ANNUAL REPORT BILFINGER SE

2016

BILFINGER

Contents

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 German. 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

Executive Board of Bilfinger SE from left:

Dr. Klaus Patzak

Tom Blades
Chairman

Michael Bernhardt

Dear fellow shareholders,
Ladies and Gentlemen,

The 2016 financial year has been a busy one, with far-reaching changes for our company. The Building, Facility Services and Real Estate division was sold and Bilfinger is now exclusively an industrial service provider. On July 1, 2016 I was appointed Chairman of the Bilfinger Executive Board. Since then I worked together with many of my colleagues to develop an updated strategy for Bilfinger (Bilfinger 2020), paving the way for a successful future.

I would like to express my sincere thanks to my colleagues on the Executive Board and to all of our employees for their hard work and commitment and for the confidence they have shown in the company. I would also like to thank the members of the Supervisory Board for providing us with support and advice.

Over the past financial year, Bilfinger has delivered a solid performance. As expected, output volume in the Industrial and Power business segments declined sharply, which led to a substantial fall in Group output volume. Despite this, adjusted EBITA improved significantly, in line with expectations.

There was a substantial increase in Group net profit. The main contributory factor was the profit on the sale of the Building, Facility Services and Real Estate division.

In the 2017 financial year, Bilfinger expects to see organic growth in Group-level orders received, but a mid to high single digit percentage fall in organic output volume. We anticipate an improvement in the adjusted EBITA margin of around 100 basis points.

Bilfinger has reorganized itself in line with the strategy, set itself clear financial targets and expects to achieve average annual organic growth of at least 5 percent until 2020, based on 2017 output volume. The Group is aiming to achieve an adjusted EBITA margin of around 5 percent by 2020. This would give a post-tax return on capital employed of 8 to 10 percent. Adjusted free cash flow is expected to turn positive as of the 2018 financial year at the latest and the Group anticipates that it will regain an investment grade rating in the medium to long term.

Management is pursuing a sustainable dividend policy and plans to set a floor of €1.00 per share for subsequent financial years. Taking into account the foreseeable performance of the Group in the medium term, the future dividend payout ratio will be 40 to 60 percent of adjusted Group net profit. The Group is planning to redeem around 4 percent of its treasury shares. A proposal will also be made at the Annual General Meeting that a new authorization be approved for the buyback of up to 10 percent of treasury shares. Based on the expected performance of the Group, the Executive Board intends to propose to the Supervisory Board a share buyback of up to €150 million, starting in the 2017 financial year.

Bilfinger is back on track to achieve profitable growth and we are all helping to ensure that we move forward in the right direction. We have carefully analyzed our strengths and weaknesses and have conducted an in-depth review of our markets and of our customers' expectations. Based on the results of these investigations, we have devised a new strategy, as well as an implementation plan with measurable goals and an effective organizational structure. Bilfinger 2020, our path back to profitable growth, is based on a 2-4-6 configuration: two business segments, four core regions and six industries.

We want to develop Bilfinger into a world-class company. To do so, we need to pool our strengths and work together towards a common goal.

All our services will be combined in two business segments: Engineering & Technologies (E&T) and Maintenance, Modifications & Operations (MMO). E&T has an international footprint and offers services in all our core regions. MMO on the other hand has a regional focus. Services are provided locally at the customer's site. The MMO business is managed on a decentralized basis in the four core regions which have been defined. E&T and MMO complement each other perfectly. Our engineering references provide our credentials for MMO services and vice versa. We have conducted thorough analyses of the markets on which we will be focusing. Data from our market model confirm that the core regions and industries are attractive and have the potential for profitable growth.

We are concentrating on four regions. Continental Europe as a mature market but continuing to see moderate growth. Better growth prospects are likely in the markets in Northwest Europe and North America and especially in the Middle East. For many years, Bilfinger has been number one in Europe among industrial service providers to the process industry. We want to continue to build on this leading position.

Our attention is focused on six industries which offer our company the greatest potential for profitable growth. The first three of these are chemicals & petrochemicals, energy & utilities and oil & gas. We are also concentrating on three other industries: pharma & biopharma, metallurgy and increasingly, cement.

We have also conducted an in-depth review of the companies in our former Power division. Not all those companies lived up to their name. Some of the units operate in the field of E&T and others in the field of MMO. We will therefore integrate those units which can provide such skills and services into our new 2-4-6 structure, expanding our engineering capacity and increasing our technological know-how.

Those units that are not a good fit with our core business will be managed for value and held for sale pending a more suitable owner. We will allocate these units to Other Operations.

We have not only developed the plans, we also identified the steps needed to take to make Bilfinger a better and stronger company. There are three stages to this transformation. In the 2017 financial year, we will be focusing on streamlining our corporate structure, implementing best practice throughout the Group and rolling out the entire range of services in E&T and MMO. Once this stabilization phase has been successfully completed in the business segments, the development phase can begin. In this period, the performance of the Group will improve, inclusive of targeted bolt-on acquisitions. In the third phase, the expansion phase, we will drive forward organic growth and train our sights on suitable acquisitions in our target regions.

I would like to mention another topic which I feel is particularly important – compliance. The compliance program currently being developed by our in-house experts in a number of different disciplines in tandem with external consultants comprises 12 work packages. These will enable Bilfinger to continue to develop its systems and raise awareness of compliance topics among our employees. This is also a proactive approach to countering compliance risks.

Bilfinger's Code of Conduct was rewritten in 2016 and its internal guidelines were revised. New training modules were also developed. Internal controls relating to sensitive business processes were strengthened. Compliance experts in the divisions will provide effective support for the business units. In addition, there is a new Compliance Help Desk. This will be available to any employee who has a compliance query and will provide a swift expert response.

The Legal and Compliance departments have been merged. The aim is to bring all their expertise under one roof and to optimize corporate governance processes.

Bilfinger sees the requirements of the DoJ as an opportunity to make further improvements to the quality of its compliance processes. All our stakeholders should be able to rely on the fact that Bilfinger employees are aware of the importance of proper behavior and that any misconduct will be detected by the systems in place and appropriately dealt with.

There is no room at Bilfinger for bribery or any other form of non-compliant behavior. Integrity is vital. We impress our customers with the quality of our services and inspire customer confidence through fair competition.

I would like to take this opportunity to thank you, our shareholders, for your loyalty and trust over the past year. Our customers, business partners and suppliers also deserve special thanks. The dedication and commitment you have all shown have made Bilfinger what it is today: a well-positioned world leader with excellent prospects for the future.

Yours sincerely,

Tom Blades
Chairman of the Executive Board of Bilfinger SE

A.2 Executive Board of Bilfinger SE

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

Career

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

Educational background

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

Michael Bernhardt

Born 1967 in Lank-Latum, Germany

Career

2015	Member of the Executive Board and Labor Director at Bilfinger SE, Mannheim
2004 – 2015	Bayer Material Science AG, Leverkusen
2011 – 2015	Member of the Executive Board and Labor Director
2004 – 2011	Head of Global Human Resources
1996 – 2004	Hydro Aluminium Deutschland GmbH, Cologne and Oslo (until 2002: VAW aluminium AG, Bonn)
2002 – 2004	Head of Human Resources, Germany
2000 – 2001	Head of personnel policy
1997 – 2000	Personnel policy consultant
1996 – 1997	Trainee in human resources

Educational background

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

Dr. Klaus Patzak

Born 1965 in Munich, Germany

Career

2016	Member of the Executive Board and Chief Financial Officer at Bilfinger SE, Mannheim
2011 – 2016	Osram Licht AG, Munich Member of the Executive Board and CFO
2002 – 2011	Siemens AG, Munich Corporate Vice President, Chief Accounting Officer & Controller and further management positions in the commercial area
2000 – 2002	Infineon AG, Munich CFO of Business Unit Wireline Communication
1993 – 2000	Siemens AG, Munich Various management positions in the commercial area

Educational background

1993	Doctorate (Ph.D.), Dr. oec., Ludwig-Maximilians-University, Munich
1991	Diplom-Kaufmann (MBA), Ludwig-Maximilians-University, Munich
1986	Industriekaufmann IHK

A.3 Report of the Supervisory Board

Dr. Eckhard Cordes
Chairman of the Supervisory Board

Dear Shareholders,

2016 was a year of transition and repositioning for Bilfinger. With the sale of the Building and Facility business segment and the new Strategy 2020, the company is now fully-focused on industrial services. Not only were there changes in the portfolio, but also in the Executive Board. In the past financial year, the Supervisory Board appointed a new Chairman of the Executive Board and Chief Financial Officer. The Supervisory Board is convinced that, with Tom Blades and Dr. Klaus Patzak, we have been able to gain two experienced industry managers to ensure Bilfinger takes a decisive step forward in its development as a leading international industrial services provider.

In the reporting year, the Executive Board initiated the repositioning and, with Bilfinger 2020, presented a pioneering strategy – the development of which the Supervisory Board was involved at an early stage. Effective structures (2-4-6) form the foundation for profitable growth. Two business segments: Engineering & Technologies and Maintenance, Modifications & Operations. Four regions: Continental Europe, Northwest Europe, North America and the Middle East. Six industries: Chemicals & petrochemicals, energy & utilities, oil & gas, pharma & biopharma, metallurgy and cement.

The Group will thus become more transparent and much less complex, with shorter decision-making paths and greater efficiency. The Supervisory Board is convinced that the repositioning will allow for the profitable growth of Bilfinger in the coming years. As a result of the sale of Building and Facility, Bilfinger will also be in a position, in addition to organic growth, to also expand through targeted acquisitions in industrial services.

Alongside the strategic repositioning, the subject of compliance continued to be of great importance to Bilfinger in the reporting year. The Supervisory Board and its committees dealt with these topics intensively and accompanied the ongoing improvement of the risk management and control systems as well as the compliance organization. The company made significant progress in this regard over the course of the reporting year. The Supervisory Board will continue to pay close attention to these subject areas in the future and will accompany the further development of the compliance area in an advisory capacity with the support of the internationally renowned expert Louis Freeh.

Cooperation between the Supervisory Board and the Executive Board

During the year under review, the Supervisory Board performed the duties incumbent upon it in accordance with the law and the Articles of Incorporation. The Executive Board informed the Supervisory Board regularly in both written and verbal form, on all relevant aspects of the company's development. The cooperation with the Executive Board was characterized by an intensive dialog.

The Supervisory Board reviewed, discussed in detail and evaluated the reports from the Executive Board. It continuously monitored the work of the Executive Board, also on the basis of this reporting, and provided advice regarding the management and strategic development of the company. The Supervisory Board was involved at an early stage, especially for decisions of substantial importance. The primary benchmarks for the supervision of the Executive Board by the Supervisory Board were 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, the Chairman of the Supervisory Board regularly exchanged ideas and information with the Chairman of the Executive Board with regard to fundamental topics, the progress of business and significant events.

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

Further focuses of the consultations in the Presiding Committee included the corporate planning, development of earnings in the individual business segments as well as the financial position of the Group. In the reporting year, the Supervisory Board, as already mentioned, also dealt intensively with the topic of compliance. Together with its Audit Committee, the Supervisory Board accompanies and monitors the systematic framework, development and application and preventive and repressive measures taken by the company against the violation of laws and regulations. Pursuant to an agreement with the U.S. Department of Justice from 2013, which was extended in September 2016, the Bilfinger Compliance System has been undergoing a review by the independent compliance expert (Monitor) Dr. Mark Livschitz since August 2014. The Monitor informed the Presiding Committee and the Audit Committee of the Supervisory Board once each in the reporting year about the findings of his activities.

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In addition, the direct exchange of information between the Supervisory Board and the risk functions – Head of Internal Audit and Controls, General Counsel and Chief Compliance Officer – were further institutionalized at the beginning of 2017.

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

Supervisory Board meetings

In financial year 2016, the Supervisory Board convened for seven regular meetings and seven extraordinary meetings. The regular meetings took place on March 10, May 11 (two meetings), July 21, September 22, October 25 and December 16. Extraordinary meetings were held on February 5 and 19, April 7 and 13, May 2 and 6 as well as June 2. All members of the Supervisory Board attended more than half of the meetings; the average attendance rate was 95 percent. Ms. Lone Fønss Schrøder was not able to attend six meetings, Dr. Marion Helmes and Dr. Ralph Heck were prevented from attending one meeting each.

Topics in the plenary meetings

Current business development was dealt with in all regular meetings of the Supervisory Board. The Chairmen of the committees each informed the plenum about the activities of the bodies they lead. The meetings of the Supervisory Board also dealt with the following topics:

On February 5, 2016, the Supervisory Board approved the sale of the Water Technologies Division and discussed corporate strategy. At the meeting on February 19, the committee once again discussed the strategic development of the Bilfinger Group of companies and also dealt with the financial situation of the Group.

On March 10, 2016, the Supervisory Board focused primarily on the annual financial statements for 2015 and approved the proposed resolutions to the Annual General Meeting. Personnel issues of the Executive Board, compliance as well as the approval of the sale of MCE Group were among the topics on the agenda.

On April 7 and 13 as well as on May 2, 2016, the Supervisory Board focused on personnel issues of the Executive Board. On May 6, 2016 the committee again discussed the strategic development of the Group.

The first meeting held on May 11, 2016 primarily served to prepare the subsequent Annual General Meeting. The Supervisory Board also authorized a special investment budget for the harmonization of IT systems in the Bilfinger Group and approved an adjusted Declaration of Compliance pursuant to Article 161 of the German Stock Corporation Act (AktG). Following the Annual General Meeting, the constituent meeting of the new Supervisory Board was held on the same day. The committee elected Mr. Eckhard Cordes as Chairman and appointed the members of the Presiding Committee, the Audit Committee and the Nomination Committee.

On June 2, 2016, the Supervisory Board dealt with the request from the Executive Board to sell the Building, Facility Services and Real Estate divisions. Following intensive discussions, the committee approved the sale and, at the same time, authorized the strategic focus of the Group on industrial services.

At the meeting on July 21, 2016 the Supervisory Board dealt with personnel issues of the Executive Board as well as the Group strategy and the topic of compliance. On September 22, 2016, the Supervisory Board once again dealt with compliance topics. Among other things, the Monitor reported on the results of his activities in Group headquarters in July and August 2016. Personnel issues of the Executive Board and the Group strategy were also on the agenda.

At the meeting on October 25, 2016, the Supervisory Board again focused on Group strategy and compliance issues. The committee also decided to create a special committee (Transformation Committee).

On December 16, 2016, compliance and financing were on the agenda as well as corporate planning for the years 2017 to 2019. At this meeting, the Supervisory Board also dealt with the amended version of the Declaration of Compliance pursuant to Article 161 AktG.

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 2016. The Annual General Meeting approved this proposal on May 11, 2016. Ms. Karen Somes is the responsible auditor for Bilfinger at Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, a role she has carried out in five annual audits to date.

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 Nomination Committee and, in the reporting year, a new Transformation Committee.

Presiding Committee of the Supervisory Board

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

Six meetings of the Presiding Committee of the Supervisory Board were held in 2016. The Presiding Committee approved the sale of three subsidiaries among other things. Some of the resolutions of the Presiding Committee of the Supervisory Board were made in written form.

Audit Committee

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The Audit Committee also consists of four members. It monitors the accounting 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. The Chairwoman of the Audit Committee, since May 11, 2016 Dr. Marion Helmes, has particular knowledge and experience in the application of accounting principles and internal control procedures. This also applies to Mr. Hans Peter Ring, who had held this office until May 11, 2016. The current members of the Audit Committee are, as a whole, familiar with the sector in which the company operates.

The Audit Committee convened for five meetings in the past financial year where it dealt primarily with the annual financial statements for 2015 along with the Group management report and the quarterly reports for 2016, including the corresponding interim financial statements as of March 31, June 30 and September 30. The auditor participated in all meetings of the Audit Committee and reported in detail on the results of the audit of the individual and consolidated financial statements 2015, the auditor's review of the interim reports as of March 31, June 30 and September 30, 2016 and on the significant findings for the work of the Audit Committee. The Chairman of the Audit Committee also met individually with the Chief Financial Officer outside the committee meetings and discussed, among other things, the annual financial statements and the interim reports with him.

The Audit Committee reviewed the independence of the external auditors and recommended that the Supervisory Board propose their election by the Annual General Meeting in 2016. 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 annual and consolidated financial statements as well as for the auditors' review of the six-month financial report as of June 30, 2016 and the interim financial reports as of March 31, 2016 and September 30, 2016 to the auditors, negotiated the audit fee with them and determined the focus of the audit. It also dealt with the non-audit services provided by the external auditors and reviewed compliance with the relevant limits for such services.

The Audit Committee received information on the development of the risk situation from the quarterly reports of the Executive Board, which were also submitted to the plenum of the Supervisory Board. Furthermore, the Audit Committee dealt extensively with the activities of the areas Corporate Internal Audit, Corporate Project Controlling and Corporate Internal Control Systems. In order to allow the Audit Committee to evaluate the risk management, Corporate Internal Audit and Corporate Project Controlling provided the Committee with quarterly and annual reports, respectively. The Audit Committee reviewed the functionality of the internal control system and the risk management system in relation to the accounting process. It is of the opinion that the internal control system, the internal auditing system and the risk management system generally meet the demands that are made of them, but must be continually improved. The Audit Committee accompanies the implementation of relevant measures and will ensure that the continued development of these systems remains a priority in the future.

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The Audit Committee also dealt with questions of compliance in detail and on a regular basis. The independent compliance expert (Monitor) appointed in accordance with the agreement with the US Department of Justice took part in one meeting and reported to the Committee on his findings. The Chief Compliance Officer reported to the committee in all meetings on his activity as well as on the status of the of the Compliance Management System and its development, he also communicated personally with the Chairman of the Audit Committee on a regular basis.

Since the beginning of financial year 2017, the direct exchange of information between the Supervisory Board as well as Audit Committee and the risk functions – Head of Internal Audit and Controls, General Counsel and Chief Compliance Officer – which had previously been partially undertaken, has been institutionalized further. This was done against the backdrop of the development of corporate governance in the Group and to encourage the effective execution of the monitoring function of the Supervisory Board and its committees in the relevant areas. In addition to information from the Executive Board, a direct reporting line to the Audit Committee and the Supervisory Board is firmly established for each of the risk functions. This can also refer to a confidential exchange of information with the respective chairmen or the issuing of audit orders with regard to the Executive Board and/or the Supervisory Board.

In general, the Executive Board is to be informed about such information exchanges. The reporting lines and duties of the risk functions towards the Executive Board are otherwise unaffected.

Nomination Committee

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The Supervisory Board has formed a Nomination Committee in accordance with the recommendation in Section 5.3.3 of the German Corporate Governance Code. This Committee consists of three members representing the shareholders and suggests suitable candidates to the Supervisory Board for its recommendations for the election of Supervisory Board members to be made to the Annual General Meeting. In financial year 2016, the Nomination Committee convened for two meetings, consulted with regard to the election of members of the Supervisory Board and issued a relevant recommendation to the Supervisory Board.

Transformation Committee

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The special committee newly-established in October 2016 is tasked with supporting the transformation of the Bilfinger Group, discussing the further strategic positioning with the Executive Board and, where necessary, preparing recommendations for the Supervisory Board on the further development of the strategy. The committee consists of six members and has equal representation; it convened for two meetings in 2016.

Corporate governance and declaration of compliance

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In 2016, the Supervisory Board dealt in detail with questions of corporate governance and with the German Corporate Governance Code. On May 11 and December 16, 2016 as well as on March 9, 2017 the Executive Board and the Supervisory Board each issued a declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG), whereby the latter is also a component of the corporate governance report and is permanently available on the company's website, as are the previous declarations.

Examination of efficiency

The Supervisory Board and Audit Committee examine the efficiency of their activities at least every two years. The next efficiency review of the committees newly-established in financial year 2016 is scheduled for the beginning of 2017.

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 2016 and has issued them with an unqualified audit opinion. The consolidated financial statements of Bilfinger SE for 2016 were prepared on the basis of the International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with Section 315a 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 11, 2016. 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 in the presence of the external auditors. In addition, the Audit Committee had the auditor report on the collaboration with Corporate Internal Audit, Corporate Internal Control Systems and others in positions relating to risk management and on the effectiveness of the internal control and risk management system, in particular with regard to accounting whereby the auditor stated that no significant weaknesses were found.

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 2016, as well as the proposal of the Executive Board on the appropriation of distributable earnings – following an explanation of these documents by the Executive Board – and dealt with these matters in its meeting on March 9, 2017. The external auditors, represented by the two auditors who signed the audit opinion, also participated in this meeting. 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. 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. 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, namely to the extent that its components are to be analyzed by the Supervisory Board alone. At its meeting held on March 9, 2017, the Supervisory Board approved the annual and consolidated financial statements and the combined management report for the 2016 financial year as submitted by the Executive Board. The company's financial statements for financial year 2016 have thus been 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.

Executive Board personnel matters

Per H. Utnegaard stepped down from his position as Chairman of the Executive Board on April 13, 2016 with effect from April 30, 2016 and was relieved of his duties until the end of his employment contract on May 31, 2016. On April 13, 2016, the Supervisory Board transferred the responsibilities of Chairman of the Executive Board to Mr. Axel Salzmann with effect from May 1, 2016 for an interim period in addition to his tasks as Chief Financial Officer.

On May 2, 2016 the Supervisory Board appointed Mr. Thomas Blades as Member of the Executive Board and named him Chairman of the Executive Board for the period from July 1, 2016 until June 30, 2021. The interim responsibilities of Mr. Salzmann as Chairman of the Executive Board ended when Mr. Blades took office.

In connection with the sale of the Building, Facility Services and Real Estate divisions, Dr. Jochen Keysberg stepped down from the Executive Board at the end of September 6, 2016 and joined the acquiring company.

Mr. Axel Salzmann stepped down from the Executive Board by mutual agreement on September 30, 2016. The Supervisory Board appointed Dr. Klaus Patzak as his successor as Chief Financial Officer on September 22, 2016 for the period from October 1, 2016 until September 30, 2021.

Supervisory Board personnel matters

The term of office for all members of the Supervisory Board ended at the conclusion of the Annual General Meeting on May 11, 2016. At this point in time, Dr. John Feldmann, Mr. Hans Peter Ring and Mr. Udo Stark as shareholder representatives as well as Mr. Wolfgang Bunge, Mr. Ingo Klötzer and Mr. Marek Wróbel as employee representatives stepped down from the Supervisory Board.

On May 11, 2016, the Annual General Meeting elected Dr. Eckhard Cordes, Ms. Dorothée Anna Deuring, Ms. Lone Fønss Schrøder, Dr. Ralph Heck, Dr. Marion Helmes and Mr. Jens Tischendorf to the Supervisory Board as shareholder representatives. The SE Works Council appointed Mr. Stephan Brückner, Mr. Thomas Kern, Mr. Rainer Knerler, Dr. Janna Köke, Ms. Emma Phillips and Mr. Jörg Sommer as employee representatives in the newly-formed Supervisory Board.

Due to the sale of the Building, Facility Services and Real Estate divisions, Mr. Thomas Kern and Ms. Emma Phillips stepped down from the Supervisory Board on September 6, 2016. The SE Works Council elected Ms. Agnieszka Al-Selwi and Ms. Susanne Hupe to the Supervisory Board as their replacements.

The Supervisory Board thanks all the departed members for their work and commitment in the interests of the company.

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 for Bilfinger in the past financial year.

Adoption of this report

The Supervisory Board adopted this report in its meeting on March 9, 2017 in accordance with Section 171 Subsection 2 of the German Stock Corporation Act (AktG).

For the Supervisory Board

Dr. Eckhard Cordes
Chairman of the Supervisory Board
Mannheim, March 9, 2017

A.4 Corporate governance

A.4.1 Corporate governance report

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. Good and transparent corporate governance ensures the responsible, value oriented and sustainable management and control of the company.

Structure of corporate governance

Bilfinger SE is a European stock company located in Germany and is subject to European SE regulations, the German SE Implementation Act and the German Stock Corporation Act. The company has a dual management and monitoring structure consisting of the Executive Board and the Supervisory Board. The third body of the company is the Annual General Meeting. At present, no use is made of the possibility of forming an advisory board, as allowed by Article 17 of our Articles of Incorporation.

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Executive Board The members of the Executive Board are appointed by the Supervisory Board, it currently consists of three members. The Executive Board 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. It represents the company to third parties. Its actions are guided by the interests of the company, i.e. the interests of employees, shareholders and the public, with the aim of a sustainable increase of 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, the Executive Board members are each allocated responsibility for the management of certain areas. They take joint responsibility for corporate governance, however. In addition, the Chairman of the Executive Board coordinates the work of Executive Board members. The resolutions of the Executive Board are made primarily in the regular Executive Board meetings, but may also be made in written procedures or through other methods of communication. The Rules of Procedure require a resolution by the entire Executive Board for certain transactions and actions; approval from the Supervisory Board or one of its committees is required for particularly significant actions and transactions in accordance with the Articles of Incorporation and Rules of Procedure. This includes, among other things, the 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.

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

Supervisory Board In accordance with Article 11 of the Articles of Incorporation, the Supervisory Board of Bilfinger SE consists of twelve 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, and 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.

The Supervisory Board advises and monitors the management of the company by the Executive Board. Decisions of fundamental importance for the company require the approval of the Supervisory Board. Within the context of its report, the Supervisory Board informs the shareholders about its activities.

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The current composition of the Supervisory Board and the committees formed for more efficient execution of its activities can be seen in the section of the Annual Report entitled *Boards of the company*. The positions held by members of the Supervisory Board on monitoring boards of other companies are also listed here.

