on ROCE. The prior-year figures have not been adjusted. The weighted average cost of capital (WACC) for the Group was nearly unchanged at 7.7 percent after taxes (previous year: 7.6 percent). ROCE of the business segments is compared with segment-specific cost-of-capital rates. Further descriptions can be found in Chapter *D.3 Return-on-capital-employed controlling**.

see page 205

The average capital employed of continuing operations increased to €2,392.8 million in the reporting year (previous year: €2,073.6 million). The increase is with €234.7 million primarily related to the first-time consideration of rights of use from leases. This was also the reason for the increase in capital employed in the Technologies and Engineering & Maintenance Europe segments, whereby in the Engineering & Maintenance International segment a higher average level of receivables was responsible for the increased capital employed. Also in capital employed of the reconciliation group, IFRS 16 led to an increase of about €65 million.

The return for continuing operations improved significantly to €43.1 million (previous year: €3.1 million). This is attributable to the significantly higher EBITA. Earnings from securities were below the high prior-year figure which included significant income from the mark-to-market measurement of the

preferred participation notes. The tax expense, on the other hand, decreased significantly of the same magnitude. Overall, ROCE improved to 1.8 percent (previous year: 0.1 percent) and the still negative absolute value improved to -€141.1 million (previous year: -€154.5 million).

B.2.3 Net assets

CONSOLIDATED BALANCE SHEET (ABRIDGED VERSION)
in € million

	Dec. 31, 2019	Dec. 31, 2018
Assets		
Non-current assets		
Intangible assets	802.5	803.9
Property, plant and equipment	311.9	324.0
Right of use assets from leases	227.4	0.0
Other non-current assets	334.6	486.5
	1,676.4	1,614.4
Current assets		
Receivables and other current assets	1,178.6	1,237.4
Marketable securities	0.0	120.0
Cash and cash equivalents	499.8	453.8
Assets classified as held for sale	0.0	50.4
	1,678.4	1,861.6
Total	3,354.8	3,476.0
Equity & liabilities		
Equity	1,152.9	1,204.7
Non-current liabilities		
Provisions for pensions and similar obligations	338.0	288.2
Non-current financial debt	551.3	10.8
Other non-current liabilities	27.9	64.1
	917.2	363.1
Current liabilities		
Current financial debt	49.7	501.6
Other current liabilities	1,235.0	1,380.6
Liabilities classified as held for sale	0.0	26.0
	1,284.7	1,908.2
Total	3,354.8	3,476.0

The company's net assets remain sound. The balance-sheet total decreased despite the balance-sheet extending effects from IFRS 16 to €3,354.8 million (previous year: €3,476.0 million).

On the assets side, non-current assets increased to €1,676.4 million (previous year: €1,614.4 million). In this context, intangible assets of €802.5 million (previous year: €803.9 million) were relatively unchanged as was the goodwill of €796.1 million (previous year: €793.1 million) that is included in that figure. Property, plant and equipment declined further to €311.9 million (previous year: €324.0 million). Rights of use from leases in accordance with IFRS 16, capitalized for the first time in the reporting year, totaled €227.4 million in the reporting year.

A decrease to €334.6 million (previous year: €486.5 million) was recorded in other non-current assets. Included in this figure is a non-cash purchase price component from the sale of the Building, Facility Services and Real Estate divisions in 2016. The preferred participation note for the company now known as Apleona amounted to a figure of €240.3 million as of the balance-sheet date (previous year: €236.8 million). The measurement at fair value led to a write-up in the amount of €3.5 million in the reporting year. The receivable from the vendor note, which in the previous year was still included in other non-current assets with €116.7 million for Apleona, was repaid early in the reporting year. Deferred tax assets declined to €60.6 million (previous year: €74.9 million).

Receivables and other current assets amounted to €1,178.6 million (previous year: €1,237.4 million). Receivables from work-in-progress decreased slightly to €375.1 million (previous year: €387.1 million). Cash and cash equivalents as well as marketable securities decreased to a total of €499.8 million in the reporting year (previous year: €573.8 million). Long-term financial debt rose in particular as a result of the refinancing carried out in the reporting year as well as the initial application of IFRS 16 to €551.3 million (previous year: €10.8 million). It includes a bond in the amount of €250.0 million with maturity in June 2024 as well as promissory note loans in the amount of €123.0 million with maturities in April 2022 and October 2024. As a result of the first-time application of IFRS 16, long-term lease liabilities increased to €176.1 million (previous year: €10.8 million). By contrast, current financial debt declined to €49.7 million (previous year: €501.6 million) following the repayment of a €500.0 million bond in December 2019. It relates to short-term lease liabilities which also rose as a result of IFRS 16 to €49.4 million (previous year: €1.6 million). Net debt under consideration of the lease liabilities in accordance with IFRS 16 amounted to -€101.2 million as of the balance-sheet date. In the previous year, a net liquidity of €61.4 million was presented prior to application of IFRS 16.

There were no assets and liabilities classified as held for sale as of the balance-sheet date. The prior-year figures of €50.4 million and €26.0 million relate to three units that were sold over the course of the reporting year.

In light of the significantly lower discount rate in the euro zone of 0.9 percent (previous year: 1.7 percent), pension provisions increased to €338.0 million (previous year: €288.2 million).

Other non-current liabilities decreased as a result of lower deferred taxes to €27.9 million (previous year: €64.1 million).

Other current liabilities decreased to €1,235.0 million (previous year: €1,380.6 million). In this context, trade payables fell to €386.2 million (previous year: €444.1 million), advance payments received decreased to €136.1 million (previous year: €151.9 million), whereas other provisions decreased to €301.9 million (previous year: €383.6 million). The decrease in this regard relates in particular to provisions for risks from discontinued operations. Negative working capital totaled -€56.4 million (previous year: -€141.9 million).

Equity fell to €1,152.9 million (previous year: €1,204.7 million). Here, the dividend payment had a minimizing effect of -€40.3 million while the positive earnings after tax had an increasing effect of €25.9 million. For items not recognized in the income statement, the remeasurement of pension obligations as a result of the decreased interest rates had an impact of -€53.2 million whereas effects

from currency translation increased equity by €12.6 million. The equity ratio was nearly stable at 34 percent on the balance-sheet date (previous year: 35 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 finance 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*.

see page 101
see page 185

GROUP FINANCIAL STATUS RECOURSE LIABILITIES AND LIABILITIES FROM LEASE OBLIGATIONS in € million	Credit facility	Availment	Credit facility	Availment
		2019		2018
Bank guarantees	**955.4**	**508.7**	**1,053.0**	**638.6**
thereof with residual term < 1 year	955.4	508.7	1,053.0	638.6
Syndicated credit facilities	**385.0**	**0.0**	**385.0**	**0**
thereof with residual term < 1 year	85.0	0.0	85.0	0
Operating loans	**2.5**	**2.5**	**0.1**	**0.1**
thereof with residual term < 1 year	0.3	0.3	0	0
Corporate bond / promissory note loan	**373.0**	**373.0**	**500.0**	**500.0**
thereof with residual term < 1 year	0	0	500.0	500.0
Liabilities from lease obligations	**225.6**	**225.6**	**235.1**	**235.1**
thereof with residual term < 1 year	49.5	49.5	45.4	45.4

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 €300.0 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 €85.0 million.

To refinance the €500.0 million bond issued in 2012 and maturing in December 2019, we issued a bond for €250.0 million maturing in June 2024 with a fixed interest rate over the term to maturity. In addition, several promissory note loans totaling €123.0 million maturing in April 2022 and in April 2024 with partly variable and partly fixed interest rates over the term to maturity were taken out.

Bilfinger has at all times complied with the undertaking given in the terms and conditions of the new bond issued in June 2019 from the time of the issue of the bond in June 2019 until the end of the past financial year.

We have credit by way of bank guarantees of €1.0 billion from various banks and bonding insurers available to meet the needs of the operating business, which is not fully utilized. Information on existing financial debt is provided in Chapter C.6 Notes to the consolidated financial statements, Note 26 Financial debt.

see page 178

On a comparable basis, financial debt decreased to €601.0 million as of the balance-sheet date (previous year: €747.5 million). In the prior-year figure, lease liabilities in accordance with IFRS 16 are included on a pro-forma basis. Of the financial debt calculated in this way, €551.3 million is non-current (previous year: €200.5 million) and €49.7 million is current (previous year: €547.0 million). It includes liabilities from lease obligations pursuant to IFRS 16 in the amount of €225.5 million (previous year: €247.5 million). We do not utilize off-balance-sheet financing instruments. Bank deposits in the amount of €2.8 million (previous year: €2.5 million) have been pledged.

Approved capital of €69.0 million is available for future capital increases. Bilfinger also has conditional capital of €14.0 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).

see page 119

Investments

Capital expenditure on property, plant and equipment and intangible assets – excluding intangible assets from acquisitions in accordance with IFRS 3 – amounted to €63.6 million (previous year: €65.6 million). €47.9 million of the total was invested in operating equipment and office equipment, €10.2 million in technical equipment and machinery, €2.2 million in land and buildings and €1.5 million in intangible assets. Investments were countered by depreciation and amortization of €55.3 million (previous year: €65.1 million). This figure includes impairment charges of €0.0 million (previous year: €0.6 million).

INVESTMENTS / DEPRECIATION BY BUSINESS SEGMENT
in € million

	Investments	Depreciation	Investments	Depreciation
		2019		2018
Engineering & Maintenance Europe	49.9	38.4	41.9	39.1
Engineering & Maintenance International	6.8	6.4	5.3	5.2
Technologies	2.8	3.3	3.3	3.7
Reconciliation Group	4.2	7.2	15.1	17.1
thereof Other Operations	0.9	1.6	10.7	11.0
thereof headquarters / consolidation / other	3.3	5.6	4.4	6.1
Total	**63.6**	**55.3**	**65.6**	**65.1**

The Engineering & Maintenance Europe segment accounted for investments in the amount of €49.9 million (previous year: €41.9 million). €39.6 million was invested in operating equipment and office equipment, of which scaffolding accounted for €25.3 million. A further €6.4 million was invested in technical equipment and machinery and €1.8 million in real estate.

We invested €6.7 million (previous year: €5.2 million) in the Engineering & Maintenance International segment, including €3.7 million in operating equipment and office equipment, €2.3 million in technical equipment and machinery as well as €0.1 million in both real estate and intangible assets.

In the Technologies segment, investments amounted to €2.8 million (previous year: €3.3 million). Of that amount, €1.2 million went to operating equipment and office equipment, €1.1 million to technical equipment and machinery and €0.2 million to real estate.

Investments in Other Operations declined significantly €0.9 million (previous year: €10.7 million).

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT BY REGION
in € million

	2019	2018	Δ in %
Germany	25.8	23.8	8
Rest of Europe	30.9	35.6	-13
America	5.4	4.3	26
Africa	0.5	1.4	-64
Asia	1.0	0.6	67
Total	63.6	65.6	3

The regional focus of investment was again on Europe, which accounted for 89 percent of the total (previous year: 90 percent). Germany accounted for 41 percentage points of European investment (previous year: 36 percentage points).

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

Cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (ABRIDGED VERSION) in € million	2019	2018
Cash flow from operating activities of continuing operations	**110.3**	**49.9**
thereof special items	-71.0	-60.0
Adjusted cash flow from operating activities of continuing operations	181.3	109.9
Capital expenditure on P, P & E and intangible assets	-63.6	-65.6
Proceeds from the disposal of property, plant and equipment	10.2	12.1
Net cash outflow for property, plant and equipment / intangible assets	**-53.4**	**-53.5**
Free cash flow from continuing operations	**56.9**	**-3.6**
thereof special items	-71.0	-60.0
Adjusted free cash flow from continuing operations	127.9	56.4
Payments made / proceeds from the disposal of financial assets	**143.0**	**0.3**
Investments in financial assets	**-1.8**	**-0.7**
Changes in marketable securities	**119.9**	**27.4**
Cash flow from financing activities of continuing operations	**-243.8**	**-167.5**
Share buyback	0.0	-111.3
Dividends	-42.9	-44.1
Borrowing	375.5	3.4
Repayment of financial debt	-549.6	-0.4
Interest paid	-26.8	-15.1
Change in cash and cash equivalents of continuing operations	**74.2**	**-144.1**
Change in cash and cash equivalents of discontinued operations	**-32.3**	**-15.4**
Change in value of cash and cash equivalents due to changes in foreign exchange rates	**0.8**	**-0.8**
Change in cash and cash equivalents	**42.7**	**-160.3**
Cash and cash equivalents at January 1	453.8	617.1
Change in cash and cash equivalents of assets classified as held for sale	3.3	-3.0
Cash and cash equivalents at December 31	**499.8**	**453.8**

The cash flow from operating activities of continuing operations increased to €110.3 million (previous year: €49.9 million). This is for the most part attributable to a change in presentation in the course of the first-time application of IFRS 16. On a comparable basis, the increase amounts to approximately €10.0 million. Primary contributor here was the improved earnings. After eliminating negative special items, adjusted cash flow from operating activities increased to €181.3 million (previous year: €109.9 million).

SPECIAL ITEMS IN CASH FLOW

in Mio. €

	2019	2018
Cash flow from operating activities of continuing operations	**110.3**	**49.9**
Restructuring expense	32.5	29.0
Income / expense for improvement of the compliance-system	2.2	14.2
Process and system harmonization expense	36.3	16.8
Total special items *	**71.0**	**60.0**
Adjusted cash flow from operating activities of continuing operations	**181.3**	**109.9**

* Special items of €71.0 million (previous year: €60.0 million) relate in an identical amount to the adjustment of free cash flow.

Investments in property, plant and equipment and intangible assets decreased slightly to €63.6 million (previous year: €65.6 million). These cash outflows were reduced by a cash inflow of €10.2 million (previous year: €12.1 million). Net investments were nearly unchanged at €53.4 million (previous year: €53.5 million). This led to a significantly positive free cash flow of €56.9 million, following a prior-year figure that was still slightly negative at -€3.6 million. Here, too, there was an increase of about €10.0 million on a comparable basis. Adjusted free cash flow also improved substantially to €127.9 million (previous year: €56.4 million, with an increase of about €20.0 million on a comparable basis.

Disposals of financial assets resulted in a cash inflow of €143.0 million (previous year: €0.3 million). That figure includes €100.0 million from the early repayment of the deferred purchase price claim by Apleona. Investments in financial assets were not significant in the previous year. From the reduction of marketable securities there was an inflow in the reporting year of €119.9 million (previous year: €27.4 million).

The net cash outflow from financing activities amounted to -€243.8 million (previous year: -€167.5 million). From the repayment and taking of loans there was a net outflow of €174.1 million (previous year: inflow of €3.0 million). The issue of a new corporate bond as well as of promissory note loans in the combined amount of €373.0 million was countered by the repayment of the bond of €500.0 million due in December of the reporting year as well as the first-time presentation of lease liabilities in accordance with IFRS 16 of approximately €50.0 million. Dividend payments of €42.9 million (previous year: €44.1 million) changed only slightly. Interest payments increased to €26.8 million (previous year: €15.1 million) as a result of temporarily higher debt. In addition to the effects mentioned, €111.3 million was spent on the buyback of own shares in the previous year.

In total, there was as an inflow of €74.2 million from continuing operations following a cash outflow of €144.1 million in the previous year.

Discontinued operations accounted for -€32.2 million (previous year: -€15.4 million) in particular for the settlement of selling contract guarantee obligations.

Changes in currency exchange rates led to an arithmetical increase in cash and cash equivalents of €0.8 million (previous year: -€0.8 million). Cash and cash equivalents of activities classified as held for sale saw a change of -€3.3 million in the reporting year (previous year: -€3.0 million). In total, cash and cash equivalents at the end of the financial year increased to €499.8 million (previous year: €453.8 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 2019, 97 percent was accounted for by employees, 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

	2019	2018
Revenue	4,329	4,155
Income from investments accounted for using the equity method	32	14
Other operating income	52	41
Depreciation and amortization	-111	-70
Cost of materials	-1,430	-1,386
Other costs related to value added	-578	-625
Value added	**2,294**	**2,129**

DISTRIBUTION OF VALUE CREATION
in € million, continuing operations and discontinued operations

	2019	in %	2018	in %
To employees	2,232	97	2,113	99
To the state	3	0	23	1
To creditors	33	1	16	1
To minority interest	2	0	1	0
To shareholders (dividend for the respective financial year)	40	2	42	2
Change in equity	**-16**	**-1**	**-66**	**-3**

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

	2019	2018
Revenue	136	140
Other operating income	56	12
Personnel expense	-50	-52
Amortization of intangible assets / depreciation of P, P & E	-1	-1
Other operating expense	-135	-161
Earnings from financial assets	-33	43
Interest result	-23	-17
Earnings before taxes	**-50**	**-36**
Income tax expense	4	0
Annual loss	**-46**	**-36**
Profit carryforward	4	2
Release from other retained earnings	86	78
Distributable earnings	**44**	**44**

The income statement of the company financial statements of Bilfinger SE is characterized by its holding function. Revenue amounted to €136 million (previous year: €140 million) and resulted almost solely from services charged to Group companies.

Other operating income of €56 million (previous year: €12 million) relates for the most part to income from the reversal of other provisions and write-ups on receivables from subsidiaries as well as gains from the sale of investments.

The slight reduction in personnel expenses from €52 million to €50 million resulted mainly from lower bonus payments.

Other operating expense in the amount of €135 million (previous year: €161 million) for the most part comprises non-personnel administrative expenses, IT costs, rents and leases, insurance premiums, other service and personnel expenses, legal and consulting expenses, write-ups to other provisions, bank and guarantee fees, losses from the disposal of investments as well as impairments to current assets. The decrease as compared to the previous year resulted in particular from decreased legal and consulting expenses as well as lower write-downs on receivables from associates.

Losses from financial assets of -€33 million (previous year: earnings of €43 million) mainly comprised gains / losses from profit-and-loss-transfer agreements, dividends received from Group companies, earnings from loans of financial assets and impairments of investments. The reduction is attributable to increased assumption of losses from companies in the Technologies division as well as to write-downs of the carrying amounts of investments in associates.

The reduction in the interest result is based for the most part on increased interest expenses in connection with the temporary double burden of interest payments on the new bond issued in the first half of the year and the promissory note loans issued with continuing interest payments on the old bond which expired with a time lag only in December.

Earnings before taxes thus decreased from -€36 million to -€50 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. Income in the amount of €4 million resulted from the partial reversal of a provision for corporate taxes in connection with the results of the company tax audit.

Distributable earnings in the amount of €44 million result from the annual loss of -€46 million (previous year: -€36 million) and retained earnings in the amount of €4 million (previous year: €2 million) and a release from retained earnings in the amount of €86 million (previous year: €78 million). It will be proposed that an unchanged dividend for financial year 2019 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, 2020.

Net assets and financial position

BALANCE SHEET OF BILFINGER SE (HGB / ABRIDGED)
in € million

	Dec. 31, 2019	Dec. 31, 2018
Assets		
Non-current assets		
Intangible assets and P, P & E	4	5
Financial assets	1,867	2,067
	1,871	**2,072**
Current assets		
Receivables and other assets	358	355
Cash and cash equivalents	462	522
	822	**877**
Accrued expenses	1	0
Excess of plan assets over pension liabilities	1	10
Total	2,693	2,959
Equity & liabilities		
Equity	1,322	1,404
Provisions	114	195
Liabilities	1,257	1,360
Total	2,693	2,959

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

Total assets of €2,693 million (previous year: €2,959 million) primarily comprised financial assets of €1,867 million (previous year: €2,067 million), receivables of €358 million (previous year: €355 million), and cash, cash equivalents and securities of €462 million (previous year: €522 million).

The decrease in financial assets by €200 million to €1,867 million resulted mainly from the €128 million repayment of the vendor claim including accrued interest within the scope of the sale of the companies in the former Building, Facility Services and Real Estate divisions (Apleona), but also from write-downs of the carrying amounts of investments in associates as well as the sale of investments.

Receivables and other assets mainly comprised receivables from subsidiaries in connection with the Group's centralized corporate financing amounting to €344 million (previous year: €340 million).

The decrease in cash and cash equivalents by €60 million to €462 million is attributable to the dividend payment in the amount of €40 million as well as the reduction in the bonds and promissory note loans from €500 million to a total of €358 million. This was countered in particular by the repayment received from the vendor claim including accrued interest from Apleona in the amount of €128 million.

Accrued expenses resulted from a discount in connection with the issue of the new bond in the second quarter of 2019.

Within the scope of an adjustment of the trustee contract to the CTA assets, since 2019 the plan assets for pension obligations have been allocated entirely to Bilfinger SE's obligations (including obligations previously funded by provisions). As a result, in the area of pension obligations, there was

no longer any excess of plan assets. The remaining excess of plan assets over pension liabilities relates to existing surplus cover of partial retirement benefit obligations through plan assets.

The other side of the balance sheet includes equity of €1,322 million (previous year: €1,404 million), provisions of €114 million (previous year: €195 million) and liabilities of €1,257 million (previous year: €1,360 million).

The decrease in equity resulted from the annual loss and the dividend payment made.

Provisions included defined benefit obligations in the amount of €17 million (previous year: €19 million), tax provisions of €9 million (previous year: €21 million) and other provisions of €88 million (previous year: €154 million).

The decrease in tax provisions resulted from a partial reversal of a provision for corporate tax in connection with the results of the company tax audit and a reclassification of interest on tax liabilities to other provisions.

The reduction in other provisions was mainly due to the decrease in risk provisions in connection with the sale of investments. In 2019, clarifications were achieved for several issues concerning the former Construction as well as Building, Facility Services and Real Estate (Apleona) business units.

Liabilities in the amount of €856 million (previous year: €816 million) included liabilities to associates from deposits in connection with centralized cash pooling.

The bond in the amount of €500 million that was included in liabilities in the previous year was repaid on time in December 2019. In 2019, there was a refinancing in the total amount of €358 million, thereof €250 million as a bond and €108 million as a promissory note loan.

The equity ratio was 49 percent at the balance-sheet date (previous year: 47 percent). The increase resulted from the disproportionately strong reduction in the balance-sheet total in relation to the decrease in equity.

Opportunities and risks

The business development of Bilfinger SE as Group holding 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 2020, we expect improved earnings.

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

see page 24

The declaration of corporate governance in accordance with Section 289f of the German Commercial Code (HGB) is included in Chapter *A.4.1 Declaration of corporate governance and corporate governance report**, which is also available on the Internet site www.bilfinger.com under ‘Company / Corporate Governance’.

B.2.6 Employees

At the end of 2019, the Bilfinger Group workforce numbered 34,120 (previous year: 35,905) employees. In Germany, 7,051 (previous year: 7,405) employees worked for the Group while 27,069 people were employed abroad (previous year: 28,500). 7,431 people were employed in countries outside Europe (previous year: 8,483 people).

EMPLOYEES BY REGION

	2019	2018	Δ in %
Germany	7,051	7,405	-5%
Rest of Europe	19,638	20,017	-2%
North America	3,123	4,005	-22%
Africa	754	781	-3%
Asia	3,554	3,697	-4%
Group	**34,120**	**35,905**	**-5%**

EMPLOYEES BY BUSINESS SEGMENT

	2019	2018	Δ in %
Engineering & Maintenance Europe	23,508	24,009	-2%
Engineering & Maintenance International	6,667	7,647	-13%
Technologies	2,415	2,458	-2%
Reconciliation Group			
Headquarters / other	594	540	10%
Other Operations	936	1,251	-25%
Group	**34,120**	**35,905**	**-5%**

EMPLOYEE GROUPS

	Salaried	Industrial employees	**Total**	Salaried	Industrial employees	**Total**
			2019			**2018**
Engineering & Maintenance Europe	7,055	16,453	23,508	7,072	16,937	24,009
Engineering & Maintenance International	2,768	3,899	6,667	2,711	4,936	7,647
Technologies	1,718	697	2,415	1,664	794	2,458
Reconciliation Group						
Headquarters / other	585	9	594	530	10	540
Other Operations	474	462	936	628	623	1,251
Group	**12,600**	**21,520**	**34,120**	**12,605**	**23,300**	**35,905**

AVERAGE AGE OF EMPLOYEES
In years

	2019	2018
Engineering & Maintenance Europe	43.2	42.6
Engineering & Maintenance International	39.9	39.5
Technologies	41.4	41.7
Reconciliation Group		
Headquarters / other	43.2	43.4
Other Operations	40.9	41.1
Group	**42.4**	**41.9**

AVERAGE YEARS OF SERVICE PER EMPLOYEE
In years

	2019	2018
Engineering & Maintenance Europe	9.9	10.1
Engineering & Maintenance International	5.6	5.0
Technologies	9.9	10.6
Reconciliation Group		
Headquarters / other	9.6	10.2
Other Operations	10.5	9.8
Group	**9.1**	**9.0**

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 also 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 10.7 percent (previous year: 10.1 percent).