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

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Annual General Meeting The Annual General Meeting is convened at least once each year. The Executive Board presents to the Annual General Meeting certain documents, including the annual and consolidated financial statements as well as the combined management report for Bilfinger SE and the Bilfinger Group. The Meeting decides on the appropriation of profits and on ratifying the actions of the 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, it makes decisions 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.

German Corporate Governance Code

The German Corporate Governance Code contains recommendations and suggestions for good corporate governance and control. It was developed by the responsible government commission based upon statutory provisions as well as nationally and internationally recognized standards of corporate governance. The Code is updated and elaborated on by the commission on a continual basis. Bilfinger supports the goal set out by the Code 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 companies.

Objectives for the composition of the Supervisory Board In accordance with Section 5.4.1 Subsection 2 Sentence 1 of the German Corporate Governance Code, the Supervisory Board shall state concrete objectives regarding its composition which, while considering the specifics of the enterprise, take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members as defined by Section 5.4.2 of the German Corporate Governance Code, an age limit to be specified for the members of the Supervisory Board and a standard time limit for membership to the Supervisory Board as well as diversity. Proposals from the Supervisory Board to the responsible election committees shall, in accordance with Section 5.4.1 Subsection 3 Sentence 1 of the German Corporate Governance Code, give ample consideration to these objectives. The objectives and the status of their implementation shall, in accordance with Section 5.4.1 Subsection 3 Sentence 2 of the German Corporate Governance Code, be published in the corporate governance report.

As previously outlined, the Supervisory Board is responsible for making proposals for the election of the shareholder representatives to the Supervisory Board to the Annual General Meeting, but it is not involved in the selection procedure for the employee representatives in the Supervisory Board. Against this backdrop, the Supervisory Board announces, in accordance with Section 5.4.1 Subsection 2 of the German Corporate Governance Code and considering the specific situation of the company, the following objectives for its composition:

- At least two members should, as a result of their international experience, embody to a significant extent the criteria of internationality.
- At least two members should possess particular knowledge and experience in business administration and finance.
- At least two members should possess particular experience from leading positions in industrial or services companies.
- At least three members should be independent in accordance with the requirements of Section 5.4.2 Sentence 2 of the German Corporate Governance Code, therefore in particular have no personal or business relationship with the company, its bodies, a controlling shareholder or one associated with affiliated companies that could result in a significant and not merely temporary conflict of interest. In addition, they should have no consulting or management function for clients, suppliers, creditors or other business partners, nor should they hold any position which could lead to a conflict of interest.
- A maximum of two members are to be former members of the Executive Board.
- No member should exercise a management or consulting function for a significant competitor of the company.
- At least one member should meet the requirements of Section 100 Subsection 5 AktG (so-called 'financial expert').
- 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.
- In accordance with the law on the equal participation of men and women in management positions in the private sector and in the civil service, a fixed gender quota of 30 percent is to be observed with the reappointment of the Supervisory Board from January 1, 2016. This means that at least four women must be members of the Supervisory Board.

The composition of the current Supervisory Board complies with the objectives stated above with the following exception: Mr. Rainer Knerler has been a member of the Supervisory Board since 1996. 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 Supervisory Board intends to consider the above objectives in the resolutions it proposes to the Annual General Meeting for the appointment of Supervisory Board members on the provision that those persons whose personal and professional qualifications make them the best suited for the position be proposed. The implementation of the legally prescribed gender quota for the Supervisory Board remains unaffected.

Beyond the previously-mentioned goals 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. They are, as a whole, familiar with the sector in which the company operates.

Declaration of compliance On March 9, 2017, in accordance with Section 161 of the German Stock Corporation Act (AktG), the Executive Board and Supervisory Board issued the following annual declaration of compliance:

"Bilfinger SE complies with all recommendations of the German Corporate Governance Code as amended on May 5, 2015 with the following exceptions:

The recommendation in Section 4.2.3 Subection 2 Sentence 5 (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 remaining MDAX listed companies. The final number of PSUs is limited by a cap at 150% of the initial number of PSUs. The share price of the company that is relevant for the value of the PSU at the conclusion of the three- year performance period is not subject to any limitation because an upper limit in this respect contradicts the basic principle of a share-based remuneration. The Supervisory Board is authorized, however, in the case of extraordinary events or developments, especially in the case of extreme increases in the share price, to appropriately reduce the mathematical final number of PSUs.

In addition, there is also a deviation from the recommendation in section 4.2.3 paragraph 2 sentence 8 (exclusion of retroactive changes to performance targets or comparison parameters) as relates to financial year 2016. The Short Term Incentive (STI), the variable remuneration component in place since 2015 for members of the Executive Board with a one-year assessment basis is based on the achievement of the economic success targets adjusted EBITA and free cash flow from operating activities of the Bilfinger Group. The Supervisory Board has retroactively adjusted the target values for these economic success targets determined for financial year 2016. The same shall apply for the ROCE target value determined for financial year 2016 within the scope of the LTI. The corporate planning that had served as the basis for the original determination of the target values became largely obsolete as a result of extensive divestments and restructurings in the Group over the course of the 2016 financial year. Adhering to these target values would have, in the view of the Supervisory Board, led to a result for the measurement of the STI and LTI that did not sufficiently take into account the situation of the company and the activities of the members of the Executive Board and, accordingly, could not develop an incentive effect in relation to the LTI. The divestments and restructurings were carried out in the interests of a sustainable development of the company within an assessment period for the variable remuneration components. The Supervisory Board believes that the retroactive adjustment for the financial year is necessary and appropriate in the well-understood interests of the company, also in consideration of the fact that the current members of the Executive Board were not involved in the original corporate planning for 2016. Therefore, the Supervisory Board has defined a 100 percent target achievement of the ROCE parameters for 2016 also for two current Executive Board members, deviating from the actual figures.

Since issuing the Declaration of Compliance of December 16, 2016, the company has, until today's date, complied with all recommendations of the German Corporate Governance Code as amended on May 5, 2015 with the exception of the recommendation in section 4.2.3 paragraph 2 Sentence 8."

The declaration of compliance is published on the company's website and is updated when changes occur as well as independent of any changes at least once a year. This and previous versions are available for at least five years in accordance with Section 3.10 of the German Corporate Governance Code.

Bilfinger also fulfills nearly all non-binding suggestions of the German Corporate Governance Code. Exceptions are the accessibility of the proxy representative of the shareholders also during the Annual General Meeting (Section 2.3.2 Subsection 2 Sentence 2 of the German Corporate Governance Code). The suggestion that shareholders should be given access to the Annual General Meeting through modern communication technology such as the Internet (Section 2.3.2 of the German Corporate Governance Code) is followed insofar as the speech of the Chairman of the Executive Board is broadcast on the Internet. An exception was made in the reporting year as a result of the unusual situation of the company in the suggestion that the maximum possible appointment period of five years for the first-time appointment of members of the Executive Board should not be the rule (Section 5.1.2 Subsection 2 Sentence 1 of the German Corporate Governance Code).

Reportable transactions with financial instruments of the company (directors' dealings)

Pursuant to Article 19 of the EU Directive number 596/2014 of April 16, 2014 on market abuse (Market Abuse Directive), the members of the Supervisory Board and Executive Board and other persons with management duties who regularly have access to insider information on the company and who are authorized to make significant business decisions, and certain persons who are in a close relationship with those persons are legally obliged to disclose to Bilfinger SE and the German Federal Financial Supervisory Authority (BaFin) any acquisitions and disposals of Bilfinger shares and related financial instruments, particularly derivatives, in an amount of more than €5,000 in any calendar year, as soon as possible and at the latest within three working days. We publish details of such transactions on our website at www.bilfinger.com, among other places, without delay.

The members of the Executive Board and the Supervisory Board do not own any shares in the company or any related financial instruments that together, either directly or indirectly, constitute more than 1 percent of the shares issued by the company.

Compliance system

Compliance with legal and internal regulations is the basis of successful business activity and is part of good corporate governance. The company has undertaken substantial efforts to ensure compliance with laws and internal regulations and will continue to do so. Our comprehensive Bilfinger Compliance Program, which is designed so that compliance violations can be preventively avoided and, at the same time, potential misconduct recognized at an early stage and, following relevant identification, quickly and consistently dealt with, is subject to ongoing review and improvement. A key component is our Code of Conduct which outlines the topic-based general principles of our actions. The individual subject areas are formulated in specific terms with related guidelines and instructions and provide the basis for ethical business conduct within our activities. These subjects are regularly taught worldwide through on-site training, e-learning and webinars; the rules and regulations are available to our employees in over 20 languages. The Compliance Help Desk, established in July 2016, is the key contact for comprehensive advice for all employees on all aspects related to compliance. The compliance system will be reviewed and improved on an ongoing basis.

From third parties with whom we cooperate within the scope of our business activities, we expect the same attitude toward integrity as we do from our employees. To minimize risks, third parties are subjected to an integrity audit prior to the signing of a contract. This integrity audit is a key element of our compliance system; the standards and methods that serve as its basis are developed on an ongoing basis.

The Group's Chief Compliance Officer reports directly to the Chairman of the Executive Board and regularly informs the Chairwoman of the Audit Committee of the Supervisory Board. For further information and the reporting line of the Chief Compliance Officer to the Audit Committee and Supervisory Board, please refer to the *Report of the Supervisory Board*. A Compliance Officer assigned to each division and region reports via the Head of Compliance to the Chief Compliance Officer and supports the business units in all compliance-related queries with their directly subordinate compliance managers.

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Close cooperation with the Executive Board, divisional and regional management and other managers and close consultation with the departments, in particular Corporate Legal and Corporate Internal Audit and Controls, form the basis for the effective implementation of compliance regulations.

In addition to prevention, our compliance system also includes early recognition of misconduct and, once it is identified, quick and consistent reaction. In order to identify possible misconduct at an early stage and to allow our employees to report violations of the rules, we operate a whistleblower system. Whistleblowers – who may be anonymous – can report misconduct by telephone, Internet or e-mail if they would prefer not to use the normal reporting line to their supervisor or other representative. Such information is investigated by an independent authority in order to punish possible misconduct and continually improve the compliance program or the effectiveness of controls. Whistleblowers are protected against any reprisal; the whistleblower system can also be used by third parties (suppliers, subcontractors, business partners or other service providers) via our homepage. Confirmed misconduct leads to consequences for those involved up to termination or criminal complaints with authorities.

In addition, the integration of the Bilfinger Compliance Program and its further development in the business processes is reviewed in order to ensure the efficiency of the program and the associated measures. The Internal Audit department verifies, among other things, the implementation of compliance guidelines as part of so-called anti-corruption audits on site at the individual business units. In these audits, the integrity of the business unit's payment transactions is also analyzed on the basis of mass data analyses. In the period from April to December 2016, a total of eleven such audits were conducted throughout the world. The results are made available to the Executive Board and the Chief Compliance Officer in the form of relevant audit reports so that – where necessary – improvement measures can be implemented.

The Supervisory Board, Audit Committee and Executive Board are regularly informed about important developments within compliance. A Compliance Review Board, made up of the members of the Executive Board, the Chief Compliance Officer, the Head of Corporate Internal Audit and Controls as well as the managers of further relevant corporate departments, also regularly deals with all compliance issues. The Committee is supported by Compliance Review Boards in the divisions and regions. Potential breaches of compliance regulations are investigated by an independent Allegation Management Committee and the Allegation Management Office, possible sanctions are handled by a Disciplinary Committee, which also ensures their consistent application.

The entire Bilfinger Compliance System is continually reviewed and developed by us so that regulatory requirements, market changes and the requirements of our customers are taken into consideration. In particular, the recommendations of the independent Compliance Monitor, Dr. Mark Livschitz, are included. The Monitor regularly reviews our compliance system in accordance with a 2013 agreement with the US Department of Justice, which was extended by two years in September 2016. In addition, we take into consideration the comments of the internationally renowned expert Louis Freeh, who advises the Supervisory Board on the topic of compliance.

Financial loss liability insurance

The company has taken out financial loss liability insurance which covers the activities of the members of the Executive Board and Supervisory Board (D&O insurance). This insurance includes the deductible for the Executive Board legally required by Section 93 Subsection 2 Sentence 3 of the German Stock Corporation Act and the deductible for the Supervisory Board recommended in Section 3.8 Subsection 3 of the German Corporate Governance Code.

Declaration of corporate governance

The Executive Board issued a declaration of corporate governance pursuant to Section 289a and Section 315 Subsection 5 of the German Commercial Code (HGB) that has been made available to the general public on the company's website (www.bilfinger.com) under 'Investor Relations / Corporate Governance.'

Mannheim, March 9, 2017

Bilfinger SE
The Executive Board The Supervisory Board

A.4.2 Remuneration report

This remuneration report describes the current remuneration system for the Executive Board, which has been valid since financial year 2015 and was approved by the Annual General Meeting on May 7, 2015. Partially differing agreements – in terms of value only – were made with Dr. Klaus Patzak, 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 2016; it additionally includes information on the remuneration of the Supervisory Board in 2016. The remuneration report is part of the Group management report.

Executive Board remuneration

Executive Board remuneration comprises two components: a fixed annual salary and variable remuneration. Further components of the remuneration system, described below in two separate sections, include non-cash benefits and retirement benefits.

Annual fixed salary The annual fixed salary amounts to €600 thousand for full members of the Executive Board, €700 thousand for Dr. Klaus Patzak and €1,200 thousand for the Chairman of the Executive Board.

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).

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

The annual initial value of the STI, corresponding to a 100 percent target achievement, amounts to €500 thousand for full members of the Executive Board, €650 thousand for Dr. Klaus Patzak 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 from operating activities of the Bilfinger Group. For the purposes of the STI, this free cash flow from operating activities is based on cash flow from operating activities less payments made for property, plant and equipment and intangible assets plus payments received from the disposal of property, plant and equipment and intangible assets. The achievement of these equally-weighted targets counts only within a corridor of 80 to 135 percent of the targets. The degree of target achievement is zero below the minimum value. If 80 percent of the goal is achieved, the degree of target achievement is 50 percent. It then rises on a linear basis up to a maximum target value of 135 percent to a maximum value of 200 percent of the STI value (‘cap’).

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

The LTI comprises the annual issue of virtual shares of Bilfinger SE, so-called performance share units (PSU). Their number 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 remaining MDAX listed companies. 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 and the Chairman of the Executive Board receives PSUs with a current market value of €1,400 thousand. For Dr. Klaus Patzak, the allotment value is €850 thousand. With allotment, the member of the Executive Board acquires an entitlement to the corresponding number of PSUs, which however is subject to the subsequent regulations regarding changes during the performance period. 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. Over the course of the three-year performance period, the number of these PSUs changes 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 remaining MDAX listed companies. The achievement of these equally-weighted targets counts only within a relevant corridor. For ROCE, it ranges from 80 to 135 percent of the target. The degree of target achievement is zero below the minimum value. If 80 percent of the goal is achieved, the degree of target achievement is 50 percent. It then rises 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'). For the TSR value, only a positioning of Bilfinger in comparison to the other MDAX companies of between the 50th and the 75th percentile shall count. For the TSR value as well, a target achievement below the minimum value is zero and above the maximum value is 150 percent ('cap').

The final number of PSUs is calculated by multiplying the arithmetical average of the degree of target achievement with the initial number of PSUs. The final number is subject to a cap of maximum 150 percent of the initial number of PSUs ('cap'). 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.

ROCE 2016 relates to the adjusted ROCE before taxes.

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

Non-cash benefits

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

Retirement benefits

Retired Members of the Executive Board receive pension payments from the age of 62. In case of the death of a member of the Executive Board with pension entitlement and assuming further conditions are met, dependents are entitled to pension benefits in the form of widow and orphan pensions. For new contracts since the third quarter 2016, benefit entitlements for surviving dependents will exclusively take the form of capital payments. This currently relates only to Dr. Patzak. The entitlements described above have been transferred to an external institution in the form of a reinsured relief fund and are based on 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 Dr. Patzak). 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.

The following table shows the company's contributions to the relief fund for the year 2016 and the annual pension entitlements already achieved by members of the Executive Board.

RETIREMENT BENEFITS in € thousand	Probable annual pension entitlement upon retirement	Payments to relief fund	
		2016	2015
Thomas Blades (from July 1, 2016, Chairman)	32	270	–
Dr. Klaus Patzak (from October 1, 2016)	104	88	–
Michael Bernhardt	117	270	45
Per H. Utnegaard (until May 31, 2016, Chairman)	19	225	315
Axel Salzmann (until September 30, 2016)	13	203	203
Dr. Jochen Keysberg (until September 6, 2016)	0*	185	270
	285	**1,241**	**833**

* Retirement pension commitments for Dr. Keysberg were fully taken over by his new employer

Total remuneration granted for the financial year

Total remuneration granted for 2016, 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.

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Section 4.2.3 Subsection 2 Sentence 6 of the German Corporate Governance Code recommends that the maximum amount of Executive Board remuneration and the variable components of that remuneration be defined. The company deviates from this recommendation as relates to the remuneration system that has been valid since financial year 2015; this was disclosed most recently in its declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) dated March 9, 2017. As already described, in accordance with the remuneration system in place since 2015, members of the Executive Board receive a certain number of PSUs as part of the LTI. While the final number of PSUs is limited, the share price of the company that is relevant for the value of the PSU at the conclusion of the three-year performance period is not subject to any limitation because an upper limit in this respect contradicts the basic principle of share-based remuneration. The table thus contains no maximum amounts.

The members of the Executive Board who joined the company in 2016 as externals have assumed great responsibility for Bilfinger. As a result of this special situation and the fact that they were not involved in corporate planning for financial year 2016, the Supervisory Board has reached the following agreements with them, which differ from the principal regulations of the remuneration system:

In exchange for financial disadvantages that have occurred as a result of his move to Bilfinger, Mr. Thomas Blades receives a one-time payment of €2,600,000. In addition, for 2016, he will receive from the STI the amount that would have resulted from a 100 percent achievement of the economic parameters of the STI. The Supervisory Board has also decided to assume a 100 percent fulfillment of the ROCE parameter of the LTI for 2016. In addition, the PSUs granted to Mr. Blades for 2016 pro rata temporis were calculated with the current price at the point of hiring (and not at the beginning of financial year 2016). Accordingly, also for the LTI 2016 for calculation of the TSR is based on the price at the point of hiring (and not at the beginning of financial year 2016).

As already discussed, Dr. Klaus Patzak receives a fixed annual salary of €700,000 for the duration of his Executive Board contract. The initial value of the STI agreed with him amounts to €650,000, the LTI assignment value €850,000. For financial years 2016 and 2017, Dr. Patzak is 100 percent guaranteed to fulfill the economic parameters of the STI as well as the ROCE parameters of the LTI. In addition, the PSUs granted to Dr. Patzak for 2016 pro rata temporis were calculated with the current price at the point of hiring (and not at the beginning of financial year 2016). Accordingly, also for the LTI 2016 for calculation of the TSR is based on the price at the point of hiring (and not at the beginning of financial year 2016).

For 2016, Mr. Michael Bernhardt will receive from the STI at least the amount that would have resulted from a 100 percent target achievement of the economic parameters because he too was not involved in the corporate planning for financial year 2016. In addition, The Supervisory Board has also decided to assume a 100 percent fulfillment of the ROCE parameter of the LTI for 2016.

Mr. Per H. Utnegaard resigned from his position as Chairman of the Executive Board on April 13, 2016 with effect from April 30, 2016 and was exempted from duty until the termination of his contract on May 31, 2016. Until this time, Mr. Utnegaard continued to receive the contractually fixed salary and pension. He is not entitled to an STI or LTI for financial year 2016. It was agreed with Mr. Utnegaard that the post-contractual non-competition clause would be limited to twelve months with a compensation of 50 percent of the annual base salary. Mr. Utnegaard is entitled to a total of €600,000 in compensation, of which €350,000 is attributable to the reporting year.

Dr. Jochen Keysberg stepped down from the Executive Board and resigned from Bilfinger prematurely on September 6, 2016. As part of the termination of his employment relationship, he receives a gross payment of €19,600 as compensation for outstanding vacation allowance. The company agreed to waive the previously agreed non-competition agreement in the employment contract with Dr. Keysberg on September 6, 2016. In accordance with contractual agreements, for the six months after the termination of the employment relationship Dr. Keysberg is in this case entitled to monthly compensation in the amount of one twelfth of 50 percent of his annual remuneration (annual fixed salary and variable remuneration). Maximum total compensation of €351,000 is due to Dr. Keysberg. Of that total, maximum compensation of €222,000 was incurred in the reporting year. This corresponds to the maximum amount of compensation for 2016, or in total not including any other compensation. However, no compensation payment was made in the reporting year initially as a result of insufficient information from Dr. Keysberg regarding a possible chargeable remuneration.

In recognition of the special services performed in the course of assuming the responsibilities of the Chairman of the Executive Board between May 1 and June 30, 2016, Mr. Axel Salzmann received a bonus of €250,000. Mr. Salzmann resigned from the Executive Board and Bilfinger by mutual agreement on September 30, 2016. Mr. Salzmann received a gross payment of €17,300 as settlement for outstanding vacation entitlement. A subsequent non-competition agreement was waived by mutual consent and a resulting entitlement to non-competition payment does not exist.

No loans or advances were made to the members of the Executive Board in 2016. 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 2016.

VALUE OF THE BENEFITS GRANTED FOR THE REPORTING YEAR

€ thousand

	Thomas Blades (from July 1, 2016, Chairman)[a]				Dr. Klaus Patzak (from October 1, 2016, Chief Financial Officer)[a]				Michael Bernhardt (from November 1, 2015, Member of the Executive Board)[a]			
	2015	2016	2016 min	2016 max	2015	2016	2016 min	2016 max	2015	2016	2016 min	2016 max
Fixed remuneration	–	600	600	600	–	175	175	175	100	600	600	600
Fringe benefits	–	19	19	19	–	10	10	10	5	36	36	36
One-time payment	–	2,600	2,600	2,600	–	–	–	–	200	–	–	–
Total	–	**3,219**	**3,219**	**3,219**	–	**185**	**185**	**185**	305	**636**	**636**	**636**
One-year variable remuneration: STI	–	500	400	1,000	–	163	130	326	83	500	400	1,000
Multi-year variable remuneration: LTI (share-based)[b]	–	407	0	n/a[c]	–	206	0	n/a[c]	44	505	0	n/a[c]
Total	–	**4,126**	**3,619**	**n/a[c]**	–	**554**	**315**	**n/a[c]**	432	**1,641**	**1,036**	**n/a[c]**
Benefit expense	–	270	270	270	–	88	88	88	45	270	270	270
Total remuneration	–	**4,396**	**3,889**	**n/a[c]**	–	**642**	**403**	**n/a[c]**	477	**1,911**	**1,306**	**n/a[c]**

VALUE OF THE BENEFITS GRANTED FOR THE REPORTING YEAR

€ thousand

	Per H. Utnegaard (from June 1, 2015 to May 31, 2016, Chairman)[a]				Axel Salzmann (from April 1, 2015 to Sept. 30, 2016, Chief Financial Officer)[a]				Dr. Jochen Keysberg (until September 6, 2016, Member of the Executive Board)[a]			
	2015	2016	2016 min	2016 max	2015	2016	2016 min	2016 max	2015	2016	2016 min	2016 max
Fixed remuneration	700	500	500	500	450	450	450	450	600	409	409	409
Fringe benefits	6	5	5	5	18	21	21	21	94	73	73	73
One-time payment	–	–	–	–	–	250	250	250	–	–	–	–
Total	**706**	**505**	**505**	**505**	**468**	**721**	**721**	**721**	**694**	**482**	**482**	**482**
One-year variable remuneration: STI	1,167	–	–	–	375	375	0	750	500	341	0	692
Multi-year variable remuneration: LTI (share-based)[b]	339	–	–	–	426	379	0	n/a[c]	480	349	0	n/a[c]
Total	**2,212**	**505**	**505**	**505**	**1,269**	**1,475**	**721**	**n/a[c]**	**1,674**	**1,172**	**482**	**n/a[c]**
Benefit expense	2,115[d]	225	225	225	203	203	203	203	270	185	185	185
Total remuneration	**4,327**	**730**	**730**	**730**	**1,472**	**1,678**	**924**	**n/a[c]**	**1,944**	**1,357**	**667**	**n/a[c]**

[a] Taking into account the proportionate mandate
[b] Fair value at granting
[c] Not applicable, as the LTI is not limited due to the payment in real shares
[d] For Mr. Utnegaard, in addition to the annual contributions to the relief fund in the amount of 45 percent of the fixed salary, pension capital of €1,800 thousand in the form of a re-insured direct commitment was also granted in financial year 2015 in order to offset financial disadvantages arising as a result of his move to Bilfinger. Payment of the pension capital was made in financial year 2016.

ALLOCATION FOR THE REPORTING YEAR

€ thousand

	Thomas Blades (from July 1, 2016, Chairman)[a]		Dr. Klaus Patzak (from October 1, 2016, Chief Financial Officer)[a]		Michael Bernhardt (from November 1, 2015, Member of the Executive Board)[a]	
	2015	2016	2015	2016	2015	2016
Fixed remuneration	–	600	–	175	100	600
Fringe benefits	–	19	–	10	5	36
One-time payment	–	2,600	–	–	200	–
Total	–	**3,219**	–	**185**	305	**636**
One-year variable remuneration: STI	–	500	–	163	36	500
Multi-year variable remuneration: LTI (share-based)	–	–	–	–	–	–
Multi-year variable remuneration deferral 2013-2015 (share-based)[b]	–	–	–	–	–	–
Multi-year variable remuneration deferral 2014-2016 (share-based)[c]	–	–	–	–	–	–
Total	–	**3,719**	–	**348**	341	**1,136**
Benefit expense	–	270	–	88	45	270
Total remuneration	–	**3,989**	–	**436**	386	**1,406**

ALLOCATION FOR THE REPORTING YEAR

€ thousand

	Per H. Utnegaard (from June 1, 2015 to May 31, 2016, Chairman)[a]		Axel Salzmann (from April 1, 2015 to Sept. 30, 2016, Chief Financial Officer)[a]		Dr. Jochen Keysberg (until September 6, 2016, Member of the Executive Board)[a]	
	2015	2016	2015	2016	2015	2016
Fixed remuneration	700	500	450	450	600	409
Fringe benefits	6	5	18	21	94	73
One-time payment	–	–	–	250	–	–
Total	706	**505**	468	**721**	694	**482**
One-year variable remuneration: STI	1,167	–	375	0	219	0
Multi-year variable remuneration: LTI (share-based)	–	–	–	–	–	–
Multi-year variable remuneration deferral 2013-2015 (share-based)[b]	–	–	–	–	195	–
Multi-year variable remuneration deferral 2014-2016 (share-based)[c]	–	–	–	–	–	172
Total	1,873	**505**	843	**721**	1,108	**654**
Benefit expense	2,115[d]	225	203	203	270	185
Total remuneration	3,988	**730**	1,046	**924**	1,378	**839**

[a] Taking into account the proportionate mandate
[b] Component of the remuneration system valid until December 31, 2014; time of the allocation pursuant to German tax law: after the Annual General Meeting 2016
[c] Component of the remuneration system valid until December 31, 2014; time of the allocation pursuant to German tax law: after the Annual General Meeting 2017
[d] For Mr. Utnegaard, in addition to the annual contributions to the relief fund in the amount of 45 percent of the fixed salary, pension capital of €1,800 thousand in the form of a re-insured direct commitment was also granted in financial year 2015 in order to offset financial disadvantages arising as a result of his move to Bilfinger. Payment of the pension capital was made in financial year 2016.

Additional 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 PSU. In accordance with the recommendation in Section 4.2.3 Subsection 5 of the German Corporate Governance Code, severance compensation in the case of a change of control is limited to 150 percent of the general severance cap of two years' remuneration in accordance with Section 4.2.3 Subsection 4 of the German Corporate Governance Code.

In the case of the termination of the Executive Board employment contract (with the exception of termination in the case of a change of control), the member of the Executive Board is subject to a 24-month – under pain of a contractual penalty – post-contractual prohibition of competition for which the company shall pay compensation for each month of the prohibition in the amount of one-twelfth of 50 percent of the annual remuneration of the member of the Executive Board (annual fixed salary and variable remuneration). Other remuneration or a pension of the member of the Executive Board during this period 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).

Pensions of former members of the Executive Board Pensions paid to former members of the Executive Board who left the company prior to the reporting year or their surviving dependents totaled €2,210 thousand (previous year: €2,239 thousand). The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €32,625 thousand (previous year: €28,137 thousand).

Supervisory Board remuneration

The members of the Supervisory Board receive, as specified by Article 16 of the Articles of Incorporation of Bilfinger SE, in addition to the reimbursement of their expenses, annual fixed remuneration of €70 thousand. The Chairman of the Supervisory Board receives two and a half times that amount; the Deputy Chairman of the Supervisory Board and the Chairmen of the committees with the exception of the Nomination Committee receive double that amount. The members of the committees with the exception of the Nomination Committee receive one and a half times that amount. If a member of the Supervisory Board exercises several of the aforementioned functions, he or she is only entitled to the highest of the respective amounts. Members of the Supervisory Board receive a meeting fee of €500 for each meeting of the Supervisory Board and its committees that they attend. Members who reside in Germany are also reimbursed for any value added tax applicable to their remuneration.

The remuneration of the members of the Supervisory Board of Bilfinger SE in 2016 amounted to €1,363 thousand (previous year: €1,300 thousand). In financial year 2016, members of the Supervisory Board of Bilfinger Berger SE were also compensated for expenses in the total amount of €85 thousand. 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

€ thousand

	2016	2015
Dr. Eckhard Cordes, (Chairman, Chairman of the Presiding Committee, from October 25, 2016 member of the Transformation Committee)	185	182
Stephan Brückner (Deputy Chairman, member of the Presiding Committee, from October 25, 2016 member of the Audit Committee)	151	147
Agnieszka Al-Selwi (from September 7, 2016)	24	–
Wolfgang Bunge (from May 11, 2016, member of the Audit Committee)	43	111
Dorothée Anna Deuring (from May 11,2016, member of the Audit Committee)	71	–
Wolfgang Faden (until May 7, 2015)	–	26
Dr. John Feldmann (until May 11, 2016, member of the Presiding Committee, member of the Audit Committee)	44	115
Lone Fønss Schrøder	74	73
Dr. Ralph Heck (from May 11, 2016, member of the Presiding Committee, from October 25, 2016 member of the Transformation Committee)	72	–
Dr. Marion Helmes (from May 11, 2016, Chairwoman of the Audit Committee)	93	–
Susanne Hupe (from September 7, 2016, from October 25, 2016 member of the Transformation Committee)	31	–
Thomas Kern (until June 9, 2016, member of the Audit Committee)	79	113
Ingo Klötzer (until May 11, 2016)	29	75
Rainer Knerler (member of the Presiding Committee, from October 25, 2016 member of the Audit Committee)	115	112
Dr. Janna Köke (from May 11, 2016, member of the Audit Committee)	71	–
Emma Phillips (May 11, 2016 to September 6, 2016)	24	–
Hans Peter Ring (from May 11, 2016, Chairman of the Audit Committee)	56	66
Jörg Sommer (from May 11, 2016, from September 22, 2016 member of the Audit Committee)	58	–
Udo Stark (until May 11, 2016)	29	130
Jens Tischendorf (from October 25, 2016 member of the Transformation Committee)	85	75
Marek Wróbel (until May 11, 2016)	29	75
	1,363	**1,300**

A.5 Bilfinger in the capital market

Stock market year 2016

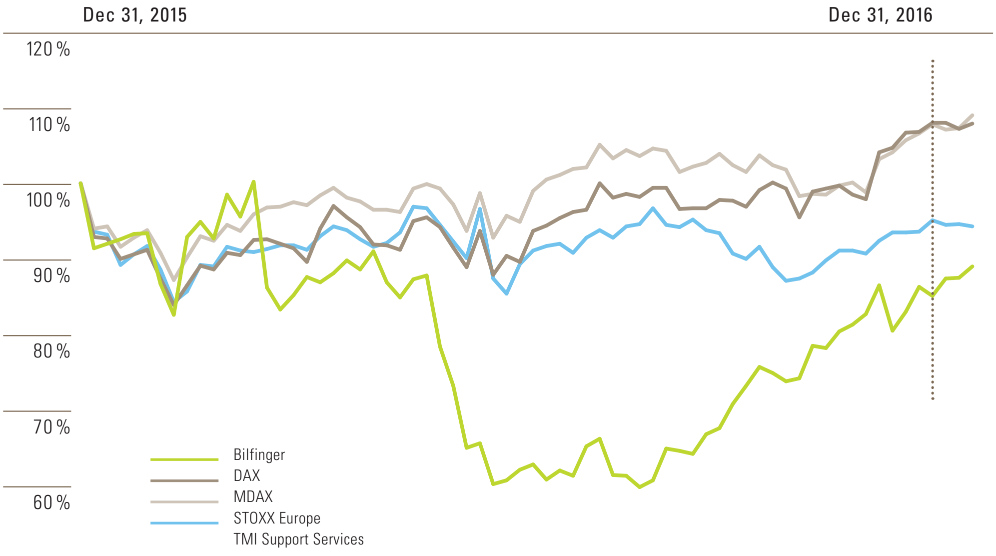
The stock market year 2016 was restrained for the most part with a broader upswing taking hold only after the US elections. The reference indices that are relevant for Bilfinger closed out the year unevenly: while the DAX and MDAX were up by about 7 percent, the Europe TMI Support Services was down about 6 percent.

In the first five months, development of the Bilfinger share was in line with that of the DAX and MDAX. With the decision to sell the Building and Facility business segment, combined with the communication that the Power business segment which had originally been put up for sale, would not be sold in its entirety, the share fell to a low of €25.05 in the summer.

With initial indications of a stabilization in the operational business over the course of the year as well as the introduction of new members of the Executive Board, the capital market regained confidence. The share price rose significantly at the end of the year, whereby the share of short selling remained high. The Bilfinger share closed out 2016 at a price of €36.57, which represents a decline of 16 percent over the course of the year. Market capitalization thus totaled €1.7 billion.

The capital markets began the stock market year 2017 with a slightly positive trend, whereby performance of the Bilfinger share exceeded the DAX and MDAX.

RELATIVE PERFORMANCE OF OUR SHARES
1 YEAR



KEY FIGURES ON OUR SHARES

€ per share

	2012	2013	2014	2015	2016
Earnings[1]	6.26	3.91	-1.62	-11.54	6.13
Adjusted earnings[2]	5.46	5.69	3.62	-0.68	-0.17
Cash flow per share	5.26	4.76	0.77	0.88	-5.07
Dividend	3.00	3.00	2.00	0.00	1.00
Dividend yield[3]	4.1%	3.7%	4.3%	–	2.7%
Payout ratio[4]	55%	53%	50%	–	–
Highest price	77.90	84.35	93.05	59.67	44.15
Lowest price	58.82	68.67	41.54	32.63	25.05
Year-end price	73.00	81.53	46.35	43.47	36.57
Book value[5]	45.96	48.67	43.85	33.39	37.30
Market value / book value[3,5]	1.6	1.7	1.1	1.3	1.0
Market capitalization in € million[3,7]	3,360	3,752	2,133	2,001	1,683
MDAX weighting[6]	3.2%	2.4%	1.1%	0.9%	0.7%
Price-to-earnings ratio[3,4]	13.37	14.33	12.8	-63.93	-215.12
Number of shares (in thousands)[6,7]	46,024	46,024	46,024	46,024	46,024
Average XETRA daily volume (no. of shares)	156,993	125,429	283,673	363,671	248,551

Unless stated otherwise, all information relates to continuing operations.
All price details refer to XETRA trading.
1 Includes continuing and discontinued operations
2 Adjusted for special items from restructuring expenses, expenses for the program to enhance efficiency in administration, expenses for the further development of the compliance system, disposals and write-downs on subsidiaries as part of streamlining the portfolio. Also adjusted for amortization of intangible assets from acquisitions and goodwill. In addition, the tax rate was normalized to 31%.
3 Based on the year-end closing price
4 Based on adjusted earnings per share
5 Balance sheet shareholder's equity excluding minority interest
6 Based on year-end
7 Including treasury shares

BILFINGER SHARE

ISIN / Stock exchange abbreviation	DE0005909006 / GBF
WKN	590 900
Main stock market	XETRA / Frankfurt
Deutsche Börse segment	Prime Standard
Component of	MDAX, DAXsubsector Industrial Products & Services Idx., STOXX Europe 600, Euro STOXX, Euro STOXX Low Carbon, STOXX EUROPE TMI Support Services

Slight improvement in S&P credit rating, corporate bond closes out the year with a slight plus

Rating agency Standard & Poor's upgraded Bilfinger's credit rating slightly to BB+, stable outlook (December 2015: BB+, negative outlook).

The corporate bond issued in December 2012 with a volume of €500 million has an interest coupon of 2.375 percent. Following an intermediate low of 98 percent, the bond recovered and closed out the year at 103 percent, a slight increase as compared with the previous year (Stuttgart stock exchange).

BILFINGER BOND

ISIN / Stock exchange abbreviation	DE000A1R0TU2
WKN	A1R0TU
Listing	Luxemburg (official trading)
Issue volume	€500 million
Interest coupon	2.375 %
Maturity	December 7, 2019
Year-end closing price (Stuttgart)	103.25

Dividend policy

We pursue a sustainable dividend policy with the objective of letting our shareholders participate appropriately in the Group's success. Considering the sound balance sheet and planned positive business development, the Executive Board and the Supervisory Board will propose to the Annual General Meeting a dividend payout of €1.00 per share for financial year 2016, despite the negative adjusted net profit. Subject to the Group developing as planned, the Executive Board and Supervisory Board aim to keep the dividend constant, until the dividend distribution policy comes into effect. This aims to pay out to our shareholders between 40 and 60 percent of adjusted net profit, depending on the foreseeable medium-term development of the company.

Share buyback

The company plans to cancel its treasury shares in the amount of about 4 percent. A proposal will also be made that the Annual General Meeting approve a new authorization to buy back shares in the maximum amount of 10 percent. On the basis of anticipated business development, the Executive Board intends to propose to the Supervisory Board a share buyback program with a volume of up to €150 million which should begin in financial year 2017.

Continued broad coverage of Bilfinger's stock

The broad coverage of Bilfinger's stock remained unchanged in 2016. The Investor Relations team is in regular contact with a total of 14 financial analysts.

Inclusion in STOXX Low Carbon indices

Continuous improvement in the Bilfinger SE sustainability reporting led to inclusion in the STOXX Low Carbon index family.

Annual General Meeting 2016 with slightly lower capital presence

Attendance at the 2016 Annual General Meeting decreased slightly to 54 percent of the share capital (previous year: 56 percent). A total of 1,135 participants attended the event (previous year: 1,173). All the resolutions of last year's Annual General Meeting were passed as recommended by the management with large majorities. We will continue to encourage our shareholders to exercise their voting rights – either in person or through a proxy also in the new financial year.

B Combined management report

B.1 The Bilfinger Group

B.1.1 Business model

Bilfinger is a leading international industrial services provider. We provide customized engineering and services to customers in the process industry. Bilfinger enhances the efficiency of assets, increases their availability and reduces maintenance costs. Our portfolio covers the entire value chain: consulting, engineering, manufacturing and installation through to comprehensive maintenance concepts and their implementation, including turnarounds. Bilfinger stands for the highest standards of quality and thus meets the strict requirements of customers active in the petrochemical, chemical, pharmaceutical, energy and oil and gas sectors.

B.1.2 Legal form and management

Bilfinger 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 of Bilfinger SE 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 the declaration of corporate governance on the company's website at www.bilfinger.com under 'Company/Corporate Governance'.

B.1.3. Organization and business segments

Bilfinger SE is a holding without its own business activities. The operating activities are organized decentrally and are carried out through subsidiaries which act on the market as independent profit centers. The operating companies are allocated to divisions which in 2016 each belonged to one of the two business segments Industrial and Power.

REPORTING STRUCTURE

Industrial business segment	Power business segment
Divisions:	Divisions:
Industrial Maintenance	Power
Insulation, Scaffolding and Painting	
Oil and Gas	
Engineering Solutions	

As of April 1, 2016 we had reduced the number of divisions in the Industrial business segment to four. The companies of the former Engineering, Automation and Control and Industrial Fabrication and Installation divisions were formally combined in the reporting structure to form the new Engineering Solutions division. In addition, the Support Services division was formally disbanded and its companies more closely aligned to Industrial's core businesses through the allocation to other divisions. In the Power business segment, the operating companies are combined in a single division.

Industrial business segment Bilfinger is one of the world's leading providers of integrated technical services for the process industry and energy sector. The key to our success is a comprehensive range of services that cover the entire lifecycle of industrial plants – from engineering to maintenance. In 2016, the regional focus of the Industrial business segment was on Europe and the United States.

INDUSTRIAL BUSINESS SEGMENT

Areas of activity	Key clients	Competitors
■ Design, development and erection of industrial facilities	■ Bayer	■ Amec Foster Wheeler
■ Maintenance and repair of industrial plants	■ BP	■ Beerenberg
■ Project management	■ Cargill	■ Cape
■ Assembly and installation of plant components	■ Dow Chemical	■ Fluor (Stork)
■ Design, development and implementation of automation solutions	■ GSK	■ Hertel
■ Insulation, surface and corrosion protection, industrial scaffolding	■ OMV	■ Jacobs
	■ Shell	■ Kaefer
	■ Statoil	■ Mistras
	■ Total	■ Spie
		■ Wood Group

Power business segment Bilfinger delivers professional engineering and premium services for the energy-generating industry. We design and build power plant components, maintain them, extend their service life, enhance their efficiency and reduce the emission of pollutants such as CO_2 and NO_X. Important regions for the Power business segment in 2016 included Europe, South Africa and the Middle East.

POWER BUSINESS SEGMENT

Areas of activity	Key clients	Competitors
■ Repair, maintenance, efficiency enhancements and service life extensions as well as the demolition of existing power plants ■ Design, manufacture and assembly of components for power plant systems with a focus on boilers and high-pressure piping systems	■ BP ■ EDF ■ EnBW ■ Eon ■ Eskom ■ GDF Suez ■ Linde ■ RWE ■ Vattenfall	■ Alpiq (Kraftanlagen München) ■ Alstom Power ■ Balcke-Dürr ■ Doosan Babcock ■ E.ON Anlagenservice ■ Mitsubishi Hitachi Power Systems ■ Shaw

Reclassification of the Building and Facility and Power business segments in financial year 2016 In February 2016, we sold the Water Technologies division to Chinese company Chengdu Techcent Environment Group, the deconsolidation was carried out as of March 31, 2016. In June 2016, the Building, Facility Services and Real Estate divisions were sold to financial investor EQT and deconsolidated as of September 1, 2016. The sold units of the former Building and Facility business segment are therefore presented under discontinued operations in this Annual Report. The remaining unit Government Services is presented under 'Consolidation / other'.

At the same time, the selling process for the Power business segment begun in mid-2015 was refocused. Rather than focusing on a total sale, we have instead initiated a comprehensive restructuring and organizational repositioning of the activities. In accordance with the International Financial Reporting Standards (IFRS), Power will be once again presented as continuing operations in the Annual Report 2016.

Against the backdrop of this reclassification, the previous year figures have been adjusted accordingly in this Annual Report.

As of January 1, 2017, a new organizational structure was introduced, the basic principles of which are described in chapter *B.4 Outlook*.

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B.1.4 Strategy and objectives

A process for the strategic repositioning of the company was introduced in financial year 2016. Implementation will be carried out in 2017. Explanations of the principles as well as the forecasts for future development is included in chapter *B.4 Outlook*. Information on research and development activities is included in chapter *B.2.7.5 Innovation*.

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B.1.5 Financial management system

Our key financial management metrics for financial year 2016 include figures for growth, profitability, capital efficiency as well as our capital structure. The most important of these are output volume, adjusted EBITA and return on adjusted EBITA, adjusted free cash flow and return on capital employed.

Growth and volume In addition to the Group's revenue, the figure for output volume also includes our proportion of the goods and services supplied by joint ventures and consortiums. Their planning is conducted on the basis of orders received and order backlog. Profitable organic growth in output volume forms a cornerstone of our strategy for increasing Bilfinger's enterprise value. In addition, targeted acquisitions can contribute to the growth in output volume.

B.1.5.1 Profitability

EBITA / adjusted EBITA / adjusted EBITA margin 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 of intangible assets from acquisitions' (EBITA). When performing such an analysis, the focus is on the profit margin – calculated as operating profit as a percentage of output volume.

We are focusing here on 'adjusted EBITA' with adjustments made for special items. For better comparability of operating performance over time, special items are eliminated. These include, for example, gains on disposals, restructuring measures as well as expenses in connection with the further development of our compliance system and the conclusion of old cases.

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

Dividend policy We pursue a sustainable dividend policy with the objective of letting our shareholders participate appropriately in the Group's success. Considering the sound balance sheet and planned positive business development, the Executive Board and the Supervisory Board will propose to the Annual General Meeting a dividend payout of €1.00 per share for financial year 2016, despite the negative adjusted net profit. Subject to the Group developing as planned, the Executive Board and Supervisory Board aim to keep the dividend constant, until the dividend distribution policy comes into effect. This aims to pay out to our shareholders between 40 and 60 percent of adjusted net profit, depending on the foreseeable medium-term development of the company.

Share buyback The company plans to cancel its treasury shares in the amount of about 4 percent. A proposal will also be made that the Annual General Meeting approve a new authorization to buy back shares in the maximum amount of 10 percent. On the basis of anticipated business development, the Executive Board intends to propose to the Supervisory Board a share buyback program with a volume of up to €150 million which should begin in financial year 2017.

B.1.5.2 Capital efficiency

Value added and ROCE The value added by ou r business segments and the Group is measured with the help of value and cash oriented management. We employ our capital in a targeted manner in order to achieve high value added. Positive value added is only achieved for the Group if the return on the average capital employed is higher than the weighted average cost of capital (WACC). In this regard and in the financial year, we switched to a calculation after taxes and including special items. For further details, please refer to the corresponding explanations in chapter *B.2.2 Results of operations – Value added*. The parameters are determined as long-term average values, are regularly reviewed, and are adjusted for any relevant changes in the market environment.

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Adjusted free cash flow / cash conversion / net working capital For the operationalization of value-oriented management, we also orient ourselves toward the so-called adjusted free cash flow and the cash conversion for each business segment. A major factor to be considered in this regard is the change in net working capital. Net working capital is calculated as the difference between current assets excluding cash and cash equivalents and current liabilities excluding financial debt. A reduction in net working capital leads to lower capital employed and thus also contributes to an increase in the return on capital employed (ROCE) and in the value added by the business segment concerned.

Adjusted free cash flow is calculated on the basis of cash inflow from operating activities less net investment in property, plant and equipment as the adjustment for special items. We calculate cash conversion on the basis of the ratio between adjusted free cash flow (corrected for interest and taxes) and adjusted 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.1.5.3. Capital structure and liquidity

Net debt and dynamic gearing ratio To manage liquidity, we focus on the key figures net debt and dynamic gearing ratio, which is the ratio of net debt to EBITDA. In both cases, we also consider – as in the framework of operating profit measurement – adjusted figures for which we eliminate special items.

B.1.5.4. Other key figures

On the basis of our strategic corporate planning, we regularly review the effects on our financial risk profile of various scenarios for the business and financial development of the Group. In addition to those mentioned above, key figures include so-called gearing as well as ‘cash-flow protection‘.

B.2 Economic report 2016

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

PLAN / ACTUAL COMPARISON *	Actual 2016	Outlook Interim report Q3 2016	Outlook Interim report Q2 2016	Actual 2015 pro forma following reclassification	Outlook Interim report Q1 2016	Outlook Annual report Year-end 2015	Actual 2015
Output volume							
Group	€4,219 million	significant decrease to about €4.1 billion	significant decrease to about €4.1 billion	€5,003 million	significant decrease	significant decrease	€6,200 million
Industrial	€3,197 million	significant decrease to about €3.1 billion	significant decrease to about €3.1 billion	€3,650 million	significant decrease	significant decrease	€3,650 million
Power	€967 million	significant decrease to about €1.0 billion	significant decrease to about €1.0 billion	€1,284 million	significant decrease	significant decrease	€1,284 million
EBITA / EBITA margin							
Industrial	€120 million / 3.7%	at prior-year level, with a higher margin	at prior-year level, with a higher margin	€128 million / 3.5 %	at prior-year level or slightly above it	at prior-year level or slightly above it	€128 million / 3.5 %
Power	€-30 million / -3.1%	significant improvement, still negative	significant improvement, still negative	€-69 million / -5.4 %	significant improvement	significant improvement	€-59 million / -4.6 %
EBITA adjusted	€15 million	significant improvement	significant improvement	€-23 million	slight increase with higher margin	slight increase with higher margin	€164 million
Adjusted net profit from continuing operations	€-8 million			€-30 million		slight increase	€93 million
Free cash flow from operating activities	€-264 million			€ 2 million		significant decrease	€216 million
Return on capital employed (ROCE) **	-13.8 %			-30.0 %		slightly below cost of capital of 9.75%	8.4 %

* Reclassification of the Building and Facility and Power business segments as of June 30, 2016: see chapter *B.1.3. Organization and business segments*:
- Reference values of forecasts in Annual Report 2015 and Interim Report Q1 2016: Actual 2015 before reclassification
- Reference values of forecasts in Interim Reports Q2 and Q3 2016: Actual 2015 pro-forma following reclassification

As a result of the reclassifications mentioned in chapter *B.1.3. Organization and business segments*, the statements made in the 2015 Annual Report are, in terms of their structure, no longer comparable with the consolidated financial statements presented here. All of the figures presented in this report relate, unless stated otherwise, to the Group's continuing operations, the figures for the prior-year period have been adjusted accordingly. The sold units Building, Facility Services, Real Estate, Water Technologies, Offshore Systems, the former construction activities as well as marine construction are presented under discontinued operations.

** The method of calculating return on capital employed was changed in the financial year. The corresponding figure is shown in the pro forma column.
The calculation method used is explained in Chapter *B.2.2. Results of operations – Value added*

Slight differences in some figures may occur in this Annual Report due to rounding.

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Bilfinger delivered a sound performance in financial year 2016 in a challenging environment. The year was characterized by far-reaching changes. The sale of the Building, Facility Services and Real Estate divisions, the refocusing of the selling process for the Power business segment started in 2015 and the resulting reclassifications explained in chapter *B.1.3 Organization and business segments* necessitated a mid-year adjustment of reference values for our forecasts for full-year 2016. In this context, statements made on the expected development of output volume and adjusted EBITA were not fundamentally revised, but in part further substantiated.

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Our business in the Industrial segment was reflected by lower project volumes and the market situation in the oil and gas sector. In the Power business segment, we saw declines primarily due to less business in home markets and in the German and international project business, where we are taking a highly selective approach in the wake of competitive and price pressures.