EMPLOYEES BY GENDER

	Male	Female	Total	Male	Female	Total
			2019			2018
Engineering & Maintenance Europe	21,288	2,220	23,508	21,794	2,215	24,009
Engineering & Maintenance International	5,982	685	6,667	6,994	653	7,647
Technologies	2,042	373	2,415	2,106	352	2,458
Reconciliation Group						
Headquarters / other	383	211	594	344	196	540
Other Operations	762	174	936	1,041	210	1,251
Group	**30,457**	**3,663**	**34,120**	**32,279**	**3,626**	**35,905**

Information in relation to the law that took effect in Germany in May 2015 on the equal participation of women and men in management positions in the private sector and in the civil service as well as the information on the diversity concept as required by the CSR Directive Implementation Act (CSR-RUG) are included in Chapter *A.4.1 Declaration of Corporate Governance and Corporate Governance Report**, which is also available on the website www.bilfinger.com under, 'Company / Corporate Governance'.

see page 24

Employee development programs implemented over the course of the reporting year as well as employer branding programs are described in Chapter *E. Non-Financial Report**.

see page 212

B.2.7 Innovation (research and development report)

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 €14.2 million (previous year: €12.3 million).

RESEARCH AND DEVELOPMENT EXPENSES
in € million

	2019	2018
Total expense	14.2	12.3
thereof digitalization	11.3	8.5
thereof industry	2.7	3.5
thereof energy and environment	0.2	0.3

Our focus on the development of digital solutions for the process industry means that the majority of the expense is accounted for by innovations in digitalization. Bilfinger Digital Next, which began operations in the previous year, develops new solutions such as the comprehensive digitalization concept BCAP (Bilfinger Connected Asset Performance) as well as a digital IOT platform for production and successfully launched these products on the market in 2019. The company supported the operating units with their digitalization projects, which included the knowledge platform Industrial Tube as well as an asset tracking solution. It also advised Bilfinger customers in connection with their digital transformations and was able to successfully introduce the newly developed digital solutions with both existing customers and new customers.

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 interested customers. It also cooperates with partners such as Microsoft, DFKI and various start-ups and represents Bilfinger in national digitalization committees and institutions.

The exchange of knowledge within the Group on new digital developments is ensured through regular meetings between the Group's digitalization experts and business development managers from Group companies and divisions, through open-day events with customers and the operating companies and through workshops. The future close link between the modular maintenance and repair concept BMC (Bilfinger Maintenance Concept) and BCAP is designed to further strengthen Bilfinger's market position in the process industry.

* information external to the management report / not audited

B.2.8 Non-Financial Group Declaration pursuant to Sections 315b ff and 289b ff of the German Commercial Code (HGB)

For financial year 2019, Bilfinger SE has prepared a non-financial report pursuant to Section 340a Subsection 1a in connection with Sections 289b Subsection 3 and Section 340i Subsection 5 in connection with Section 315b Subsection 3 HGB in the version amended through the CSR Directive Implementation Act (CSR-RUG). This is published in Chapter *E. Non-Financial Report** outside of the management report which can also be accessed on the Internet site at www.bilfinger.com under 'Company / Responsibility'.

see page 212

Pursuant to Section 171 Subsection 1 Sentence 4 AktG, the Supervisory Board must audit the Non-Financial Report. The audit of the Supervisory Board includes the legality, correctness and suitability of the reporting. To support its review, the Supervisory Board commissioned Ernst & Young Wirtschaftsprüfungsgesellschaft with an audit to achieve limited assurance pursuant to the audit standard ISAE 3000 (revised). The results of this audit are published in Chapter *E.7 Auditor's report.*

see page 229

* information external to the management report / not audited

B.3 Risk and opportunity report

The recognition of opportunities and risks is an integral part of the process management system in 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.

see page 111

For reasons of consistency with Chapter *B.4 Outlook*, the underlying timeline for the likelihood of risks and opportunities includes financial year 2020.

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: Operative
  - 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, Corporate Treasury, Corporate Legal, Corporate 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 the 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 employees 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%
Probable	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 Control

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 takes place in consultation with those in the companies defined as responsible for the risk management process or 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 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)
Risks from projects and framework agreements	1	Operational	●●	●●●●
Legal disputes and completed legacy projects	2	Compliance	●●●●	●●
Adverse market developments	3	Strategic	●●	●●●
Insufficient speed for achieving required operational excellence	4	Operational	●●	●●●
Lack of adequate personnel	5	Operational	●●	●●●
Localization requirements in the Middle East	6	Strategic	●●	●●
Risks related to the maintenance of an effective compliance system & culture	7	Compliance	●●	●●
Serious HSEQ incident	8	Operational	●●	●●
IT-related risk (new)	9	Operational	●	●●●
Inadequate focus on working capital / cash management	10	Financial	●	●●●

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*.

see page 130

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 share of in-house employee capacities demanded by 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 sunk 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 an additional risk 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.

Bilfinger's assessment with regard to the risk from unfavorable market developments, according to current estimates, has decreased by one level in terms of its impact as compared to the previous year.

Localization requirement in the Middle East

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 the localization, meaning increasing requirements on the employment of local workers in markets like the Middle East. 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. Most recently, the risk has intensified in that certain countries have introduced visa limitations that could mean that important employees do not have the opportunity to work actively on site. In certain cases, this could even lead to a limitation of performance with a corresponding negative impact on customer relationships. If this happens with large individual customers that are extremely important for the respective national company, it could have far-reaching negative consequences for this local unit.

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 for the most part to the Middle East which, in total, represents a relatively small business volume for Bilfinger. As a result, Bilfinger calculates 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 implementing necessary legal frameworks and structures.

Given the possible effects on large individual customers and possible consequences for entire national companies, Bilfinger estimates that the impact of this risk has increased to a relevant level. At the same time, the localization measures are leading to a reduction in the probability of occurrence to a limited level.

B.3.2.2 Operational risks

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 relate primarily to the 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 that 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 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.

Risks from framework agreements in the services business relate primarily to business in the engineering & maintenance sector. 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 increased, which corresponds to an increase by one stage as compared to the previous year. This is mainly due to project risks that occur and that cannot be completely avoided despite globally established project governance and standardized project management processes.

Lack of adequate personnel

The market for skilled workers remains tight – this applies to both our activities in Europe and in the USA. There is therefore still a risk that qualified personnel will leave the company, especially if the medium and longer-term prospects for employment are uncertain. This uncertainty has recently increased as Bilfinger has announced further restructuring measures. 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, inter alia, in Chapter E.4. Employee development and employer attractiveness*.

see page 222

Overall, it should be noted that the situation in the labor market for specialists remains difficult; the probability of the occurrence of a relevant impact, however, has declined for Bilfinger.

Insufficient speed for achieving required operational excellence

The achievement of our medium-term margin goals requires a significant increase in productivity in both direct and indirect functions. By contrast, market and margin pressure remain high as customers demand that any cost reductions achieved be passed on. At the same time, we continue to see regular inflation which also cannot be easily passed on to the customer in full. Last but not least, newly accepted framework agreements in the Engineering & Maintenance business area are less profitable due to set-up costs and the necessary familiarization with the specific plant in the start-up phase.

In view of the necessary productivity increases, Bilfinger continues to assess the risk as relevant in terms of its impact, with the likelihood being within the possible range.

The situation requires careful management of the cost base and regular review of the status quo. Productivity management is initially the responsibility of all those with operational responsibility. In the meantime, the BTOP productivity management system launched in 2017 is well established and increasingly taking effect in the operating units. It aims to derive the annual productivity improvements required to achieve the financial targets and to continuously support these with relevant measures. This is followed by the consistent monitoring of the measures taken on the basis of monthly degrees of fulfilment and their specific impact on the income statement. In order to further support the achievement of these goals, Bilfinger appointed a Chief Operating Officer to the Executive Board in 2019 and established a Global Excellence Team, which works together with local managers to drive the success of the company.

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

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

* information external to the management report / not audited

IT-related risks

Information is now an integral part of our business processes. It thus represents an important corporate asset that must be protected in an appropriate manner against unauthorized access. The ever-increasing global networking of computer systems, however, makes it increasingly difficult to protect our information from abuse, manipulation, espionage or theft. This is a general trend in the business world and Bilfinger is by no means immune to it. The most serious risk in this regard is posed by hostile attacks on Bilfinger IT systems (so-called cyber attacks), which are becoming increasingly prevalent as a result of increasing digitalization. These cyber attacks can have malicious intent including disrupting processes, attempting to gain access to internal and confidential information or even blackmailing to release data. The result can be significant system failures and disruptions to operational processes.

In addition to these direct attacks on our systems, continued attempts are being made to use IT-supported communication to entice employees to surrender company information or even to pay out funds (known as phishing or spoofing).

We counter these risks by monitoring incoming and outgoing e-mail traffic and working closely with the relevant authorities. Bilfinger has also established a dedicated competence center to deal with issues related to IT security. Our data centers have been subject to ISO 27001 certification for some time. In addition, measures to make network access more rugged are checked by means of regular vulnerability analyses, e.g. through so-called "friendly hacking". At the same time, Bilfinger has established an intrusion detection system (IDS) designed to promptly detect any successful unauthorized access. Similarly, all employees with IT access were made aware of the increasing danger through various measures.

Bilfinger's assessment of this risk, which was newly included in the third quarter of 2019, includes a relevant impact in the event of a possible occurrence. Against this background, the possibility of taking out cyber security insurance was examined, and insurance coverage has been in place since January 1, 2020.

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.

In terms of occupational safety, we have achieved results that have never been seen before. We have reduced the number of lost-day incidents by more than half and, with an accident rate of less than 0.25 per 1,000,000 working hours, are at the best level internationally. Our global "We make permits work" safety campaign, which has raised awareness among our employees and managers, also contributed to this achievement. In the coming year as well, a global safety campaign will again set a new focus and help us to become even more successful.

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

see page 222
see page 228

Details on HSEQ management at Bilfinger are described in the Non-Financial Report in Chapters E.4 Employee matters* and E.6 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 current and future customer requirements (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 currently be classified 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 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 had already included cash orientation in the bonus agreements of the most important managers down to the local units in 2018; the targets will be further intensified and target achievement measured quarterly from 2020. In addition, the objective of the ongoing comprehensive process and system harmonization is to contribute to greater transparency with regard to improvement potential and an increased Group-wide exchange of best practices in working capital management. Bilfinger also launched a Group-wide program in 2019 to optimize working capital management, including training and awareness measures as well as the definition of specific measures in individual units. This program will be continued in the future.

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.

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 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. 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 an ongoing cash-flow planning and introducing countermeasures at an early stage. Within the context of

* information external to the management report / not audited

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, 2019 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 €1.0 billion are sufficiently dimensioned to accompany the further development of the company. In addition, we have a US surety program in the amount of US$ 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.

To refinance the €500 million bond issued in 2012 and maturing in December 2019, we issued a bond for €250 million maturing in June 2024 as well as several promissory note loans totaling €123 million maturing in April 2022 and in April 2024.

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

see page 185
see page 181

For a presentation of the risks we refer to Chapter *C.6 Notes to the consolidated financial statements, Note 30 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 29 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 and a partner 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 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 among 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 (also including in the case of liability any interest that must be paid). 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. In the fall of 2019, an expert commissioned by the public prosecutor's office determined that the gas accident was due to technical defects in the plant for which the relevant Bilfinger company was responsible. Bilfinger has disputed these findings. 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.

In individual *projects in Germany, Poland, northern Macedonia and other countries*, clients, subcontractors or consortium partners are asserting claims in the mid triple-digit million-euro range against Bilfinger for various reasons. The objects of the disputes are, among other things, the appointment of blame for the causes of construction delays, disruptions to the construction process, defects and disagreement related to the technical features of the plants. In one case, the German Federal Supreme Court unexpectedly overturned an arbitration ruling issued in our favor in 2017, so that the claims of a subcontractor, which were alleged but disputed by Bilfinger, could be asserted again.

The leniency agreement concluded in *Brazil* with the responsible authorities was successfully ended in August 2019. The leniency agreement stipulated a payment in the low single-digit million-euro range as well as improvements in the compliance system. Its execution proceeded according to plans. In return, the Brazilian authorities renounced any further prosecution of the incidents against Bilfinger.

At one of our European subsidiaries, a labor law investigation in the course of the year revealed that this subsidiary may not have complied with all the legal regulations with regard to the payment of social security contributions. This may result in an obligation to make additional payments of social security contributions as well as any fines that may have to be paid. A corresponding provision has been made.

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 limited likelihood of occurrence.

Risks regarding the introduction of an effective compliance system

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

Our compliance focus is mainly on areas of activity including anti-corruption, antitrust, data protection as well as export and sanction regulations 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, data protection as well as export and sanction provisions can lead to criminal or civil prosecution as well as fines, sanctions, injunctions, disgorgement of profits, 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. Prosecution under criminal or antitrust law may lead to the cancellation or invalidity of existing contracts and may expose Bilfinger to claims from third parties, including competitors.

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, by recognizing early any type of misconduct and, in the case of confirmed violations, by reacting quickly and by consistently punishing misconduct. The respective compliance program covers all business areas and processes that are relevant for Bilfinger. The foundation for this compliance program consists of a detailed analysis repeated at regular intervals and an assessment of compliance risk factors at Group level and in the 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 of compliance violations do, however, occur from time to time. We generally detect these ourselves, investigate them in detail and, when necessary, impose strict sanctions and process improvements. We cooperate with the responsible 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.

Bilfinger continues to assess the impact of the risk from compliance incidents as relevant, with the same probability of occurrence as in the previous year.

B.3.3 General assessment of the risk situation

The evaluation of overall risk is the result of a consolidated consideration of all significant individual risks. Bilfinger assumes that the general risk situation of the Bilfinger Group did not change significantly as compared with the previous year. The successful completion of the Compliance Monitorship is particularly noteworthy in this regard. At the same time, it is becoming apparent in some units that risks in project execution can still have an impact. Growing IT risks contribute to our overall assessment.

Overall, however, 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 Value development of Apleona shares
3 Effective project and contract execution
4 Realization of tax-loss carryforwards
5 Optimization of personnel availability and costs
6 Digitalization and business development
7 Compliance and safety culture as a positive differentiation feature
8 Value contribution through the sale of companies and shares in companies
9 Accelerated implementation of productivity measures
10 Positive outcomes of pending legal cases

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.

Against this backdrop, Bilfinger continues to evaluate the opportunity as substantial with what remains a potential probability of occurrence.

Value contribution through the sale of companies and shares in 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 was sold or liquidated in financial year 2018. 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). The unchanged opportunity from this is considered limited with a simultaneously limited probability of occurrence. 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. For this reason, Bilfinger continues to evaluate the opportunity as substantial with what remains an increased probability of occurrence.

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. Potentially relevant effects remain within the realm of the possible in comparison with the previous year.

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.2.7 Innovation (research and development report)*). 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.

see page 88

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. The perspective of opportunities in this regard remains unchanged and includes substantial effects with limited probability of occurrence.

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 that the measures for improvement that have been initiated will become effective and comprise limited opportunity potential with an unchanged very limited probability of occurrence. 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 of 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 enable the Group to harness non-capitalized tax-loss carryforwards and thus improve its financial and earnings situation beyond current forecasts. As the improved tax rate in 2019 shows, initial successes could be achieved here. This reduces the additional effects to be expected to a substantial degree, while the probability of occurrence remains unchanged.

B.3.5.4 Compliance opportunities

Compliance and safety culture as a positive differentiation feature

see page 216

Our customers place a greater focus on compliance and HSEQ performance when choosing their partners. In light of the measures implemented to optimize the integrity and HSEQ culture described in Chapter *E.2. Counteracting corruption and bribery**, 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. As before, the opportunity from this is considered limited both in terms of the effects as well as in terms of the materialization.

Positive outcomes of 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 primarily in our European units.

At its meeting on February 20, 2018 and on the basis of an investigation that had been conducted, the Supervisory Board of Bilfinger SE resolved to assert damage claims against twelve former members of the company's Executive Board and, and, following a more detailed legal assessment of the matter and preparation of the claims, confirmed their enforcement at its meeting on February 12, 2019. 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 former members of the Executive Board are accused of breach of duty in the establishment, structuring and maintenance 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, triggering liability for damages. In May of 2019, specific letters of claim were sent to the relevant former members of the Executive Board. The Supervisory Board consistently pursued the proceedings and entered into discussions with the D&O insurers, which ultimately led to settlement negotiations on an out-of-court solution to the proceedings with the former members of the Executive Board and D&O insurers. In February2020, the Supervisory Board reached an out-of-court settlement with the twelve former members of the Executive Board and the D&O insurers and, as was the case with the Executive Board, insofar as they are responsible in accordance with stock company law, approved this settlement by resolution end of February 2020. It provides in particular for the payment of a settlement amount of 16.75 m€ to the company and, in principle, the discharge of potential claims of the parties in connection with the matters covered by the settlement. The settlement is subject to approval by the Annual General Meeting of Bilfinger SE which will take place on April 23, 2020. If approved by the Annual General Meeting, the settlement would end the assertion of claims for damages by Bilfinger SE against the former Executive Board members and other insured persons against payment of the settlement amount. The settlement would thus have a significant impact on the Bilfinger's net assets and financial position.

Furthermore, in 2019, it was possible to conclude a number of pending legal cases in Bilfinger's favor. As a result, the number as well as the probability of occurrence of further opportunities has been reduced. If claims can be asserted, this would also have a positive effect on the net assets and financial position.

Overall, the opportunity from pending legal cases is therefore considered to be reduced to a low probability of occurrence, while the effects remain low.

* information external to the management report / not audited

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.

Compared with the previous year, Bilfinger's opportunities situation has weakened as relevant parts of the opportunities have already been realized. Irrespective of this, Bilfinger continues to work on the ongoing development of its opportunities portfolio, including through the established BTOP platform.

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.

* information external to the management report / not audited

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. On an annual basis, the key risks for these business processes are identified and the necessary correlating controls are defined 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, regional or division and company level. Their tasks include reporting on the status of ICS to the respective management, which has 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 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 such as the inappropriate exercise of assessment latitude as well as violations against standards and regulations. The requirement of a conceptual framework and the establishment of quality-assuring control and monitoring mechanisms in particular serve to limit risks that exist with regard to the Group accounting processes.

B.4 Outlook

B.4.1. Operational Engineering & Maintenance business in Europe from January 1, 2020

Bilfinger made continuous progress with the implementation of its strategy also in financial year 2019. To support the next phase of profitable growth, the operational Engineering & Maintenance business in Europe was repositioned as of January 1, 2020. The previous three-level structure was replaced by an organization with only two levels and six regions. The reporting lines now go directly to the Executive Board.

With the new management structure, Bilfinger is strengthening its operating companies and giving them greater entrepreneurial freedom. A more decentralized organization with shorter decision-making paths will render the units more dynamic, enhance their competitiveness and ensure that they will assume greater responsibility for the profitability of their businesses. Besides the corporate functions at headquarters, a Global Excellence Center was established consisting of the three departments Global Development, Operational Excellence and HSEQ. Global Development focuses on the targeted use of supra-regional business opportunities. A further focus is on developing region-specific strategies and maintenance concepts. The tasks of the Operational Excellence unit include increasing profitability and efficiency through bundled expertise in contract management, regional procurement and contract execution. The HSEQ unit is responsible for governance, campaigns and best practices in the area of health & safety.

Unchanged reporting segments

see page 53

The three reporting segments presented in Chapter *B.1.3 Organization, strategy and objectives* Engineering & Maintenance Europe, Engineering & Maintenance International as well as Technologies also remain unchanged as does the focus on the current core regions Europe, Middle East and North America that are described there. The core industries chemical & petrochemicals, energy & utilities, oil & gas, pharmaceuticals & biopharma, cement and metallurgy also continue to represent the focus of our business activities.

REPORTABLE SEGMENTS FROM JANUARY 1, 2020

Engineering & Maintenance Europe	Engineering & Maintenance International	Technologies
Regions:	Regions:	Division (global)
United Kingdom	North America	Technologies
Nordics	Middle East	
Belgium / Netherlands		
Germany		
Austria / Switzerland		
Poland		

As of January 1, 2020, four individual companies from the Engineering & Maintenance Europe segment were reclassified to Other Operations, which now consists of six units.

B.4.2 Economy as a whole

For the development of the overall economic environment, it will be of tremendous importance in 2020 to see whether the trade dispute between the USA and China is actually settled and whether a further escalation of customs duties in the relationship between the USA and the EU can be avoided. The extent to which uncertainty in the relevant sectors can be reduced also depends on whether the United Kingdom's disengagement from the EU can be managed without a disruptive exit from the single market even after the end of the transition phase, which will initially last until December 2020. Against this backdrop, the European Commission (DG ECFIN, p. 170) expects GDP growth in the euro zone to remain unchanged in 2020 at only 1.2 percent and expects a further slowdown in economic momentum in the USA (from 2.3 percent to 1.8 percent GDP growth). In the euro zone, growth of equipment investments continues to weaken and is forecast to reach only 1.6 percent in 2020, after having been at 4.3 percent just two years earlier (DG ECFIN, p. 175).

Engineering & Maintenance Europe

In the European process industry as a whole, dynamics are expected to remain unchanged, albeit increasingly restrained in parts. In 2020, a relatively high number of major inspections ('turnarounds') of production facilities is again pending, further supporting demand for such services (Lün, p. 47). Growth rates are still expected from 2021, but possibly at a lower level (Lün, p. 17). A brake on growth in the sector remains the lack of qualified specialists and service personnel (Lün, p. 40).

United Kingdom

As a result of the repeated postponement of the Brexit date, uncertainty remains with regard to the future integration of the United Kingdom as a chemicals location in the European single market. With the formal withdrawal of the United Kingdom from the European Union on January 31, 2020, the country is now in the transition phase. During this period, provisionally scheduled until the end of 2020, the country will continue to be largely bound by EU law, even though it will be a non-EU member. This transition phase can be extended once by up to two years. Despite this course, an unregulated withdrawal from the EU internal market remains a real possibility – at least for the time being. It will only be possible to fully restore legal certainty when the future relationship between the EU and the United Kingdom has been clarified in a comprehensive trade and investment agreement. Local suppliers will thus have to prepare themselves for an environment marked by uncertainty, and thus also for a hesitant atmosphere and willingness to invest, despite the formally completed exit from the internal market.

UK oil and gas production will remain stable at current levels in 2020 (Oil & Gas UK, p. 25). Over the longer term, the market volume for services related to the decommissioning of production facilities will increase from the current £1.5 billion annually to £2.5 billion in 2030 (Oil & Gas UK, p. 35). The sector also has great potential in the area of carbon capture and storage (Carbon Capture and Storing: CCUS) due to geological conditions and technological experience. CCUS technology is regarded as one of the key technologies for achieving climate-neutral energy models. The British oil and gas industry is currently involved in 18 CCUS projects and is regarded as the technological leader in this field (Oil & Gas UK, p. 56).

Scandinavia

Due to extensive investments in development in recent years, forecasts for oil and gas production in Norway's production areas are on the rise. Norwegian Petroleum expects production to increase by 15 percent between 2019 and 2023 (Norwegian Petroleum Forecast). The decline in production from mature fields is currently being more than compensated for by initiation of production in new production areas.

Scandinavian countries are pressing ahead with the conversion of their energy supply toward renewable energies. Sweden intends to make its electricity production completely fossil-free by 2040. While hydroelectric power and nuclear energy currently still dominate electricity production with a share of 37 percent each, wind power capacities are growing rapidly. Wind power capacity is forecast to reach 11 gigawatts by 2022, an increase of almost 50 percent over 2018 (GTAI Sweden Wind Power). In the coming years, the country will invest substantially in network expansion and the North-South power line NordSyd (GTAI Sweden Industries). In this environment of ambitious climate policy, the chemical industry in the Nordic countries is benefiting from ongoing high investments in energy efficiency and emission prevention (GTAI Sweden Industries).

The Scandinavian aluminum and steel industry was not initially significantly affected by U.S. punitive tariffs (GTAI US punitive tariffs). If the customs regime continues, a growing burden on European producers can be expected as a result of new US investments.

Belgium / the Netherlands

For the time being, the chemical industry in Belgium and the Netherlands will also continue to be affected by the continuing subdued international chemical economy. For the Netherlands, industry experts anticipate a minimal expansion of production in 2020 (GTAI Dutch Chemicals). Plans to implement a national CO_2 tax in the industry, in addition to the European CO_2 emissions trading scheme, are leading to uncertainty (GTAI Dutch Chemicals). As in Northern Europe, investments to improve the energy and climate balance will be in greater demand.

Germany

In Germany, the German Chemical Industry Association (VCI) expects only a slight increase in production of 0.5 percent, driven by expected growth in the pharmaceutical industry (2.0 percent) (VCI Annual Balance). There are a number of unresolved issues in German energy and climate policy that are causing concern. Security of supply in the electricity sector, for example, is essential for the chemical location. In addition, the industry fears that industrial plants in Germany, which are already regulated by the EU emissions trading system, could be additionally burdened by national measures not coordinated at the European level. This could lead to "carbon leakage" – the relocation of chemical plants to EU countries with lower costs (VCI Climate).

In the German market, the increased regulatory requirements for temporary employment and work contracts are hampering the industry's flexibility.

Austria / Switzerland

Chemicals and petrochemicals in Austria and Switzerland, as is the case in other Western European markets, will continue to be affected by less dynamic world trade, the situation in the automotive industry and uncertainties in connection with Brexit for European value chains (VCI World). The high value of the Swiss franc is an additional burdening factor for the Swiss chemicals industry, so that no significant expansion of production is expected for the time being.

Poland

In Poland, petrochemicals will benefit from high investments in the expansion of capacities in the years to come. By 2023, oil company PKN Orlen plans to expand production by 30 percent through a €1.9 billion petrochemical program (GTAI Polish Chemicals).

Engineering & Maintenance International

North America

In the USA, the stimulating effects of the corporate tax reform on corporate investment activity passed in 2018 have gradually run out. The chemical industry, however, continues to benefit from very favorable energy prices arising from the ongoing fracking boom. In this environment, a further 4.9 percent increase in investment in the chemical sector in 2020 and a rapid further expansion of production capacities are expected (GTAI USA Chemicals). The extensive new plants could lead to growing price and margin pressure in the event of low demand due to the economic situation. Overcapacity cannot be ruled out in the coming years, especially in the US petrochemical sector (GTAI USA Chemicals).

In the oil and gas sector, the current low gas prices and the significant decline in the number of active wells indicate that production in the shale gas sector will level off. Regional growth impulses continue to come primarily from the production regions of the Permian Basin in Texas and New Mexico, where important new pipelines have been commissioned and sales conditions have improved (EIA Oil Production Forecast).

Although the US administration is pursuing a much less ambitious climate policy than the EU, the share of coal-fired power generation will continue to decline in the coming years in the USA, too, because abundant and inexpensive shale gas is increasingly being used to generate electricity, further displacing more expensive coal. According to the latest projections by the US Energy Information Agency, the share of gas in electricity generation will rise from the current 34 percent to 39 percent in 2050 and, from today's perspective, will then still exceed the share of electricity generation from renewable energy sources (forecast at 31 percent for 2050) (EIA AEO, p. 21).

Middle East

In the Gulf States, development of chemicals and petrochemicals will benefit in the coming years from ambitious projects to transform these economies away from pure oil production. In strategies such as Saudi Arabia's "Vision 2030", the chemical industry will get a lot of attention with its objective of achieving a higher share of value creation in the sectors downstream of oil production in its own country (GTAI Saudi Arabia Industries).

But the development remains risky. Economically, the financing power of the Gulf States is being impaired by the US shale gas boom. Rapidly growing US oil and liquefied gas exports are increasingly having a dampening effect on world market prices. In addition, a possible escalation of political tensions poses a considerable risk to economic development in the Gulf region (GTAI Saudi Arabia SWOT).

Technologies

The German power plant sector is still marked by the accompanying effects of the energy turnaround. Therefore, no increasing willingness to invest in new conventional power plants is to be expected, which would be important for the provision of secure capacity in the coming years. The decommissioning of unprofitable conventional power plants continues at a high pace (BDEW Supply Security). Against this background, the importance of fossil-fuel power plants as a customer group for industrial services will continue to decline.

The market for decommissioning services for nuclear power plants will continue to develop positively. Because the decommissioning of the remaining nuclear power plants in Germany is firmly

regulated by law until 2022, a continuous growth of this market can be reliably forecast for the coming years (KIT, p. 271). In a study by KIT, the volume of the market for Germany is estimated at US$ 14.3 billion by 2030. The potential of the German market in Europe is only exceeded by France with US$ 26.1 billion in the same period (KIT, p. 271).

In France, the "Grand Carénage" project launched by the energy utility EDF will also ensure stable demand for high-quality services in the coming years. Under this program, the majority of French reactor units are to be overhauled and safety-engineered for longer operating times by 2031.

In the United Kingdom, following the election defeat of the nuclear-critical Labor Party, only minor political risks for the completion of the new Hinkley Point C nuclear reactor are to be expected from today's perspective.

For Central and Eastern European EU member states, the decision on the EU's new financial framework for the years 2021 to 2027, expected by the end of 2020, is highly relevant for the energy sector. In recent years, countries such as Poland and Hungary have managed to implement extensive investment projects in the energy sector using EU Structural Funds. Future EU climate policy will have an impact here. For example, it is possible that EU funding for conventional power plants will be phased out. In November 2019, the European Investment Bank (EIB) decided to largely discontinue support for fossil-fuel power plant projects from the end of 2021 (Süddeutsche). The CO_2 limit then applicable to EIB-funded power plant projects would also exclude conventional gas-fired power plants from funding. There is, however, no doubt that natural gas will become increasingly important in Polish power generation alongside renewable energies, because coal-fired power generation is becoming less attractive in terms of price and is coming under increasing pressure from climate policy.

The stricter requirements of the International Maritime Organization regarding permissible sulfur emissions that will take effect from 2020 will cause the market for exhaust gas cleaning of ships to expand significantly in coming years. According to a survey from the German Shipowners' Association, shipowners want to meet the new standards for 11 percent of German ocean-going vessels by installing exhaust gas cleaning systems (‘scrubbers’) (VDR). The global market volume for scrubbers in the reporting year is estimated at US$ 500 million with a current annual growth rate of a good 40 percent (Marine Scrubber Market).

According to industry estimates, growth in global sales of prescription drugs in the pharmaceutical industry will accelerate significantly in the coming years to almost 7 percent annually (Evaluate, p. 8). New therapies for rare diseases in particular will contribute to predicted growth, with their share of drug sales expected to increase from 21 percent to 28 percent over the course of the next five years (Evaluate, p. 9). This is accompanied by the growing importance of biotechnologically produced drugs, whose share of the total market could be almost one-third by 2024 (Evaluate, p. 12).

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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 of average exchange rate levels seen in 2019.

In our forecast, we anticipate a lasting stabilization of the oil price at a level of US$ 55 to 75 / barrel. 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 applies, for example, to our activities in the North Sea.

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

B.4.4 Expected business development in 2020

The following forecasts and statements related to the expected development of Bilfinger are made on the basis of the slight adjustment of key figures due to the reclassification described above.

REVENUE AND ADJUSTED EBITA IN FINANCIAL YEAR 2019 FOLLOWING THE RECLASSIFICATION AS OF JANUARY 1, 2020 in € million	Revenue	Adjusted EBITA	Adjusted EBITA margin %
Engineering & Maintenance Europe	2,554.8	106.0	4.1
Engineering & Maintenance International	911.6	42.3	4.6
Technologies	538.5	-27.9	-5.2
Reconciliation Group	322.0	-16.4	-5.1
thereof Other Operations	299.1	-1.2	-0.4
thereof headquarters / consolidation / other	22.9	-15.2	
Group	**4,326.9**	**104.0**	**2.4**

OUTLOOK 2020	Initial situation Financial year 2019	Outlook financial year 2020
Revenue	€4,326.9 million	Organically stable level
Adjusted EBITA / margin	€104.0 million / 2.4%	Substantial increase in adjusted EBITA / margin of about 4%

Revenue As a result of an intensified focus on higher-margin business and the shifting of major orders into 2020, we anticipate organically stable revenue development. We also expect stable development in the Engineering & Maintenance Europe segment. At Technologies, on the other hand, we expect a significant increase in revenue which will be countered by a slight decrease in Engineering & Maintenance International. Following a strong year in 2019, the US business will initially consolidate somewhat, which will not be fully compensated for by the growing, but comparatively smaller activities in the Middle East.

As of December 31, 2019, order backlog was €2,567.1 million. We expect that most of this amount will translate into revenue in 2020.

EBITA / adjusted EBITA For adjusted EBITA (2019: €104.0 million), we expect a substantial increase to a margin of about 4 percent (2019: 2.4 percent).

The basis for the substantially higher Group EBITA is a substantial improvement in the Technologies segment. Following a loss caused by legacy projects and by a company in turnaround (2019: -€27.9 million), we expect positive earnings for 2020.

In the Engineering & Maintenance Europe segment, we anticipate a significantly positive development in adjusted EBITA (2019: €106.0 million), in Engineering & Maintenance International, the adjusted EBITA margin will show a slight improvement in financial year 2020 on the basis of what is already a relatively high level (2019: 4.6 percent).

For the positions summarized in the reconciliation Group, and considering the significant savings already achieved at headquarters in selling and administrative expenses including positive one-time effects, we expect a stable development in adjusted EBITA (2019: -€16.4 million). The units in Other Operations will make a positive contribution here.

Significant special items in 2020 From today’s perspective, we expect special items on EBITA primarily from investments in IT systems for the standardization of the system landscape and final expenses for restructuring totaling about €25 million.

Not included in the special items are potential disposal gains and losses from portfolio streamlining. Further, the reported net profit will likely continue to be burdened by the non-capitalization of deferred tax assets on the negative result of the holding.

Adjusted net profit Net profit will improve significantly as compared to the figure from the reporting year (2019: €24.2 million). We also expect a significant improvement in adjusted net profit (2019: €49.5 million).

Return on capital employed In 2020, we expect a significantly improved return on capital employed after taxes (2019: 1.8 percent).

Free cash flow For free cash flow (2019: €56.9 million) we expect a further significantly positive development in 2020.

Investments in property, plant and equipment For investments in property, plant and equipment we expect a figure at the sustainable level of 1.5 percent to 2 percent of revenue in 2020.

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

Despite an increasingly difficult global economic environment, Bilfinger anticipates stable market demand at a high level in financial year 2020. Against this backdrop, we will further focus our activities on higher-margin business. Because there have also been postponements in the awarding of some major contracts, we expect a stable organic revenue level in 2020 following several years of growth. In this context, we anticipate a substantial increase in adjusted EBITA to a margin of around 4 percent.

A leaner operating model and lower selling and administrative expenses will make important contributions to the margin improvement. We are therefore simplifying the previous divisional structure of the Engineering & Maintenance business in Europe and are reorganizing individual support functions.

In addition to higher profitability, the further improvement of cash flow in 2020 will be of great importance. We are working hard to further optimize our working capital management, and the operational positioning and the measures introduced to further reduce costs and improve cash flow generation will be important factors in achieving 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 71b 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 4, 2019 that its shareholding in Bilfinger was 26.81 percent of the voting rights. In accordance with Section 34 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 23.19 percent of the voting rights and Cevian Capital II Co-Investment Fund LP with 3.63 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 9,858 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 buyback 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 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 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 using a recognized financial mathematic method, for which the calculation, among other things, of the agreed exercise price is to be taken 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 be 10 percent higher or 20 percent lower than the average price of the

share of the company with the same rights in the closing auction of the XETRA trading system of the Frankfurt Securities Exchange (or a comparable successor system) during the previous three stock exchange trading days prior to the conclusion of the relevant option or futures transaction. 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 buyback 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 and bank guarantees covering the sum of €955 million, as well as for the investors in our promissory note loan of €123 million and our corporate bond of €250 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*.

see page 36

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.

see page 36

C Consolidated financial statements

C.1 Consolidated income statement 125

C.2 Consolidated statement of comprehensive income 126

C.3 Consolidated balance sheet 127

C.4 Consolidated statement of changes in equity 128

C.5 Consolidated statement of cash flows 129

C.6 Notes to the consolidated financial statements 130

C.1 Consolidated income statement

in € million

	Notes	2019	2018
Revenue	(6)	4,326.9	4,152.6
Cost of sales		-3,915.1	-3,762.0
Gross profit		**411.8**	**390.6**
Selling and administrative expense		-379.5	-402.5
Impairments and reversals in accordance with IFRS 9	(7)	1.2	-0.3
Other operating income	(8)	36.0	40.0
Other operating expense	(9)	-61.3	-54.3
Income from investments accounted for using the equity method	(18)	19.9	14.3
Earnings before interest and taxes (EBIT)		**28.1**	**-12.2**
Interest income	(12)	6.8	14.3
Interest expense	(12)	-38.8	-21.2
Other financial result	(12)	10.1	21.9
Earnings before taxes		**6.2**	**2.8**
Income tax	(13)	-3.9	-22.8
Earnings after taxes from continuing operations		**2.3**	**-20.0**
Earnings after taxes from discontinued operations	(5.1)	**23.6**	**-3.3**
Earnings after taxes		25.9	-23.3
thereof attributable to minority interest		1.7	1.0
Net profit		**24.2**	**-24.3**
Average number of shares (in thousand)	(14)	40,284	41,458
Earnings per share* (in €)	(14)	0.60	-0.59
thereof from continuing operations		0.01	-0.51
thereof from discontinued operations		0.59	-0.08

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

C.2 Consolidated statement of comprehensive income

in € million

	2019	2018
Earnings after taxes	**25.9**	-23.3
Items that will not be reclassified to the income statement		
Gains / losses from remeasurement of net defined-benefit liability (asset)		
Unrealized gains / losses	-57.0	3.2
Income taxes on unrealized gains / losses	3.8	4.9
	-53.2	8.1
Gains / losses from fair-value measurement of equity instruments in accordance with IFRS 9.5.7.5		
Unrealized gains / losses	3.6	-3.6
Income taxes on unrealized gains / losses	-0.1	0.1
	3.5	-3.5
	-49.7	4.6
Items that may subsequently be reclassified to the income statement		
Currency translation differences		
Unrealized gains / losses	13.9	5.1
Reclassifications to the income statement	0.3	3.2
Income taxes on unrealized gains / losses	-1.6	-3.5
	12.6	4.8
	12.6	4.8
Other comprehensive income after taxes	**-37.1**	9.4
Total comprehensive income after taxes	**-11.2**	-13.9
attributable to shareholders of Bilfinger SE	-12.3	-16.1
Minority interest	1.1	2.2

See also further explanations on the components of other comprehensive income in section 23 of the notes to the consolidated financial statements.

C.3 Consolidated balance sheet

in € million

		Notes	Dec. 31, 2019	Dec. 31, 2018
Assets	**Non-current assets**			
	Intangible assets	(15)	802.5	803.9
	Property, plant and equipment	(16)	311.9	324.0
	Rights of use from leases	(17)	227.4	–
	Investments accounted for using the equity method	(18)	18.5	34.9
	Other assets	(19)	255.5	376.7
	Deferred taxes	(13)	60.6	74.9
			1,676.4	**1,614.4**
	Current assets			
	Inventories	(20)	57.1	61.7
	Receivables and other financial assets	(21)	1,057.3	1,102.3
	Current tax assets		20.4	22.8
	Other assets	(22)	43.8	50.6
	Marketable securities		0.0	120.0
	Cash and cash equivalents		499.8	453.8
	Assets classified as held for sale	(5.2)	–	50.4
			1,678.4	**1,861.6**
			3,354.8	**3,476.0**
Equity & liabilities	**Equity**	(23)		
	Share capital		132.6	132.6
	Capital reserve		768.7	767.0
	Retained and distributable earnings		379.4	465.3
	Other reserves		34.5	3.1
	Treasury shares		-149.9	-150.4
	Equity attributable to shareholders of Bilfinger SE		**1,165.3**	**1,217.6**
	Minority interest		-12.4	-12.9
			1,152.9	**1,204.7**
	Non-current liabilities			
	Provisions for pensions and similar obligations	(24)	338.0	288.2
	Other provisions	(25)	23.6	24.6
	Financial debt	(26)	551.3	10.8
	Other liabilities		0.0	0.1
	Deferred taxes	(13)	4.3	39.4
			917.2	**363.1**
	Current liabilities			
	Current tax liabilities	(25)	25.4	33.8
	Other provisions	(25)	301.9	383.6
	Financial debt	(26)	49.7	501.6
	Trade and other payables	(27)	679.7	750.5
	Other liabilities	(28)	228.0	212.7
	Liabilities classified as held for sale	(5.2)	–	26.0
			1,284.7	**1,908.2**
			3,354.8	**3,476.0**

C.4 Consolidated statement of changes in equity

in € million

	Equity attributable to 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, 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 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	**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**
Balance at January 1, 2019	**132.6**	**767.0**	**465.3**		**0.0**	**-3.5**	**0.0**	**6.6**	**-150.4**	**1,217.6**	**-12.9**	**1,204.7**
Adjustments due to transition effects from the initial application of IFRS 16	0.0	0.0	0.9			0.0	0.0	0.0	0.0	0.9	0.0	0.9
Adjusted balance at January 1, 2019	132.6	767.0	466.2		0.0	-3.5	0.0	6.6	-150.4	1,218.5	-12.9	**1,205.6**
Earnings after taxes	0.0	0.0	24.2		0.0	0.0	0.0	0.0	0.0	24.2		25.9
Other comprehensive income after taxes	0.0	0.0	-53.2		0.0	3.5	0.0	13.2	0.0	-36.5	-0.6	-37.1
Total comprehensive income	0.0	0.0	-29.0		0.0	3.5	0.0	13.2	0.0	-12.3	1.1	**-11.2**
Dividends paid out	0.0	0.0	-40.3		0.0	0.0	0.0	0.0	0.0	-40.3	-0.6	-40.9
Share-based payments	0.0	1.7	2.2		0.0	0.0	0.0	0.0	0.5	4.4	0.0	4.4
Changes in ownership interest without change in control	0.0	0.0	0.1		0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.1
Purchase of own shares	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	-19.8		0.0	0.0	0.0	14.7	0.0	-5.1	0.0	-5.1
Balance at December 31, 2019	132.6	768.7	379.4		0.0	0.0	0.0	34.5	-149.9	1,165.3	-12.4	**1,152.9**

For explanations of the Development of Group Equity see Note 23 of the notes to the consolidated financial statements.

C.5 Consolidated statement of cash flows

in € million

	2019	2018
Earnings before taxes from continuing operations	6.2	2.8
Interest income and expense and other financial result	21.9	-15.0
Amortization of intangible assets from acquisitions	3.9	4.8
EBITA	32.0	-7.4
Depreciation of property, plant and equipment and amortization of intangible assets (excluding acquisitions)	107.6	64.9
Other impairments	0.0	19.0
Gains / losses on disposals of non-current assets	-6.1	-8.8
Income from investments accounted for using the equity method	-20.5	-14.9
Dividends received	30.0	3.4
Interest received	31.8	2.7
Income tax payments	-16.4	-6.3
Change in advance payments received	0.5	39.5
Change in trade receivables	28.0	-82.9
Change in trade payables and advance payments made	-50.0	69.0
Change in net trade assets	**-21.5**	**25.6**
Change in current provisions	-29.9	-57.1
Change in other current assets (including other inventories) and liabilities	9.2	20.0
Change in working capital	**-42.2**	**-11.5**
Change in non-current assets and liabilities	-5.9	8.8
Cash flow from operating activities of continuing operations	**110.3**	**49.9**
Cash flow from operating activities of discontinued operations	-32.1	-15.4
Cash flow from operating activities, total	**78.2**	**34.5**
Investments in property, plant and equipment and intangible assets	-63.6	-65.6
Payments received from the disposal of property, plant and equipment and intangible assets	10.2	12.1
Acquisition of subsidiaries net of cash and cash equivalents acquired	0.0	-0.7
Payments from the disposal of subsidiaries net of cash and cash equivalents disposed of	129.9	-2.0
Payments received / investments in other financial assets	11.3	2.3
Investments in securities	119.9	27.4
Cash flow from investing activities of continuing operations	**207.7**	**-26.5**
Cash flow from investing activities of discontinued operations	-0.1	0.0
Cash flow from investing activities, total	**207.6**	**-26.5**
Acquisition of own shares	0.0	-111.3
Dividends paid to the shareholders of Bilfinger SE	-40.3	-42.0
Dividends paid to minority interest	-2.6	-2.1
Borrowing	375.5	3.4
Repayment of financial debt	-549.6	-0.4
Interest paid	-26.8	-15.1
Cash flow from financing activities of continuing operations	**-243.8**	**-167.5**
Cash flow from financing activities of discontinued operations	-0.1	0.0
Cash flow from financing activities, total	**-243.9**	**-167.5**
Change in cash and cash equivalents	**41.9**	**-159.5**
Change in value of cash and cash equivalents due to changes in foreign exchange rates	0.8	-0.8
Cash and cash equivalents at January 1	453.8	617.1
Cash and cash equivalents classified as assets held for sale at January 1 (+)	3.3	0.3
Cash and cash equivalents classified as assets held for sale at December 31 (-)	0.0	3.3
Cash and cash equivalents at December 31	**499.8**	**453.8**

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.

The business and reportable segments were adjusted at the beginning of financial year 2019. The strategic positioning with a focus on the two service lines *Technologies* and *Engineering & Maintenance* (E&M) has been retained. Segment reporting now consists of three reportable segments:

- *Technologies*
- *Engineering & Maintenance Europe*
- *Engineering & Maintenance International*

The reportable segment *Technologies* is both a division and a business segment. The reportable segment *Engineering & Maintenance Europe* includes the divisions *E&M Continental Europe* and *E&M Northwest Europe,* which constitute business segments. The reportable segment *Engineering & Maintenance International* includes the divisions *E&M North America* and *E&M Middle East,* which constitute business segments.

The segment *Technologies* is positioned globally and focuses 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.

The divisions in the service line *Engineering & Maintenance* are positioned regionally and offer their services for engineering, maintenance, expansion and operation on a local basis. 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 *E&M Continental Europe* and *E&M Northwest Europe* in the *Engineering & Maintenance Europe* reportable segment. The activities of the divisions *E&M North America* and *E&M Middle East* in our strategic growth regions outside of Europe make up the reportable segment *Engineering & Maintenance International*. In both reportable segments, we expect similar growth rates and margins in the planning period for the relevant divisions.

In addition, from financial year 2019, the services from headquarters will be more consistently allocated to the units that receive them in accordance with the causation principle. This leads to an improvement in the result of the reconciliation Group and, at the same time, to a corresponding burden in the operating business segments.

Segment reporting including prior-year figures – also in terms of the allocation of the services from headquarters – has been adapted accordingly.

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

* Figures in € million, unless stated otherwise.

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.

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. Investments in property, plant and equipment also include investments in intangible assets such as licenses or software of €1.5 million (previous year: €3.1 million).