Output volume and earnings

As expected, output volume was down significantly in the Industrial business segment at €3,197 million (previous year: €3,650 million) and in the Power business segment at €967 million (previous year: €1,284 million). Output volume for the Group decreased significantly to €4,219 million (previous year: €5,003 million). Orders received decreased to €4,056 million (previous year: €4,301 million) while order backlog at the end of the year amounted to €2,618 million (previous year: €2,902 million).

Despite the significant reduction in output volume, adjusted EBITA improved significantly to €15 million (previous year: -€23 million), as expected. In relation to output volume, this corresponds to a margin of 0.4 percent (previous year: -0.5 percent). In the Industrial business segment, adjusted EBITA was €120 million (previous year: €128 million). On a comparative basis – adjusted for deconsolidation and exchange rate effects – EBITA amounted to €128 million, the same as in the previous year. The adjusted EBITA margin increased to 3.7 percent (previous year: 3.5 percent). In the Power business segment, adjusted EBITA improved significantly to -€30 million (previous year: -€69 million) – but remained negative. The adjusted EBITA margin was -3.1 percent (previous year: -5.4 percent).

The forecasts issued for the development of output volume and adjusted EBITA were thus met.

Net profit improved substantially to €271 million (previous year: -€510 million). It includes a capital gain in the amount of €538 million from the sale of the Building, Facility Services and Real Estate divisions. This was countered by burdens primarily from restructuring expenses and losses incurred in the course of streamlining the portfolio, restructuring programs and the further development of the compliance system. Additionally, a goodwill impairment in the amount of €330 million and higher operating losses in the Power segment were incurred in the previous year. This is offset by one-time earnings from disposals and the revaluation of the remaining shares in Julius Berger Nigeria. Adjusted net profit improved as expected to -€8 million (previous year: -€30 million).

Return of capital employed (ROCE) improved on a comparative basis but remained negative at -9.4 percent (previous year: -30.1 percent).

Free cash flow from operating activities was negative in the reporting year due to the results of continuing operations and cash outflow in working capital with -€264 million, following a positive value of €2 million on a comparative basis in the previous year.

Dividends

We pursue a sustainable dividend policy with the objective of letting our shareholders participate appropriately in the Group's success. Considering the sound balance sheet and planned positive business development, the Executive Board and the Supervisory Board will propose to the Annual General Meeting a dividend payout of €1.00 per share for financial year 2016, despite the negative adjusted net profit. Subject to the Group developing as planned, the Executive Board and Supervisory Board aim to keep the dividend constant, until the dividend distribution policy comes into effect. This aims to pay out to our shareholders between 40 and 60 percent of adjusted net profit, depending on the foreseeable medium-term development of the company.

B.2.1.1 Economic environment

Overall economic development

Economic growth of the Eurozone slowed slightly in the reporting year to 1.7 percent (previous year: 2.0 percent) (DG ECFIN, p. 158). The gradually decreasing effects of the energy price drop, nearly stagnant global trade and new political uncertainties following the Brexit referendum in the United Kingdom have slowed growth. However, monetary policy with extensive bond purchases and zero interest rate policy as well as substantial increases in state spending both remain expansive.

Germany achieved strong growth rates once again at 1.9 percent (DG ECFIN, p. 1). This growth was primarily driven by private consumption, increasing state spending and a construction industry boom. By comparison, companies' willingness to invest remained subdued.

In Northern Europe, economic growth remained low, with the exception of Sweden. Norway, which is heavily dependent on commodity prices, achieved only slightly positive growth of 0.7 percent (DG ECFIN, FEB17). The Eastern European EU countries recorded above-average growth; in Poland, GDP increased by 3.1 percent (DG ECFIN, FEB17).

Investments in equipment by companies in the Eurozone increased significantly by 4.2 percent (DG ECFIN, p. 163), however this growth remains restrained in comparison with earlier phases of economic recovery. Although companies with a good financial standing benefited from further reduced interest rates and historically good financing conditions, uncertainties regarding the status of the global economy, restrained export demand and increasing political risks prevented a stronger investment dynamic.

In the USA, economic growth increased over the course of the year, however growth of just 1.6 percent was achieved for the full year (DG ECFIN, p. 1). The labor market reached full employment once more, with unemployment below 5 percent. Investment demand from companies recovered significantly.

Industry

In 2016, the chemical and pharmaceutical industry remained the most important customer group for the German industrial services sector with around 50 percent (Lün, p. 31). Performance for this sector in Germany and Europe was mixed. The decrease in chemical prices only ended in the third quarter. The industry suffered a significant decline in sales, which was at -4.4 percent compared with the previous year until halfway through the year (CEFIC).

In addition to the unfavorable price situation, continued weakness in growth in Asian emerging markets in particular made the chemical business challenging (VCI). Development of the chemical and pharmaceutical industry in the USA was more favorable with an improved volume market (VCI US).

In light of this economic development, the European market for industrial services was stable in the reporting year, with growth of between 4 and 5 percent (Lün, p. 36). Growth in the European market was slightly above that of the German market, which was between 3 and 4 percent (Lün, p. 14). The neighboring Benelux countries together with Switzerland and Austria remain important target countries for expansion strategies of German service providers, while the United Kingdom is viewed with increasing caution due to Brexit uncertainties (Lün, p. 40).

Oil and gas

The situation in the shale gas and oil sector in the United States continued to be characterized by significantly reduced investment budgets and high price pressure as a result of the drop in the oil price. The number of active drillings reached a low point in May 2016, but had increased by a third by October 2016 (USEIA Nov., p. 91). The significant increase in oil prices by USD 30 per barrel compared with the low point at the beginning of the year contributed to this (WTI). Despite the price increase, oil production in the shale oil sector continued to decline as a result of the earlier collapse in investments.

The British and Scandinavian oil and gas sector continued to be characterized by strongly declining investment spendings in 2016. In Norway, investment spending fell by a further 15 percent compared with the previous year (TI Norway). This decline differed for exploration and production activities. While investment budgets for exploratory drilling more than halved in the first six months of the year in comparison with the previous year, investments in active production declined by 9 percent (USEIA Declining Investment in Norway).

Cost reductions contributed to these savings, limiting the effect on capacity. In the last two years, the oil and gas group Statoil, which is majority-owned by the Norwegian government, renegotiated around 500 existing contracts with suppliers and partners (TI Norway). According to industry estimates for individual offshore fields, the break-even price for the profitability of new offshore oil fields has now decreased to under USD 25 per barrel due to these cost reductions and technological improvements (TI Norway). On the one hand, this development has led to the initiation of further comprehensive new projects on the Norwegian continental shelf, despite the comparatively low oil price. On the other hand, this has also resulted in increased pressure on prices for suppliers. The trend continued in Norway's offshore production fields due to advancements in drilling and production technology, leading to an increasing share in deep-sea production (USEIA Offshore Oil Production).

Energy

Decreases in maintenance budgets for conventional power plants continued in Germany in the reporting year. The critical situation for large energy suppliers and conventional power plant operators following the energy transformation continued. The declining market for power plant services continued to be characterized by overcapacities and strong margin pressure.

The forced stretching of maintenance budgets for existing conventional power plants for business regions is increasingly endangering the substance of these plants, according to industry assessments (FDBR). The highly-volatile supply of renewable energies means that an extremely flexible use of coal-fired power plants is now necessary, something that existing plants are often not designed for. In light of ever-decreasing maintenance budgets, it was not previously possible to complete such upgrades, so that plants are at times operated despite extensive wear and tear (FDBR).

In 2016, the share of nuclear power in energy production fell significantly (-15.4 percent in the first six months). This gap was primarily closed through increased electricity production using gas power plants and a strong increase in offshore wind power. The share of coal and lignite declined slightly, but still accounted for some 40 percent of electricity production (all figures: BDEW).

The market for power plant services was significantly more stable in Central and Eastern European EU countries. Poland continues to rely primarily on coal-fired power plants for electricity generation, which account for almost 90 percent of electricity produced and ensure the country is generally not dependent on energy imports. New coal-fired power plants are being constructed and existing plants are being modernized in order to meet stricter EU standards for efficiency and environmental compatibility and ensure the continued use of coal. (TI Poland)

In the Gulf states, dramatically reduced oil revenues in the last two years have led to an adjustment of the expansion plans in the energy sector. Saudi Arabia is increasingly involving private investors.

In South Africa, a decline in power outages was achieved – a result of both capacity expansion and improved maintenance as well as a drop in demand. The financial standing of the country has fallen and the chances of realizing the planned further capacity expansion in electricity generation have become more unpredictable against this backdrop (TI South Africa economic outlook, TI South Africa economic trend).

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B.2.1.2 Factors influencing business development

In the Industrial business segment, production utilization in the process industry, the demand for outsourcing solutions, regular plant inspections (turnarounds), combined services and full services as well as solutions for international customer locations had a key influence on the development of our business.

In the Power business segment, important demand factors for our business development include the long-term foreseeable energy needs, the age of existing power plants, plant efficiency and environmental protection requirements as well as the energy mix in our markets.

The following significant trends were observed in our important customer groups in financial year 2016:

FACTORS INFLUENCING BUSINESS DEVELOPMENT

Customer groups	Share of volume	Trends
Chemical and petrochemical industries	45%	■ Stable demand for ongoing maintenance services for production plants in the European market ■ Slight recovery of investment activity in the chemical industry in the United States; signs of recovery in the project business
Pharmaceutical and biopharmaceutical industry	5%	■ Good demand for projects in the biotech pharma industry, however, generally limited willingness to invest on the part of our customers in the project business.
Oil and gas	15%	■ Maintenance budget in the UK and Scandinavia at a low level, however low point appears to have been reached ■ First indications of a possible medium-term recovery have been observed in the project business in the United States
Energy production and supply	20%	■ Low demand in the project business ■ In Germany, the scope of services demanded continued to decline, particularly as a result of insufficient capacity utilization and profitability of the power plants ■ Stable demand in the service business in South Africa and the Middle East
Other	15%	

B.2.2 Results of operations

OVERVIEW OF OUTPUT VOLUME AND ORDER SITUATION
€ million

	2016	2015	Δ in %
Orders received	4,056	4,301	-6
Order backlog	2,618	2,902	-10
Output volume	4,219	5,003	-16

Orders received by the Bilfinger Group amounted to €4,056 million in financial year 2016, corresponding to a decrease of 6 percent as compared to the prior-year figure. The order backlog of €2,618 million at the end of the year was 10 percent lower than a year earlier. Output volume declined significantly by 16 percent to €4,219 million and was thereby slightly higher than the most recent forecast of €4.1 billion.

OUTPUT VOLUME BY REGION

€ million

	2016		2015		Δ in %
Germany	1,004	24%	1,117	22%	-10
Rest of Europe	2,221	53%	2,627	53%	-15
America	641	15%	845	17%	-24
Africa	135	3%	175	3%	-23
Asia	217	5%	238	5%	-9
Total	4,219		5,003		-16

OUTPUT VOLUME BY BUSINESS SEGMENT

€ million

	2016	2015	Δ in %
Industrial	3,197	3,650	-12
Power	967	1,284	-25
Headquarters, other	55	69	
Total	4,219	5,003	-16

Industrial

INDUSTRIAL

€ million

	2016	2015	Δ in %
Orders received	3,255	3,302	-1
Order backlog	2,081	2,101	-1
Output volume	3,197	3,650	-12

In the Industrial business segment, orders received totaled €3,255 million – at the level of output volume for 2016. There was stable demand for ongoing maintenance services for production plants in the European market. However, reduced investment and maintenance demand from our oil and gas customers as well as continued competitive pressure negatively impacted new business. Order backlog reached the level of the previous year at €2,081 million. As expected, output volume declined significantly to €3,197 million and was thereby slightly higher than the most recent forecast of €3.1 billion.

INDUSTRIAL: OUTPUT VOLUME BY REGION

€ million

	2016		2015		Δ in %
Germany	742	23%	785	21%	-5
Rest of Europe	1,869	58%	2,099	58%	-11
America	509	16%	663	18%	-23
Africa	0	0%	5	0%	-100
Asia	76	2%	98	3%	-22
Total	3,197		3,650		-12

In 2016, about 81 percent of our output volume generated in the Industrial business segment came from Europe. Of this, 23 percent was attributable to Germany, 58 percent was achieved in other European countries, mainly Scandinavia, the United Kingdom, the Benelux countries, Eastern Europe and Austria. 16 percent of segment volume was generated by the American market while Asia contributed 2 percent.

Power

POWER
€ million

	2016	2015	Δ in %
Orders received	746	986	-24
Order backlog	500	762	-34
Output volume	967	1,284	-25

In the Power business segment, orders received of €746 million were below the prior-year figure, as was the order backlog of €500 million on the balance sheet date. Output volume decreased to €967 million in 2016. Overall, demand in the project business remained low. In Germany, the scope of services demanded continued to decline, particularly as a result of insufficient capacity utilization and economic efficiency of the power plants. By contrast, stable demand was recorded in the service business in South Africa and the Middle East.

POWER: OUTPUT VOLUME BY REGION
€ million

	2016		2015		Δ in %
Germany	298	31%	373	29%	-20
Rest of Europe	378	39%	567	44%	-33
America	16	1%	33	3%	-52
Africa	134	14%	170	13%	-21
Asia	141	15%	141	11%	0
Total	**967**		**1,284**		**-25**

In the Power segment in Germany, 31 percent of output volume and 39 percent of volume was generated in European countries outside Germany with a focus on Eastern Europe and Poland, Austria and Finland in particular. South Africa as well as the Middle East are also important international markets.

Revenue / output volume

CONSOLIDATED INCOME STATEMENT (ABRIDGED VERSION) € million	2016	2015
Output volume (for information only)	4,219	5,003
Revenue	**4,249**	**5,002**
Cost of sales	-3,854	-4,571
Gross profit	**395**	**431**
Selling and administrative expense	-481	-529
Other operating income and expense	-151	-417
Income from investments accounted for using the equity method	6	15
Earnings before interest and taxes (EBIT)	**-231**	**-500**
Interest result	-22	-31
Earnings before taxes	**-253**	**-531**
Income tax expenses	-26	-60
Earnings after taxes from continuing operations	**-279**	**-591**
Earnings after taxes from discontinued opera-tions	**551**	**64**
Earnings after taxes	272	-527
thereof attributable to minority interest	1	-17
Net profit	**271**	**-510**
Average number of shares (in thousands)	44,204	44,194
Earnings per share* (in €)	6.13	-11.54
thereof from continuing operations	-6.33	-12.98
thereof from discontinued operations	12.46	1.44

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

Revenue declined by 15 percent to €4,249 million (previous year: €5,002 million). It primarily comprises revenue from the provision of services and construction contracts, but also from goods and services supplied to joint ventures. Revenue does not include our share of the output volume generated by joint ventures. For the presentation of output volume generated by the Group, we report on output volume rather than revenue in the management report. For the reconciliation of revenue to output volume, goods and services supplied to joint ventures have to be deducted and our proportionate share of the revenue generated by joint ventures has to be added.

Cost of sales

The main components of cost of sales are material expenses and personnel expenses. Other components of cost of sales are depreciation of property, plant and equipment, amortization of intangible assets from acquisitions, and other costs directly allocable to the selling process. The level of these costs in relation to sales revenue differs from period to period and fluctuates from order to order, mainly depending on the extent that subcontractors are used. Whereas order processing in the Group's own output volume is reflected in both material expenses and personnel expenses, all costs for the use of subcontractors are allocated to material expenses.

Cost of sales fell by 16 percent to €3,854 million (previous year: €4,571 million), and in relation to revenue was unchanged at 91 percent. Of that total, material and personnel expenses accounted for 86 percentage points (previous year: 87 percentage points).

Cost of sales includes amortization of intangible assets from acquisitions of €10 million (previous year: €14 million). This relates to scheduled amortization on capitalized items from acquired order backlogs and long-term customer relations from acquisitions. Depreciation of property plant and equipment decreased to €99 million (previous year: €119 million). This represents a significant portion of the cost of sales at €88 million (previous year: €103 million), of which €16 million (previous year: €20 million) was unscheduled. The remaining depreciation of property, plant and equipment is allocated to selling and administrative expenses.

Gross profit

Gross profit decreased to €395 million (previous year: €431 million). The gross margin – adjusted for non-cash impairments on property plant and equipment – accounted for a share of 9.8 percent of output volume (previous year: 8.9 percent).

Selling and administrative expense

Selling and administrative expenses decreased to €481 million (previous year: €529 million), adjusted for special items from restructuring and compliance expenses, they accounted for 10.3 percent of output volume (previous year: 10.1 percent).

Other operating income and expense

The balance of other operating income and expenses was negative at -€151 million (previous year: -€417 million). Included in this figure are restructuring expenses especially in the Power business segment in the amount of €80 million (previous year: €112 million). Disposals and write-downs on subsidiaries as part of the streamlining of the portfolio resulted in an expense of €88 million (previous year: €8 million). In the previous year, the disposal and remeasurement of subsidiaries resulted in earnings of €54 million. A goodwill impairment of €330 million was recognized in the Power segment 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 the income and expenses from associates and joint ventures. It decreased to €6 million following the sale of shares (previous year: €15 million).

EBITA / EBITA adjusted / EBIT

Adjusted EBITA improved significantly as compared to the prior year. Following -€23 million in the previous year, it reached a positive value again of €15 million in the reporting year. Exchange rate effects had a negative impact of -€4 million. In relation to output volume the adjusted EBITA margin was 0.4 percent (previous year: -€0.5 percent).

	Adjusted EBITA € million		Adjusted EBITA margin in %	
	2016	2015	**2016**	2015
Industrial	120	128	3.7	3.5
Power	-30	-69	-3.1	-5.4
Headquarters, other	-75	-82		
Continuing operations	**15**	**-23**	**0.4**	**-0.5**

In the Industrial business segment, EBITA of €120 million (previous year: €128 million) was at the level of the prior year despite the significant decline in output volume. Positive effects from current programs for efficiency enhancement and process optimization had an impact here. The EBITA margin increased slightly to 3.7 percent (previous year: 3.5 percent). On a comparative basis – adjusted for deconsolidation and exchange rate effects – EBITA amounted to €128 million, the same as in the previous year.

In the Power business segment, EBITA improved significantly to -€30 million (previous year: -€69 million) due to positive effects from capacity adjustments and lower project losses with optimized risk management and despite a significant decline in output volume. The figure did, however, remain negative. The EBITA margin was -3.1 percent (previous year: -5.4 percent).

Adjusted negative EBITA not allocated to the business segments improved to -€75 million (previous year: -€82 million). This is attributable, among other things, to capacity adjustments at Group headquarters introduced in the reporting year as well as reduced costs for special projects. By contrast, income from investments allocated to headquarters declined following the sale of shares. Including the special items described under *Adjusted earnings per share*, EBITA totaled -€221 million (previous year: -€157 million). After deducting amortization of intangible assets from acquisitions as well as – in the previous year – the goodwill impairment in the Power segment of €330 million, an EBIT of -€231 remains (previous year: -€500 million).

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Interest result

Net interest expense improved to -€22 million (previous year: -€31 million). Interest income increased to €10 million (previous year: €7 million) as a result of interest income from the deferred purchase price claim from the sale of Building and Facility. Current interest expense decreased to €23 million (previous year: €30 million), in particular as a result of the drop in interest expense for project financing. The interest expense from the increase in the retirement benefit obligation – offset against the income from plan assets – amounted to €6 million, as in the previous year. The interest expense for minority interest totaled €3 million (previous year: €2 million).

Earnings before and after taxes

Earnings from discontinued operations totaled -€253 million (previous year: -€531 million) before income taxes and -€279 million (previous year: -€591 million) after taxes. Despite the negative result before tax, a tax expense of €26 million (previous year: €60 million) was incurred. This has two primary causes. On the one hand, earnings before taxes include non-deductible write-downs and disposal losses, on the other hand nearly no deferred taxes were capitalized for tax losses in the current year, as the utilization of tax-loss carryforwards is not reasonably certain in the relevant period. The basic claim in domestic tax-loss carryforwards remains unaffected.

Earnings after taxes from discontinued operations concerns the sold units Building, Facility Services, Real Estate, Water Technologies, Offshore Systems, the former construction activities as well as marine construction. The result of €551 million (previous year: €64 million) in the reporting year is primarily attributable to the sale of the Building, Facility Services and Real Estate divisions, which produced a capital gain in the amount of €538 million. The prior year figure included the current result from the former Building and Facility business segment.

Minority interest

Profit attributable to minority interest amounted to -€1 million in the reporting period (previous year: -€17 million). In the previous year, this particularly included the proportionate share of the write-down of investments in the now sold production site for offshore steel foundations in Poland and of South African companies in the Power business segment.

Net profit / earnings per share

Net profit amounted to €271 million (previous year: -€510 million), with earnings per share at €6.13 (previous year: -€11.54). Net profit from continuing operations adjusted for amortization of intangible assets from acquisitions and goodwill impairments and for the special items described below improved to -€8 million (previous year: -€30 million); adjusted earnings per share from continuing operations amount to -€0.17 (previous year: -€0.68).

Dividends

Considering the sound balance sheet and planned positive business development, the Executive Board and the Supervisory Board will propose to the Annual General Meeting a dividend payout of €1.00 per share for financial year 2016.

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 special 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
€ million

	2016	2015
Earnings before taxes	253	-531
Special items in EBITA	236	134
Amortization of intangible assets from acquisitions and impairment of goodwill	10	343
Adjusted earnings before taxes	**-7**	**-54**
Adjusted income tax expense	2	17
Adjusted earnings after income taxes from continuing operations	**-5**	**-37**
thereof attributable to minority interest	3	-7
Adjusted net profit from continuing operations	**-8**	**-30**
Average number of shares (in thousands)	44,204	44,194
Adjusted earnings per share from continuing operations (in €)	**-0.17**	**-0.68**

Special items in EBITA in the amount of €90 million (previous year: €147 million) resulted from restructuring expenses including special write-downs on property, plant and equipment of €17 million (previous year: €21 million), particularly in the Power business segment. Expenses for the program to increase efficiency in administration in the amount of €29 million (previous year: €8 million) are also included. Costs of €23 million (previous year: €27 million) were incurred in connection with the further improvement of our compliance system. Disposals and write-downs on subsidiaries as part of the streamlining of the portfolio resulted in an expense of €94 million. This is offset by a net gain from the sale of shares in the amount of €48 million in the previous year.

Scheduled amortization on intangible assets from acquisitions and impairment of goodwill totaling €10 million (previous year: €14 million) relates to the amortization of intangible assets resulting from purchase price allocation following acquisitions and is therefore of a temporary nature. In the previous year, an adjustment was also made for a goodwill impairment in the Power segment in the amount of €330 million.

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

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

Value added

VALUE ADDED IN THE BUSINESS SEGMENTS	Capital Employed € million		Return € million		ROCE in %		Cost of capital in %		Value added € million	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Industrial	**1,240**	1,299	**81**	84	**6.5**	6.5	**7.4**	7.9	**-11**	-18
Power	**259**	431	**-20**	-381	**-7,6**	-88,4	**9.8**	9.0	**-45**	-420
Headquarters / consolidation / other	**290**	113	**-308**	-256	**–**	–	**6.9**	7.1	**-324**	-266
Continuing operations	**1,789**	**1,843**	**-247**	**-553**	**-13.8**	**-30.0**	**7.4**	**8.2**	**-380**	**-704**

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

Adjusted EBITA previously served as a basis for the calculation of the return. In the reporting year, for the first time we have used an after-tax calculation to determine the return, based on EBIT including interest income. This means that, unlike in the past, we also take into account special items, amortization or depreciation of capitalized assets from acquisitions as well as goodwill impairment in the calculation of the return. We thus want to ensure that all success components are reflected in our return on capital employed. We have adjusted the prior-year figures accordingly. The so-called preferred participation notes transferred in the course of the sale of the Building, Facility Services and Real Estate divisions were eliminated during the calculation of capital employed, as these were not offset by a corresponding current yield in the return.

The weighted average cost of capital (WACC) for the Group amounts to 7.4 percent after taxes (previous year: 8.2 percent). ROCE of the business segments is compared with segment-specific cost-of-capital rates. This decreased to 7.4 percent (previous year: 7.9 percent) as a result of the low interest rate for the Industrial business segment. By contrast, in the Power business segment the figure increased to 9.8 percent (previous year: 9.0 percent) as a result of a higher beta factor. Further details can be found

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in the chapter *D.1. Return-on-capital-employed controlling*. The average capital employed of continuing operations decreased to €1,789 million in the reporting year (previous year: €1,843 million). The return from continuing operations – the previous year includes a goodwill impairment in the Power business segment in the amount of €330 million – improved significantly, but remains negative at -€247 million (previous year: -€553 million). The negative ROCE therefore also improved to -13.8 percent (previous year: -30.0 percent) and the negative absolute value added to -€380 million (previous year: -€704 million). This is primarily attributable to development in the Power business segment where the prior-year figure was significantly burdened by the goodwill impairment. With ROCE of -7.6 percent (previous year: -88.4 percent), value added amounted to -€45 million (previous year: -€420 million). In the Industrial business segment, ROCE was unchanged from the previous year at 6.5 percent. Value added improved to -€11 million (previous year: -€18 million) as a result of the lower cost of capital. Value added by headquarters and consolidation was negative at -€324 million (previous year: -€266 million), particularly as a result of high negative special items.