RECONCILIATION GROUP	EBIT		Segment assets		Segment liabilities	
	2019	2018	**2019**	2018	**2019**	2018
Other Operations	3.5	-2.0	53.5	114.0	23.2	72.7
Headquarters	-56.1	-95.6	888.2	837.6	1,129.8	983.9
Consolidation	2.1	0.5	0.0	0.0	0.0	0.0
Reconciliation Group	**-50.5**	**-97.1**	**941.7**	**951.6**	**1,153.0**	**1,056.6**

SEGMENT REPORTING BY BUSINESS SEGMENT
in € million

	Technologies		Engineering & Maintenance Europe		Engineering & Maintenance International		Total of segments		Reconciliation Group		Total Continuing operations	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
External revenue	536.1	499.7	2.723.4	2.695.3	910.9	752.1	4.170.4	3.947.1	156.5	205.5	4.326.9	4.152.6
Internal revenue	2.4	3.7	25.2	29.6	0.7	0.0	28.3	33.3	-28.3	-33.3	0.0	0.0
Total revenue	538.5	503.4	2,748.6	2.724.9	911.6	752.1	4,198.7	3.980.4	128.2	172.2	4,326.9	4,152.6
EBITA adjusted (segment earnings)	-27.9	-26.1	101.3	102.8	42.3	31.6	115.7	108.3	-11.8	-43.2	103.9	65.1
Special items	-7.2	-14.4	-20.2	-3.8	-5.7	-0.6	-33.1	-18.8	-38.8	-53.8	-71.9	-72.6
EBITA (segment earnings)	-35.1	-40.5	81.1	99.1	36.6	31.0	82.6	89.6	-50.5	-97.0	32.1	-7.5
Amortization of intangible assets from acquisitions and impairment of goodwill	-0.6	-0.6	-0.6	-1.2	-2.7	-2.8	-3.9	-4.6	0.0	-0.1	-3.9	-4.7
EBIT (segment earnings)	-35.7	-41.1	80.5	97.8	33.9	28.2	78.7	84.9	-50.5	-97.1	28.2	-12.2
therein depreciation of property, plant and other intangible assets	-3.3	-3.7	-38.4	-39.1	-6.4	-5.2	-48.1	-48.0	-7.2	-17.1	-55.3	-65.1
therein depreciation of rights of use from leases	-4.4	0.0	-30.2	0.0	-5.2	0.0	-39.8	0.0	-11.5	0.0	-51.3	0.0
therein income from investments accounted for using the equity method	0.0	0.0	1.0	2.8	17.9	11.5	18.9	14.3	1.0	0.0	19.9	14.3
Segment assets December 31	417.8	445.8	1,494,0	1,381.3	501.3	516.9	2,413,1	2,344.0	941.7	1,132.1	3,354.8	3,476.1
thereof investments in associates and joint ventures accounted for using the equity method	0.0	0.0	1.9	4.0	7.8	23.9	9,7	27,9	8,8	7,0	18,5	34,9
Segment liabilities December 31	252.3	340.3	618.3	673.2	178.3	201.2	1,048.9	1,214.7	1,153.0	1,056.6	2,201.9	2,271.3
Investments in property, plant and equipment	2.8	3.4	49.9	41.9	6.9	5.3	59.6	50.6	4.0	15.0	63.6	65.6
Capitalization of rights of use from leases	1,6	0,0	19,8	0,0	5,8	0,0	27,2	0,0	13,1	0,0	40,3	0,0
Employees December 31	2,415	2,458	23,508	24,009	6,667	7,647	32,590	34,114	1,530	1,791	34,120	35,905

SEGMENT REPORTING BY REGION
in € million

	Germany		Rest of Europe		America		Africa		Asia		Australia		Total continuing operations	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
External revenue	963.3	970.2	2,305.4	2,323.8	798.3	643.4	123.9	89.3	136.0	125.8	0.0	0.1	4,326.9	4,152.6
Non-current assets at December 31	682.9	543.0	413.5	313.8	225.9	246.7	6.4	2.5	13.2	21.9	0.0	0.0	1,341.9	1,127.9

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 2019 were released for publication by the Executive Board on March 6, 2020.

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 to those applied in the prior year, with the following exceptions:

Amended IFRSs relevant to Bilfinger and applied as of January 1, 2019 are:

IFRS 9 *Financial instruments*

- IFRS 16 *Leases*
- IAS 19 *Employee Benefits*
- IAS 28 *Investments in Associates and Joint Ventures*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

Annual Improvements to IFRSs, cycle 2015-2017

The effects of these changes are as follows:

IFRS 9 *Financial Instruments*

The amendment to IFRS 9 *Prepayment features with negative compensation* stipulates that measurement at amortized cost and at fair value through other comprehensive income is also permissible for financial assets (debt instruments) for which a contract party receives or pays financial compensation upon its termination (reasonable compensation). To date such compensation payments would not meet the SPPI criteria (payment flows) as a prerequisite for the corresponding measurement. The changes have not led to any effects on the consolidated financial statements.

IAS 19 *Employee Benefits*

The amendment to IAS 19 *Plan amendments, curtailments, settlements* relates to the accounting of plan amendments, curtailments and settlements (i.e., interventions in defined-benefit plans) and defines 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 changes have not led to any effects on the consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures*

The amendment to IAS 28 *Long-term interests in associates and joint ventures* 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. As in the past, these long-term interests must still be included in the allocation of loss in accordance with the equity method. The changes have not led to any effects on the consolidated financial statements.

IFRIC 23 *Uncertainty over income tax treatments*

IFRIC 23 clarified the approach and measurement regulations of IAS 12 with regard to uncertainty over income tax treatments. In accordance with the rules of IFRIC 23, depending on which approach better predicts the resolution of the uncertainty, it must be determined whether each uncertain tax treatment needs to be considered individually or together with one or more other uncertain tax treatments. It is assumed that the tax authorities will examine all uncertain tax treatments and have all relevant information at their disposal. On this basis, an assessment is conducted to determine whether it is probable that the tax authority will accept the uncertain tax treatment. If this is deemed probable, the taxable profit or loss, tax bases, unused tax losses and tax rates are determined in accordance with the treatment used in the income tax return. However, if it is not considered probable that the tax authorities will accept an uncertain tax treatment, the entity should use the most likely amount, or, in the case of a large number of similar obligations, the expected value of the tax treatment in determining taxable profit or tax loss, tax bases, unused tax losses and tax rates. A judgement or estimate must be reassessed if facts or circumstances change. As a result of the initial application of IFRIC 23, there have not been any significant effects on the consolidated financial statements.

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. The changes have not led to any effects on the consolidated financial statements.

See Note 3.2 for a presentation of the effects of the initial application of IFRS 16.

IFRSs already published but not yet applied:

IFRS 3 *Business Combinations*

The amendment to IFRS 3 *Definition of a business operation* relates 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 on an asset or a group of similar assets) was introduced. The amendment is to be prospectively applied from January 1, 2020.

IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform*

The amendments to IFRS 9, IAS 39 and IFRS 7 are intended to mitigate the effects of the so-called "IBOR reform" on IFRS financial statements. Their objective is to ensure that designated hedge accounting relationships continue to exist or can be designated despite the replacement of various reference interest rates (initial application on January 1, 2020). The changeover to new reference interest rates will have a very minor effect on Bilfinger’s consolidated financial statements: Existing external financing agreements and hedging instruments already contain fallback clauses for the most part.

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).

Amendments to IAS 1 and IAS 8 with regard to the definition of materiality
The amendments to IAS 1 and IAS 8 with regard to the definition of materiality take into account for the first time the obscuring of information as a measure of materiality in the area of disclosures. The obscuring of significant information with insignificant information can have effects that are similar to leaving out significant information. The definition is also aimed at the primary addressees of financial statements as defined in the framework concept since 2010. In addition, it must be possible for information to reasonably influence decisions in order for it to be material (initial application on January 1, 2020).

At the balance-sheet date, IFRS 17, the amendments to IFRS 3 as well as the amendments to IFRS3, IAS 39 and IAS 7 within the scope of the *Interest Rate Benchmark Reform* 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 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 generally has to recognize a right-of-use asset and a lease liability for all leases (see Note 3.3). There were no effects as relate to the accounting of the lessor.

Bilfinger has applied IFRS 16 since January 1, 2019 in line with the modified retrospective approach, according to which the comparative figures from prior-year periods are not adjusted and the cumulative effect of the initial application is recognized at this time.

Bilfinger makes use of the following practical expedients applicable upon first-time application: For leases which to date have been classified in accordance with IAS 17 as operating leases, the lease liability is measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of January 1, 2019. The right-of-use asset is generally capitalized with the same amount. Leases with a residual lease term of a maximum of one year as of January 1, 2019 are accounted for as short-term leases. Initial direct costs are not taken into account at the date of initial application for the right-of-use asset. For leases with extension or termination options, hindsight is used to determine the lease term.

First-time application of IFRS 16 led to the following effects on the financial position, cash flows or profitability of Bilfinger: Non-current assets increased by €236.4 million as a result of the capitalization of the right-of-use assets as of January 1, 2019. Financial debt increased by €235.1 million as of January 1, 2019. The right-of-use assets and lease liabilities also include leases that were accounted for as finance leases in accordance with IAS 17 until December 31, 2018. The transition effects were taken into consideration in retained earnings. As a result of these effects, the equity ratio declined by 2.2 percentage points.

BALANCE-SHEET ITEMS	Carrying amount as of December 31, 2018	Adjustments as a result of IFRS 16	Carrying amount as of January 1, 2019
Property, plant and equipment	324.0	-14.8	309.2
Right-of-use assets from leases	–	251.2	251.2
thereof initial recognition in accordance with IFRS 16		*236.4*	
thereof IAS 17 assets		*14.8*	
Other assets	50.6	-1.3	49.3
Equity	1,204.7	0.9	1,205.6
Financial debt – non-current	10.8	189.7	200.5
Financial debt – current	501.6	45.4	547.0
Other liabilities	212.7	-0.9	211.8

The difference between the total of undiscounted minimum lease payments as a result of non-cancellable operating leases presented in accordance with IAS 17 as of December 31, 2018 in the amount of €212.8 million and lease liabilities at the time of the initial application of IFRS 16 in the amount of €247.5 million results mainly from the following effects: The minimum lease payments for operating leases in accordance with IAS 17 relate to non-cancellable contract periods while, in accordance with IFRS 16, lease payments in periods after options must be taken into consideration if the relevant conditions are met. In addition, previous finance leases in accordance with IAS 17 are included in lease liabilities (see Note 26). Obligations from leases for which the underlying asset is of low value are included in the minimum lease payments for operating leases in accordance with IAS 17, but, as a result of the recognition exemption, they are not included in the lease liabilities in accordance with IFRS 16. For the calculation of the lease liability, the lease payments are discounted using the incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate was 2.0 percent. The discounting effect amounted to €16.0 million.

The straight-line recognition of expense for operating leases in accordance with IAS 17 was replaced by amortization of the right-of-use assets and interest expense on the lease liabilities. As a result, EBIT improved by €2.2 million in financial year 2019. In the financial result, an additional interest expense from lease liabilities in the amount of €4.4 million was recognized in financial year 2019. In the statement of cash flows, the payments from leases were recognized in cash flow from financing activities. In financial year 2019, this led to an improved cash flow from operating activities in the amount of €52.7 million and a corresponding decrease in cash flow from financing activities.

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. Goodwill and intangible assets with an indefinite or unlimited useful life 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 (net selling 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.

A lease is a contract that transfers the right to control the use of an identified asset for a period of time in exchange for consideration. A lessee generally has to recognize a right-of-use asset and a lease liability for all leases. Upon initial recognition, the lease liability is recognized in the amount of the present value of the lease payments that are not paid at the commencement date and that are due over the lease term. The lease term is determined considering extension or termination options, provided that the requirements of IFRS 16 for reasonable certainty of exercise or non-exercise are met. Lease payments to be taken into account during the lease term include fixed payments, less lease incentives payable by the lessor, index-linked variable payments, expected amounts from residual value guarantees, exercise prices of purchase options if the exercise of the option was deemed reasonably certain, and penalties for termination of a lease if the exercise of the termination option was taken into account to determine the lease term. Discounting is carried out using the incremental borrowing rate at the commencement date. In the subsequent measurement, the carrying amount of the lease liability is increased by the interest expense and reduced by the lease payments made. The right-of-use asset is measured at cost at initial recognition. This corresponds to the amount of the lease liability less the lease incentives received from the lessor plus the lease payments to be made on or before the commencement date, the initial direct costs as well as the estimated costs for any restoration obligations. In the subsequent measurement, the right-of-use asset is recognized less accumulated depreciation and, if relevant, under consideration of impairment losses. The right-of-use asset is generally depreciated over the lease term using the straight-line method. If ownership of the underlying asset is transferred to the lessee at the end of the lease term or if the cost of the right-of-use asset includes payments for a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. Bilfinger makes use of the recognition exemption for leases of underlying assets of low value, i.e., for assets with a value when new that does not exceed the magnitude of €5 thousand, and for short-term leases. Lease payments from these leases are recognized as an expense using the straight-line method over the lease term.

In the previous year, accounting of leases was carried out in accordance with IAS 17: With lease agreements where the risks and rewards of ownership of the leased asset were allocated to a company of the Bilfinger Group (finance leases), the item was capitalized at the lower of its fair value or the present value of the lease payments. Systematic depreciation took place over the useful life. Payment obligations resulting from future lease payments were recognized under financial liabilities. For leases that did not transfer the risks and rewards of ownership of the leased asset to a company of the Bilfinger Group (operating leases), no assets and liabilities were recognized. Expenses from these operating leases were recognized on a straight-line basis over the lease term.

The classification of agreements as lease agreements took place on the basis of the substance of the transaction. That is, a test was 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)	Solely payments of principal and interest on specified dates (basic lending arrangement or receivable, SPPI)
At fair value through other comprehensive income – with reclassification to profit or loss (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 (FA-FVtPL)	Held for trading or neither "hold" 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 recognition 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, the time horizon to be considered for the determination of impairment depends on the risk of default or its change since initial recognition. If the default risk since initial recognition has not increased significantly, the time horizon is twelve 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., for traded financial instruments), the replacement method (e.g., for property, plant and equipment) or the discounted-cash-flow method (e.g., for 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 sellable 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 lim-

ited 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). As a lessor, Bilfinger recognizes lease income from operating leases in accordance with IFRS 16 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 of 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 €14.2 million (previous year: €12.3 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 specific 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)
Right-of-use assets from leases	Amortized cost (present value of the lease payments, depreciation, generally straight-line, 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. Revenue generated in accordance with IFRS 15 was nearly exclusively recognized over time. Disclosures on the sensitivities of the extent of possible effects of changes in es-

timates 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 19 and 21.

- 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 24 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 Tuesday, December 31, 2019 was €325.5 million (previous year: €408.2 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 uncertain, 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 as of December 31, 2019 was €60.6 million (previous year: €74.9 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 29.1 of the notes to the consolidated financial statements for further details.
- Leases: In determining the lease term, all facts and circumstances that could constitute an economic incentive to exercise extension options or not to exercise termination options are assessed. Adjustments to these evaluations have an impact on the lease liability and the right-of-use asset. For further explanations on potential payments from leases after extension or termination options, we refer to Note 17 of the notes to the consolidated financial statements.

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	
		2019	2018	2019	2018
Australia	AUD	1.6108	1.5798	1.5997	1.6228
United Kingdom	GBP	0.8777	0.8847	0.8505	0.8942
India	INR	78.8461	80.7426	80.1252	79.9636
Canada	CAD	1.4855	1.5295	1.4601	1.5615
Qatar	QAR	4.0960	4.3184	4.1074	4.1808
Nigeria	NGN	404.8584	426.7990	409.4303	415.7550
Norway	NOK	9.8518	9.5985	9.8614	9.9494
Oman	OMR	0.4310	0.4547	0.4322	0.4404
Poland	PLN	4.2987	4.2623	4.2585	4.3000
Saudi Arabia	SAR	4.1993	4.4297	4.2116	4.2900
Sweden	SEK	10.5899	10.2601	10.4520	10.2499
Switzerland	CHF	1.1125	1.1550	1.0847	1.1270
South Africa	ZAR	16.1738	15.6168	15.7757	16.4908
Czech Republic	CZK	25.6705	25.6468	25.4100	25.7250
United Arab Emirates	AED	4.1121	4.3385	4.1234	4.2006
United States	USD	1.1195	1.1810	1.1231	1.1454

4 Consolidated group

4.1 Changes in the consolidated group and inclusion

32 (previous year: 39) companies in Germany and 78 (previous year: 86) companies based outside of Germany have been included in the consolidated financial statements. 1 company (previous year: 2 companies) based outside Germany was consolidated for the first time in the reporting year. In addition, 7 (previous year: 4) companies in Germany and 9 (previous year: 8) companies based outside of Germany were no longer included in the consolidated group due to sale or merger. A further 16 (previous year: 17) companies 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 2019.

4.3 Disposals

In the reporting period, the disposal groups Bilfinger Industrial Services Spain S.A. from the division *E&M Continental Europe* in the business segment *Engineering & Maintenance Europe* as well as the device technology and overhead power line activities from the division *Other Operations* were sold. Furthermore, the subsidiaries Bilfinger Babcock (Thailand) Co. Ltd. from the division *Technologies* and Bilfinger Personalmanagement GmbH from the Division *E&M Continental Europe* were sold.

In the previous year, the disposal groups Bilfinger Neo Structo Private Limited and power-plant service activities from the *Other Operations* division were sold.

The overall effects of the sales were as follows:

EFFECTS AT THE TIME OF SALE	2019	2018
Disposal of assets classified as held for sale	-80.0	-15.4
Disposal of other assets	**-13.2**	–
Disposal of assets	**-93.2**	**-15.4**
Disposal of liabilities classified as held for sale	56.1	19.5
Disposal of other liabilities	7.4	–
Disposal of liabilities	**63.5**	**19.5**
Disposal of net assets	**-29.7**	**4.1**
Derecognition of minority interest	0.0	-0.1
Disposal of intercompany receivables / revival of liabilities	-0.2	0.0
Reclassification of other comprehensive income to the income statement	0.2	-3.2
Other changes	**0.0**	**-3.3**
Selling price less selling-transaction expenses	33.0	2.6
Capital gain / loss after selling-transaction expenses	**3.3**	**3.4**

The capital gain / loss is presented in other operating income and expense. Disposal of other assets includes cash and cash equivalents in the amount of €1.0 million.

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 increased by €0.1 million. In the previous year, retained earnings decreased by -€1.1 million and other reserves rose by €0.8 million while minority interest increased by €1.5 million.

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,
- 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 were fully attributable, as was the case in the prior-year period, to the shareholders of Bilfinger SE and are comprised as follows:

	2019	2018
Revenue	2.3	2.8
Expenses / income	20.8	-5.7
Capital gain / loss including impairment	0.0	0.0
EBIT	**23.1**	**-2.9**
Interest result	0.1	-0.2
Earnings before taxes	**23.2**	**-3.1**
Income tax	0.4	-0.2
Earnings after taxes	**23.6**	**-3.3**

Earnings from discontinued operations are determined primarily through the following effects:

- Agreement with the buyer of the divisions *Building, Facility Services and Real Estate* as relates to post-completion obligations from the purchase agreement. As a result of this agreement, there was a revaluation of the risk provision which led to the reversal of provisions in the amount of €12.1 million.
- Agreement with regard to disputed claims from a legacy project: This agreement resulted in income in the amount of €16.0 million.

5.2 Assets classified as held for sale and liabilities classified as held for sale

There were no disposal groups as of the balance-sheet date.

As of December 31, 2018, *Assets classified as held for sale* and *Liabilities classified as held for sale* comprise Bilfinger Industrial Services Spain S.A. from the division *E&M Continental Europe* in the business segment *Engineering & Maintenance Europe* as well as the device technology and overhead power lines activities from the division *Other Operations.*

The assets classified as held for sale and liabilities classified as held for sale are comprised as follows:

	Dec. 31, 2019	Dec. 31, 2018
Goodwill	–	0.0
Other non-current assets	–	27.6
Current assets	–	19.4
Cash and cash equivalents	–	3.4
Assets classified as held for sale	**–**	**50.4**
Non-current liabilities	–	2.8
Current liabilities	–	23.2
Liabilities classified as held for sale	**–**	**26.0**

The accumulated other comprehensive income after taxes of the disposal group as of December 31, 2018, recognized directly in equity, amounted to -€0.6 million, and was fully attributable to the shareholders of Bilfinger SE.

Notes to the income statement

6 Revenue

The segment reporting depicts a classification of revenue by reporting segment. Of the total revenue, €51.1 million was realized in accordance with IFRS 16 (previous year: €64.9 million 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, €119.8 million (previous year: €97.4 million) was included in the opening balance of contract liabilities (see Note 27). Furthermore, revenue recognized in the reporting year of €14.3 million (previous year: €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 €1,649.9 million as of the balance-sheet date (previous year: €1,688.7 million); it is expected that, of this total, €1,448.4 million (previous year: €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 21.

Furthermore, a reversal of previously recognized expected credit losses from the interest-bearing vendor claim in the amount of €8.0 million is shown in the financial result (see Notes 12 and 19). In the previous year, €0.8 million in expected credit losses on capitalized interest from the interest-bearing vendor claim was shown here.

8 Other operating income

	2019	2018
Income from the reversal of other provisions	9.2	9.6
Income from operating investments	8.1	7.9
Income from currency translation and hedging	4.6	4.1
Income from the disposal of tangible assets	3.7	7.9
Other income	10.4	10.5
Total	**36.0**	**40.0**

Other income includes numerous items of minor individual importance.

9 Other operating expense

	2019	2018
Restructuring expenses	36.6	17.8
Expenses from additions to other provisions	6.4	4.5
Expenses from operating investments	5.1	21.6
Expenses from currency translation and hedging	4.0	3.5
Losses on the disposal of property, plant and equipment	0.6	2.1
Other expenses	8.6	4.8
Total	**61.3**	**54.3**

Restructuring expenses mainly include costs for workforce reductions.

Expenses from operating investments primarily include losses from the disposal of and impairments to investments (see Notes 4.3 and 5.2).

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.

	2019	2018
Personnel expenses (€ million)	**2,178.3**	**2,073.2**
Wages and salaries	1,819.9	1,726.0
Social security costs	315.0	302.6
Pension obligation expenses	43.4	44.6
Average number of employees		
Salaried	**12,414**	**12,298**
Germany	3,285	3,311
International	9,129	8,987
Industrial employees	**22,753**	**22,621**
Germany	3,666	3,876
International	19,087	18,745
Total employees	**35,167**	**34,919**

The total number of employees relates to continuing operations.

11 Depreciation, amortization and impairments

Scheduled amortization of €3.9 million was carried out on intangible assets from acquisitions (previous year: €4.7 million). This is included in cost of sales. Depreciation of property, plant and equipment and the amortization of other intangible assets amount to €55.3 million (previous year: €65.0 million). In the previous year, this included impairment losses in the amount of €0.6 million. Depreciation and amortization on rights of use from leases amounted to €51.3 million (previous year: application of IAS 17; depreciation on assets capitalized within the scope of finance leasing were presented under depreciation of property, plant and equipment.

The measurement of disposal groups in the previous year resulted in a total impairment loss in the amount of €19.0 million. This was 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:

		2019		2018
Interest income		**6.8**		**14.3**
Current interest expense		-28.3		-15.6
Interest expense from lease liabilities (IFRS 16; previous year: IAS 17)		-4.9		-0.5
Interest expense from defined-benefit obligation (DBO)	-8.4		-7.9	
Interest income on plan assets	2.8	-5.6	2.8	-5.1
Interest expense		**-38.8**		**-21.2**
Income on securities		12.1		23.8
Interest expense for minority interest		-2.0		-1.9
Other financial result		**10.1**		**21.9**
Total		**-21.9**		**15.0**

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 and variable interest rates (see Note 26). The refinancing carried out in the first half of 2019 and the repayment of the old bond made only in December 2019 led to an increase in the current interest expense (see Note 26). The increase in interest expense from lease liabilities resulted from the first-time application of IFRS 16 as of January 1, 2019 (see Note 3.2).