B.2.3 Net assets

CONSOLIDATED BALANCE SHEET (ABRIDGED VERSION)
€ million

	Dec. 31, 2016	Dec. 31, 2015
		pro forma
Assets		
Non-current assets		
Intangible assets	849	895
Property, plant and equipment	383	471
Other non-current assets	458	159
	1,690	**1,525**
Current assets		
Receivables and other current assets	1,216	1,380
Cash and cash equivalents	1,032	427
Assets classified as held for sale	81	1,853
	2,329	**3,660**
Total	**4,019**	**5,185**
Equity & liabilities		
Equity	**1,621**	**1,418**
Non-current liabilities		
Provisions for pensions and similar obligations	304	295
Non-current financial debt	510	513
Other non-current liabilities	83	93
	897	**901**
Current liabilities		
Current financial debt	12	13
Other current liabilities	1,421	1,707
Liabilities classified as held for sale	68	1,146
	1,501	**2,866**
Total	**4,019**	**5,185**

For the analysis of net assets, in order to gain better comparability with the figures as of December 31, 2016, assets and liabilities of discontinued operations of the former divisions Water Technologies, Building, Facility Services and Real Estate are each shown separately in an item on the assets side and an item on the liabilities side of the pro-forma balance sheet as of December 31, 2015.

The balance sheet total declined to €4.0 billion (previous year: €5.2 billion) as a result of the sale of the Water Technologies, Building, Facility Services and Real Estate divisions. This is evident from the decrease of assets and liabilities classified as held for sale with a simultaneous increase in cash and cash equivalents.

On the assets side, non-current assets increased to €1,690 million (previous year: €1,525 million). Intangible assets decreased to €849 million (previous year: €895 million). Goodwill included here amounted to €822 million (previous year: €848 million). Property, plant and equipment decreased significantly to €383 million (previous year: €471 million). This was reflected by a comparatively low investment level as well as disposals and special write-downs.

An increase to €458 million (previous year: €159 million) was recorded in other non-current assets. This is due to the recognition of non-cash purchase price components from the sale of the Building, Facility Services and Real Estate divisions – a receivable from a purchase price deferral of €103 million and a preferred participation note of €195 million.

Receivables and other current assets decreased to €1,216 million (previous year: €1,380 million). Receivables from services not yet rendered (WIP) were reduced to €300 million (previous year: €363 million).

Cash and cash equivalents increased to €1,032 million (previous year: €427 million) at the end of the year due to revenues from the aforementioned sales; current and non-current financial debt was nearly unchanged at €522 million (previous year: €526 million). Net liquidity amounted to €510 million as of the balance sheet date (previous year: net debt €99 million).

Assets and liabilities classified as held for sale fell significantly to €81 million (previous year: €1,853 million) and €68 million (previous year: €1,146 million) respectively due to the sale of the Water Technologies, Building, Facility Services and Real Estate divisions.

Pension provisions increased to €304 million (previous year: €295 million). An increase as a result of the decreased discount rate in the Eurozone from 2.25 percent to 1.60 percent as well as valuation adjustments was countered by a reduction due to deconsolidation.

Other non-current liabilities also decreased as a result of lower deferred taxes to €83 million (previous year: €93 million).

Other current liabilities decreased to €1,421 million (previous year: €1,707 million), and advance payments received included here fell to €123 million (previous year: €153 million). Negative working capital decreased to -€205 million (previous year: -€327 million).

As a result of positive earnings after taxes of €272 million, equity increased to €1,621 million (previous year: €1,418 million). Changes in equity of -€84 million had an opposing effect. This related to negative effects from the remeasurement of defined benefit pension plans of -€68 million and exchange rate effects of -€19 million. The equity ratio on the balance sheet date increased to 40 percent, well above the prior-year figure of 27 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 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. A detailed report from our management on financial risks is included in chapter *B.3.2.4 Risk and opportunity report – financial risks*, as well as in the Notes in chapter *C.4 Notes to the consolidated financial statements, Note 29.*

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GROUP FINANCIAL STATUS, RECOURSE LIABILITIES
€ million

	Available credit	Amount utilized	Available credit	Amount utilized
		2016		2015
Bank guarantees	1,735	1,012	2,245	1,408
thereof with residual term < 1 year	1,735	1,012	2,245	1,408
Syndicated credit facilities	426	1	661	11
thereof with residual term < 1 year	126	1	177	11
Corporate bond	500	500	500	500
thereof with residual term < 1 year	0	0	0	0
Finance leases	12	12	13	13
thereof with residual term < 1 year	4	4	5	5

Financing

The main source of funds for corporate financing is our business operations and the cash they generate. This is based not only on operating profits, but also on the stringent management of working capital.

For the purpose of general corporate financing, which is carried out under consideration of matching maturities, our main banks have provided a firmly committed, syndicated credit facility of €300 million, available until June 30, 2018, which had not been utilized at the balance sheet date. The previous credit facility in the amount of €500 million was adjusted to €300 million due to the reduced financing need in the context of the sale of the Water Technologies, Building, Facility Services and Real Estate divisions. 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 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 €130 million. In 2012, a €500 million bond with maturity in 2019 was issued with a fixed interest rate over the entire period. We have credit by way of bank guarantees of €1.7 billion from various banks and bonding insurers available to meet the needs of the project business, which is not fully utilized. Detailed information on existing financial debt is provided in chapter *C.4 Notes to the consolidated financial statements, Note 25.*

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Financial debt amounts to €522 million as of the balance sheet date (previous year: €526 million). Of that total, €510 million is non-current (previous year: €513 million) and €12 million is current (previous year: €13 million). It includes finance leases of €12 million (previous year: €12 million). We do not utilize off balance sheet financing instruments. Bank deposits in the amount of €6 million have been pledged.

Approved capital of €69 million is available for future capital increases. Bilfinger also has conditional capital of €14 million to be used to grant conversion and/or warrant rights in the case of convertible bonds being issued. We report in detail on the existing authorizations of the Executive Board to raise capital in chapter *B.5 Takeover relevant information pursuant to Section 289 Subsection 4 and Section 315 Subsection 4 of the German Commercial Code (HGB)*.

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Investments

Capital expenditure on property, plant and equipment and intangible assets – excluding intangible assets from acquisitions in accordance with IFRS 3 – amounted to €70 million (previous year: €62 million). €41 million of the total was invested in operating equipment and office equipment, €24 million in technical equipment and machinery, €3 million in land and buildings and €2 million in intangible assets. Depreciation and amortization amounted to €99 million (previous year: €119 million). This figure includes impairment charges of €17 million (previous year: €21 million).

CAPITAL EXPENDITURE / DEPRECIATION BY BUSINESS SEGMENTS 2016
€ million

	Investments	Depreciation and amortization
Industrial	57	56
Power	8	32
Other	5	11
Total	**70**	**99**

Investments accounted for by the Industrial business segment were €57 million (previous year: €47 million) or 81 percent. €34 million was invested in operating equipment and office equipment, of which scaffolding accounted for €16 million. A further €20 million was invested in technical equipment and machinery, €2 million in land and buildings and €1 million in intangible assets.

In the Power business segment, we invested a total of €8 million (previous year: €9 million), of which €5 million was invested in fixtures, furniture and office equipment and €3 million in technical equipment and machinery.

CAPITAL EXPENDITURE ON P, P & E BY REGION
€ million

	2016	2015	Δ in %
Germany	22	20	10
Rest of Europe	35	33	6
America	9	7	28
Africa	1	0	0
Asia	3	2	50
Total	**70**	**62**	**13**

The regional focus of investment was again on Europe, which accounted for 81 percent of the total (previous year: 85 percent). Germany accounted for 31 percent of total investment (previous year: 32 percent).

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

Cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (ABRIDGED VERSION) € million	2016	2015
Cash earnings from continuing operations	**-135**	**-122**
Change in working capital	-132	203
Gains / losses on disposals of non-current assets	43	-42
Cash flow from operating activities of continuing operations	**-224**	**39**
thereof special items	*-153*	*-134*
Adjusted cash flow from operating activities of continuing operations	***-71***	***173***
Capital expenditure on P, P & E and intangible assets	-70	-62
Proceeds from the disposal of property, plant and equipment	30	25
Net cash outflow for P, P & E and intangible assets	**-40**	**-37**
Free cash flow from continuing operations	**-264**	**2**
thereof special items	*-153*	*-134*
Adjusted free cash flow from continuing operations	***-111***	***136***
Proceeds from the disposal of financial assets	**966**	**213**
Investments in financial assets	**-2**	**-4**
Cash flow from financing activities of continuing operations	**-6**	**-104**
Dividends	-3	-91
Repayment of debt	-3	-13
Change in cash and cash equivalents of continuing operations	**694**	**107**
Change in cash and cash equivalents of discontinued operations	**-136**	**-45**
Change in value of cash and cash equivalents due to changes in foreign exchange rates	1	2
Change in cash and cash equivalents	559	64
Cash and cash equivalents at January 1	475	403
Change in cash and cash equivalents of assets classified as held for sale	-2	8
Cash and cash equivalents at December 31	**1,032**	**475**

Cash earnings fell slightly to -€135 million (previous year: -€122 million). Following an unusually high release of funds in working capital of €203 million in the previous year, in the reporting year the negative working capital was at -€132 million. Reverse effects through cash outflow from provisions established in the previous year and accrued liabilities played a significant role. Losses from disposals of non-current assets to be added to the operating cash flow amounted to €43 million. These primarily relate to losses from the streamlining of the portfolio. In the previous year, gains in the amount of €42 million were deducted. The cash flow from operating activities of continuing operations decreased significantly to -€224 million (previous year: €39 million) due to the change in working capital. After eliminating negative special items, in particular due to restructuring, adjusted cash flow from operating activities amounted to -€71 million (previous year: €173 million).

Investments in property, plant and equipment and intangible assets increased to €70 million in the reporting year (previous year: €62 million). These outflows were countered by a cash inflow of €30 million (previous year: €25 million), so that net investment at -€40 million remained at a low level (previous year: -€37 million). This resulted in a free cash flow of -€264 million (previous year: €2 million) and an adjusted free cash flow of -€111 million (previous year: €136 million). The disposals of financial assets resulted in a total cash inflow of €966 million (previous year: €213 million); €767 million was attributable to the sale of the Building, Facility Services and Real Estate divisions, €184 million to Water Technologies and €21 million to Offshore Systems. Just €2 million (previous year: €4 million) was applied to investments in financial assets. The net cash outflow from financing activities amounted to -€6 million (previous year: -€104 million). The decrease as compared to the previous year was primarily attributable to the suspension of dividend payment for financial year 2015. Continuing operations including sale proceeds resulted in a net cash inflow of €694 million (previous year: €107 million). The cash outflow from discontinued operations amounted to -€136 million (previous year: -€45 million) and was primarily attributable to the former construction activities, Offshore Systems and the sold Building, Facility Services and Real Estate divisions.

Changes in exchange rates led to an arithmetical increase in cash and cash equivalents of €1 million (previous year: €2 million). Cash and cash equivalents of activities classified as held for sale fell by €2 million in the reporting year (previous year: increase of €8 million). In total, cash and cash equivalents at the end of the year increased significantly to €1,032 million (previous year: €475 million).

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)
€ million

	2016	2015
Revenue	107	121
Other operating income	352	927
Personnel expenses	-76	-78
Amortization of intangible assets / depreciation of P, P & E	-1	-1
Other operating expenses	-333	-426
Earnings from financial assets	-30	78
Interest result	-10	-16
Earnings before taxes	**9**	**605**
Income tax expense	0	12
Net profit	**9**	**617**
Profit carryforward	313	4
Release from other retained earnings	37	0
Allocation to other retained earnings	-313	-308
Unappropriated retained earnings	**46**	**313**

The income statement of the company financial statements of Bilfinger SE is characterized by its holding function. Revenue amounted to €107 million (previous year: €121 million) and resulted almost solely from output volume charged to companies of the Group.

Other operating income of €321 million (previous year: €194 million) primarily relates to gains from the disposal of equity interests. Of this, €275 million was attributable to the sale of Bilfinger Real Estate Solutions GmbH and €45 million was attributable to Bilfinger Water Technologies GmbH. In the previous year, in connection with an internal reorganization of the affiliate structure, there was income from valuation adjustments in the amount of €688 million.

Other income comes from currency translation and hedging as well as from the reduction of write-downs on receivables from subsidiaries.

Other operating expenses in the amount of €333 million (previous year: €426 million) primarily include non-personnel administrative expenses, rents and leases, IT costs, insurance premiums, legal and consulting expenses, expenses from currency translation and hedging, other service and personnel expenses, losses from the disposal of subsidiaries and additions to provisions. The decline in comparison with the previous year is particularly attributable to lower losses from disposals, write-downs and provisions in the investment area. Expenses from currency hedging and translation have also decreased.

Earnings from financial assets of -€30 million (previous year: €78 million) mainly comprises income from profit-and-loss-transfer agreements, dividends received from Group companies and impairments of investments. The decrease is mainly the result of lower income from profit-and-loss-transfer agreements, including in connection with the disposal of subsidiaries in the Building and Facility business segment. In the previous year, earnings from valuation adjustments in connection with an internal reorganization or the affiliate structure in the amount of €56 million were included, which was attributable to one subsidiary. The continued loss situation and restructuring measures in the Power segment once again led to significant loss assumptions.

The negative interest result decreased due to the improved net of interest expense for pension provisions and income from plan assets.

The significant decline in earnings from ordinary business activities from €605 million to €9 million is primarily attributable to the loss of earnings from valuation adjustments from the previous year.

In the previous year there was tax income from the reimbursement of advance tax payments. In terms of the income tax expense, it should generally be kept in mind that income and expense in the investment area are mainly tax-neutral. Overall, a tax loss was recorded in Germany as in the previous year.

In accordance with the proposal of the Executive Board and Supervisory Board, the Annual General Meeting on May 11, 2016 decided to allocate in full to retained earnings the reported distributable earnings of €313 million in the balance sheet as of December 31, 2015. Distributable earnings as of December 31, 2016 in the amount of €46 million result from the net profit of €9 million (previous year: €617 million) and the release of retained earnings in the amount of €37 million. It will be proposed that a dividend for financial year 2016 of €1.00 per share be paid out. This represents a dividend distribution of €44 million in relation to the number of shares entitled to a dividend as of March 9, 2017.

Net assets and financial position

BALANCE SHEET OF BILFINGER SE (HGB, ABRIDGED)
€ million

	Dec. 31, 2016	Dec. 31, 2015
Assets		
Fixed assets		
Intangible assets and P, P & E	5	6
Financial assets	2,061	2,762
	2,066	2,768
Current assets		
Receivables and other assets	361	788
Cash and cash equivalents	984	360
	1,345	1,148
Excess of plan assets over pension liabilities	**29**	24
Total	**3,440**	3,940
Equity & liabilities		
Equity	**1,634**	1,625
Provisions	**258**	243
Liabilities	**1,548**	2,072
Total	**3,440**	3,940

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

Total assets of €3,440 million (previous year: €3,940 million) primarily comprise financial assets of €2,061 million (previous year: €2,762 million), receivables of €361 million (previous year: €788 million), and cash, cash equivalents and securities of €984 million (previous year: €360 million).

Financial assets decreased by €701 million to €2,061 million. The decline is attributable to the sale of the companies of the former Building, Facility Services and Real Estate divisions. Non-cash purchase price components from this transaction, consisting of a preferred participation note and a vendor claim totaling €298 million are included as financial assets.

Receivables and other assets of €310 million (previous year: €750 million) mainly comprise receivables from subsidiaries in connection with the Group's centralized corporate financing. The decline here is also primarily attributable to the loss of receivables from the aforementioned sold companies as well as from the sold Bilfinger Water Technologies.

The significant increase in cash and cash equivalents resulted from earnings from the discussed sale of investments.

The excess of plan assets over pension liabilities results from the existing surplus cover of pension provisions through plan assets.

The other side of the balance sheet includes equity of €1,634 million (previous year: €1,625 million), provisions of €258 million (previous year: €243 million) and liabilities of €1,548 million (previous year: €2,072 million).

Provisions include defined benefit obligations in the amount of €23 million (previous year: €23 million), tax provisions of €21 million (previous year: €26 million) and other provisions of €215 million (previous year: €194 million).

Pension provisions relate to obligations not covered by plan assets.

The increase in other provisions results from provisions for warranties and other liabilities in connection with the sale of the Building, Facility Services and Real Estate divisions.

Liabilities in the amount of €993 million (previous year: €1,493 million) include liabilities to associates from deposits in connection with centralized cash pooling. Here the decline is also particularly attributable to the loss of liabilities to sold subsidiaries.

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

The equity ratio was 47 percent at the balance sheet date (previous year: 41 percent). The increase resulted in almost unchanged equity from the decrease in the balance sheet total.

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. Because financial year 2016 was shaped by high income from the sale of subsidiaries, we anticipate lower earnings for financial year 2017.

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

The declaration of corporate governance pursuant to Section 289 a of the German Commercial Code (HGB) has been made available on the company's website (www.bilfinger.com) under the heading 'Company/Corporate Governance'.

B.2.6 Discontinued operations

Discontinued operations include the sold units Building, Facility Services, Real Estate, Water Technologies, Offshore Systems, the former construction activities as well as marine construction.

Water Technologies, former construction activities, Offshore Systems

WATER TECHNOLOGIES, FORMER CONSTRUCTION ACTIVITIES, OFFSHORE SYSTEMS in Mio. €	2016	2015	Δ in %
Output volume	208	553	-62
EBITA adjusted	-27	15	

In February 2016, we sold the Water Technologies division to Chinese company Chengdu Techcent Environment Group, the deconsolidation was carried out as of March 31, 2016. Net proceeds of €190 million were received by Bilfinger as additional liquidity in the second quarter of 2016.

In the area of Offshore Systems, we concluded the sale of the activities for installation of offshore foundations as well as the Polish production facility for steel foundations completed in the third quarter of 2016. We continue to pursue a sale of the remaining marine construction activities.

Building, Facility Services and Real Estate

BUILDING, FACILITY SERVICES AND REAL ESTATE
€ million

	2016*	2015	Δ in %
Output volume	1,570	2,501	-37
EBITA adjusted	63	126	-50
EBITA margin adjusted	4.0	5.0	

* Deconsolidated as of September 1, 2016

In June 2016, the Building, Facility Services and Real Estate divisions were sold to financial investor EQT and deconsolidated as of September 1, 2016. The sold units of the former Building and Facility business segment are therefore presented under discontinued operations in the annual financial statements.

The selling price of approximately €1.2 billion includes two non-cash components which are to be paid at the latest at the time of a resale by the new owner EQT. On the one hand, Bilfinger grants the acquiring company a deferral of a portion of the purchase price in the amount of €100 million with annual interest of 10 percent upon maturity. On the other hand, a further portion of the purchase price in the amount of €195 million will be transformed into equity-like participation rights. This entitles Bilfinger to 49 percent of the resale proceeds, less debt, from EQT. We thus continue to participate in a proportionate amount in the development of the sold divisions.

B.2.7 Non-financial aspects of business operations

The comprehensive reporting on non-financial aspects of our business activities in 2016 is included in the Sustainability Report, which will be published in May 2017 in the Internet at www.bilfinger.com. The focus of the content of our sustainability reporting is derived from the materiality assessment conducted in 2015, through which we identified the significant aspects for our company. We have evaluated and prioritized the results according to their relevance.

RELEVANT NON-FINANCIAL ASPECTS OF BUSINESS OPERATIONS*

Focus topics	■ Occupational health and safety ■ Customer satisfaction and quality ■ Compliance
General topics	■ Sustainable supply chain ■ Innovation ■ Employee development ■ Equal opportunity and diversity ■ Energy consumption / CO_2 reduction ■ Energy and resource efficient products / services ■ Waste and resource management
Potential topics	■ Social responsibility ■ Water

* Evaluated and prioritized on the basis of the materiality assessment conducted in 2015

The requirements of the German Accounting Standards (DRS 20) for reporting on significant non-financial performance indicators form the basis of this Annual Report.

We are convinced that the long-term success of the company can only be achieved when economic, social and ecological aspects are harmonized. As part of our sustainability strategy, we focus on issues which provide useful stimulus for the success of our company and, equally, for the positive development of society as a whole.

Bilfinger is a member of the UN Global Compact and follows the rules of the German Corporate Governance Code and the German Sustainability Code. We participate in the CDP surveys on emission data, climate strategies and the responsible handling of environmental risks as well as in the assessment procedures for sustainability indices including the RobecoSAM Assessment for the Dow Jones Sustainability Index.

B.2.7.1 Occupational health and safety

Occupational safety The health of all employees is the number one priority for Bilfinger. Our Group-wide management system for health, safety, environment and quality is centrally managed, developed and is certified in accordance with ISO 9001 and ISO 14001, OHSAS 18001 and SCC. A strong training system serves the further education of employees in the operational areas. A central reporting system summarizes reports from the Group units in quarterly reports to the Executive Board. For serious work-related accidents, corrective measures to minimize risks are defined in the Executive Board and maintained.

Responsibility for compliance with our occupational safety standards lies with the divisions and operating units and the employees entrusted with this function there report to Corporate HSEQ. The specific working conditions are taken into consideration in the implementation of Group standards at the operating level.

The effectiveness of our systems for occupational safety in the operating units is verified by certifications in accordance with the standards OHSAS 18001 and SCC which cover around 60 percent of all the Group's operating units in the Industrial business segment. We conduct audits on all levels through internal and external agencies in order to analyze and improve our occupational safety measures.

Accidents can only be prevented if employees are repeatedly made aware of the importance of occupational safety. In order to further strengthen the safety culture at Bilfinger, we have successfully established the SafetyWorks! program which lays out a methodical approach for continuous optimization for all units in our decentralized Group. We have been determining the accident ratio LTIF (Lost Time Injury Frequency: the number of work-related accidents resulting in at least one day of lost time as relates to one million working hours) Group wide since 2009, we describe current developments based on the evaluation of the data collected in our annual sustainability report.

Health protection Our concept for the promotion of health and performance among our employees consists mainly of the areas sport and exercise, physical and psychological health as well as the optimization of workplace conditions.

Through a framework agreement with a national fitness and wellness provider, our employees have the opportunity to train and relax at fitness studios and sports facilities throughout Germany and Austria at reasonable conditions.

We offer seminars, lectures and health days to help our employees deal with stress and maintain their health and performance. We also regularly review workplaces of both administrative and industrial employees to determine how they can optimized in terms of health.

B.2.7.2 Customer satisfaction and quality

The satisfaction of our customers is absolutely vital to us. We therefore consistently gear our service range to their needs. We consider the quality of our services as a key factor in this regard. We ensure the high standard of quality through a comprehensive quality management system. It starts with the operating units, which are responsible for the quality of their products and services and monitor these systematically. They are supported by the quality management of the divisions as well as by Corporate HSEQ. System requirements and internal audits along with comprehensive training and education measures for quality assurance ensure that our high standards of quality are safeguarded and continuously developed.

In around 70 percent of the company units in Bilfinger's Industrial business segment there are management systems that have been certified in accordance with DIN EN ISO 9001 and the implementation of these systems includes a regular survey of customer satisfaction. Since 2015, Bilfinger has also had a cross-divisional matrix certificate in accordance with the most common international quality, environmental and safety standards (ISO 9001, ISO 14001, OHSAS 18001, SCCp and SCP). This will be expanded in the medium term.

Our objective in the coming years is to be able to collect comparable data throughout the Group on customer satisfaction, to make this data transparent and to report on it. To this end, we developed a standardized method for customer satisfaction analysis in the reporting year and will roll it out in 2017.

B.2.7.3 Compliance

Within the scope of the Group wide risk analysis, compliance risks that are relevant for Bilfinger were analyzed and evaluated. On the basis of these results, we have defined the content-related focus for the compliance program. As a result of our business activities as well as the international presence and the decentralized structure of the Group, the decision was made to make the prevention and counteracting of corruption and bribery a focus in our compliance program.

We understand compliance as the adherence to all applicable laws, internal guidelines and internationally recognized standards of behavior and voluntary commitments in all our business activities. Compliance is a key component of our strategy and corporate culture.

The basis is formed by transparency, responsibility, security and integrity in dealing with customers, suppliers, business partners and colleagues. This requires responsible behavior on the part of each individual employee in the interest of these values – and such behavior is a top priority at Bilfinger. Due to their functions as role models, managers bear particular responsibility.

The implementation of our strict compliance requirements and the foundation for it that is described above, is defined in our comprehensive Bilfinger Compliance Program, which is updated on an ongoing basis. It has been designed and is targeted toward preventing compliance violations before they happen and, at the same time, it ensures that potential misconduct is recognized at an early stage and reacted to quickly and consistently. The Bilfinger Compliance Program covers all areas of compliance that are relevant for Bilfinger, whereby we have placed particular emphasis on topics including anti-corruption and bribery, anti-trust and data protection.

Code of Conduct

We formulated a Code of Conduct already in 2012 which has been applied for all employees throughout the company, without exception.

In order to satisfy the legal and regulatory requirements as well as the increasing expectations of our customers and employees, we updated our Code of Conduct in the reporting year and complemented it with specific Group Policies to more clearly lay the groundwork for business practices based on integrity. We have taken our regulations, formulated them more precisely and simplified them so that they align with our focus areas in anti-corruption and bribery. We have also defined clear sets of responsibilities and improved the effectiveness of or – wherever necessary – supplemented internal controls for the associated business processes. This comprehensive set of rules took effect at the beginning of 2017. It is accompanied by our compliance team, for example in the form of local road shows as well as a broad range of communication and training measures that are targeted toward all Bilfinger employees and available in the 13 most important languages.