Income from securities consists primarily of the reversal of previously recognized impairments for expected credit losses from the interest-bearing vendor claim in the amount of €8.0 million because an early repayment of the vendor claim including accrued interest in the amount of €128 million was carried out in April 2019 (previous year: impairments for expected credit losses in the amount of €0.8 million), as well as 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 €3.5 million (previous year: €26.3 million) (see Note 29.1).

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 taxes

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.

	2019	2018
Actual taxes	21.0	15.3
Deferred taxes	-17.1	7.5
Total	**3.9**	**22.8**

The tax expense calculated with the tax rate of Bilfinger SE can be reconciled with the reported tax expense as follows:

	2019	2018
Earnings before taxes	6.2	2.8
Theoretical tax expense at 30.95%	1.9	0.9
Tax-rate differences	-1.5	-9.2
Tax-rate effects of non-deductible expenses and tax-free income	-11.1	-1.4
Losses for which no deferred tax assets are capitalized and changes in value adjustments	16.6	31.2
Taxes from other accounting periods and other income taxes	-2.0	1.3
Income tax expense	**3.9**	**22.8**

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 and deferred tax liabilities are distributed among the items of the balance sheet as follows:

	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Non-current assets	25.5	5.0	98.8	55.1
Current assets	52.5	49.8	65.5	71.8
Provisions	87.1	64.9	1.5	8.0
Liabilities	46.2	31.7	31.0	18.1
Tax-loss carryforwards	41.9	37.1	–	–
Corporate income tax (or comparable taxes outside Germany)	41.9	37.1	–	–
Trade taxes	–	–	–	–
Offsetting	-192.6	-113.6	-192.6	-113.6
Carried in the balance sheet	**60.6**	**74.9**	**4.3**	**39.4**

At the end of the reporting period, deferred taxes in the amount of €15.7 million (previous year: €13.6 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 €60.6 million (previous year: €74.9 million) includes future reductions in tax payments of €41.9 million (previous year: €37.1 million) that arise from the expected utilization in future years of existing tax-loss carryforwards and other tax advantages. Deferred tax assets in connection with unused tax losses are accounted for to the extent that it is reasonably certain, based on current planning figures, that sufficient future taxable profits will be available against which the losses can be offset within the next five years. This is not the case, in particular, for losses incurred by the Bilfinger SE tax group and by a French subsidiary; in addition, an impairment loss on previously capitalized deferred tax assets was necessary here. In the current financial year, due to a change in the law in Norway, deferred tax assets on previously unrecognized tax-loss carryforwards had to be recognized for the first time.

The amount of the temporary differences for which no deferred tax assets were capitalized is €148.1 million (previous year: €101.7 million).

Non-capitalized tax-loss carryforwards for corporate income tax (or comparable taxes outside Germany) amount to €1,083.9 million (previous year: €970.2 million) and for trade tax to €1,521.9 million (previous year: €1,391.3 million). The increase in non-capitalized tax-loss carryforwards is primarily attributable to losses in the German tax group and to the situation described above. Of the tax-loss carryforwards not recognized as deferred tax assets, €16.1 million (previous year: €1.7 million) will expire within the next five years, €0.2 million (previous year: €22.3 million) within the ensuing five years and €0.3 million (previous year: €0.0 million) within the ensuing ten years.

Retained profit at international subsidiaries will, from today's perspective, remain invested for the most part. No deferred tax liabilities were calculated for retained profit at international subsidiaries not intended for distribution of €451 million (previous year: €481 million). In the case of distribution, 5 percent of the profits would be subject to German taxation; foreign withholding taxes may be applicable. In addition, if the profits of a foreign subsidiary were distributed to a foreign intermediate holding company, further income tax consequences would have to be considered. Distributions would therefore generally lead to an additional tax expense. The calculation of the potential income tax consequences would involve a disproportionate amount of effort.

For uncertain tax treatments, sufficient income tax liabilities have been capitalized in accordance with IFRIC 23.

14 Earnings per share

Earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares issued.

	2019	2018
Net profit	24.2	-24.3
Weighted average number of shares issued	40,284,410	41,458,301
Earnings per share, basic / diluted (in €)	**0.60**	**-0.59**
thereof from continuing operations	0.01	-0.51
thereof from discontinued operations	0.59	-0.08

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 made on intangible assets	Total
Jan. 1, 2019	59.8	1,156.5	39.7	0.1	1,256.1
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	2.6	0.0	0.0	2.6
Additions	1.4	0.0	0.0	0.1	1.5
Disposals	8.8	0.4	5.0	0.0	14.2
Reclassifications	0.1	0.0	0.0	-0.1	0.0
Currency adjustments	0.4	6.0	0.7	0.0	7.1
Reclassification to disposal group	0.0	0.0	0.0	0.0	0.0
Dec. 31, 2019	52.9	1,159.5	35.4	0.1	1,247.9

ACCUMULATED DEPRECIATION AND AMORTIZATION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments made on intangible assets	Total
Jan. 1, 2019	54.7	363.3	34.2	0.0	452.2
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	0.0	0.0	0.0	0.0
Additions	1.9	0.0	3.8	0.0	5.7
Disposals	-8.5	0.0	-5.0	0.0	-13.5
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	0.5	0.0	0.5	0.0	1.0
Reclassification to disposal group	0.0	0.0	0.0	0.0	0.0
Dec. 31, 2019	48.6	363.3	33.5	0.0	445.4
Carrying amount Dec. 31, 2019	4.3	796.2	1.9	0.1	802.5

COST OF ACQUISITION OR PRODUCTION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments made on intangible assets	Total
Jan. 1, 2018	**60.0**	**1,182.7**	**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 to disposal group	-0.7	-32.0	0.0	0.0	-32.7
Dec. 31, 2018	**59.8**	**1,156.5**	**39.7**	**0.1**	**1,256.1**

ACCUMULATED DEPRECIATION AND AMORTIZATION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments made on intangible assets	Total
Jan. 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 to disposal group	0.6	30.7	0.0	0.0	31.3
Dec. 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**

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 to disposal group’, 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. The divisional structure was changed in the reporting year (see Note 1). Goodwill is distributed among the divisions as shown in the following table:

	2019	2018
Division		
Technologies	**154.3**	–
E&M Continental Europe	262.5	–
E&M Northwest Europe	158.6	–
Engineering & Maintenance Europe	**421.1**	
E&M North America	186.0	–
E&M Middle East	34.8	–
Engineering & Maintenance International	**220.8**	–
Engineering & Technologies	–	**335.4**
Continental Europe	–	240.4
Northwest Europe	–	138.6
North America	–	70.5
Middle East	–	8.2
Maintenance, Modifications & Operations	–	**457.7**
Total	**796.2**	**793.1**

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 are 0.96 percent for E&M Continental Europe, 1.04 percent for E&M Northwest Europe, 1.01 percent for E&M North America and 0.97 percent for Technologies.

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 *Engineering & Maintenance* as well as *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 *Technologies*, planning is based on involvement in the upcoming new construction projects in the nuclear power market as well as a positive development in the customer industry segments (bio) pharma, oil and gas. Further earnings components are expected from products and services related to the reduction of emissions. In addition to increasing efficiency in contract execution, the measures that have been initiated to improve project and risk management are mainly aimed at reducing the risk of future project losses. Furthermore, the margins are also being improved through the implementation of restructuring measures that have already been introduced.

In the *Engineering & Maintenance* segment, we are planning an improvement of our position in the Middle East and North America in the medium term following a slight decline in financial year 2020. We expect stable development for our activities in Europe. In addition, the centralization of the new Global Excellence Services will lead to further improvements in sales efficiency and thus to growth and higher productivity, particularly in this segment. We expect an additional improvement in the margin from the continued focus on higher-value services. In addition, the repositioning of management structures toward smaller management units with a stronger regional focus will lead to the achievement of cost savings potential, particularly in terms of administrative costs.

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, 2019	Dec. 31, 2018
Technologies	13.6	–
E&M Continental Europe	9.3	–
E&M Northwest Europe	9.4	–
E&M North America	8.8	–
E&M Middle East	9.5	–
Engineering & Technologies	–	11.2
Continental Europe	–	9.3
Northwest Europe	–	9.2
North America	–	8.6
Middle East	–	9.4

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, 2019.

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 1.1 and 8.5 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 *E&M North America* and *Technologies* even an increase in the discount rate of about 5 percentage points or a negative deviation of the cash flows used as a basis for the planning figures in the amount of about 50 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
Balance Jan. 1, 2019	**286.8**	**303.4**	**460.5**	**2.3**	**1,053.0**
Adjustments due to reclassification effects from initial application of IFRS 16	-19.7	0.0	-6.2	0.0	-25.9
Adjusted balance Jan. 1, 2019	**267.1**	**303.4**	**454.3**	**2.3**	**1.027.1**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	1.4	3.1	0.3	0.0	4.8
Additions	2.2	10.1	47.8	1.9	62.0
Disposals	10.1	11.8	19.8	0.8	42.5
Reclassifications	0.6	0.8	0.1	-1.7	-0.2
Currency adjustments	1.4	2.9	2.9	0.0	7.2
Dec. 31, 2019	**259.8**	**302.3**	**485.0**	**1.7**	**1,048.8**

ACCUMULATED DEPRECIATION AND AMORTIZATION	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
Balance Jan. 1, 2019	**146.0**	**244.6**	**338.4**	**0.0**	**729.0**
Adjustments due to reclassification effects from initial application of IFRS 16	-70	0.0	-4.2	0.0	-11.2
Adjusted balance Jan. 1, 2019	**139.0**	**244.6**	**334.2**	**0.0**	**717.8**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	1.1	3.1	0.3	0.0	4.5
Additions	6.9	12.0	34.6	0.0	53.5
Disposals	5.0	10.7	19.0	0.0	34.7
Write-ups	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.0	1.0	-1.0	0.0	0.0
Currency adjustments	0.7	2.4	1.7	0.0	4.8
Dec. 31, 2019	**140.5**	**246.2**	**350.2**	**0.0**	**736.9**
Carrying amount Dec. 31, 2019	**119.3**	**56.1**	**134.8**	**1.7**	**311.9**

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
Jan. 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 to disposal group	-14.5	-58.4	-45.7	-0.1	-118.7
Dec. 31, 2018	**286.8**	**303.4**	**460.5**	**2.3**	**1,053.0**

ACCUMULATED DEPRECIATION AND AMORTIZATION	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
Jan. 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 to disposal group	1.6	45.9	34.3	0.0	81.8
Dec. 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 leasing **Carrying amount December 31, 2018**	**12.8**	**0.0**	**2.0**	**0.0**	**14.8**

See Note 15 on explanations relating to the lines ‘disposals from the consolidated group’ and ‘reclassification to disposal group’.

Finance-lease transactions in the reporting period mainly involve land and buildings with contract periods of up to 30 years. For the effects of initial application of IFRS 16, see Note 3.2.

17 Leases

Bilfinger has applied IFRS 16 since January 1, 2019. We refer to Note 3.2 of the notes to the consolidated financial statements for information of the effects of first-time application of IFRS 16.

Depreciation on right-of-use assets and the carrying amounts of the right-of-use assets are distributed as follows to the classes of underlying assets:

	Right-of-use assets for land and buildings	Right-of-use assets for technical equipment and machinery	Right-of-use assets for other equipment, operating and office equipment	**Total**
Depreciation in the financial year	35.7	2.1	13.5	51.3
Carrying amount as of Dec. 31	**185.7**	**5.3**	**36.4**	**227.4**

Additions to right-of-use assets during financial year 2019 amounted to €45.4 million.

Leases for land and buildings sometimes include extension and termination options as well as index-based lease price adjustment clauses – in Germany, for example, based on the consumer price index. The right-of-use assets for other equipment, operating and office equipment relate in particular to company cars and scaffolding.

In the financial year, expenses of €95.4 million were recognized for short-term leases and €10.1 million for leases of low-value assets. The expenses are allocated to the respective functional area. Short-term leases are concluded in particular within the scope of projects for assets such as machines, tools, scaffolding, containers and construction site vehicles. Leases for low-value assets relate in particular to office equipment such as furniture, printers, computers, laptops and telephones.

Cash outflows from leases amounting to €160.2 million were recognized in the cash flow statement in the financial year. In addition to interest and principal payments for lease liabilities that are presented under cash flow from financing activities, this amount also includes payments allocated to cash flow from operating activities for short-term leases and for leases of low-value assets.

Potential future payments from leases in the amount of €104.1 million were not taken into account in the measurement of the lease liability because it is not reasonably certain that the extension options will be exercised or that the termination options will not be exercised. In connection with residual value guarantees that are not considered in the lease liability, future payments in the amount of €3.8 million could be incurred. As a result of leases entered into but not yet commenced as of the balance-sheet date, future cash outflows amount to €0.8 million.

18 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 39).

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
2019			
Carrying amount of investments accounted for using the equity method	11.2	7.3	18.5
Income from investments accounted for using the equity method	6.7	13.2	19.9
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

If the proportionate losses – including other comprehensive income – exceed the carrying amount of the investment, neither losses nor gains are recognized.

18.1 Associates

Aggregated disclosure concerning insignificant associates:

	2019	2018
Carrying amount of the investee accounted for using the equity method	11.2	8.4
Group's share of profit / loss from continuing operations	6.7	1.8
Group's share of other comprehensive income for the period	0.0	0.0
Group's share of total comprehensive income for the period	6.7	1.8

18.2 Joint ventures

Significant joint ventures:

Name	Tebodin & Partner LLC	
Principal place of business	Muscat, Oman	
Activity	Engineering	
Bilfinger share	50.0 %	50.0%
	2019	2018
Dividends received from the investee	**22.4**	**0.0**
Non-current assets	2.6	2.5
Current assets not including cash and cash equivalents	19.1	11.2
Cash and cash equivalents	34.0	70.1
Non-current liabilities not including financial debt	4.2	6.2
Current liabilities not including financial debt	40.5	32.1
Net assets / equity	**11.0**	**45.5**
Group's share of net assets	5.5	22.8
Carrying amount of the investee accounted for using the equity method	**5.5**	**22.8**
Revenue	78.3	74.1
Depreciation and amortization (property, plant and equipment and intangible assets)	-0.2	-0.2
Interest income	1.7	1.1
Interest expense	-0.2	-0.2
Income tax	-4.3	-3.5
Remaining income (loss) from continuing operations	28.9	23.8
Profit from continuing operations	25.8	21.0
Total comprehensive income for the period	**25.8**	**21.0**

Aggregated disclosure concerning insignificant joint ventures:

	2019	2018
Carrying amount of the investee accounted for using the equity method	**1.8**	**3.7**
Group's share of profit / loss from continuing operations	0.3	2.0
Group's share of other comprehensive income for the period	0.0	0.0
Group's share of total comprehensive income for the period	**0.3**	**2.0**

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.

19 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.

Loans in financial year 2019 decreased as a result of the early repayment of the vendor note including accumulated interest from the above-mentioned sale (see Note 12).

The securities – investment in Julius Berger PLC (FA-FVtOCI-EI) – were also sold in financial year 2019.

Equity interests (FA-FVtOCI-EI) include shares in non-listed companies.

	2019	2018
Securities – equity-like participation rights (FA-FVtPL)		236.8
Securities – other (FA-FVtPL)	1.2	
Loans (FA-AC)	3.4	122.0
Securities – investment in Julius Berger Nigeria PLC (FA-FVtPL)	–	10.5
Securities (FA-FVtOCI-DI)	0.2	0.2
Securities (FA-FVtOCI-EI)	0.3	0.3
Securities (FA-AC)	0.0	0.1
Net assets in accordance with IAS 19	0.1	0.6
Other financial assets (FA-AC)	10.0	6.3
Total	**255.5**	**376.7**

The impairments recognized on loans in accordance with IFRS 9 for expected credit risks developed as follows:

	2019	2018
Opening balance	**9.8**	**9.2**
Changes in the consolidated group, currency differences	–	–
Allocations (impairment losses)	1.0	0.8
Utilization	–	0.2
Withdrawals (gains on impairment reversals)	-8.6	–
Closing balance	**2.2**	**9.8**

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 were allocated to the rating category 7 in the previous year.

20 Inventories

Inventories are comprised as follows:

	2019	2018
Raw materials and supplies	44.1	42.4
Advance payments made	11.9	18.2
Real estate properties held for sale	0.7	0.7
Finished goods and work in progress	0.4	0.4
Total	**57.1**	**61.7**

Cost of sales includes cost of inventories, recognized in expenses, in the amount of €1,429.1 million (previous year: €1,387.6 million).

21 Receivables and other financial assets

	2019	2018
Receivables and customer contract assets (FA-AC)		
from trade receivables (including receivables from percentage of completion)	638.3	672.4
from work in progress	375.1	387.1
from consortiums and joint ventures	0.7	6.4
from companies in which equity is held	4.5	4.9
	1,018.6	**1,070.8**
Derivatives		
not in hedging relationships (FA-FVtPL)	1.5	0.6
	1.5	**0.6**
Other financial, non-derivative assets (FA-AC)	37.2	30.9
Total	**1,057.3**	**1,102.3**

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:

	2019	2018
Opening balance	**28.2**	**33.7**
Changes in the consolidated group, currency differences	0.7	-3.6
Allocations (impairment losses)	3.2	6.7
Utilization	-1.2	2.5
Withdrawals (gains on impairment reversals)	-4.2	6.1
Closing balance	**26.7**	**28.2**

Distribution of the gross carrying amounts of the receivables to rating categories:

Rating category	Creditworthiness	Gross carrying amount at December 31, 2019	Gross carrying amount at December 31, 2018
1	very high creditworthiness	121.3	148.3
2	high creditworthiness	203.0	198.2
3	good creditworthiness	277.5	265.9
4	relatively good creditworthiness	229.3	253.4
5	moderate creditworthiness	103.0	121.0
6	heightened risk	68.3	53.0
7	high risk	19.7	28.2
8	very high risk	15.0	25.5
9	not creditworthy	6.5	0.3
10	insolvent	1.5	2.3

Of the receivables written off, a contractually outstanding amount of €2.3 million (previous year: €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.

22 Miscellaneous other assets

Miscellaneous other assets primarily include value-added tax claims of €19.6 million (previous year: €20.6 million) and accrued expenses of €17.4 million (previous year: €17.6 million).

Furthermore, financial assets [FA-FVtPL] in the amount of €1.3 million were presented here in the previous year.

23 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 the previous year at an average price of €38.93. The amount of €8,573,727.00 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.

23.1 Retained and distributable earnings

	2019	2018
Distributable earnings	44.2	44.2
Remeasurement of defined-benefit pension plans	-200.9	-132.9
Share-based payments	5.6	3.4
Other retained earnings	530.5	550.6
Total	**379.4**	**465.3**

Distributable earnings and proposal on the appropriation of earnings

It is proposed that the reported distributable earnings of Bilfinger SE for financial year 2019 of €44.2 million be appropriated as follows:

Distribution of a dividend of €1.00 per dividend-entitled share	40.3
Carried forward to new account	3.9
Total	**44.2**

A dividend of €44.2 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 €217.2 million before deferred taxes (previous year: €160.1 million) and €200.9 million after consideration of deferred taxes (previous year: €132.9 million). See also Note 23.1.

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 until the previous year.

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.

23.2 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. This related almost exclusively to the listed shares in Julius Berger Nigeria PLC (see Note 19), which was fully sold in financial year 2019. Fair value at the time of recognition was €10.6 million; the cumulative loss in the amount of €3.5 million was transferred to retained earnings.

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. In the reporting year, due to the loss situation in the German tax group (see Note 13), deferred taxes on cumulative gains from foreign currency translation in the amount of €14.7 million were offset against deferred taxes on cumulative losses from the remeasurement of net defined pension plans reported under retained earnings (see Note 23.1).

24 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 entity 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 2020 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 recog nized guideline tables. In Germany, in the previous 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
		2019		2018
Discount rate	0.90%	1.80%	1.70%	2.25%
Projected increase in wages and salaries	2.75%	1.75%	2.80%	2.00%
Projected pension increase	1.50%	0.55%	1.55%	0.65%

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
			2019			2018
Defined-benefit obligation of funded pension plans	178.3	62.8	241.1	139.4	45.8	185.2
Defined-benefit obligation of non-funded pension plans	226.1	39.7	265.8	231.4	35.4	266.8
Defined-benefit obligation of all pension plans	**404.4**	**102.5**	**506.9**	**370.8**	**81.2**	**452.0**
in percent	80%	20%	100%	82%	18%	100%
Defined-benefit obligation of funded pension plans	178.3	62.8	241.1	139.4	45.8	185.2
Fair value of plan assets	125.9	43.1	169.0	129.3	35.1	164.4
Funded status	**52.4**	**19.7**	**72.1**	**10.1**	**10.7**	**20.8**
thereof provisions for pensions	52.5	19.7	72.2	10.7	10.7	21.4
thereof net asset	0.1		0.1	0.6		0.6
Provision for funded pension plans	52.5	19.7	72.2	10.7	10.7	21.4
Provision for non-funded pension plans	226.1	39.7	265.8	231.4	35.4	266.8
Provisions for pensions and similar obligations, total	**278.6**	**59.4**	**338.0**	**242.1**	**46.1**	**288.2**

In the euro zone, the present value of future pension obligations relates mainly to Germany with €340.2 million (previous year: €307.5 million), while a further €53.8 million relates to obligations in Austria (previous year: €54.0 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
			2019			2018
Defined-benefit obligation at January 1	**185.2**	**266.8**	**452.0**	**186.3**	**276.1**	**462.4**
Reclassification from / to liabilities classified as held for sale	0.0	0.0	0.0	-0.3	-2.0	-2.3
Interest expense	3.6	4.8	8.4	2.9	5.0	7.9
Service cost	0.0	3.6	3.6	2.2	4.2	6.4
Current service cost	2.1	3.5	5.6	*2.2*	*4.3*	*6.5*
Past service cost	-2.1	0.1	-2.0	*0.0*	*0.1*	*0.1*
Gains / losses on settlements	0.0	*0.0*	0.0	*0.0*	*-0.2*	*-0.2*
Settlement payments	0.0	0.0	0.0	0.0	-0.1	-0.1
Pension payments	-16.1	-11.4	-27.5	-12.6	-12.5	-25.1
Employee contributions	11.5	0.2	11.7	5.2	0.5	5.7
Currency adjustments	1.7	0.1	1.8	0.9	0.8	1.7
Disposals from the consolidated group	-0.2	-1.0	-1.2	0.0	0.0	0.0
Transfers to / from other companies	27.3	-27.3	0.0	1.5	0.1	1.6
Remeasurement gains (-) / losses (+)	28.1	30.0	58.1	-0.9	-5.3	-6.2
from changes in demographic assumptions	0.0	0.0	0.0	*0.6*	*2.4*	*3.0*
from changes in financial assumptions	20.4	28.5	48.9	*-4.0*	*-4.4*	*-8.4*
from experience adjustments	7.7	1.5	9.2	*2.5*	*-3.3*	*-0.8*
Defined-benefit obligation at December 31	**241.1**	**265.8**	**506.9**	**185.2**	**266.8**	**452.0**
Fair value of plan assets at January 1	**164.4**		**164.4**	**180.5**		**180.5**
Reclassification from / to assets classified as held for sale	0.0		0.0	-0.3		-0.3
Interest income on plan assets	2.8		2.8	2.8		2.8
Pension payments	-16.1		-16.1	-12.6		-12.6
Allocations to fund (company contributions)	2.6		2.6	-8.2		-8.2
Allocations to fund (employee contributions)	11.5		11.5	4.9		4.9
Currency adjustments	1.2		1.2	0.4		0.4
Disposals from the consolidated group	-0.2		-0.2	0.0		0.0
Transfers to / from other companies	0.0		0.0	-0.1		-0.1
Remeasurements	2.8		2.8	-3.0		-3.0
Fair value of plan assets at December 31	**169.0**		**169.0**	**164.4**		**164.4**
Defined-benefit obligation at December 31	**241.1**	**265.8**	**506.9**	**185.2**	**266.8**	**452.0**
Fair value of plan assets at December 31	**169.0**		**169.0**	**164.4**		**164.4**
Funded status at December 31	-72.1	-265.8	-337.9	-20.8	-266.8	-287.6
Net pension provisions at December 31	**72.2**	**265.8**	**338.0**	**21.4**	**266.8**	**288.2**
Net plan assets at December 31	**0.1**		**0.1**	**0.6**		**0.6**
Gains / losses recognized in profit or loss						
Current service cost	-2.1	-3.5	-5.6	-2.2	-4.3	-6.5
Past service cost	2.1	-0.1	2.0	0.0	-0.1	-0.1
Gains / losses on settlements	0.0	0.0	0.0	0.0	0.2	0.2
Net interest cost (-) / income (+)	-0.8	-4.8	-5.6	-0.1	-5.0	-5.1
Net pension cost	**-0.8**	**-8.4**	**-9.2**	**-2.3**	**-9.2**	**-11.5**

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.

Pension expenses for defined-contribution plans were €26.3 million (previous year: €25.9 million).

The weighted average duration of the pension obligations is 14.2 years (previous year: 13.9 years).

COMPOSITION OF PLAN ASSETS

	Dec. 31, 2019	Dec. 31, 2018
Total assets	**169.0**	**164.4**
Assets with a quoted market price	**146.5**	**143.8**
Cash and cash equivalents	2.3	1.1
Equity instruments (shares Europe, North America, Australia)	1.9	1.6
Debt instruments	20.4	16.6
thereof government bonds	15.4	12.9
thereof covered bonds	5.0	3.7
Investment funds	121.9	124.2
thereof mixed funds	102.1	105.6
thereof equity funds	14.5	9.2
thereof bond funds	2.5	3.8
thereof money-market funds	1.3	1.3
thereof other funds	1.5	4.2
Other assets	0.0	0.3
Assets without a quoted market price	**22.5**	**20.6**
Real estate properties	4.1	2.9
Qualifying insurance policies	18.4	17.6
Other assets	0.0	0.1

For 2020, contribution payments to pension plans in the amount of €2.4 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

	2020	2021	2022	2023	2024	2025-29
	24	26	26	24	25	115

Contributions of €70.1 million were paid to state pension insurance institutions (previous year: €72.5 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	-32.9	37.5
Projected increase in wages and salaries	4.6	-4.3
Projected pension increase	36.0	-31.3
	1-year increase	1-year decrease
Life expectancy	25.4	-24.9

25 Current tax liabilities and other provisions

	Tax provisions	Risks relating to contracts and litigation	Warranty risks	Personnel-related obligations	Restruc-turings	Other uncertain liabilities	Other provisions	Total
Balance at January 1, 2019	**33.8**	**96.6**	**38.0**	**42.3**	**31.3**	**200.0**	**408.2**	**442.0**
Utilization	28.9	27.8	5.8	54.2	23.4	57.6	168.6	197.5
Release	4.8	25.0	9.3	5.9	1.2	39.2	80.6	85.5
Additions	25.2	23.9	9.6	62.9	32.7	38.7	167.7	192.9
Currency adjustments	0.1	0.2	0.1	0.2	0.1	0.3	0.9	1.0
Changes in the consolidated group	0.0	0.0	-0.1	-0.4	0.0	-1.5	-2.0	-2.0
Balance at December 31, 2019	**25.4**	**67.7**	**32.6**	**44.8**	**39.5**	**140.9**	**325.5**	**350.9**

MATURITIES OF CURRENT TAX LIABILITIES AND OTHER PROVISIONS	Non-current		Current		Total	
	2019	2018	**2019**	2018	**2019**	2018
Current tax liabilities	**0.0**	0.0	**25.4**	33.8	**25.4**	33.8
Other provisions	**23.6**	24.6	**301.9**	383.6	**325.5**	408.2
Risks relating to contracts and litigation	0.1	0.1	67.6	96.5	67.7	96.6
Warranty risks	2.4	3.6	30.2	34.4	32.6	38.0
Personnel-related obligations	20.0	19.8	24.8	22.5	44.8	42.3
Restructuring measures	0.0	0.0	39.5	31.3	39.5	31.3
Other uncertain liabilities	1.1	1.1	139.8	198.9	140.9	200.0
Total	**23.6**	24.6	**327.3**	417.4	**350.9**	442.0

Tax provisions relate to income tax liabilities recognized in accordance with IAS 12, which also consider uncertain tax treatment in accordance with IFRIC 23.

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.

26 Financial debt

	Non-current		Current		Total	
	2019	2018	**2019**	2018	**2019**	2018
Bonds (FL-AC)	250.0	0.0	0.0	500.0	250.0	500.0
Promissory note loan (FL-AC)	123.0	0.0	0.0	0.0	123.0	0.0
Other financial debt (FL-AC)	2.2	0.0	0.3	0.0	2.5	0.0
Lease liabilities (IFRS 16; previous year: IAS 17)	176.1	10.8	49.4	1.6	225.5	12.4
Financial debt	**551.3**	**10.8**	**49.7**	**501.6**	**601.0**	**512.4**

In December 2019, the unsubordinated, unsecured bond placed in December 2012 in the amount of €500 million was repaid. In the course of the refinancing of this corporate bond, in financial year 2019 the non-current financial liabilities increased as a result of the issue of a new bond in the amount of €250 million (5-year term, coupon 4.5 percent) as well as the issue of promissory note loans in the amount of €123 million (several tranches with terms between 3 and 5.5 years as well as fixed and variable interest rates).

Lease liabilities increased significantly as a result of the first-time application of IFRS 16 as of January 1, 2019 (see Note 3.2).

Financial debt developed as follows:

	Jan. 1, 2019	Cash changes	Non-cash changes				Dec. 31, 2019
			Change in the consolidated group	Additions / disposals lease liabilities	Currency adjustments	Changes in fair value	
Bonds	500.0	-250.0	–	–	–	–	250.0
Promissory note loans	0.0	123.0	–	–	–	–	123.0
Other financial debt	0.0	2.5	–	–	–	–	2.5
Lease liabilities (IFRS 16)	247.5	-49.7	-2.8	30.4	0.1	–	225.5
Financial debt	**747.5**	**-174.2**	**-2.8**	**30.4**	**0.1**	**-**	**601.0**

	Jan. 1, 2018	Cash changes	Non-cash changes				Dec. 31, 2018
			Change in the consolidated group	Reclassification to disposal group	Currency adjustments	Changes in fair value	
Bonds	500.0	–	–	–	–	–	500.0
Bank debt	0.0	–	–	–	–	–	0.0
Finance leases (IAS 17)	11.3	-1.9	–	3.0	–	–	12.4
Financial debt	**511.3**	**-1.9**	**–**	**3.0**	**–**	**–**	**512.4**

27 Trade and other payables

	2019	2018
Trade payables (FL-AC)	386.2	444.1
Advance payments received and counterpart for work in progress (customer contract liabilities)	136.0	151.9
Liabilities to joint ventures and consortiums (FL-AC)	17.4	21.0
Liabilities to companies in which equity is held (FL-AC)	6.5	4.6
	546.1	**621.6**
Liabilities from derivatives, current		
not in hedging relationships (FL-FVtPL)	0.9	1.7
	0.9	**1.7**
Other current financial, non-derivative liabilities (FL-AC)	132.7	127.2
Trade and current other payables	**679.7**	**750.5**

28 Other liabilities

	2019	2018
Liabilities for sales tax and other taxes	85.0	74.9
Personnel obligations	99.5	98.5
Social-security levies	31.6	28.0
Deferred income and / or accrued expenses	11.9	11.2
Total	**228.0**	**212.7**

29 Additional information on financial instruments

29.1 Carrying amounts and fair values

Carrying amounts and fair values of financial assets and financial liabilities, classified according to the categories of IFRS 9 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	Carrying amount	Fair value
				2019		2018
Assets						
Securities – equity-like participation rights	3	FA-FVtPL	240.3	240.3	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	0.3	0.3
Loans	2	FA-AC	3.4	3.4	122.0	122.0
Other financial, non-derivative assets	2	FA-AC	47.2	47.2	37.2	37.2
Securities	1	FA-FVtOCI-DI	0.2	0.2	0.2	0.2
Securities	2	FA-AC	0.1	0.1	0.1	0.1
Receivables	2	FA-AC	1,018.6	1,018.6	1,070.8	1,070.8
Other financial assets	3	FA-FVtPL	1.2	1.2	1.3	1.3
Marketable securities	1	FA-FVtPL	0.0	0.0	120.0	120.0
Cash and cash equivalents	1	FA-AC	499.8	499.8	453.8	453.8
Derivatives						
Not in hedging relationships	2	FA-FVtPL	1.5	1.5	0.6	0.6
Equity & liabilities						
Financial debt, bonds	1	FA-AC	250.0	271.5	500.0	506.3
Financial debt, promissory note loan	2	FL-AC	123.0	123.4	0.0	0.0
Financial debt, other	2	FL-AC	2.5	2.5	0.0	0.0
Liabilities	2	FL-AC	546.1	546.1	621.6	621.6
Other non-derivative liabilities	2	FL-AC	132.7	132.7	127.2	127.2
Derivatives						
Not in hedging relationships	2	FL-FVtPL	0.9	0.9	1.7	1.7
Aggregated presentation by measurement category						
Financial assets measured at fair value through profit or loss		FA-FVtPL	243.0	243.0	358.7	358.7
Financial liabilities measured at fair value through profit or loss		FL-FVtPL	0.9	0.9	1.7	1.7
Financial assets measured at amortized cost		FA-AC	1,569.1	1,569.1	1,683.9	1,683.9
Financial liabilities measured at amortized cost		FL-AC	1,054.3	1,076.2	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	0.3	0.3	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	0.2	0.2

	Level	Recognized at fair value	Fair value information only in the notes	Recognized at fair value	Fair value information only in the notes
			2019		2018
Aggregated presentation by level in the IFRS 13 hierarchy					
Assets	1	0.2	499.8	130.7	453.8
	2	1.5	1,069.3	0.6	1,230.1
	3	241.8	0.0	238.4	0.0
Liabilities	1	0.0	271.5	0.0	506.3
	2	0.9	804.8	1.7	766.1
	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 years 2012 or 2019 (FL-AC) are derived from the respective stock-exchange prices.

The fair values of non-listed securities (equity-like participation rights, FA-FVtPL) 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). The change in the fair value in the amount of €3.5 million (previous year: €26.3 million) was recognized in other financial result (see Note 7). This resulted primarily from the updating of the financial planning and a lower discount factor. An increase in the discount rate of 1 percentage point or in the cash flows relevant for valuation of 10 per cent would c.p. result in a fair value that is about 6 per cent lower or 10 per cent higher. The development of the fair value of the equity-like participation rights are shown below:

Balance January 1, 2018	**210.5**
Fair value changes recognized in profit or loss	26.3
Balance December 31, 2018 / January 1, 2019	**236.8**
Fair value changes recognized in profit or loss	3.5
Balance December 31, 2019	**240.3**

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.

29.2 Net earnings

Net earnings from financial instruments classified according to IFRS 9 measurement categories are as follows:

Valuation category		2019	2018
Financial assets and financial liabilities at fair value through profit or loss	FA-FVtPL & FL-FVtPL	-0.4	23.4
Financial assets at fair value through other comprehensive income – without reclassification to profit or loss	FA-FVtOCI-EI	0.0	1.0
Financial assets at fair value through other comprehensive income – with reclassification to profit or loss	FA-FVtOCI-DI	0.0	0.0
Financial assets at amortized cost	FA-AC	13.9	3.8
Financial liabilities at amortized cost	FL-AC	0.5	-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 (previous year: -€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 (previous year: €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).

29.3 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 €1.5 million (previous year: €0.6 million); the carrying amount of the corresponding derivatives with negative fair values is €0.9 million (previous year: €1.7 million). The offsettable amount is €0.7 million (previous year: €0.4 million). This results in arithmetical net assets of €0.8 million (previous year: €0.2 million) and net liabilities of €0.2 million (previous year: €1.3 million). No contractual arrangements exist with regard to offsetting other financial assets and liabilities.

30 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, 2019 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 €955 million are sufficiently dimensioned to accompany the further development of the company. In addition, we have a US surety program in the amount of US$ 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, 2019 and December 31, 2018 (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 amount	Total	2020	2021	2022	2023-26	> 2026
2019							
Financial debt, bonds	250.0	**306.3**	11.3	11.3	11.2	272.5	–
Financial debt, promissory note loan	123.0	**130.5**	2.7	2.7	119.2	5.9	–
Financial debt, other	2.5	**2.8**	0.7	0.4	0.4	1.3	-
Lease liabilities (IFRS 16)	225.5	**241.7**	53.6	45.0	37.7	79.1	26.3
Liabilities	546.1	**546.1**	546.0	0.1	0.0	–	–
Other financial, non-derivative liabilities	132.7	**132.7**	132.7	–	–	–	–
Derivative financial liabilities to be fulfilled on a net basis	–	–	–	–	–	–	–
Derivative financial liabilities to be fulfilled on a gross basis	0.9						
Payments received		**89.4**	88.9	0.5	–	–	–
Payments made		**89.6**	89.1	0.5	–	–	–
		0.2	0.2	0.0	–	–	–

	Carrying amount	Total	2019	2020	2021	2022-25	> 2025
2018							
Financial debt, bonds	500.0	**511.9**	511.9	–	–	–	–
Finance leases (IAS 17)	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	–	–	–	–

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. Risk management takes place with the use of specified risk limits for outstanding foreign-exchange items. 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 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.

	2019	2018
Derivatives with positive fair values		
not in hedging relationships		
Currency derivatives	1.5	0.6
	1.5	**0.6**
Total derivatives with positive fair values	**1.5**	**0.6**
Derivatives with negative fair values		
Not in hedging relationships		
Currency derivatives	0.9	1.7
	0.9	**1.7**
Total derivatives with negative fair values	**0.9**	**1.7**

Other disclosures

31 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, 2019, this indicator was well below the permissible threshold.

Since 2012, the credit quality of Bilfinger has been evaluated by rating agency Standard & Poor's (S&P). As of December 31, 2019, S&P evaluated Bilfinger with BB / stable outlook (December 31, 2018: 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.

32 Contingent liabilities and other financial obligations

	2019	2018
Liabilities from guarantees	24.7	24.2

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 €9.0 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 partner 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 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 (including, in the case of liability, any interest that would have to be paid). 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 individual projects in Germany, Poland, northern Macedonia and other countries, clients, subcontractors or consortium partners are asserting claims in the mid three-digit million-euro range against Bilfinger for various reasons. The objects of the disputes are, among other things, the appointment of blame for the causes of construction delays, disruptions to the construction process, defects and disagreements related to the technical features of the plants.

33 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**	
	Fixed remuneration		Fringe benefits		Short-term incentive		Long-term incentive (expense from share-based remuneration)			
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Tom Blades (Chairman)	1,200	1,272[2]	45	40	347	1,728	918	1,209	2,510	4,249
Christina Johansson (from December 1, 2018, Chief Financial Officer)	650	55	39	3	540	73	459	39	1,688	170
Michael Bernhardt (Member of the Executive Board)	600	600	35	34	154	864	413	544	1,202	2,042
Duncan Hall (from January 1, 2019, Member of the Executive Board)	870[1]	–	13	–	270		413	–	1,566	–
Dr. Klaus Patzak (until September 30, 2018, Chief Financial Officer)	–	524	–	29	–	700	–	549	–	1,802
Total, Executive Board	**3,320**	**2,451**	**132**	**106**	**1,311**	**3,365**	**2,203**	**2,341**	**6,966**	**8,263**

1 Including annual contribution to pension of €270 thousand
2 Including one-time payment of €72 thousand

Total remuneration as defined by IAS 24 was €9,430 thousand (previous year: €9,683 thousand). Of that amount, €4,835 thousand was accounted for by short-term employee benefits (previous year: €6,150 thousand), €838 thousand by post-employment defined benefits (previous year: €1,100 thousand), €1,554 thousand by termination benefits (previous year: €92 thousand) and €2,203 thousand by long-term share-based remuneration (previous year: €2,341 thousand).

The total remuneration paid to former members of the Executive Board or their surviving dependents amounted to €3,572 thousand (previous year: €2,484 thousand). The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €30,998 thousand (previous year: €30,290 thousand).

Total remuneration of the members of the Supervisory Board amounts to €1,499 thousand (previous year: €1,534 thousand), including reimbursement of expenses in the amount of €107 thousand (previous year: €105 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 €80 thousand (previous year: €144 thousand) net in financial year 2019.

34 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 financial-mathematical method. 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 2019:

	2019	2018
Annualized volatility of the Bilfinger share	29.9%	30,2%
Average annualized volatility of MDAX companies	27.4%	27.3%
Average correlation of the Bilfinger share to MDAX securities	28.0%	25.6%
Risk-free interest rate	-0.6%	-0.6%

The weighted average fair value of the PSUs granted in the financial year was €18.56 at granting (previous year: €32.53).

	As of Jan. 1, 2019 outstanding PSU	2019 granted PSU	As of Dec. 31, 2019 forfeited PSU	As of Dec. 31, 2019 exercisable PSU	As of Dec. 31, 2019 outstanding PSU	Weighted average of residual term in years
Thomas Blades	75,827	49,488	38,878	0	86,437	1.4
Christina Johansson	1,570	24,744	0	0	26,314	1.9
Duncan Hall	0	22,270	0	0	22,270	2.0
Michael Bernhardt	34,124	22,270	17,495	0	38,899	1.4
Dr. Klaus Patzak	40,384	0	5,901	17,704	16,779	1.0
Total	**151,905**	**118,773**	**62,274**	**17,704**	**190,699**	**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:

	2019	**2018**
Outstanding virtual shares at January 1	286,590	137,703
Virtual shares granted in the reporting year	168,386	148,887
Virtual shares forfeited in the reporting year	221,058	0
Outstanding virtual shares at December 31	233,918	286,590

The fair value of a virtual share granted in the financial year at the time of granting amounted to €31.31 (previous year: €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 em-

ployed 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 previous 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 €4.8 million (previous year: €5.1 million).

35 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	
	2019	2018	**2019**	2018	**2019**	2018
Revenue	0.1	0.0	19.4	27.3	4.1	0.0
Services received	38.2	27.8	0.1	0.0	0.9	2.7
Receivables	0.4	1.0	6.1	5.8	0.5	0.5
Liabilities	1.5	2.0	0.6	0.9	4.4	1.7
Guarantees granted	0.0	0.0	0.0	0.0	0.1	0.0

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 5, 2019, the investment company Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, holds 26.81 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.

36 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 2019 financial year. The amounts of these services provided by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft are shown as 'thereof' in the following table.

	2019	2018
Audit fees	3.3	3.5
thereof in Germany	1.7	1.5
Other assurance fees	0.1	0.6
thereof in Germany	0.1	0.5
Tax-consulting services	0.3	0.2
thereof in Germany	0.0	0.0
Other services	0.1	0.5
thereof in Germany	0.1	0.4
Total	**3.8**	**4.8**

Fees for other confirmation services include for the most part the preparation of a comfort letter in connection with the issue of the new corporate bond. The fees for other consultancy services relate to the creation of a financial fact book.

37 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 11, 2019, and on that date was made permanently available to the shareholders on Bilfinger's website.

38 Events after the balance-sheet date

After the balance-sheet date – in the proceedings to assert damage claims against former members of the company's Executive Board – the Bilfinger SE, the twelve former members of the company's Executive Board and the D&O insurers reached an out-of-court settlement in February 2020. The company's Supervisory Board and Executive Board, insofar as they are responsible in accordance with stock company law, approved this settlement by resolution end of February 2020. The settlement provides in particular for the payment of a settlement amount of 16.75 m€ to the company and, in principle, the discharge of potential claims of the parties in connection with the matters covered by the settlement. It is subject to approval by the Annual General Meeting of Bilfinger SE, which will take place on April 23, 2020. If the Annual General Meeting approves and the settlement amount is paid, the proceedings will end thereby.

There have been no further significant events since the balance-sheet date.

39 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: www.bilfinger.com/fileadmin/corporate_webseite/investor_relations/berichterstattung/2019/Bilfinger_2019_GB_e_Anteilsbesitz.pdf

D Explanations and additional information

D.1 Responsibility statement **196**

D.2 Reproduction of the auditor's report **197**

D.3 Return-on-capital-employed controlling **205**

D.3.1 Explanation of return-on-capital-employed controlling 206

D.4 Boards of the company **207**

D.4.1 Executive Board 207

D.4.2 Supervisory Board 208

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 6, 2020
Bilfinger SE
The Executive Board

Tom Blades

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 2019, consolidated statement of financial position as of 31 December 2019, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2019, and 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 2019.

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) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019 and of its financial performance for the fiscal year from 1 January 2019 to 31 December 2019, 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 2019 to 31 December 2019. 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

A significant portion of the Bilfinger Group's business activities is characterized by long-term project and service contracts with customers. Revenue from contracts with customers is recognized in accordance with IFRS 15, Revenue from Contracts with Customers, over the period in which performance obligations are satisfied. 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 when performance obligations are satisfied. These assessments include, in particular, the scope of deliveries and services required, 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.

Auditor's response

As part of our audit, we obtained an understanding of the Group's internally established methods, processes and controls 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 contracts and their terms and conditions including contractually agreed partial deliveries and services, termination rights, penalties for delay and breach of contract as well as liquidated 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 transfer of performance obligations, and examined the accounting for the associated positions in the statement of financial position.

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.

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 accounting policies applied for project and service contracts, we refer to the disclosures in the notes to the consolidated financial statements in Note 3.3 "Significant accounting policies" and Note 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 Note 20 "Receivables and other financial assets", Note 24 "Current tax liabilities and other provisions" and Note 26 "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 methodical procedure for performing an impairment test in accordance with IAS 36, particularly also applying IFRS 16. Among other things, we discussed with the Company the definition of cash-generating units as well as the identification 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-term plan to obtain 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 2019 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 im-

pairment 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 Notes 3.3 “Significant accounting policies”, 3.4 “Assessments and estimates”, and 15.1. “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 at fair value through profit or loss in accordance with Level 3 of the IFRS 13 hierarchy. 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 inputs 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 obtained an understanding of the methodical and arithmetical 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 inputs used can have significant effects on the amount of the fair value calculated, we evaluated these as part of our audit with the support of internal valuation experts by analyzing the peer group, comparing market data with external evidence and examining 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 Notes 3.3 “Significant accounting policies”, 3.4 “Assessments and estimates” and 28 “Additional information on financial instruments”.

Other information

The Supervisory Board is responsible for the Report of the Supervisory Board issued in chapter A.3 of the Annual Report 2019 and the corporate governance report issued jointly with the Executive Board in chapter A.4 of the Annual Report 2019. In all other respects, the executive directors are responsible for the other information.

The 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:

- Letter from the Chairman of the Executive Board to the shareholders in section A.1 of the Annual Report 2019,
- Report of the Supervisory Board in section A.3 of the Annual Report 2019,

- Corporate governance report and declaration of corporate governance in section A.4 of the Annual Report 2019,
- Responsibility statement in section D.1 of the Annual Report 2019,
- Return-on-capital-employed controlling in section D.3 of the Annual Report 2019,
- Boards of the company in section D.4 of the Annual Report 2019,
- Non-financial report in section E. of the Annual Report 2019,
- Ten-year overview in the Annual Report 2019,
- Financial calendar in the Annual Report 2019,
- Notes and exclusion of liability in the Annual Report 2019.

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 the 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 communicate 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 8 May 2019. We were engaged by the Supervisory Board on 5 June 2019. 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 pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Prof. Dr. Sven Hayn."