Corporate Legal & Compliance

To make the exchange of information and ideas between Corporate Compliance and Corporate Legal & Insurance, the two departments were merged in the summer of 2016 into a new department (Corporate Legal & Compliance) – with a direct reporting line to the Chairman of the Executive Board. Furthermore, the responsibilities of this department were expanded as of January 1, 2017 to include investigations and Allegation Management as an own office within the department. At the same time, cooperation between the Compliance area and Internal Audit was intensified and formalized. We have thus ensured that the three areas that are fundamental to our compliance program – prevention of compliance violations, early recognition of misconduct as well as quick and consistent reactions to such misconduct – are comprehensively managed by and within the area of responsibility of these gatekeeper functions.

Compliance Review Board

To sustainably anchor compliance as a management topic in all business units and departments, we also decided to establish a Compliance Review Board (CRB) which convened for the first time on October 26, 2016. The CRB is comprised of the entire Executive Board as well as the heads of the corporate departments and meets at least quarterly under the chairmanship of the Head of Legal & Compliance / Chief Compliance Officer. In 2016, the CRB met twice. In addition, over the course of the reporting year, the Chief Compliance Officer reported – at least formally in meetings – eight times to the Executive Board and eleven times to the Supervisory Board or its Audit Committee on compliance-related issues. As a result of the regular situation-related information and integration of Bilfinger's supervisory and management committees in important activities and strategic measures in the area of compliance, we ensure that they are ideally equipped to meet their responsibilities in this area.

Manager integrity

In order to take the particular responsibility of managers into account, a new process was introduced which, under the Head of Corporate Human Resources, evaluates the integrity of the most senior managers as well as other risk functions. The process is applied to both the current office holders with management responsibility (management levels 1 and 2) and in the case of both new hires and promotions. In addition, variable remuneration for managers (management level 1) was expanded in 2016 to include an integrity factor which will be calculated for the first time in 2017. This metric will be defined by the Executive Board for each organizational unit separately and used to measure the degree to which compliance requirements are fulfilled. This measure also ensures that integrity is perceived in our company as a part of the corporate culture and that our employees can orient themselves toward the correct and responsible behavior of their supervisors.

Recognizing and reacting to compliance violations

In addition to the prevention of compliance violations, the early recognition of potential misconduct and the quick and consistent reaction to any relevant misconduct is a key component of the Bilfinger Compliance Program. Bilfinger does not tolerate unlawful conduct or conduct that violates the companies rules.

For the receipt, documentation and processing of suspicious cases in connections with possible violations of the Bilfinger Code of Conduct, the already existing whistleblower system was further expanded and new processes and committees were established. 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.

The Independent Allegation Management Committee, made up of experts from Corporate Legal & Compliance, Corporate Internal Audit & Controls and Corporate Human Resources – all of whom are obligated to maintain confidentiality – at first evaluate each reported incident. In a second step, any potential internal investigations are initiated by this committee and, on the basis of the results of the investigation, consultations are conducted regarding so-called remediation measures and the implementation of such measures is followed up on. Regardless of the status or position of the person affected, all persons involved will be treated equally in the investigations and in accordance with the four principles of fairness, consistency, transparency and sustainability. This committee convened a total of 56 times in 2016.

INFORMATION ON COMPLIANCE VIOLATIONS, INVESTIGATIONS INITIATED AND EMPLOYMENT-RELATED CONSEQUENCES	Number	Share
Indications of compliance violations	129	
Investigations initiated	113	88 %
Disciplinary measures	approx. 20	18 %

Reports in the period from January 1, 2016 to December 31, 2016 No comparison to previous year possible – complete documentation undertaken in 2016 for the first time.

In addition, the integration of the Bilfinger Compliance Program and its further development in the business processes is reviewed in order to ensure the efficiency of the program and the associated measures. The Internal Audit department verifies, among other things, the implementation of compliance guidelines as part of so-called anti-corruption audits on site at the individual business units. In these audits, the integrity of the business unit's payment transactions is also analyzed on the basis of mass data analyses. In the period from April to December 2016, a total of eleven such audits were conducted throughout the world. The results are made available to the Executive Board and the Chief Compliance Officer in the form of relevant audit reports so that – where necessary – improvement measures can be implemented.

Compliance requirements for business partners

Bilfinger relies on the cooperation with business partners throughout the world for the provision of our services. Compliant behavior on the part of our business partners is an indispensable requirement for building trust. Following the registration and risk classification of our business partners, the existing process to evaluate their integrity was comprehensively revised and adjusted in a risk-oriented manner over the course of the reporting year. In such an integrity audit, the business units or their purchasing departments are supported by the Compliance department in the risk evaluation. The objective is to be able to form a conclusive opinion through relevant advance explanations with regard to the extent to which an existing or new business partner meets our integrity requirements (Integrity Due Diligence).

Bilfinger Compliance Remediation Program

In the year under review, we also launched a Group-wide project (Bilfinger Compliance Remediation Program) to adapt the Bilfinger Compliance Program to the increasing regulatory requirements and to thus gain a long term competitive advantage on the market. The objective is, on the one hand, to increase awareness for compliance risks and how to deal with such risks among employees at all levels and, on the other hand, to create the conditions that will allow integrity to be understood and experienced as a component of the corporate culture.

The Bilfinger Compliance Remediation Program is divided into twelve work packages, each with specific objectives and a comprehensive set of measures that are aligned with the objectives of effective corruption prevention agreed with the US authorities. Implementation of the Bilfinger Compliance Remediation Program and the effectiveness of the revised Bilfinger Compliance Program are reviewed by an independent monitor. As a result of the close integration of our corporate departments and business units in the implementation of the Bilfinger Compliance Remediation Program we ensure that Bilfinger meets the goals that have been set in a timely manner.

Compliance Help-Desk

Beyond the compliance-related measures within the context of the Bilfinger Compliance Program, it is necessary that each manager and each employee is aware of his or her own personal responsibility and that everyone behaves correctly at all times. So that each decision maker, in addition to his or her supervisor or another contact person at the site, can receive further support in the execution of their responsibilities, Bilfinger has established the co-called Compliance Help Desk as a central point of contact.

The Help Desk has been available to all employees since July 2016 and offers rapid and competent support. We thus achieve uniformity and security in the handling of compliance issues and can provide our compliance expertise globally to all employees by means of a structured approach. At the same time, approaches for further improvement of our Bilfinger Compliance Program can result from the questions and feedback.

NUMBER OF INQUIRIES TO THE COMPLIANCE HELP DESK	Number	Share
Guidelines and internal regulations	50	38.2 %
Gifts and invitations	45	34.4 %
Compliance trainings	8	6.1 %
Taxes and accounting	4	3.1 %
Personnel issues	4	3.1 %
Fraud, breach of trust and money laundering	3	2.3 %
Other *	17	13.0 %
Total	**131**	**100 %**
thereof reports of suspected compliance violations	9	7 %

All inquiries received since the introduction of the Compliance Help Desk in July 2016 until December 31, 2016.
* Category 'Other' includes, among other things Inquiries about tenders, contract design, corruption, donations, competition law, conflicts of interest, for which fewer than three reports were received.

Compliance training program

In the reporting year, we further expanded the compliance training program that has been in place since 2011 through broader offerings related to dealing with bribery and corruption training. The uniformly organized training modules take into account both on-site trainings and so-called e-learnings to maximize the range of our training measures. We convey not only knowledge but also use practical case studies to increase the participants' awareness of compliance topics in a way that corresponds to their tasks and positions.

We also provide comprehensive information on our compliance initiatives in our internal media and at management events.

TOTAL NUMBER AND PERCENTAGE OF EMPLOYEES TRAINED IN CORRUPTION PREVENTION	Number of persons target group	Number of trained persons	Share
E-learning module 'anti-corruption & bribery' [1]	13,840 [1]	13,281	96 %
On-site training 'anti-corruption & bribery' [2]	2,747 [2]	1,734	63 %

1 Status: January 5, 2017. Target group: All employees with a PC workstation that have been with the company for more than three months.
2 Status: December 31, 2016. Target group: Exposed functions & procurement, accounting, ICS employees. Due to the ongoing process for the definition of training participants, the target group will get larger. On the reporting date, 68 percent of the business units had defined the training participants.

With this range of compliance measures, we will further develop and improve our Bilfinger Compliance Program, thus putting us in a position to effectively counter the compliance risks that exist for every company.

Customers and business partners judge us based on how we run our business. Only if we ensure that everyone in the company acts with integrity can we successfully assert ourselves in competition. Bilfinger therefore understands the topic of compliance and the tasks associated with it as an entrepreneurial opportunity that can generate value for the entire Group and will give us a competitive advantage in the medium term.

B.2.7.4 Procurement and supply chain

MATERIAL COSTS

	2016	2015
Material costs (€ million)	1,779	1,832
thereof services purchased	46 %	55 %
thereof raw material and supplies	54 %	45 %
Share of material costs in cost of sales	46%	40%

Purchasing was of key strategic importance for Bilfinger in financial year 2016 with material costs of €1,779 million (previous year: €1,832 million) – this corresponds to a 46 percent share of cost of sales. 46 percent of the costs were accounted for by services purchased and 54 percent by raw materials and supplies.

Due to the sale of parts of the company, in particular the sale of the Building, Facility Services and Real Estate divisions, there was a change in purchased services and materials in 2016. Primarily affected by this change were commodity groups such as technical building equipment and trade related products and services in the construction industry.

For the purchase of subcontractor services, materials and services, we have a broad basis of internal and external suppliers as well as a number of procurement markets available. There is no general dependence on individual business partners.

The Group Guideline on Procurement forms the basis of all procurement activities at Bilfinger. The uniform procurement processes defined in the guideline are the foundation for the selection of suppliers, subcontractors and service providers in accordance with binding criteria. In addition to financial aspects, quality, adherence to schedules, environmental aspects and compliance questions are used for the evaluation. We also apply these criteria to the regular assessment of the performance of our suppliers, subcontractors and service providers.

STANDARDIZED GROUP SUPPLIER ASSESSMENT

	2016	2015
Number of suppliers assessed in category A*	1,911	4,204
Total number of assessed suppliers	2,303	3,572

* Allocation of suppliers into categories A, B and C depending on purchasing volume and strategic importance

In our Code of Conduct for Suppliers and Subcontractors and Service Providers we express clear expectations regarding integrity, compliance with the law and ethical conduct in line with the principles of the Global Compact initiative. Core elements of the Code of Conduct also relate to counteracting corruption, bid rigging and illegal employment practices as well as respecting the fundamental rights of employees and environmental protection requirements. We also unequivocally demand that our suppliers require their own suppliers to adhere to these principles.

B.2.7.5 Innovation (research and development report)

Research and development activities make a key contribution to the competitiveness of the Bilfinger Group. The focus in this regard is on the market-oriented development of our engineering and service range. The operating units are responsible for the development work. They are well-acquainted with the needs of their customers and can drive innovations forward in a targeted manner. This results in technically sophisticated and economically feasible solutions that provide an immediate customer benefit. We also enter into cooperations with leading universities and research institutes.

In the reporting year, Bilfinger pursued research and development projects with a total expense of €7.4 million from continuing operations of the Group. The focus of these activities was on innovative products and services as well as process innovations in the areas energy, industry and environment.

RESEARCH AND DEVELOPMENT EXPENSES

	2016	2015
Total expense (€ million)	7.4	9.6
thereof environment	41%	21%
thereof industry	12%	20%
thereof energy	47%	59%

B.2.7.6 Employee development

At the end of 2016, 36,946 people were employed by the Bilfinger Group (previous year: 42,365). The Bilfinger Group employed 8,961 people in Germany (previous year: 10,205 people) and 27,985 outside Germany (previous year: 32,160 people). 7,829 people were employed by Bilfinger in countries outside Europe (previous year: 9,649 people).

EMPLOYEES BY REGION

	2016	2015	Δ in %
Germany	8,961	10,205	-12
Rest of Europe	20,156	22,511	-10
America	2,849	3,603	-21
Africa	957	1,392	-31
Asia	4,023	4,607	-13
Australia	0	47	-100
Group	**36,946**	**42.365**	**-13**

EMPLOYEES BY BUSINESS SEGMENT

	2016	2015	Δ in %
Industrial	28,762	31,510	-9
Power	7,252	9,669	-25
Headquarters, other	932	1,186	-21
Group	**36,946**	**42,365**	**-13**

EMPLOYEE GROUPS	Salaried	Industrial employees	total	Salaried	Industrial employees	total
			2016			2015
Industrial	9,737	19,025	28,762	10,892	20,618	31,510
Power	2,840	4,412	7,252	3,841	5,828	9,669
Headquarters, other	914	18	932	1,167	19	1,186
Group	**13,491**	**23,455**	**36,946**	**15,900**	**26,465**	**42,365**

EMPLOYEES WITH A UNIVERSITY DEGREE	Salaried	University degrees in MCNT* Subjects	University degree in other subjects	Salaried	University degrees in MCNT* Subjects	University degree in other subjects
			2016			2015
Industrial	9,737	3,885	889	10,892	4,398	1,024
Power	2,840	878	300	3,841	–**	–**
Headquarters, other	914	189	292	1,167	183	467
Group	**13,491**	**4,952**	**1,481**	**15,900**	**4,581**	**1,491**

* Mathematics, computer and information technology, natural sciences, technology
** 2015 no data collection for discontinued operations

AVERAGE AGE OF EMPLOYEES In years	2016	2015
Industrial	42.2	42.3
Power	41.3	41.9
Headquarters, other	44.3	43.7
Group	**42.1**	**42.2**

AVERAGE YEARS OF SERVICE PER EMPLOYEE In years	2016	2015
Industrial	9.4	8.9
Power	10.0	10.8
Headquarters, other	10.0	9.5
Group	**9.6**	**9.4**

We develop the skills and experience of our employees, support their performance and make no compromises when it comes to integrity and occupational safety. In 2016, we focused primarily on the implementation of far-reaching measures in the areas of leadership, compliance and project management.

The human resources program DRIVE, which was initiated in 2016, is targeted toward supporting our employees in the Group's current transformation phase. In twelve sub-projects, personnel standards were defined and the transparency of internal development opportunities was expanded. At the same time, projects were started to improve core processes and systems and thereby further increase competitiveness.

Surveys and rankings attest to our excellent image as an attractive employer we enjoy among students and professionals. We want to improve even further in order to ensure we are successful in the competition for the best talent. The recruitment and personnel deployment planning of industrial staff and specialists is becoming increasingly important. A more intensified local approach was taken in this regard.

We established our Group Standard for the onboarding of employees in the reporting period. Around the world, this supports new employees and those moving to other positions, particularly in terms of internalizing applicable rules for legally compliant behavior. We continued a comprehensive qualification program that clarifies the Group-wide standards for compliance and to promote the awareness of the observance of clear rules among all employees of the Group.

The Bilfinger Academy's range of training makes needs-oriented components available for professional training and targeted development of employees and managers. All business areas bring together their seminars, e-learnings and development offers under a joint virtual umbrella. This gives employees and managers a complete overview of all training events.

Annual staff appraisals ensure the dialog between managers and employees. In addition, they create the conditions for selecting the respectively appropriate training and development measures from the extensive offerings from the Bilfinger Academy. In 2016, we successfully established an internationally valid standard for employee appraisals and measures to improve the culture of feedback.

In management development, specific development programs for each management level make an important contribution to strengthening the performance and leadership competence of selected managers and to increasing their loyalty to the company. An international 'Talent Program' was added in 2016 for defined areas to support future managers at an early stage in their personal and professional development and to strengthen competences that are critical for success.

B.2.7.7 Equal opportunity and diversity

At Bilfinger, employees around the world are offered equal opportunities. There can be no discrimination based on ethnicity, gender, sexual orientation, religion, ideology, disability or age.

At the end of the reporting year, the share of women in the workforce was 10.1 percent worldwide (previous year: 10.4 percent).

EMPLOYEES BY GENDER	male	female	total	male	female	total
			2016			2015
Industrial	26,080	2,682	28,762	28,495	3,015	31,510
Power	6,537	715	7,252	8,739	930	9,669
Headquarters, other	575	357	932	724	462	1,186
Group	**33,192**	**3,754**	**36,946**	**37,958**	**4,407**	**42,365**

The share of women in management positions (management levels 1-3) was Group-wide at 9.4 percent in 2016. It is an important issue for us to further increase this share; for this purpose we have been executing a specific support program since 2011.

SHARE OF WOMEN IN MANAGEMENT POSITIONS (MANAGEMENT LEVELS 1-3) in %	2016	2015
Industrial	9.5	9.2
Power	4.7	– *
Headquarters, other	14.2	14.4
Group	**9.4**	– *

* 2015 no data collection for discontinued operations, therefore no information on previous year's Group figures

The measures we apply to promote female employees include special training opportunities and cross-mentoring programs. For example, female employees can stay abreast of career topics and exchange experiences with each other through an in-company network that was founded in 2012. We are also placing great emphasis on the search for female managers outside of our company. We are represented as an exhibitor at special career fairs, in the context of which especially women with professional experience can establish contact with potential employers. Many Bilfinger companies also participate in the nationwide Girls' Day event where female pupils are invited into companies in order to encourage their interest in technical careers. We specifically approach potential female apprentices.

Equal opportunity depends not least on whether it is possible to balance work and private life in an appropriate manner. Our goal, within the scope of our possibilities, is therefore to adapt the workplace to the individual situation of our employees. This is often possible with part-time contracts, the details of which are worked out individually between the respective employee and his or her supervisor. Models for flexible working hours and home-office arrangements are implemented in the individual companies in line with both local operational and individual situations.

Based on the legislation for the equal participation of men and women in management positions in the private sector and in the civil service, which came into effect in 2015, we have set the following targets for Bilfinger SE to be achieved by June 30, 2017:

Supervisory Board For new appointments to the Supervisory Board, with regard to the fixed gender quota of 30 percent that is to be met, the Supervisory Board is following the goal of filling the quota equally. On June 30, 2015, the decisive date for the definition of the target, this share was 8 percent. Following the regular new election of the shareholder representatives during the Annual General Meeting on May 11, 2016 and the simultaneously newly-appointed seats held by employee representatives, six of the twelve Supervisory Board members are female, the share of women is thus at 50 percent.

COMPOSITION OF THE SUPERVISORY BOARD BY GENDER	2016	2015
Number of members (on December 31)	12	12
Shareholder representatives	6	6
thereof female	3	1
thereof male	3	5
Employee representatives	6	6
thereof female	3	0
thereof male	3	6

Executive Board In terms of the share of women in the Executive Board, the Supervisory Board has decided that it is not absolutely necessary to have a female member, and thus the target was defined as zero. If a vacancy should become available, the Supervisory Board will, however, attempt to find an appropriately qualified woman who would be suitable for joining the Executive Board. In the reference period since the legislation came into effect, there were no female members of the Executive Board.

Management level 1 Management level 1 includes employees who belong to management levels 1 and 1a in accordance with the internal company definition. The Executive Board has decided to reach a target of an 8 percent share of women in management level 1 of Bilfinger SE until June 30, 2017. On June 30, 2015, the decisive date for the definition of the target, this share was 4 percent.

Management level 2 Management level 2 includes employees who belong to management level 2, in accordance with the internal company definition. The Executive Board has decided to reach a target for Bilfinger SE of a 10 percent share of women in management level 2 below the Executive Board by June 30, 2017. On June 30, 2015, the decisive date for the definition of the target, this share was 6 percent.

The differentiation of the management levels is undertaken on the basis of sales responsibility and the importance of the area of responsibility that is managed.

B.2.7.8 Resource management and energy consumption

We want to reduce the negative environmental impact of our business activities and expand our sustainability requirements along the value chain.

One of our most important objectives is the careful and intelligent handling of energy: the reduction of CO_2 emissions, which we monitor on the basis of the Greenhouse Gas Protocol in the categories Scope 1-3, is important for us. At all levels of the Group there are initiatives to reduce energy consumption and CO_2 emissions, for example through the use of low-emission vehicles and the recommendation that rail travel be used for business trips.

About 50 percent of the business units in the Industrial segment are certified in accordance with the environmental management standard DIN EN ISO 14001 or the energy management standard DIN EN ISO 50001.

We place great importance on waste and resource management and therefore take ecological criteria into consideration already in the procurement of materials. We pay close attention to local availability and try to reuse unavoidable waste or to initiate a recycling or disposal procedure. We have been undertaking a central collection of data related to dangerous waste since 2012, whereby not all locations have been integrated yet. In the years to come, we will gradually expand the scope of key environmentally-relevant key performance indicators.

B.3 Risk and opportunity report

The recognition of risks and opportunities is an integral part of the process management system at our operational units. We define opportunities as favorable deviations and risks as negative deviations from planned framework conditions.

Against a backdrop of strategic corporate planning approved by the Executive Board, detailed five-year planning is being developed. In order to regularly check the achievement of targets, identify trends and subsequently identify possible deviations, the Executive Board regularly conducts business reviews together with the divisional management in which business development is discussed together with short and medium-term earnings expectations of the divisions and measures to prevent risks and take advantage of opportunities. This treatment takes key factors that are relevant for the Group's opportunity management into consideration, including markets, competitive situation, strategic positioning as well as volume and earnings development. The result is the basis for decisions relating to the exploitation of opportunity potential and for the reduction of risks in the Group.

B.3.1 Risk management system

The Bilfinger risk-management system is designed to identify the risks that present themselves at an early stage, evaluating them and ensuring the continued successful development of Bilfinger through suitable measures. Opportunities are not recorded in our risk management system; they are evaluated within the scope of our strategic planning.

Our risk management system is continuously revised and improved. The goal that is pursued is therefore to apply suitable measures to reduce the risks to an acceptable level. The risk tolerance that arises is therefore proportional to the earnings opportunities that are identified. In accordance with the Group Principles on risk awareness, Bilfinger only assumes manageable risks.

In order to further develop the risk-management system, the Executive Board initiated a program for the re-design of the existing risk management system elements in 2015. In the first stage, a financial risk assessment was carried out for the period Q3/2015 to Q1/2016 with the aim of identifying and evaluating financial risks. The risk assessment and evaluation was carried out through a top-down assessment with the members of the Executive Board, heads of financial corporate departments as well as divisional management and a bottom-up assessment in a representative selection of companies for the Group and its divisional structure. A survey of operative and strategic risks was initiated in the fourth quarter of 2016 and will be completed in the course of 2017.

As part of this future system, an updated risk guideline will be prepared for the Bilfinger risk management system. This particularly includes the definition of roles and responsibilities (Risk Owner, Risk Manager) and sets out the process steps for the design of a risk-management control cycle. These include:

- Identification and evaluation of risks at the level of the company by the defined Risk Owner, monitored by the Risk Manager. The evaluation of the risks is carried out using the likelihood and impact parameters.
- Definition, introduction and allocation of measures to reduce or transfer financial impact (mitigation measures).

- Aggregation of the individual risks using a Monte Carlo Simulation approach, insofar as this is reasonable.
- Risk reporting – both ad hoc and at predetermined reporting periods (at least quarterly).
- Monitoring of the identified risks and implementation of the mitigation measures.

In terms of an integrated corporate governance, the approach of the redesign takes into consideration the connection between the risk-management system, internal control system and auditing system.

For the timely identification, evaluation and responsible handling of risks, diverse management, recording, control and transfer systems are in place which are connected with the auditing system and which are being further expanded and improved. Together this forms Bilfinger's risk-management system which is currently being re-designed. The elements of our risk-management system are currently and will in future be the strategic and operative business planning combined with a comprehensive reporting system and extended by a monthly forecast process which together serve as the early-warning and monitoring system. Our risk management takes into consideration the special features of the project and service business as well as the international positioning of our activities.

Already today, the risk-management function comprises the following components which will be further enhanced by the current re-design:

- General principles of risk awareness and fostering individual risk conscious behavior
- Detailed specification and control of key performance indicators (Corporate Controlling)
- Monthly evaluation of the key financial risks for each individual risk on the basis of expert assessment as well as the implementation of measures for risk management
- Collective controlling by corporate departments (Corporate Controlling, Corporate Procurement, Corporate Treasury, Corporate Project Controlling, Corporate Internal Audit & Controls, Corporate Legal & Compliance and Corporate HSEQ).
- Particular risk review and monitoring for major projects and large service contracts (Corporate Project Controlling, Corporate Internal Audit & Controls)
- Internal control and risk-management system as relates to the accounting process (Corporate Internal Audit & Controls)
- Transfer of insurable and insurance-worthy risks to external insurance companies (Corporate Legal & Compliance) – this applies in particular to risks with a generally low likelihood and high potential for damage, whose risk transfer is organized centrally.

Risk management at Bilfinger is a continuous and decentralized operative process, which is monitored and controlled from headquarters. Accordingly, the divisions and subsidiaries, within the scope of the overall system, use instruments of risk management that are customized to their respective businesses and their key risks. The Group's collective risk-management function is exercised by the Executive Board and Group headquarters and monitored by the Supervisory Board. Effectively avoiding risks requires more than just good instruments and procedures. Risk awareness among employees is also a factor that we promote through training sessions and other measures. Group-wide, general principles of risk awareness apply to management and staff.

Each year, the Group defines new targets for all of its subsidiaries at a divisional level for the key performance indicators. These and other key figures are monitored with the use of monthly reporting. An analysis of the current situation, comparison with planning and derivation of measures is carried out at all operative levels.

In consultation with the Executive Board, the corporate departments perform a specialist monitoring function 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 progressively actively involved with their specialist colleagues at the divisions and subsidiaries.

Group headquarters is also responsible for monitoring tasks of overriding importance. The areas of Corporate Accounting, Corporate Controlling, Corporate Procurement, Corporate Treasury, Corporate Project Controlling, Corporate Internal Audit & Controls, Corporate Legal & Compliance and Corporate HSEQ report regularly to the Executive Board on the risk situation from their respective specialist perspectives, based on which the Audit Committee and the plenum of the Supervisory Board produce a risk report every quarter, which includes all key risks. Within the framework of the initiated re-design of the risk-management system, this element is also subject to a methodological and content review. The Audit Committee is therefore informed of the results of the review and monitoring activities by the heads of Corporate Internal Audit & Controls and Corporate Legal & Compliance.