Mannheim, March 6, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Sven Hayn	Heiko Hellmich
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

D.3 Return-on-capital-employed controlling

€ million	Engineering & Maintenance Europe		Engineering & Maintenance International		Technologies		Total of segments		Reconciliation Group		Total Continuing operations	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Goodwill	423.0	425.8	223.7	217.3	154.7	155.3	801.4	798.4	-0.1	0.4	801.3	798.8
Property, plant and equipment	200.1	200.1	35.5	32.9	17.9	19.8	253.5	252.8	62.3	110.4	315.8	363.2
Other non-current assets	178.7	47.8	70.1	58.8	32.9	6.1	281.7	112.7	334.3	361.4	616.0	474.1
Current assets	728.7	757.8	255.9	190.3	236.4	255.0	1,221.0	1,203.1	794.1	674.4	2,015.1	1,877.5
Segment assets	**1,530.5**	1,431.5	**585.2**	499.3	**441.9**	436.2	**2,557.6**	2,367.0	**1,190.6**	1,146.6	**3,748.2**	3,513.6
Segment liabilities	616.0	625.0	208.7	202.8	289.1	302.3	1,113.8	1,130.1	1,440.9	1,115.5	2,554.7	2,245.6
Interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	-805.6	–	-805.6
Non-interest-bearing liabilities	**616.0**	625.0	**208.7**	202.8	**289.1**	302.3	**1,113.8**	1,130.1	**241.6**	309.9	**1,355.4**	1,440.0
Balance	**914.5**	806.5	**376.5**	296.5	**152.8**	133.9	**1,443.8**	1,236.9	**949.0**	836.7	**2,392.8**	2,073.6
Financial assets, project-related	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets, division-related	22.5	29.0	0.0	0.0	117.8	120.7	140.3	149.7	-140.3	-149.7	0.0	0.0
Operating financial assets	**22.5**	29.0	**0.0**	0.0	**117.8**	120.7	**140.3**	149.7	**-140.3**	-149.7	**0.0**	0.0
Capital employed	**937.0**	835.5	**376.5**	296.5	**270.6**	254.6	**1,584.1**	1,386.6	**808.7**	687.0	**2,392.8**	2,073.6
EBITA reported	**81.1**	99.1	**36.6**	31.0	**-35.1**	-40.5	**82.6**	89.6	**-50.6**	-97.0	**32.0**	-7.4
EBIT	**80.5**	97.9	**33.9**	28.2	**-35.7**	-41.1	**78.7**	85.0	**-50.6**	-97.2	**28.1**	-12.2
Interest income and income from securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.9	38.1	18.9	38.1
Interest income, division-related (2.31% / previous year 2.31%)	0.5	0.7	0.0	0.0	2.7	2.8	3.2	3.5	-3.2	-3.5	0.0	0.0
Taxes	-9.3	-18.5	-4.6	-2.4	1.4	-0.6	-12.5	-21.5	8.6	-1.3	-3.9	-22.8
Return	**71.7**	80.1	**29.3**	25.8	**-31.6**	-38.9	**69.4**	67.0	**-26.3**	-63.9	**43.1**	3.1
ROCE (return on capital employed)	**7.7%**	9.6%	**7.8%**	8.7%	**-11.7%**	-15.3%	**4.4%**	4.8%	–	–	**1.8%**	0.1%
WACC (weighted average cost of capital)	**7.3%**	7.4%	**7.6%**	7.5%	**10.1%**	8.5%	**7.7%**	7.6%	–	–	**7.7%**	7.6%
Value added, relative	**0.4%**	2.2%	**0.2%**	1.3%	**-21.8%**	-23.8%	**-3.3%**	-2.8%	–	–	**-5.9%**	-7.5%
Value added, absolute	**3.3**	18.2	**0.7**	3.9	**-59.0**	-60.6	**-55.0**	-38.5	**-86.1**	-116.0	**-141.1**	-154.5

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:
Other Operations

Communications & Public Affairs | Compliance | Legal & Insurance | Strategy, Projects & M&A | Bilfinger Digital Next

Michael Bernhardt (until December 31, 2019)

Human Resources (Labor Director) | Real Estate | Bilfinger Infrastructure Mannheim

Duncan Hall

Divisions:
Technologies I Continental Europe | North America | Northwest Europe | Middle East

Health, Safety, Environment & Quality (HSEQ) | Strategic Business Development | Project Management Office

Christina Johansson

Accounting, Controlling & Tax | Internal Audit & Controls | IT | Procurement | Treasury & Investor Relations

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)

Unless otherwise indicated, all details regarding the responsibilities and mandates are correct at December 31, 2019.

D.4.2 Supervisory Board

Gert Becker, Honorary Chairman

Dr. Eckhard Cordes, Chairman
Chairman and member of the Supervisory Board since 2014

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
Deputy Chairman and member of the Supervisory Board since 2008

Employee of Bilfinger Maintenance GmbH, Heinsberg

Agnieszka Al-Selwi
Member of the Supervisory Board since 2016

Employee at Multiserwis Sp. z o.o., Krapkowice, Poland

Dorothée Deuring
Member of the Supervisory Board since 2016

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) (until May 2019)
Selecta Group AG, Switzerland (Administrative Council) (since January 2020)

Unless otherwise indicated,
all details regarding the mandates are
correct at December 31, 2019.

Lone Fønss Schrøder (until May 8, 2019)
Member of the Supervisory Board since 2011

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)

Nicoletta Giadrossi
Member of the Supervisory Board since July 11, 2019 appointment by court order

Senior Advisor Energy and Industry at Bain Capital Partners, London, United Kingdom
Chair at TecHouse AS, Oslo, Norway

Memberships in comparable monitoring boards of other
German and foreign companies:
Cairn Energy plc, Edinburgh, United Kingdom (Board of Directors)
Koninkliyke Vopak N.V., Rotterdam, Netherlands (Board of Directors) (since April 17, 2019)
IHS Markit Ltd., London, United Kingdom (Board of Directors)
Brembo spa, Milan, Italy (Board of Directors) (until April 2020)

Dr. Ralph Heck
Member of the Supervisory Board since 2016

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)

Susanne Hupe
Member of the Supervisory Board since 2016

Employee of Bilfinger Engineering & Technologies GmbH, Osterode

Rainer Knerler
Member of the Supervisory Board since 1996

Executive employee at IG Bauen-Agrar-Umwelt

Dr. Janna Köke
Member of the Supervisory Board since 2016

Trade Union Secretary at IG Metall, Mannheim

Frank Lutz
Member of the Supervisory Board since 2018

Chairman of the Executive Board at CRX Markets AG, Munich

Memberships of other statutory supervisory boards
of other German companies:
Scout24 AG, Munich (Deputy Chairman) (since August 30, 2019)

Jörg Sommer
Member of the Supervisory Board since 2016

Employee of Bilfinger arnholdt GmbH, Gelsenkirchen

Jens Tischendorf
Member of the Supervisory Board since 2013

Partner at Cevian Capital, Pfäffikon, Switzerland (until December 2019)
Corporate Consultant (since January 2020)

Memberships of other statutory supervisory boards
of other German companies:
ThyssenKrupp AG, Essen (until January 22, 2020)

Presiding Committee:

Dr. Eckhard Cordes, Chairman
Stephan Brückner, Deputy Chairman
Dr. Ralph Heck
Rainer Knerler

Audit Committee:

Frank Lutz, Chairman
Dr. Janna Köke, Deputy Chairwoman (since March 1, 2019)
Dorothée Deuring
Jörg Sommer

Nomination Committee:

Dr. Eckhard Cordes, Chairman
Frank Lutz
Jens Tischendorf

Strategy Committee:

Dr. Eckhard Cordes, Chairman
Stephan Brückner, Deputy Chairman
Dr. Ralph Heck
Susanne Hupe
Rainer Knerler
Jens Tischendorf

E Non-financial report

E.1	**Non-financial aspects of business operations**	**213**
E.1.1	About this report	213
E.1.2	Business model of Bilfinger SE	213
E.1.3	Our sustainability management	213
E.1.4	Determination of materiality	214
E.1.5	Risk reporting	215
E.2	**Counteracting corruption and bribery**	**216**
E.2.1	Management approach	216
E.2.2	Performance indicators	217
E.3	**Respect for human rights**	**220**
E.3.1	Management approach	220
E.3.2	Performance indicators	221
E.4	**Employee matters**	**222**
E.4.1	Management approach	222
E.4.2	Performance indicators	225
E.5	**Data security**	**226**
E.5.1	Management approach	226
E.5.2	Performance indicators	227
E.6	**Customer satisfaction and quality**	**228**
E.6.1	Management approach	228
E.6.2	Performance indicators	228
E.7	**Auditor’s report**	**229**

E.1 Non-financial aspects of business operations

E.1.1 About this report

In accordance with Section 315b of the German Commercial Code (HGB), Bilfinger SE is obligated to publish a non-financial Group declaration. We meet this obligation with the publication of a separate non-financial report outside of the Group Management Report (Section 315b Subsection 3 HGB).

This separate non-financial report from Bilfinger Group relates to financial year 2019. It meets the content-related requirements pursuant to Section 315c HGB in conjunction with Section 289c HGB. In the development of the materiality assessment, description of the management approach and definition of the performance indicators, we have oriented ourselves toward the standards of the Global Reporting Initiative (GRI).

The Supervisory Board has reviewed the separate non-financial report in accordance with Section 171 of the German Stock Corporation Act (AktG). To support its review, the Supervisory Board commissioned Ernst & Young Wirtschaftsprüfungsgesellschaft with an audit to achieve limited assurance pursuant to the audit standard ISAE 3000 (revised). The auditor's report from Ernst & Young Wirtschaftsprüfungsgesellschaft is reproduced in Chapter *E.7 Auditor's report*.

see page 229

In a number of places in the non-financial report, we refer to additional information, for example in the Annual Report or on our Internet site. This additional information serves to deepen the information presented here, but is not part of the separate non-financial report.

E.1.2 Business model of Bilfinger SE

Bilfinger is an internationally active industrial services provider. Our services help to enhance the efficiency of plants in the processing industry, to secure high availability and to reduce maintenance costs. The portfolio covers the entire value chain from consulting, engineering, manufacturing, construction, maintenance, plant expansion as well as turnarounds and also includes construction and digital networking of components.

Bilfinger delivers its services in the segments Engineering & Maintenance Europe, Engineering & Maintenance International as well as Technologies. Bilfinger is active in the core regions Continental Europe, Northwest Europe, North America and the Middle East. Process industry customers primarily come from the sectors chemicals & petrochem, energy & utilities, oil & gas, pharma & biopharma, metallurgy and cement. At the end of financial year 2019, Bilfinger employed about 34,000 people and generated revenue of €4.3 billion.

E.1.3 Our sustainability management

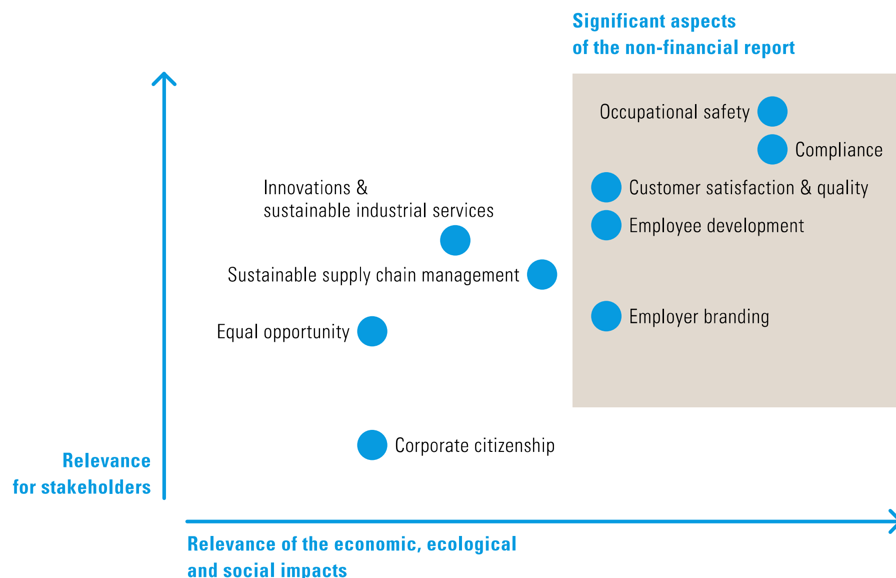
With our services, we have a direct impact on the effectiveness, efficiency, availability and service life of industrial plants and therefore help our customers to meet their sustainability goals.

Questions of sustainability are extremely important for us. We are a member of the UN Global Compact and have anchored the principles of sustainability in our corporate structures. Sustainability is defined as a goal in our Company Mission Statement and is a component of our Code of Conduct, our Code of Conduct for Suppliers as well as of a number of Group policies, particularly those from the HSEQ, Compliance, Procurement and Human Resources departments.

E.1.4 Determination of materiality

We see our main fields of action in the area of sustainability in the topics of "occupational safety", "compliance", "customer satisfaction & quality", "employee development", "employer branding", "sustainable supply chain management", "innovations & sustainable industrial services", "equal opportunities" and "corporate citizenship". We reflect the relevance of these topics for our stakeholders on the one hand, and the significance of the economic, ecological and social effects on the other, in a materiality matrix. To define the contents of our separate non-financial report, we have discussed these areas of action in our internal sustainability network both in terms of their relevance for the business and in terms of their impact on the aspects listed in the CSR Act on Implementing the Corporate Social Responsibility Directive (CSR-RUG). In the process, we specifically explored the costs and risks associated with these topics, the impact they have on our business and our surroundings and the degree to which we are able to influence each aspect.

BILFINGER SE MATERIALITY MATRIX



We identified the topics "occupational safety", "compliance", "customer satisfaction and quality", "employee development" and "employer branding” as reportable. We also believe that the topic of “data security” is reportable because it is a significant component of the topic “compliance”. We allocated these topics to the aspects listed in the CSR-RUG as follows:

- Counteracting corruption and bribery (“compliance“)
- Respect for human rights (“compliance“)
- Employee- matters (“occupational safety”, “employer branding”, “employee development”)
- Additional reported aspects: “customer satisfaction and quality” as well as “data security” (“compliance“)
- Environmental and social matters are of no particular relevance for us, neither in terms of business development nor their impact and are therefore not presented in the non-financial report.

E.1.5 Risk reporting

The identification and evaluation of risks from the company's business operations on the reportable aspects is the responsibility of risk management. The focus is on the question of which risks arise from our business activities and relationships or from our products and services that have an impact on these aspects. Significant risks that are likely to have or will have serious negative impacts on them must be disclosed.

see page 90

Our Group-wide risk management system is described in Chapter *B.3.1 Risk management* in the management report of the Annual Report. Corporate Controlling & Risk assessed the Group's sustainability risks at the end of financial year 2019. In order to identify and assess these risks, the operating units and the heads of the corporate departments concerned were surveyed about them and they were assessed at the regular meeting of the Bilfinger Risk Committee (see Chapter *B.3.1 Risk management* in the management report of the Annual Report). The assessment of risks was based on the probability of occurrence and the possible extent of damage.

see page 90

We have not identified any reportable risks related to the relevant topics.

E.2 Counteracting corruption and bribery

Bilfinger is committed to the fight against corruption and bribery. Corrupt behavior is contrary to our values. We are also convinced that corruption undermines business relationships, distorts competition and exposes companies and individuals to risks.

E.2.1 Management approach

Counteracting corruption and bribery is – in addition to antitrust and data protection – a central component of our compliance system. For this reason, Corporate Compliance is responsible for counteracting corruption and bribery at Bilfinger. Corporate Compliance is headed by the Chief Compliance Officer; he reports directly to the Chairman of the Executive Board and has an additional reporting line to the Supervisory Board and its Audit Committee.

Bilfinger's Compliance System pursues the objective of preventing compliance violations through preventive measures, recognizing early any type of misconduct and, in the case of confirmed violations, reacting quickly and consistently punishing misconduct. The respective compliance program covers all business areas.

Our compliance program is expressed in, among other places, our Code of Conduct, which is binding for all employees worldwide. Through the Code of Conduct, we prohibit bribery and corruption among our employees. They may not promise or grant our customers, suppliers or other business partners money or anything of value, either directly or indirectly, to influence their decisions or to gain any improper advantage. This principle also applies in reverse: No one acting for or on behalf of Bilfinger can allow themselves to be corrupted or bribed through the acceptance of unfair economic advantages from business partners. We also regard small payments to secure or accelerate routine official acts ("acceleration payments") as bribery. Our employees are prohibited from making such payments.

In our Code of Conduct, we also describe constellations that are often associated with a risk of corruption in business life. These include donations, sponsoring activities, gifts, hospitality and entertainment, dealing with public officials and proper accounting. Our Group Policy on donations and sponsoring prohibits all Group companies from making donations to political organizations, parties or individual politicians.

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 full Executive Board as well as selected heads of the corporate departments and meets quarterly under the chairmanship of the 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 Compliance Managers. In addition, each divisional management, each executive management and each department head at Bilfinger assumes responsibility for the Internal Control System (ICS) in their respective area of responsibility.

Our international network of Compliance Representatives shall ensure that employees in the business units have a local compliance contact person. 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 maintain a regular exchange of information with Corporate Compliance and contribute experience and challenges of the individual locations to the further development of the compliance program.

E.2.2 Performance indicators

The goal of our compliance program is, above all else, to prevent future misconduct. To this end, we rely on guidelines, information on the intranet, direct communication with employees, mandatory online and on-site training, supportive compliance IT tools and specific, practical compliance support and advice for our employees from Corporate Compliance and the Compliance Help Desk.

Our compliance training modules include both on-site training and e-learning programs in which knowledge is conveyed and case studies are discussed.

NUMBER OF PERSONS TRAINED IN COMPLIANCE-RELATED QUESTIONS

	Total number of persons in target group		Number of trained persons (absolute)		Share of trained employees (relative)	
	2019	2018	2019	2018	2019	2018
E-learning module 'Anti-corruption & bribery' [1]	2,845	13,782	2,620	12,938	92%	94%
E-learning module 'Code of Conduct'	2,605	3,666	2,343	3,125	90%	85%
E-learning module 'Code of Conduct refresher'	10,697	10,062	10,508	9,528	98%	95%
On-site training module 'Anti-corruption & bribery'	4,044	4,362	3,942	3,804	92%	87%
On-site training module 'Third-party due diligence' [2]	239	2,003[3]	224	1,938[3]	94%	97%

Learnings obligatory for employees with a PC workstation and/or Bilfinger e-mail address. Participation in on-site training obligatory for relevant employees
1 2018: Obligatory for core workforce and new employees. 2019: Obligatory for new employees.
2 2018: Obligatory for employees that use the tool for the review of third parties.
2019: Obligatory for employees with direct contact with high-risk business partners.
3 This information relates to financial years 2017 and 2018.

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

	Number		Share	
	2019	2018	**2019**	2018
Tool – gifts, entertainment and hospitality (e.g. reporting on gifts, entertainment and hospitality, tool administration)	372	409	45%	37%
Tool – third-party due diligence (e.g. integrity hits, re-opening scope check and risk assessment, tool administration)	260	427	32%	39%
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)	91	84	11%	8%
Compliance trainings	29	42	4%	4%
AMO allegations (e.g. bullying, discrimination, harassment, conflicts of interest, fraud, breach of trust, theft, embezzlement, money laundering, illegal employment, personnel issues)	19	16	2%	2%
Inquiries related to other compliance topics	46	113	6%	10%
Total	**817**	1,091	**100%**	100%

In order to deliver our services, we are dependent on cooperation with numerous business partners. Because the compliant behavior of our business partners is an indispensable prerequisite for us, we use a risk-based process to review our potential business partners before entering into a business relationship (so-called third-party due diligence). When carrying out such integrity audits, the business units of Bilfinger are supported by the Compliance department in the risk evaluation. The entire process and its documentation are carried out with the help of a central, access-protected IT tool. Screenings against applicable sanctions lists are carried out on an ongoing basis.

In addition to prevention, the early detection of potential misconduct is a significant objective of the Bilfinger Compliance Program. 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: 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. Information from the corporate departments Internal Audit & Controls, Compliance and Human Resources as well as data from Bilfinger's due diligence processes also serve to identify suspected cases.

NUMBER OF NOTICES OF COMPLIANCE VIOLATIONS*

	2019	2018
Indications of compliance violations [1]	57	88
thereof: indications of corruption and bribery	3	8
Investigations initiated [2]	35	69
Disciplinary measures as a result of investigations [3]	20	32

* Including notices of violations of human rights
1 Notices categorized as relevant in the period from January 1 to December 31 of a respective year
2 Includes investigations as a result of notices from the financial year and prior years
3 Includes disciplinary measures as a result of investigations from the financial year and prior years

The Allegation Management Office deals with all notifications related to suspicious cases from internal and external sources and, in cooperation with the compliance organization, conducts a preliminary review of the notifications received. If the suspicions of a violation are confirmed, an internal investigation is initiated. Particularly serious allegations are forwarded to the Independent Allegation Management Committee for assessment and for a decision on further action. The Independent Allegation Management Committee is a committee of experts from Corporate Legal, Compliance, Internal Audit, Tax and Human Resources.

If misconduct on the part of a business partner is identified, the Independent Allegation Management Committee decides on necessary measures. These measures can include, among other things, termination of the business relationship, assertion of civil claims or the filing of an official complaint. If misconduct on the part of an employee is proven, the Disciplinary Committee led by the Head of Corporate Human Resources, decides on the disciplinary measures and sanctions that are to be taken. These range from informal warnings through to immediate termination including negative financial consequences.

E.3 Respect for human rights

We are committed to the United Nations Universal Declaration of Human Rights and the UN Global Compact initiative. We want to be fully committed to respect for human rights wherever we operate. This applies with a view to

- our own employees
- the employees of our direct and indirect suppliers as well as those of our business partners
- our customers and
- other regional stakeholders

Due to the nature of our business model, we see the greatest potential risks in terms of respect for human rights in our supply chain. The measures in relation to our supply chain are described in the section "Adherence to human rights in our supply chain".

E.3.1 Management approach

Respect for human rights within the Group

The basis of all our activities with regard to respect for human rights is our Code of Conduct. This also represents our fundamental declaration on respect for human rights. The Code of Conduct was approved by company management and is publicly available on our website in both German and English. 16 different language versions are available for internal Group-wide use. The Code of Conduct defines the principles of acting with integrity toward both other employees as well as toward external persons and organizations and is aimed throughout the Group at all of our managers and employees – regardless of where they work and what job they do.

Our managers and employees are obligated to adhere to the principles formulated in the Code of Conduct and to confirm in writing that they have received and familiarized themselves with it. In addition, the contents of the Code of Conduct are refreshed and expanded within the scope of e-learnings and various integrity events (see also Chapter *E.2 Counteracting corruption and bribery*). We do not tolerate violations of our Code of Conduct.

see page 216

In addition to direct reporting to the compliance organization, a proprietary whistleblower system is used to receive suspected cases of possible violations of our Code of Conduct, including the principle of respect for human rights principles that it contains: Both our employees and external parties can, on a confidential basis and, if desired, also anonymously provide information on potential misconduct in the environment of our business activities. The whistleblower system can be accessed through our website and is available in 26 languages. Information can also be given by mail, telephone or directly. Availability of the whistleblower system is ensured through an external service provider. Our objective is to process suspected cases confidentially, objectively and independently. In the case of a confirmed violation, disciplinary and corrective measures are initiated, ranging from informal warnings through to termination without notice.

Adherence to human rights in our supply chain

We depend on suppliers and subcontractors for the delivery of our services. Through our *Supplier Code of Conduct*, available to the public on our website, we formulate the clear expectations that we have of them to respect human rights. Our guidelines require that this is a fundamental component of our

supplier contracts. Through this Code of Conduct, we also require our suppliers to demand that their suppliers and subcontractors also comply with internationally accepted principles and standards on human rights.

We pursue a Group-wide supplier management system (HANDLE Procurement Suppliers), with Corporate Procurement maintaining responsibility for its definition, organization, development and monitoring. This is described in detail in our procurement guidelines and Standard Operation Procedures (SOP) and is binding for all our subsidiaries. One of the objectives of this Group-wide regulation is to ensure that compliance rules – including respect for human rights – are observed.

In addition to the standardized assessment as part of our supplier management system, we review the integrity, which also includes respect for human rights, of business partners who exceed a defined value limit and all sales intermediaries with the help of an IT supported due diligence tool (see also Chapter E.2 Counteracting corruption and bribery). We have also commissioned an independent agency to obtain a self-disclosure from selected suppliers, among other things as relates to respect for human rights. The selection of these suppliers is carried out on the basis of a risk-based approach. In 2019, Bilfinger commissioned the agency with about 100 self-assessments from suppliers.

see page 216

If a supplier violates the Bilfinger Code of Conduct for Suppliers, that supplier is barred. This applies equally in cases where authorities initiate investigative proceedings against the supplier or if an integrity audit results in a negative result. If such an incident should occur or become known, all employees are obligated to report it.

A Group Policy defines the process of barring suppliers and thus ensures a uniform Group-wide policy. Incoming reports of a possible lack of supplier integrity are first reviewed, for example, by the purchasing department of the company concerned or by the responsible purchasing management, in each case involving the Compliance Officer of the division, or by Corporate Procurement with the involvement of the Chief Compliance Officer. These persons make the final decision on the type of barring. A Group-wide "black list" informs all companies of the Bilfinger Group at least once a month or ad hoc about barred suppliers.

E.3.2 Performance indicators

NUMBER OF INDICATIONS OF VIOLATIONS OF HUMAN RIGHTS	2019	2018	Δ in %
Indications of violations	15	17	-11.8%
Investigations initiated	6	12	-50.0%
Disciplinary measures as a result of investigations	1	7	-85.7%

E.4 Employee matters

Services represent the largest portion of our portfolio by far. In order to be able to deliver these services in the quality expected by our customers while complying with the highest occupational safety regulations, we require highly motivated, well-trained and diligent employees. We therefore regard "employer branding", "employee development" and "occupational safety" as key non-financial issues that have a significant impact on our economic success.

E.4.1 Management approach

Human resources management

Group-wide personnel processes and initiatives are developed by our Corporate Human Resources (HR). Corporate HR also defines the HR minimum standards, e.g. for HR reporting, for remuneration systems, for employer branding, for talent management and for international assignments. In financial year 2019, Corporate HR reported to member of the Executive Board Michael Bernhardt, who also served as Labor Director.

The Business Partners in the Group companies are responsible for the implementation of minimum standards. They serve as contact persons for management and for employees of the individual companies. Regional HR Heads appointed for each division act as links between Corporate Human Resources and the Group companies.

Our HR standards and their application are described in our Group Policies. There are also Knowledge Cards that provide information on the most important regulations and procedures contained in the Policies.

To make key performance indicators available consistently throughout the Group in the future, an integrated IT solution was implemented throughout the Group as part of the HRcules project. The standardization of HR processes and systems throughout the company was a major step toward greater efficiency, transparency and integration of the operating units.

Employer branding

In order to retain our employees and attract qualified new employees, we work on the attractiveness of our employer brand. To ensure that we are perceived as a strong employer brand, we want to position ourselves as an employer that creates a working environment in which our employees can contribute and develop their skills and where they receive the level of support necessary to perform with passion and with an orientation toward results.

In view of the increasing shortage of skilled workers, particularly in the commercial sector, an employer branding campaign was launched in March 2019 in order to increase the perceived attractiveness of Bilfinger as an employer and attract more qualified candidates for commercial professions by addressing the target group as closely as possible. Responsibility for the process and content of the campaign lies with Corporate HR. Close cooperation with the operating units plays a key role in ensuring that the instruments, measures and content are tailored as closely as possible to the requirements of the target groups.

The campaign focuses on six professional function groups:
1) IT and digitalization
2) Electronics
3) Engineering and consulting
4) Insulation, scaffolding, painting, industrial climbers
5) Management / administration
6) Mechanics

Since October 2019, the materials developed have been available on the intranet for addressing applicants according to their needs (e.g. flyers, banners, roll-ups) and can be used by the decentralized units when recruiting new employees. By the end of the second quarter of 2020, all the materials developed will be completed.

In order to meet our demand for qualified employees, we train them ourselves. Since July, the Training and Further Training Committee, with representatives from the operating units, central and regional human resources departments and the Works Council, has been working on the development of a framework concept for quality standards in vocational training at Bilfinger in the German legal area. A central goal here is to attract motivated trainees to Bilfinger following completion of their vocational training and thus cover our need for qualified specialists in the future.

Employee development

The training and qualification of our employees is a key competitive factor. We can only maintain and expand our market position as an industrial services provider by regularly training our employees, qualifying them on an ongoing basis and developing them. We therefore offer them various opportunities for further training and development. To set targets and define further training and qualification measures, we hold annual employee appraisals with them, which are oriented toward a uniform Group-wide standard.

We have bundled our internal training and development programs, under the virtual umbrella of the Bilfinger Academy. Here, all voluntary and obligatory internal training measures for the development of professional and personal skills can be found. In 2019, the most important topics included qualification modules on project management, training courses on the Bilfinger Maintenance Concept (a modularly designed concept for the maintenance of industrial plants) and our Talent Program for managers. All further training courses offered by our Bilfinger Academy are continuously evaluated. The feedback regularly obtained from participants and the involvement of the operating units lead to the ongoing optimization and adjustment of all offerings by the responsible HR and specialist departments.

In addition to our internal training programs, our employees can also participate in external training measures and programs. In 2019, the focus was on topics that included leadership, innovation, collaboration, efficiency, profitability and languages. We also offer special programs and development opportunities for certain groups of people (including graduates, especially qualified employees, managers). A particular focus is on establishing the broadest possible base of young talent to whom we offer things such as dual study programs, a global trainee program and more advanced talent development programs at talent centers in all regional operating units. Our managers undergo an annual talent review on the basis of which management development and succession planning measures are derived.

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 was coordinated by Corporate HSEQ in the reporting year. Because it is a central governance function, Corporate HSEQ creates the prerequisites for a Group-wide implementation of HSEQ management.

The occupational health and safety measures drawn up by Corporate HSEQ are reflected in uniform Group-wide guidelines. In order to take special consideration of the respective working conditions, the local unit managers are responsible for adherence to local laws and occupational safety standards.

Corporate HSEQ and local HSEQ specialists support the operating units in complying with and fine-tuning the programs and measures. To this end, supplementary provisions and systems have been put in place in many locations that are based on the Group principles and guidelines concerning HSEQ.

To be able to record, process and communicate HSEQ incidents worldwide in accordance with uniform standards, we use a management software (Synergi Life, referred to at Bilfinger as “ACTIVE”). Accident risks, near-accidents, and incidents can be captured by executives and employees using an app, allowing them to be promptly recorded on site.

Workplace safety is the subject of the HSEQ quarterly report that is submitted to the Executive Board. The report includes all Group companies and takes into consideration all Bilfinger operations. The Executive Board is immediately informed in the case of especially severe accidents as well as on their analysis and the corrective measures taken. Occupational safety committees are in place in the independent organizational units of the national companies in accordance with the legal provisions.

The objective pursued by all the measures we take is to further increase occupational safety. Our “Road to Zero” concept helps us to consistently reduce the number of work-related illnesses and accidents.

To achieve this objective, we pursue a twofold approach: we take the technical and organizational measures this requires, and we address occupational safety again and again in a variety of communications channels in order to raise awareness for this topic. We draw the attention of all employees to general occupational safety issues in the form of monthly “Safety Moment Memos”, for example. In 2019, these included, for example, topics like “stairs”, “development of the safety culture”, “working with angle grinders”, “young employees”, “brother’s/sister’s keeper” and “working in extreme heat”.

In this context, the involvement, obligation and commitment of all executives, right up to the members of the Executive Board, play an important role. For example, it is the responsibility of managers throughout the Group to regularly carry out a number of safety walks, depending on their area of responsibility, to address risks and hazards, to make employees aware of occupational safety issues and to document their inspections. The results of these safety walks may be recorded “on the go”, as the walks are progressing, and will then be directly input into our central HSEQ software.

An important measure for raising awareness regarding topics of occupational safety is our safety program “Safety Works!” and the information campaign that was developed in this context. In 2019, we conducted a safety campaign on the topic of “dealing with permits to work” under the motto “We Make Permits Work”. The aim of the campaign was to inform and qualify our employees with regard to the importance, the necessary contents and the quality of work permits. They should be in a position to critically question work permits, to assess their design and – in case of insufficient information – to reject them.

Our annual Safety Award recognizes both outstanding safety initiatives and innovative ideas for the continuous improvement of safety performance. The Group-wide award is intended to commend all employees and managers who have contributed to this result while also encouraging them to work toward safe working conditions and the protection of all employees' health.

At about 80 percent of our operating units, our occupational safety systems are certified in accordance with the standards OHSAS18001, ISO 45001 and SCC/SCP (Safety Certificate Contractor). We conduct regular internal audits in all of our subsidiaries. In addition to these internal audits, there are also external audits conducted by certifiers, public authorities or customers.

E.4.2 Performance indicators

To be able to measure our progress in the fields of "employer branding" and "employee development", we are currently developing meaningful performance indicators. For the topic of "occupational safety", we use the indicators LTIF, fatalities and number of HSEQ FTE per 100 employees (FTE). The LTIF figure decreased by 62% as compared to the previous year – from 0.66 to 0.25. We see the direct involvement of Bilfinger leaders in promoting the importance of occupational safety as a key factor for this development.

OCCUPATIONAL SAFETY INDICATORS

	2019	2018	Δ in %
LTIF [1]	0.25	0.66	-62%
Fatalities [2]	0	7	-100%
Number of HSEQ FTE per 100 employees (FTE)	1.43	1.56	-8%

1 The indicator used by Bilfinger "LTIF" (Lost Time Injury Frequency – accidents per 1,000,000 working hours performed) includes Group-wide all accidents with at least one lost day from employees and temporary workers.

2 Work-related accidents of employees and temporary workers resulting in death.

E.5 Data security

To be able to provide our services, we collect, store and process a range of data. On the one hand, this relates to personal data of our employees, but also data about plants, processes and people at our customers' sites, because we are providing an increasing number of services for the digitalization of our customers' systems. Data leaks or issues related to accessing data can have a serious impact on the relationship with our employees or business partners. For this reason, our processes and activities for data security are important prerequisites for the acceptance of our business model by our stakeholders.

E.5.1 Management approach

Our employees, customers and other stakeholders must be able to rely on the fact that the data entrusted to us is protected against abuse. We have therefore adopted various regulations with regard to information security and data protection and have taken appropriate organizational measures.

The fundamental regulations for the secure and legally compliant handling and processing of data are summarized in our "Group Policy on Information Security". It is binding for all Group employees and for all those working on our behalf. It describes the components that include information security, principles for handling and processing data and the obligations of managers, IT specialists, employees and external parties. Violations of the provisions of this Group Policy and its annexes or of existing laws may result in disciplinary, contractual or criminal consequences.

In addition to the “Group Policy for Data Security”, various Standard Operating Procedures (SOP) have been created with the goal of implementing the Group Policies on information security in all Group companies. These include, for example, SOPs on the topics “Information Management Standard”, “Physical Protection of Data”, “Emergency Security” and “IT Audit”.

Technical responsibility for information security lies with the manager responsible for Information Security at Bilfinger Global IT GmbH. The Head of Information Security checks to ensure that IT services that are planned or in operation are compliant with the "Group Information Security Policy" as well as regulatory requirements. In addition, each organizational unit must appoint a person responsible for data protection who works together with the manager responsible for Information Security as a coordinator.

Every employee or person working on behalf of the Bilfinger Group is obligated to report any possible or actual threat to the information available in the Group as a security incident in a timely manner. In addition, each business unit is obligated to establish and maintain a comprehensive and effective emergency management system in accordance with its business area and area of responsibility. Should there be a security incident, the Allegation Management Office from Corporate Compliance is commissioned with an investigation into the violation.

In order to create a uniform standard for managing personal data in our Group in accordance with the European General Data Protection Regulation, the "Group Policy on Data Protection" took effect in 2018. It describes the tasks and responsibilities of the Group Privacy Officer, the Data Privacy Officer and the Data Privacy Coordinator. The "Group Policy on Data Protection" also outlines the data protection principles, specifications for data transmission and commissioned data processing, the rights of data subjects and the responsibilities of Group companies.

The guidelines are also binding for all Group companies and apply in particular in those countries that do not have their own legal data protection regulations. They are based on the provisions of the European General Data Protection Regulation and on globally accepted basic data protection princi-

ples for the processing of the personal data of employees, customers, suppliers and other business partners.

If data protection violations occur or are suspected, the “Group Policy for Data Protection” lays out a procedure for the reporting of data protection violations. These reports flow for further processing and for the purposes of evaluation into a database in which the (suspected) data protection violation is described.

The Executive Board is informed about data security and the structure of data protection at least once a year. The Executive Board is immediately informed of any serious incidents at work.

E.5.2 Performance indicators

NUMBER OF DATA PROTECTION VIOLATIONS

	2019	2018	Δ in %
Data protection violations	12	10	20%

E.6 Customer satisfaction and quality

The satisfaction of our customers is directly associated with the quality of the services that we deliver. Our orders received, the continuation or intensifying of the cooperation and thus also our economic success depend, to a very great extent, on these two factors. We therefore believe that the topic of "customer satisfaction and quality" is a significant non-financial matter that has a considerable impact on the organization of our business model.

E.6.1 Management approach

We deliver most of our services directly at the location of the customer. We thus experience our customers' satisfaction directly. Furthermore, both within the scope of our ongoing services business and after the conclusion of a project, we survey the service recipients in personal discussions regarding their satisfaction. Many operating companies also conduct customer satisfaction surveys once or twice a year.

A software program was introduced in financial year 2018 to document to results of these customer satisfaction surveys. In the future, it will also help to combine the results Group-wide so that customer satisfaction can be measured on this basis. The customer surveys are an important foundation for us to continuously optimize the quality of our services as part of long-term service contracts. Often they are also the starting point for discussions about follow-up orders in the project business.

In order to be able to provide the quality required by our customers, we have established an extensive quality and process management system. It starts with the operating units, which are responsible for the quality of their products and services and for their monitoring. They are supported by the quality management of the divisions as well as by Corporate HSEQ. System requirements, internal audits as well as training and education measures for quality assurance are intended to ensure that our standards of quality are maintained at all times and continuously developed.

E.6.2 Performance indicators

NUMBER OF OPERATING COMPANIES WITH CERTIFIED QMS IN ACCORDANCE WITH DIN EN ISO 9001

Number	2019	2018
Operating companies with certified QMS	60	65

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 2019, had already included 43 legal entities. Our objective is to expand the matrix certificate by 2020 to all relevant operating companies in Europe and the Middle East that already have their own ISO-9001 certificate. Our HSEQ processes and operating units are audited and certified by external companies.

E.7 Auditor's report

Independent Auditor's

Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German version of the Group non-financial report 2019 of Bilfinger SE. The following text is a translation of the original German Independent Assurance Report.

To Bilfinger SE, Mannheim

We have performed a limited assurance engagement on the separate Group non-financial report of Bilfinger SE according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code for the reporting period from 1 January 2019 to 31 December 2019 (hereafter non-financial report). Our engagement did not include other references to information outside the non-financial report as well as disclosures for prior years.

Management's responsibility

The legal representatives of the Company are responsible for the preparation of the non-financial report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial report that is free from material misstatement, whether due to fraud or error.

Auditor's declaration relating to independence and quality control

We are independent from the Company in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungsstandard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

Auditor's responsibility

Our responsibility is to express a limited assurance conclusion on the non-financial report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of

Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial report of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between December 2019 and March 2020, we performed amongst others the following assurance and other procedures:

- Inquiries of employees regarding the selection of topics for the non-financial report, the risk assessment and the concepts of Bilfinger SE for the topics that have been identified as material,
- Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial report,
- Identification of likely risks of material misstatement in the non-financial report,
- Inspection of relevant documentation of the systems and processes for compiling, aggregating and validating data in the relevant areas in the reporting period and testing such documentation on a sample basis,
- Analytical evaluation of disclosures in the non-financial report,
- Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data and disclosures,
- Evaluation of the presentation of disclosures in the non-financial report.

Assurance Conclusion

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial report of Bilfinger SE for the period from 1 January 2019 to 31 December 2019 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

Intended use of the assurance report

We issue this report on the basis of the engagement agreed with Bilfinger SE. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

Engagement terms and liability

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungs-gesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibil-

ity, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures.

Munich, 6 March 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Nicole Richter
Wirtschaftsprüferin
[German Public Auditor]

Annette Johne
Wirtschaftsprüferin
[German Public Auditor]

Ten-year overview

GROUP € million	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assets										
Non-current assets	**4,460**	**3,090**	**3,519**	**3,012**	**2,491**	**1,525**	**1,690**	**1,643**	**1,614**	**1,676**
Intangible assets	1,457	1,561	1,890	2,015	1,639	895	849	804	804	803
Property, plant and equipment	663	647	690	629	477	471	383	367	324	312
Receivables from concession projects	1,789	377	508	–	–	–	–	–	–	–
Rights of use from leases	–	–	–	–	–	–	–	–	–	227
Other non-current assets	358	341	254	196	136	40	337	386	412	274
Deferred taxes	193	164	177	172	239	119	121	86	75	61
Current assets	**3,477**	**4,630**	**3,331**	**3,520**	**3,514**	**3,660**	**2,329**	**1,977**	**1,862**	**1,678**
Inventories, receivables, other	1,890	2,022	2,244	2,213	1,753	1,380	1,216	1,198	1,237	1,179
Cash and cash equivalents	537	847	1,087	647	359	427	1,032	767	574	500
Assets classified as held for sale	1,050	1,761	–	660	1,402	1,853	81	12	50	–
Equity & liabilities										
Equity	**1,812**	**1,793**	**2,037**	**2,165**	**1,917**	**1,418**	**1,621**	**1,383**	**1,205**	**1,153**
Share capital	138	138	138	138	138	138	138	133	133	133
Reserves	1,650	1,503	1,795	1,972	1,805	1,124	1,562	1,270	1,191	1,138
Treasury shares	-100	-100	-100	-99	-97	-97	-97	-39	-150	-150
Distributable earnings	115	247	196	138	92	292	46	44	44	44
Minority interest	9	5	8	16	-21	-39	-28	-25	-13	-12
Non-current liabilities	**2,511**	**1,159**	**1,748**	**1,146**	**1,061**	**901**	**898**	**874**	**363**	**917**
Provisions for pensions and similar obligations	313	325	394	417	400	295	304	293	288	338
Other provisions	71	60	56	55	45	31	29	27	25	24
Financial liabilities, recourse	184	181	519	517	514	513	510	509	11	551
Financial liabilities, non-recourse	1,624	339	461	13	13	0	–	–	–	–
Other liabilities	212	128	169	49	22	2	–	–	–	–
Deferred taxes	107	126	149	95	68	60	55	45	39	4
Current liabilities	**3,614**	**4,768**	**3,065**	**3,221**	**3,027**	**2,866**	**1,500**	**1,363**	**1,908**	**1,285**
Current tax liabilities	118	88	102	115	84	39	39	34	34	25
Other provisions	633	755	557	482	360	512	489	442	384	302
Financial liabilities, recourse	89	5	192	28	7	13	12	2	502	50
Financial liabilities, non-recourse	19	9	9	28	27	0	–	–	–	–
Other liabilities	2,052	2,116	2,205	1,907	1,484	1,156	892	859	963	908
Liabilities classified as held for sale	703	1,795	0	661	1,065	1,146	68	26	26	–
Balance-sheet total	**7,937**	**7,720**	**6,850**	**6,532**	**6,005**	**5,185**	**4,019**	**3,620**	**3,476**	**3,355**

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: Divisionen Water Technologies sowie Building, Facility Services und Real Estate
2017: Incl. marketable securities in the amount of €150 million
2018: Incl. marketable securities in the amount of €120 million

BUSINESS DEVELOPMENT

€ million	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Orders received	**7,854**	**7,690**	**8,304**	**7,513**	**5,510**	**4,301**	**4,056**	**4,055**	**4,459**	**4,159**
Order backlog	**8,429**	**7,557**	**7,388**	**6,476**	**4,401**	**2,902**	**2,618**	**2,531**	**2,818**	**2,567**
Revenue / output volume [5]	**7,983**	**8,397**	**8,586**	**7,552**	**6,246**	**5,003**	**4,219**	**4,044**	**4,153**	**4,327**
Investments	**273**	**310**	**521**	**391**	**258**	**66**	**72**	**76**	**67**	**65**
Property, plant and equipment	141	127	143	140	117	62	70	71	66	64
Financial assets	132	183	378	251	141	4	2	5	1	2
Employees (at year-end)	**58,047**	**59,069**	**66,683**	**71,127**	**57,571**	**42,365**	**36,946**	**35,644**	**35,905**	**34,120**
Earnings figures										
Gross profit	1,015	1,051	1,121	1,052	794	431	395	336	391	412
EBITA	346	379	432	349	207	-157	-221	-118	-7	32
EBITA adjusted [1]	346	379	387	415	262	-23	15	3	65	104
EBIT	305	344	381	298	170	-501	-231	-126	-12	28
Net profit [4]	284	394	276	173	-71	-510	271	-89	-24	24
Adjusted net profit from continuing operations [1,2]	205	235	241	251	160	-30	-8	-9	36	49
Operating cash flow	244	281	232	210	34	39	-224	-119	50	110
Free cash flow	156	774	439	294	105	2	-264	-181	-4	57
Adjusted free cash flow [1]	–	–	–	–	–	136	-111	-69	56	128
Earnings per share in €	5.53	6.37	5.26	4.76	0.77	0.88	-5.77	-2.71	1.21	2.49
Earnings per share in € [4]	6.43	8.93	6.26	3.91	-1.62	-11.54	6.13	-2.01	-0.59	0.60
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	1.23
Profitability ratios										
Gross profit as a percentage of revenue / output volume [5]	12.7	12.5	13.1	13.9	12.7	8.6	9.4	8.3	9.4	9.5
Return on output volume / revenue (EBITA adjusted) in %	4.3	4.5	4.5	5.5	4.2	-0.5	0.4	0.1	1.6	2.4
Return on equity (adjusted net profit) in %	12.7	12.8	12.0	12.3	7.8	-1.8	-0.6	-0.6	3.0	4.2
Return on capital employed (ROCE) in %	18.4	17.3	15.7	13.9	11.9	-30.0	-13.8	-5.5	0.1	1.8
Value added	175	186	165	157	43	-704	-380	-304	-154	-141
BILFINGER SE										
Dividend distribution	110.4	150.1	132.4	132.5	88.4	–	44.2	42.0	40.3	40.3
Dividend per share in € [5]	2.50	2.50	3.00	3.00	2.00	–	1.00	1.00	1.00	1.00
Dividend bonus in €	–	0.90	–	–	–	–	–	–	–	–
Share price at year-end in €	63.20	65.88	73.00	81.53	46.35	43.47	36.57	39.57	25.48	34.58
Number of shares at year-end [3]	46,024,1	46,024,1	46,024,1	46,024,1	46,024,1	46,024,1	46,024,1	44,209,0	44,209,0	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, from 2019 of 27 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 | 2019: 3,917,752
4 Includes continuing and discontinued operations
5 Reporting changed from output volume to revenue. Output volume 2009-2016 | Revenue 2017 ff

See page 73

Financial calendar

April 23, 2020
Annual General Meeting
Congress Centrum Rosengarten, Mannheim, 10 a.m.

May 14, 2020
Quarterly statement Q1 2020

August 13, 2020
Half-year financial report 2020

November 12, 2020
Quarterly statement Q3 2020

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Investor Relations
Bettina Schneider
Phone + 49 621 459-2377
Fax + 49 621 459-2761
E-mail: bettina.schneider@bilfinger.com

Corporate Communications
Peter Stopfer
Phone + 49 621 459-2892
Fax + 49 621 459-2500
E-mail: peter.stopfer@bilfinger.com

Headquarters
Oskar-Meixner-Straße 1
68163 Mannheim
Phone + 49 621 459-2000
Fax + 49 621 459-2366

You will find
the addresses of our
branches and affiliates
in Germany and abroad
in the Internet at
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