Orders with large volumes or special risks are only accepted if they are expressly approved by the Executive Board. Above a specified volume, approval of the Supervisory Board is also required. Orders with greater risks are analyzed more intensively by the Executive Board prior to a bid being submitted and continue to be monitored when an order has been received:

- Corporate Project Controlling supports these projects above certain thresholds from the bidding phase until completion. The technical, financial and timeline-related development of each project – irrespective of the responsible operating unit – is analyzed continually and critically.
- Decisions on financing, internal credit lines and guarantees are made by the Executive Board with significant support from Corporate Treasury as well as Corporate Legal & Compliance.
- Corporate Internal Audit & Controls, both on a scheduled basis as well as incident-related, examines the design and effectiveness of work procedures and processes and internal controls at the levels of the corporate departments and operating units.
- Corporate Controlling is responsible for monthly collection and processing of central performance measures and other information relevant for decisions. By permanently monitoring business developments, it creates a complete picture and independent opinion of the financial situation of the Group under consideration of significant divisional and regional structures. Where necessary, individual company level is used as a basis. Furthermore, Corporate Controlling is responsible for the content and further development of the key figure system as well as related instruments including the maintenance and adjustment of the supporting reporting and information systems.
- With its supplier management system, Corporate Procurement supports the evaluation and selection of subcontractors, materials suppliers and external service providers.
- Corporate Legal & Compliance reviews and evaluates legal risks, particularly before bid submissions, above certain threshold values and in certain risk categories, takes the lead in protecting our legal interests as well as in legal disputes in connection with contract fulfillment and ensures appropriate insurance coverage in the key, insurable risk areas.

Corporate Legal & Compliance also defines the priorities and measures in connection with the Bilfinger anti-corruption program and supports its worldwide implementation. As part of the company-wide risk analysis, Bilfinger companies and units are classified according to their risk of corruption. The decisive factors here are the business activities as well as the country-specific evaluation of the Corruption Perception Index produced by anti-corruption organization Transparency International. Following this prioritization, we implement the necessary measures for corruption prevention on the basis of risk evaluation in the companies and units.

The globally appointed Compliance Officers are particularly important as direct contact partners for the business units and as an interface to the Corporate Compliance Organization. The compliance experts provide comprehensive support on the subject of compliance for the companies and business segments. They support the management in upholding anti-corruption regulations in accordance with the Bilfinger Compliance Program. The Compliance Officers report regularly both within the business unit and to Group headquarters. In order to further minimize corruption risks, the existing standard process for the review of business with public authorities and government-related customers in countries with an increased risk of corruption is being further developed and improved.

In order to minimize corruption risks, we carry out a risk-based integrity review of business partners and make contractual agreements with these partners, which outline our expectations as regards lawful conduct. This is also being further developed as part of the re-design.

Managers have a special degree of responsibility as role models and important contact partners for employees. The fundamental importance of compliance is thereby firmly integrated into the qualification program for managers and junior managers as well as in talent promotion. Concrete compliance objectives are also set for managers. In future, we will link variable management remuneration even more closely with compliance behavior.

Our whistleblower system is the central point of contact for global reception, documentation and processing of suspected misconduct. Here suspected cases can be confidentially reported, anonymously if desired, via diverse contact routes. Employees are requested to report concrete suspicions of breaches of criminal law or of our principles of conduct. The protection of whistleblowers is binding. The processing of the received information regarding suspected misconduct is investigated independently and led by Corporate Internal Audit & Controls. In order to increase transparency, we regularly inform managers of all significant reported information on suspected misconduct in an anonymous form. If required, processes can be changed or optimized using the case analysis in order to prevent damage in future.

All new employees must complete web-based training on the Bilfinger principles of conduct. We also offer comprehensive training on corruption prevention worldwide. Furthermore, the top managers of the company take part in targeted anti-corruption workshops. These trainings undergo continuous development.

As part of the ongoing development of the risk management system and as a component of the compliance management system, a compliance risk assessment was conducted in all Group companies in financial year 2016. The operational implementation and the specification of the methodology followed in blocks from May 2016. In this regard, compliance risks were initially identified and evaluated from a Group-wide top-down perspective and subsequently placed in relation to a company-related bottom-up compliance risk assessment.

This year's focus of the compliance risk assessment was on corruption risks, giving special consideration to risks in the areas of granting undue advantage, office-holder liability as well as bribery and corruptibility in business transactions.

The evaluation of the risks identified within the scope of scenario-based assessment interviews was conducted parallel to the other operational areas of the risk management system through the parameters probability of occurrence and impact. This evaluation was conducted both without consideration of mitigation measures (gross) as well as after acknowledgment of the respective mitigation impact (net). The objective of the compliance risk assessment is a derivation of the compliance risk situation for each company as well as the compliance risk portfolio for business segments and the Group.

The results of the respective Compliance risk assessments were coordinated with the Executive Managements as well as with Corporate Legal and Compliance and with Corporate Internal Audit & Controls in the interests of an integrated Corporate Governance system approach. The results of the compliance risks aggregated or consolidated within this framework will in future aid the Executive Board with the management and monitoring of the company.

The previously described Compliance Management System and organizational elements such as guidelines or trainings for the relevant compliance departments are organized on this basis, and appropriately risk-oriented. The compliance risks identified in this way significantly shape the design as well as the number of internal elements of the control systems in place to deal with these risks and are thus, among other things the basis for project planning processes at Corporate Internal Audit & Controls.

The continuing periodic execution of the Compliance Risk Assessment ensures the ongoing adaptation of the Bilfinger Compliance Corporate Governance structures and elements in the individual companies and the Group to the forms and types of compliance risks that change over time.

- Corporate HSEQ has developed a Group-wide HSEQ management system, which displays the processes and objectives. This includes, among others, the implementation of audits in order to analyze existing risks in connection with health, safety, environment and quality and to review the methods used to control them. Results are analyzed and measures for continued improvement are introduced.

Our management, controlling and risk transfer tools form the Group's comprehensive risk-management system which is currently being further developed as part of the re-design.

Processes and approval procedures are documented in guidelines, manuals and instructions. Employees throughout the Group have access to the content of the risk-management system aia the intranet. The risk-management handbook is also currently being reviewed as part of the re-design project for the risk management-system. The functionality and effectiveness of central elements of this system, including the operative, non-accounting-related internal control system, are reviewed by Corporate Internal Audit & Controls. In addition, the Audit Committee of the Supervisory Board and the auditor also have general review and monitoring functions. Recommendations for the optimization of the risk-management system resulting from the review are currently being implemented as part of the initiated re-design project of risk management, among others.

B.3.1.1 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.

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

Under consideration of legal requirements and standards that are usual for the industry, Bilfinger has established a Group-wide internal control and risk-management system in order to recognize potential risks and minimize them. This system is being systematically developed based on the determined need for improvement.

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

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

The effectiveness of the internal control system is ensured through annual effectiveness checks (tests). The tests are carried out by external auditors, Corporate Internal Audit & Controls and by the units themselves (control self-assessments). 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.

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.

The financial statements provided by Bilfinger SE and its subsidiaries form the data basis for the preparation of our consolidated financial statements. Accounting in 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 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.

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 for completeness and accuracy on a regular basis. 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.

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

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

B.3.2 Risks

B.3.2.1 Significant risks

The following risks could lead to significant negative impacts on our net assets and financial position as well as on our reputation. The risks are presented on a gross basis before risk limitation measures.

Unless otherwise stated, the risks presented in this chapter affect the entire Group. Risks specific to business segments include an appropriate indication. The principles of the reporting structure that is valid from 2017 with the business segments Engineering & Technologies as well as Maintenance, Modifications & Operations are described in chapter *B.4 Outlook*.

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In our risk categories 'Risks related to our business environment', 'Risks related to service provision', 'Financial risks' and 'Other risks', we have identified the following risks as the greatest challenges for Bilfinger:

Risks related to our business environment – market risks The development of the crude oil price could severely impact our business. Furthermore, the negative development of the energy markets in Europe could negatively affect the business of individual areas of our company. Both factors could lead to our customers reducing their investment and maintenance budgets. In addition, competition could continue to increase. This could result in risks for the net assets and financial position of our Group.

Other risks – compliance risks In connection with the Deferred Prosecution Agreement to prevent legal proceedings against Bilfinger, which was concluded with the United States, there is a danger that the suspended legal proceedings against Bilfinger reach the point of prosecution or that the duration of observation by the Compliance Monitor is extended. The resulting costs could have a significant impact on the financial position of Bilfinger. In addition, there are also reputation risks which, if they were to materialize, would noticeably affect our competitive position.

Other risks – risks from legal disputes The outcome of legal disputes often depends on inquiry or assessments on the part of the courts and can therefore not be predicted with certainty. The possibility that the outcomes of litigation and proceedings may deviate from our assessments and forecasts and that our net assets and financial position may be affected can thus not be ruled out. The most significant current legal dispute relates to the collection of evidence in connection with the collapse of the Cologne municipal archives in 2009.

The order of the risks presented within the individual risk categories reflects the importance for Bilfinger.

B.3.2.2 Risks related to our business environment

Bilfinger depends on the general economic situation and the development of its markets. We are also exposed to political and macroeconomic risks. There is a tremendous amount of competition in our markets. Changes in legal requirements could also burden our earnings. To manage these risks, we regularly analyze how countries' economies and legal framework conditions are developing and continually evaluate our competitiveness in our markets.

Oil price development

The volatile development in the price of oil is a risk factor for our activities. Parts of our business are highly dependent on the sustainable development of global fossil fuel prices. The current price level for oil price continues to make cost-intensive fracking technologies in the extraction of oil and gas as well as deep-sea extraction unprofitable. Initial indicators, however, suggest that the consecutive investment cycles in the upstream and midstream areas may have reached or passed their low point in 2016.

The oil price development affects our offshore business in particular. Our customers in the Norwegian and British oil and gas sector have significantly reduced current maintenance and investment budgets for insulation and corrosion protection work. In the American shale gas sector, the former boom has waned considerably and, as a result, volume in the reporting year once again declined significantly.

Overall, a persistently low oil price could also negatively impact the results of operations, net assets and financial position in the future.

We counter risks from the oil price development through the restructuring of the affected areas. In addition, these framework conditions form the basis for the strategic repositioning, the principles of which are described in chapter *B.4 Outlook*.

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Energy policy

As a consequence of the changes to the German energy policy, there is still a lack of planning security for power plant operators. The investment backlog that began with the energy transformation has continued. This is on top of increasing savings in the maintenance budgets. In other European countries, too, the energy transformation is having a negative effect on investment behavior.

A reduction of orders received beyond the predictable decline could have further negative effects on our results of operations, net assets and financial position. This requires an organizational and strategic reorganization of our activities in this business. The main principles of the measures taken are described in the chapter *B.4 Outlook*.

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Countries

Country risks include uncertainties arising from political developments in our markets. In order to minimize such risks, we operate only in certain specified markets. In the course of the strategic repositioning of the company, we place the focus of our business on the core markets of Europe and, increasingly, on the United States and the Middle East.

In several Middle Eastern countries there are increased risks from the political situation. On top of this, there are possibly also compliance and financial risks there. To make business there legally secure and to transact this business under consideration of our compliance rules, central audit steps were introduced by the Executive Board. An internal export control reviews and organizes the permissibility of export transactions from a customs and trade perspective throughout the Group. In addition, possible violations of international sanctions should be ruled out. The minimum requirements with regard to our compliance regulations were also added to cover particular risks in individual countries.

Climate change and environment

Risks related to climate change and regulatory countermeasures affect Bilfinger primarily as a consequence of regulations and standards for product and process efficiency. At the same time, requirements for the reduction of energy consumption and CO_2 emissions are increasing around the world as a result of business activities. Contamination of air and water can occur through our production processes at production facilities and at construction sites as well as in transport. Failure to comply with environmental standards can have substantial risks for the habitats affected, for the company it can be associated with reputational risks and high cost risks.

On the customer side, new or changed environmental legislation and regulations lead to significant cost increases, particularly for our European customers in the energy-intensive process industry. This could result in our customers making savings, thereby decreased demand for our products and services and thus an impact on our results of operations, net assets and financial position.

The direct consequences of climate change such as extremely strong rainfall or the lack of precipitation, unusually high or low temperatures could have a negative impact on our service provision, because services are primarily conducted outdoors.

The business units have management systems to measure and reduce the impact of our business activities on the environment. These are partially subject to various national, industry, and customer specific requirements. Further explanations on the handling of environmental risks are included in the chapter *B.2.7.8 Resource management and energy consumption* as well as in the Bilfinger Sustainability Report which will be published in May 2017.

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B.3.2.3 Risks related to service provision

Occupational safety 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 safety, environmental protection and quality of our services and have anchored the goal of 'zero accidents' in 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.

Our customers have strict requirements for health, safety and environment as well as for the quality of the services provided. Failure in these areas 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 with our 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.

Project business

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 following the strategic repositioning in 2017 therefore primarily relate to the Engineering & Technologies business segment.

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

Bilfinger takes responsibility for the engineering, procurement and construction (EPC) in a number of project orders. Plant construction projects carried out as part of EPC/turnkey fixed price contracts are often complex, require substantial purchasing volumes and a qualified project management. Such project contracts are typically concluded with the obligation to provide turnkey construction of the plant or plant components. 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 risk categories, the independent Project Controlling and Legal & Compliance departments must be involved as an additional supervisory authority. The joint risk management begins with the targeted selection of the projects. In addition to the actual task of the project, the client's person, 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. Subsequently, the positive or negative particularities are analyzed, evaluated and decisively taken into account in the final decision on the bid and its formulation. Projects above a certain volume or with a high degree of complexity are consistently monitored by a central unit in accordance with defined regulations from the bid phase through to implementation, completion and processing of any warranty claims.

Service business

Risks from the service business following the strategic repositioning in 2017 relate primarily to the Maintenance, Modifications & Operations business segment. Here, we generally conclude contracts over a longer term, which are primarily awarded in a highly competitive environment. The earnings margins attainable in long-term contracts could deviate from the initial calculations as a result of changes from diverse influences. In maintaining industrial plants and buildings, 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.

Overall, the calculation and execution risks in the service business are, however, generally lower than in the project business due to the lesser degree of complexity and lower order volumes. In terms of the risk profile of Bilfinger, we therefore focus our activities on the service business.

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. 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.

Overcapacities

Against the backdrop of demand development in sub-markets of our industrial service business, we are faced with risks resulting from overcapacities and reduced cost flexibility. Fluctuations in demand could continue to have a noticeable impact on the financial position.

We are therefore developing measures to adapt administrative capacities and reduce over-capacity. We consistently adapt these structures to the requirements of the restructured operating business. We also continuously work on gaining a greater degree of flexibility in our operating costs. In addition to measures for greater flexibility in the availability of our own staff, we also constantly examine the vertical integration within the scope of structured ‘make or buy’ decisions as regards the appointment of our own employees or the use of subcontractors.

Technical characteristics

In some of the contracts with our customers, technical parameters and availability of the plant must be assured and guaranteed through penalties. If the technical values or availability are not achieved, there is the risk of significant costs of rectification, the payment of technical penalties or withdrawal of the customer in the case of obligation for payment of damages.

Human resources

Bilfinger is currently in a far-reaching transformation process. The strategic repositioning of the company and the necessary optimization of the organizational structures are of course associated with uncertainty for employees. The organizational and strategic repositioning, however, have again led to an increase in employees' confidence in the company. There is, however, a continued risk that qualified staff will leave the company and potential new employees will be reluctant to move to Bilfinger. Because the company is reliant on technically qualified and motivated employees in many areas in order to be able to meet the requirements of its customers, this could have a negative impact on customer satisfaction. If this affects the regular business and order acquisition, negative effects on the net assets and financial position are possible.

As part of our human resources controlling, we closely follow structural changes within the workforce and can thus counteract any negative developments at an early stage. We counter attempts by competitors to recruit our employees with attractive wage and salary structures and a targeted identification of personal development prospects. Overall, we counter human resources risks that could arise from a lack of young talent, fluctuation, a lack of qualifications, limited motivation or an aging of the workforce with a broad range of measures that are described in chapter *B.2.7.6 Employee development*.

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Procurement, supply chain and human rights

With a volume of about €1.8 billion, purchasing is a decisive factor in our business success. In addition to the economic aspects, respect for human rights is also extremely important in our supply chain.

As a longstanding member of the United Nations Global Compact, we are committed to supporting the protection of human rights within our area of influence. Failure to observe basic rights leads to significant risks for the personal, social and economic situation of those affected. For our company, this could lead not only to significant reputation risks, but also to negative impacts on the company's economic performance and earnings situation. Therefore, all suppliers are bound by the principles of our Group-wide procurement guideline to meet minimum requirements with regard to the observance of human rights.

As a result of the sale of parts of the company, in particular the sale of the Building, Facility Services and Real Estate divisions in 2016, the purchasing volumes of the Group decreased significantly. Primarily affected by this decline, however, were commodity groups such as technical building equipment and trade related products and services in the construction industry. With regard to the remaining purchasing volume, there are primarily risks from price increases in the indirect materials costs. In addition, preliminary work from our suppliers, subcontractors or service providers that is lacking, too expensive or inadequate in terms of quality could have significant negative impacts on our financial position. Unexpected price increases in components, energy and raw materials could also be a burdening factor. The handling of these procurement risks is a key component of our supplier management system, the principles of which are described in chapter *B.2.7.4 Procurement and supply chain*.

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We intensively monitor our global procurement markets. The Group-wide monitoring of world market prices of, for example, steel, oil and services facilitates the flexible procurement of materials and subcontractor services for our projects at optimal conditions. We counteract regional procurement risks by cooperating with competitive suppliers and subcontractors. We secure quantities, qualities and prices by means of letters of intent and preliminary agreements. We also safeguard ourselves against inflation by means of sliding-price clauses in our offers as far as this is permitted and the competitive position allows this.

Business partners

For the execution of our business activities we maintain diverse contractual relationships with a large number of partners. For the most part, these are clients, partners in jointly-owned companies, consortiums and joint ventures, subcontractors, suppliers, financial institutions, insurers as well as service providers. If these contract partners are not able to meet their performance and / or payment obligations, if they perform poorly, behind schedule or not at all, this can impact our liquidity and financial situation.

We counter these risks by carefully selecting our partners in terms of reliability and performance, a consistent dunning system and – when necessary – a collateralization of their contractual obligations. In the execution of projects with consortial and joint venture partners and in the assignment of important subcontractors, all potential breakdowns on the partner side are routinely included in the bid considerations. Where possible, we pursue a 'multi-sourcing' strategy in order to be able to draw on alternatives quickly in the case of a loss of a partner, particularly suppliers, and thereby avoid a potential performance failure. Within the scope of the monthly debtor reporting, receivables with our customers are brought together and evaluated in terms of the respective probability of default based on the external rating. In order to minimize cluster risks, volume-graded limits are defined at Group level in relation to the external customer rating.

We subject important suppliers, service providers, subcontractors, working groups, consortia and joint ventures as well as all distribution agents to an integrity review before contract signing.

A particular problem is presented by advance performance obligations, which affect some areas of our business. Inherent to these obligations is the risk that payments from the client are not made on time or that additional work must be carried out that has not been secured with a price agreement. This could result in risks for the calculated earnings of an order. In order to avoid such risks, we follow the systematic payment behavior, business conduct and the financial situation of the customer and try, particularly within the project area, to meet security requirements.

B.3.2.4 Financial risks

We are also subject to financial risks in the form of liquidity and financing risks, market price risks from the fluctuation in currency and commodity prices and changes in interest rates as well as credit risks of our banking partners. We monitor these 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.

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.

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. External financing can also result in a worsening of the dynamic gearing ratio. Within the scope of the agreed financial covenant, it is ensured that this gearing ratio is met. Any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis and can thereby also lead to an unplanned loss of liquidity.

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

Investment financing is carried out with consideration of matching maturities. In 2012, a €500 million bond with maturity in 2019 was issued with a fixed interest rate over the entire period. To finance working capital, we have a €300 million pre-approved credit line at attractive conditions that is in place until June 2018. This includes a standard market financial covenant in the form of a limitation of the dynamic gearing ratio net debt / EBITDA. The value as of December 31, 2016 is substantially below the contractually agreed cap. If, in the case of a significant worsening, adjustment does not take place in agreement with the lender, any breach of the financial covenant can lead directly or, through cross-default clauses, indirectly to the repayment call of all financing on a recourse basis.

The sureties available for the execution of our project and services business with a volume of about €1.7 billion are sufficiently dimensioned to accompany the further development of the company. In addition, we have a US surety program in the amount of USD 700 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.

Market-price risks in the financial sector primarily involve exchange rates, interest rates, raw-material prices and the market values of financial investments. As a globally active company, we are subject to exchange rate fluctuations, for example between the euro and the US dollar, because part 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. Furthermore, we are also faced with interest rate fluctuations. Negative developments in the financial markets and changes to the policies of central banks could have a negative impact on our earnings. Fluctuations in commodity prices can also have a negative impact on the financial position.

We counteract market price risks by protecting against certain currency, interest rate and commodity risks through derivative financial instruments. This allows our centralized control of market-price risks to net out cash flows and financial positions to a large extent. We make use of derivative financial instruments in order to minimize residual risks and 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.

We use currency futures or currency options to hedge risks relating to foreign-currency cash flows and balance sheet items denominated in foreign currencies (not translation risks). We generally hedge against transaction risks in the project business for the entire project period immediately after a contract is received. In individual cases this is already done during the bidding phase. Risk management takes place with the use of specified risk limits for outstanding foreign exchange items, their value at risk and marked-to-market results.

Whenever possible, hedging against price fluctuations of raw materials is undertaken on the basis of fixed-price agreements for materials purchased or sliding-price clauses for our affected services. If this is not possible, hedging is carried out with the use of commodity swaps, for diesel fuel, for example.

We counteract the risks of interest-rate changes by continually reviewing and, when required, adjusting the composition of recourse liabilities subject to fixed and variable interest rates. We assess risks in consideration of future needs for new financing or refinancing on the basis of a cash-flow-at-risk model. The borrowing costs budgeted within the scope of the cost of-capital model serve as a point of reference. To manage this, we generally apply derivative financial instruments such as interest-rate swaps and swaptions.

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 public short-term rating of at least A. In addition, on the basis of an internal limit system, a diversification of volumes and maturities takes place.

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C.4 The Notes to the consolidated financial statements, Note 29 provides quantitative information on the risks from financial instruments and hedging transactions. Further information on financial instruments can also be found in the *C.4 Notes to the consolidated financial statements, Note 28.*

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B.3.2.5 Other risks

Compliance

The importance of compliance risks for Bilfinger remains high. We investigate suspicious cases in various countries and are cooperating with the responsible authorities.

With regard to the case in the USA for violation of the US Foreign Corrupt Practices Act (FCPA), it was agreed in 2016 with the American Department of Justice (DoJ) that the Deferred Prosecution Agreement (DPA) that has been in place since 2013 would be extended until the end of 2018. The key content of this DPA is the obligation to introduce an effective compliance system throughout the Group. In order to ensure that this goal is achieved, an extensive Compliance Remediation Program was established. Also within the framework of the extended DPA, the already appointed Compliance Monitor will report on a regular basis on the effectiveness of our compliance measures to the company as well as the DoJ. The company supports the Monitor in the fulfillment of his tasks. There is the risk, especially if new transgressions in connection with the FCPA are determined or if the company violates its obligations in connection with the DPA, that the duration of the DPA and thus the supervision by the Monitor is again extended or fines are levied against the company or the suspended proceedings against Bilfinger are prosecuted. In addition to the risk that resulting costs and other consequences could have a significant impact on the financial position, there is also a significant reputation risk for Bilfinger.

We are currently investigating suspicious cases in various countries, including Brazil and Vietnam, and are cooperating with the authorities. According to current assessments, there is a risk of fines or significant disgorgement of profits or other liability claims in connection with these transactions.

Changes to the regulatory environment in markets where we do business could affect our business globally and impact our business situation, net assets and financial position. Bilfinger could also face fines, sanctions and damage to its reputation. Furthermore, uncertainty in the legal environment could mean that we are subject to increasing costs for adequate compliance programs. In 2016, in connection with the further development and re-design of our compliance program, we had expenditures in the amount of approximately €20 million.

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

Legal disputes; damage cases and liability risks

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.

Among the most important current damage cases is the collection of evidence for the cause and amount of potential claims in connection with the collapse of the Cologne municipal archives in 2009. 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. Gathering of evidence in these proceedings has not been completed. From today's perspective, we expect that in case of a proportionate availment we would, if necessary have sufficient insurance coverage. Should risks from this case occur, claims would be made against the owners of the commissioned joint venture who are jointly and severally liable. There is no binding assessment of the potential magnitude of the damages.

The insurance coverage does not include the costs of rehabilitation that go beyond the original construction costs for the structure, among other things, financial losses from an early commissioning in the north and south area of the underground rail line and internal costs from the Cologne transportation authority for the processing of the damages. From today's perspective, sufficient provisions have been taken for any burdens that may arise as a result.

For individual projects in Germany, in the United Arab Emirates and other countries clients have made, for various reasons, claims with a total volume in the double digit million euro range. The object of the disputes are, among other things, the appointment of blame for the causes of construction delays and disagreement related to technical features. According to current assessments, we do not expect – also in light of existing balance sheet provisions – any relevant negative impact on the business situation, net assets and financial position of Bilfinger as a result of the proceedings.

A suit has been filed against Bilfinger for arbitration proceedings by a customer in connection with a plant project in Texas. The customer is claiming the costs of a replacement measure following termination of the works contract. The exact volume of the suit has not yet been determined but is likely to be in the middle double-digit million US dollar range. We have filed a counter-suit for payment for our services also in the mid-double digit million US dollar range. Another lawsuit in the United States relates to the services of an American subsidiary. The customer's claim is an amount in the mid double-digit million US dollar range, but here too there are substantial counter-claims.

In connection with a concluded M&A selling project, a suit has been filed by the seller for arbitration proceedings in Germany. The seller has asserted a claim in the mid double-digit million euro range against us.

In Malaysia, we have been sued for damages in the lower double-digit million range in connection with a project that is currently in arbitration hearings. Proceedings are still at an early stage.

Damage cases in connection with the business activities of the Bilfinger Group, including those outside of legal disputes, can have significant negative financial impacts for the affected Group company and for the Group. We generally transfer such risks to financially sound, international insurance companies as part of insurance contracts. The key insurance contracts of the Group include diverse liability insurances to protect against claims from third parties, technical insurances and property and transport insurances.

Overall, following careful examinations, we can assume that sufficient provisions have been recognized in the balance sheet for all ongoing disputes and partially with recourse 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.

Restructuring

In the course of the restructuring of Bilfinger, we are also working closely on initiatives for cost reduction. This concerns both structural optimization of our organization as well as the adjustment of capacities. If the necessary measures cannot be implemented as planned, their benefits are less than originally estimated, they take effect later than expected or do not have any effect or the necessary one-time expenses and investments are higher than currently foreseeable, this would result in a negative deviation from our planning. We continually control and monitor the processes of the strategic repositioning of Bilfinger and implement appropriate concepts for the management and controlling.

IT

In 2016, we launched a comprehensive program for the standardization of the Group IT system landscape, which will help us to accelerate processes and to reduce complexity in our company. To achieve this goal, we will make investments of millions of euros in the coming years. If these measures cannot be implemented as planned, their benefits are less than originally estimated, they take effect later than expected or the necessary investments are higher than currently foreseeable, this would lead to a negative deviation from our planning.

Threats to information security could lead to risks to the security of our services, systems and networks. The confidentiality, availability and reliability of data could also be endangered through unauthorized access to our information technology. Furthermore, negative effects on our reputation, competitiveness and business could occur.

In order to prevent unauthorized access and data loss and to guarantee the permanent availability of our systems, we protect our information technology with numerous technical installations. Our IT structures are largely standardized. We use software products from leading producers such as SAP, Oracle and Microsoft. Applicable security guidelines are continuously adapted to the latest technical developments. The IT security is regularly audited in a standardized process by internal and external auditors.

Risks from the sale of the Building, Facility Services and Real Estate divisions (discontinued operations)

The selling price for the Building, Facility Services and Real Estate divisions, sold in the third quarter of 2016, of approximately €1.2 billion includes non-cash components that are to be paid when new owner EQT resells the company, at the latest. On the one hand, Bilfinger grants the acquiring company a deferral of a portion of the purchase price in the amount of €100 million with annual interest of 10 percent upon maturity. On the other hand, a further portion of the purchase price in the amount of €195 million will be transformed into equity-like participation rights. This entitles Bilfinger to 49 percent of the resale proceeds from EQT. We thus continue to participate in a proportionate amount in the development of the sold divisions. If their value should develop worse than planned, up to and including a complete loss of value, there is the risk of negative effects on Bilfinger's results of operations, net assets and financial position.

Disposals

Selling processes have been initiated for individual companies categorized as not strategically relevant and, with the strategic repositioning in 2017, are presented under Other operations. Disposal plans carry the risk that certain business activities cannot be sold as planned. In addition, completed disposals could result in negative impacts on our results of operations, net assets and financial position.

In general, clearly predetermined processes and criteria are observed with disposals: In the first stage a review is carried out to determine whether the disposal of a business unit is consistent with the Group strategy or whether there are other considerations in favor of selling and what the framework conditions for the sale of a business unit are. Particular consideration is given to whether there could be a promising group of buyers and whether there are initially identifiable risks for the Group. Furthermore, alternatives such as restructuring or closure, for example, are taken into account and examined.

Acquisitions

Company acquisitions can, as a result of the absence of expected economic success, lead to substantial burdens for the Group including potential goodwill impairment. The causes for this could, for example, be related to unexpected business or market developments, the appearance of unforeseen financial obligations, inadequate integration or increased personnel fluctuation. Because we have not made any large acquisitions in the reporting year and are not presently planning any, risks from acquisitions for Bilfinger are currently low. It is however still possible that risks from earlier acquisitions occur, particularly as concerns possible impairments to goodwill (see the *C.4 Notes to the consolidated financial statements, Note 15* for the impairment tests of goodwill).

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Subsidiaries

The subsidiaries are responsible for the operating business of the Bilfinger Group. This carries the risk that misconduct occurring here is not promptly identified at the Group headquarters and countermeasures against impending negative effects on our results of operations, net assets and financial position are implemented too late.

All the companies of the Group are therefore subject to an ongoing financial controlling process. Corporate Controlling reports to the Executive Board once a month and informs it of any unusual developments without delay. Corporate Controlling develops a complete picture and an independent opinion on the financial situation of the companies. The following instruments and analyses are particularly used:

- Monthly results forecasts for the year-end with a focus at a division level including documentation or opportunities and risks
- Analysis of the loss-making units and cash-negative units
- Working capital analysis and documentation of changes to net working capital
- Analysis of the statement of cash flows with a focus at division level

In addition, there is a decentralized financial controlling department in each division that reports to the respective divisional management and is subject to the functional supervision of Corporate Controlling.

Taxes

As a globally-active company, we are subject to the respective country's tax laws and regulations. Changes can lead to a higher tax expense and higher tax payments. In addition, changes in laws and regulations can also have a significant impact on tax assets and tax liabilities as well as on the deferred tax assets and deferred tax liabilities of our company. We are also active in countries with complex tax regulations that can be interpreted differently. Future interpretations or development of the tax system can have an impact on tax liabilities as well as tax expenses and tax payments. Bilfinger is regularly audited by the financial authorities in different jurisdictions. Tax risks that arise from the stated range of topics will be continuously identified and evaluated.

B.3.3 General assessment of the risk situation

The evaluation of the overall risk is the result of a consolidated consideration of all significant individual risks. The most significant risks for the Group, in the operating business as well as risks from the sale of the Building, Facility Services and Real Estate division (discontinued operations) have been described. The most important risks are listed in chapter *B.3.2.1 Significant risks*.

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With regard to the overall risk situation of the Bilfinger Group, the following situation has arisen as compared with the previous year: due to the sale of the Building, Facility Services and Real Estate divisions, the specific risks of this business no longer exist. The clear positioning on the core industrial services business results in a homogeneous risk structure on which we can specifically position our risk management system.

Market risks, including those that result from a continuing low oil price, did not decrease noticeably as compared to the previous year. The strategic and organizational repositioning of our business will contribute to an improvement in our ability to evaluate market risks and risks related to service provision and, when necessary, to take counter-measures. Furthermore, we have introduced additional measures, in order to particularly counteract the identified compliance risks. We are convinced that the risks associated with our business activities are sustainable for the Group as a result of the instruments that have been put in place to manage these risks.

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 arise, the possibility that they would have an impact on our output volume or earnings cannot be excluded. 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 Opportunities

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We evaluate the opportunities for Bilfinger within the scope of our strategy process. The main features of the strategic and organizational repositioning are described in chapter *B.4 Outlook*. We define opportunities as developments which deviate from this strategic planning in a positive way and which, accordingly, could result in an additional improvement in our results of operations, net assets and financial position.

The opportunities described below generally relate to the entire Group. Segment-specific opportunities are declared as such. In terms of their order within the individual categories, the opportunities presented reflect the current evaluation of their importance for Bilfinger.

B.3.4.1 Opportunities related to our business environment

Oil price development

A 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 more cost intensive fracking technologies and deep-sea production would revive the investing activities of our customers. This would primarily impact the maintenance and investment budgets in the Norwegian and British oil and gas sector as well as the US shale gas sector.

General economic conditions

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.

Exchange rates

Our planning is based on the assumption that the exchange rates for those currencies that are important for Bilfinger – the US dollar, British pound and the Norwegian krone – will remain at the average level of 2016. Because the vast majority of our services are provided on site, we are less affected by changes in currency exchange rates than companies that rely on the export of goods. Nevertheless, a more favorable exchange rate development would mean additional positive effects for Bilfinger.

B.3.4.2 Other opportunities

Value development of the non-cash purchase price components for the sold Building, Facility Services and Real Estate divisions (discontinued operations)

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As described under Risks in chapter *B.3.2.5 Other risks*, the selling price for the Building, Facility Services and Real Estate divisions sold in the third quarter of 2016 includes non-cash components that are to be paid when new owner EQT resells the company, at the latest. This entitles Bilfinger to 49 percent of the resale proceeds from EQT. We thus continue to participate in a proportionate amount in the development of the sold divisions. If their value should develop better than planned, at the time of a resale there is an opportunity of positive effects on Bilfinger's results of operations, net assets and financial position.

B.3.5 General assessment of the opportunities situation

With the strategic and organizational repositioning, we create the conditions necessary for the successful future of our company. Our environment and service range offer additional opportunities that can lead to a development of our results of operations, net assets and financial performance that is above our planning.

B.4 Outlook

B.4.1 Organizational and strategic repositioning

We repositioned the Bilfinger Group at the beginning of 2017. 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. The forecasts and statements related to the expected development of Bilfinger are made within the scope of these new structures.

Two business segments

REPORTABLE SEGMENTS FROM JANUARY 1, 2017

Engineering & Technologies (E&T)	Maintenance, Modifications & Operations (MMO)	Other Operations
Division:	Regions:	
Engineering & Technologies	Continental Europe	Units with activities outside the defined business segments, regions or customer industries
	Northwest Europe	
	North America	
	Middle East	

From financial year 2017, we report on Bilfinger's business development in the two segments Engineering & Technologies and Maintenance, Modifications & Operations.

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

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

Four regions

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

Six customer industries

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

Other Operations

We report on operating units that are active outside the defined business segments, regions and customer groups under Other Operations. These units are not the focus of the Group's new strategic positioning, but will be managed independently for value. In the long term, a suitable owner will be sought for the individual units.

OUTPUT VOLUME AND ADJUSTED EBITA IN FINANCIAL YEAR 2016 IN ACCORDANCE WITH THE REPORTING STRUCTURE VALID FROM JANUARY 1, 2017
€ million

	Output volume	Adjusted EBITA	Adjusted EBITA margin
Engineering & Technologies	1,246	-30	-2.4 %
Maintenance, Modifications & Operations	2,461	121	4.9 %
Other Operations	615	5	0.8 %
Headquarters / consolidation / other	-103	-81	
Total	**4,219**	**15**	**0.4 %**

B.4.2 General economic development

The outlook for 2017 from research institutes and international organizations with regard to the economy in Europe, the USA and emerging countries is restrained. In these forecasts, the prospects for world trade and capital investments in particular are shaped by substantial political uncertainties. The chance that new comprehensive free trade zones could revive the recent stagnation in world trade has declined with the expected failure of the transatlantic and transpacific free trade zones.

Chemicals & petrochemicals, pharma & biopharma

Important customer industries such as chemicals and pharmaceuticals are particularly impacted by the risks of growing protectionism and new obstacles in the European single market. The United Kingdom, which is heading toward an exit from the European Union, is currently Germany's third largest export market. A departure of the country from the single market, which would bring with it new import duties and other obstacles to trade, would have a substantial impact on certain industries. Currently, 10.5 percent of the German pharmaceuticals industry's exports go to the United Kingdom (DB Research).

Especially with regard to the chemical and pharmaceutical industry, the industrial services sector can thus not expect a sweeping revival of the business in Europe. In addition to the economic risks, there are also additional dangers for the German market as a result of the planned tightening of regulations regarding temporary employment and the law governing the sale of goods and services. New bureaucratic hurdles in this area represent an additional problem for the industrial services sector which relies on a high degree of flexibility (Lün, p. 36).

In the fall of 2016, sales expectations in the chemicals industry in Europe improved only slightly (CEFIC). German chemicals companies no longer anticipate a significant revival in 2017. Uncertainties with regard to trade policies and continuing growth weakness in China and other emerging economies, among other things, are having an impact here.

There is a more optimistic picture for the outlook in the chemicals and pharmaceuticals industry in the USA. At the turn of the year 2016/2017, companies' expectations improved considerably. With already good capacity utilization, the industry is benefiting from expanding US economic growth which could be heated up further through fiscal impetus and the prospect of an economically-friendly deregulation from the new administration. The pharmaceutical sector in particular will also benefit from a significant increase in prices (VCI US J17).

Oil & gas

The International Energy Agency anticipates oil prices to stabilize further in 2017 only if OPEC can actually implement its resolutions limiting production which were passed in autumn 2016. Otherwise, weak demand in emerging economies and the expansion of production in non-OPEC states such as Russia, Canada and Brazil could continue to put pressure on prices. In the medium term, the Agency is conversely warning against shortages and abrupt price increases as development activities for new, conventional production fields around the world are now at´their lowest level since the 1950s (IEA). As for the most part years of preparation are required to exploit conventional sources of energy, it might, in the Agency's opinion, lead to sharper price increases. Rapidly available American shale oil could only partially mitigate this volatility.

In terms of US shale oil production, the US Energy Information Administration (EIA) still anticipates a slight decline in production for 2017 due to the previous decline in investment (USEIA Future tight oil). As a result, maintenance budgets are also likely to continue to stagnate. However, according to EIA projections, from 2017 productivity improvements will again ensure rising output. The legal situation for the shale gas and oil sector could improve further with the new US administration. It remains to be seen, however, the extent to which regulations will actually be eased to support the shale gas, shale oil and coal sector.

Oil production will also decrease on the Norwegian continental shelf due to the sharp reduction in exploration activities over the last two years. However, according to current projections, only a minor decrease in production will occur, as a very high volume will be produced towards the end of the decade with the ongoing development of the Johan Sverdrup field (USEIA Declining Investment in Norway). According to forecasts from the Norwegian Office of Statistics, investments in the Norwegian offshore oil and gas economy in terms of the development of existing fields will also once again decrease slightly in 2017, while exploration budgets will increase again (TI Norway). From today's perspective, investments in both areas are expected to increase from 2018, therefore also increasing maintenance budgets as a result. Due to successful cost reductions and improvements in material handling technology, this forecast is then also realistic if oil prices remain at a moderate level. Norway's offshore economy will remain a quantitatively significant sector for the foreseeable future. Industry association Petro Arctic expects investment and operating costs in a total volume of between €55 billion and €66 billion in the next 15 years (TI Norway).

The Scottish oil and gas industry is headed toward a gradual recovery after the loss of 120,000 jobs in the last two years. High productivity gains, which helped to reduce production costs by nearly half from USD 29 to USD 16, created crucial prerequisites for stabilizing production over the past two years. In addition, the majority of companies expect Brexit to have no negative effects on the British oil and gas sector. However, growth perspectives are limited by the sharp decline in exploration activities resulting from low oil prices. The industry association Oil & Gas UK estimates that the resources discovered in the last two years are only 25 percent of the current production volume (Oil & Gas UK).

In the last two years, oil-producing countries in the Middle East increased their market share in global oil production to 35 percent and, as a result, their market share has reached its highest level since the end of the 1970s (Bloomberg). The expansion of volume will now be interrupted in the first half of 2017 by the OPEC resolution from the previous December. Nevertheless, oil-producing countries in the region are pursuing comprehensive investment plans in order to stabilize their production capacity in the coming years. In Saudi Arabia, the expansion of gas production has special priority because very high proven reserves will protect the production of gas for many decades. Plans call for the doubling of production in the coming years (TI Saudi Arabia Economic Trends).

Energy & utilities

In 2016, energy policy in Germany saw a number of strategic moves that enabled an improvement in planning security for operators of conventional power plants and nuclear power plants, and that led to an increase in the willingness to invest once again. The Electricity Market Bill, which took effect in August, created the instrument of a capacity reserve and will be tendered for the first time in summer 2017 (NEXT Kraftwerke). Thermal power plants will also continue to play a significant role in Germany due to their importance for a secure power supply, and will only have to provide a moderately reduced capacity until the year 2035 (FDBR, p. 6). However, these power plants must be strengthened for new requirements such as a decrease of minimum loads or an efficiency level increase also in part-load operation. For the time being, it remains unclear how this necessity can also be implemented in an economically and financially viable manner. Nevertheless, there is notable market potential here for power plant services for the coming years.

The liability provision for the interim and final storage of radioactive waste has improved planning security for German nuclear power plant operators. Once it has been legally and contractually implemented, this perspective improves the creditworthiness of energy companies affected, and thus their ability to invest, as difficult to calculate long-term risks of final storage for the companies are eliminated.

The new law for digitalizing energy transition in Germany is creating the conditions necessary for intelligent electricity girds ('Smart Grids') to be expanded, where consumption and production, especially in regard to situations with peak loads or low production, can be better synchronized (SVR, p. 450).

Poland also expects continued strong demand in the area of coal-based energy production. Investments in the Polish energy sector until 2030 are estimated at almost €30 billion (TI Poland). The stable position of the Central and Eastern European economies as well as sizable inflows from the EU Structural Fund and the new European Fund for Strategic Investments secure the ability to finance the planned investments in energy across the entire region.

In the Middle East, the somewhat higher oil price has an effect on the financing of the still very ambitious expansion plans in the energy sector. In terms of planning its future energy mix, Saudi Arabia decided to move away from renewable energy back to gas, also forcing the gas pipeline network to be expanded. Despite the decrease in revenue from the oil business, the country is continuing to follow the plan to almost double its power plant capacity by the year 2024. The government is expecting electricity consumption to triple by 2030 in its requirement planning (TI Saudi Arabia).

In Qatar, expansion of the energy supply infrastructure is progressing at a high intensity due to the football World Cup in 2022. Major, ongoing investments are focused on a combined gas power plant/ desalination project (TI Qatar). The United Arab Emirates announced a 160 billion dollar investment plan for renewable energies until 2050, supposedly increasing the share of 'renewables' in electricity production to 44 percent (PEI).

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B.4.3 Assumptions

The outlook relates – unless stated otherwise – to adjusted figures, which means that special items such as burdens from efficiency improvement programs and restructurings or positive as well as negative effects from the sale of parts of the company are excluded.

We are also subject to currency translation effects, primarily with regard to the US dollar, British pound, Norwegian krone and South African rand. Planning is based on the assumption that the exchange rates will be within the range of the average level from 2016.

Our forecast takes into account the expected hesitation among our clients in the oil and gas business both in terms of investments and in the maintenance budgets due to the continued uncertain outlook for the price of oil. We also assume that there will be continued aggressive competitive behavior as a result of the tight market and limited demand. This applies to all areas of the market within the production chain, even at a local level we see few differences. In terms of the price of oil, our planning for 2017 is based on a level of approximately US$ 50/bbl.

B. 4.4 Expected business development in 2017

OUTLOOK 2017	Current situation Financial year 2016	Forecast Financial year 2017
Output volume	€4,219 million	Organic decrease in the mid to high single digit percentage range
Adjusted EBITA	€15 million	Further margin improvement of about 100 basis points

Output volume Output volume for the Group (reporting year: €4,219 million) will decrease again in 2017, the organic decline is expected to be in the mid to high single digit percentage range.

In this regard, we anticipate a clearer reduction in output volume in the Engineering & Technologies segment due to a selective acceptance of orders in the project business. In the Maintenance, Modifications & Operations segment, on the other hand, we expect a slight decrease. For Other Operations – considering the sales of companies that have been carried out – a stable organic development is anticipated.

Orders received for the Group will grow organically as compared to the reporting year. As of December 31, 2016, order backlog was €2,618 million. We expect that most of this amount will translate into output volume in 2017.

Adjusted EBITA / adjusted EBITA margin For adjusted EBITA (reporting year: €15 million) we expect a significant increase with a further improvement in the margin of about 100 basis points (reporting year: 0.4 percent).

The basis for an increasing Group margin is a substantial improvement in the Engineering & Technologies segment. Following a loss in the reporting year, we expect a positive result here. In the Maintenance, Modifications & Operations segment, on the other hand, we expect a slight decrease in the adjusted EBITA margin. The adjusted EBITA margin for Other Operations is expected to improve in a similar magnitude as the Group margin.

Adjusted net profit We expect a significant improvement in adjusted net profit (reporting year: -€8 million).

Significant special items in 2017 From today's perspective, we expect special items on EBITA from expenses for restructuring and efficiency enhancements in administration, investments in IT systems for the standardization of the system landscape and expenses in connection with the further development of our compliance system totaling about €90 million. Further, the reported net profit will likely be burdened by the non-capitalization of deferred tax assets on the negative result of the holding. Net profit will decline significantly as compared to the disposal-related high figure from the reporting year and will be negative in financial year 2017.

Return on capital employed We expect a significantly improved return on capital employed after taxes – though it will remain negative as a result of one-time expenses.

Dividend policy We pursue a sustainable dividend policy with the objective of letting our shareholders participate appropriately in the Group's success. Considering the sound balance sheet and planned positive business development, the Executive Board and the Supervisory Board will propose to the Annual General Meeting a dividend payout of €1.00 per share for financial year 2016, despite the negative adjusted net profit. Subject to the Group developing as planned, the Executive Board and Supervisory Board aim to keep the dividend constant, until the dividend distribution policy comes into effect. This aims to pay out to our shareholders between 40 and 60 percent of adjusted net profit, depending on the foreseeable medium-term development of the company.

Share buyback The company plans to cancel its treasury shares in the amount of about 4 percent. A proposal will also be made that the Annual General Meeting approve a new authorization to buy back shares in the maximum amount of 10 percent. On the basis of anticipated business development, the Executive Board intends to propose to the Supervisory Board a share buyback program with a volume of up to €150 million which should begin in financial year 2017.

Adjusted free cash flow In 2017, adjusted free cash flow will improve significantly as compared to the reporting year (-€111 million).

Capital expenditure on property, plant and equipment We expect capital expenditure on property, plant and equipment to rise as compared to the reporting year due to backlog effects. At a share of a good 2 percent of our output volume, there are at the upper end of the sustainable level of between 1.5 and 2 percent.

Financing We have a syndicated cash credit line of €300 million available which is due in 2018. We expect that the limit defined in the loan agreement for the covenant (dynamic gearing ratio = adjusted net debt / adjusted EBITA) can be maintained.

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

Following a difficult financial year 2016, we are concentrating on improving operating performance and on the implementation of the strategy introduced in February 2017: we want to establish a basis for profitable growth by building on our strengths.

Effects from our efficiency enhancement program and from capacity adjustment measures will also contribute to improved margins despite the fact that markets will remain challenging. The new organization makes us stronger in our markets and will lead to leaner processes and thus to a greater level of efficiency.

B.5 Takeover relevant information pursuant to Section 289 Subsection 4 and Section 315 Subsection 4 of the German Commercial Code (HGB)

Structure of subscribed capital

The subscribed capital of (unchanged) €138,072,381 is divided into 46,024,127 bearer shares with an arithmetical value of €3.00 per share. Each share entitles its holder to one vote at the Annual General Meeting.

Limitations relating to voting rights or the transfer of shares

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

Shareholdings in Bilfinger exceeding 10 percent of the voting rights

Investment company Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, notified us on September 29, 2014 with reference to Section 21 Subsection 1 of the German Securities Trading Act (WpHG) that its shareholding in Bilfinger had exceeded the threshold of 25 percent of the voting rights and amounted to 25.62 percent. In accordance with Section 22 Subsection 1 Sentence 1 Number 1 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, Camana Bay, Cayman Islands, Cevian Capital Partners Limited, Floriana, Malta, and Cevian Capital II Co-Investment Fund LP, Camana Bay, Cayman Islands.

Investment company Cevian Capital II Master Fund LP, Camana Bay, Cayman Islands, notified us on September 2, 2014 with reference to Section 21 Subsection 1 of the German Securities Trading Act (WpHG) that its shareholding in Bilfinger had exceeded the threshold of 20 percent of the voting rights and amounted to 20.02 percent. In accordance with Section 22 Subsection 1 Sentence 1 Number 1 of the German Securities Trading Act (WpHG), these voting rights were assigned to Cevian Capital II Master Fund through Cevian Capital Partners Limited.

Investment company Cevian Capital Partners Limited, Floriana, Malta, notified us on September 2, 2014 with reference to Section 21 Subsection 1 of the German Securities Trading Act (WpHG) that its shareholding in Bilfinger had exceeded the threshold of 20 percent of the voting rights and amounted to 20.02 percent.

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 in Bilfinger that 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 7,841 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, the Chairman has a casting vote.

Any amendments to the Articles of Incorporation of Bilfinger SE are subject to the statutory provisions of Section 59 Subsection 1 of the SE Regulations and Sections 133 and 179 of the AktG, as well as the provisions of Article 21 Section 2 of the Articles of Incorporation of Bilfinger SE. Accordingly, a majority of two-thirds of the valid votes cast or, provided that at least half of the share capital is represented, a simple majority of the valid votes cast is sufficient to amend the Articles of Incorporation. This does not apply to a change in the object of the company, for which a resolution in accordance with Section 8 Subsection 6 SE-VO is required as well as for cases in which a greater voting or capital majority is stipulated by law. Pursuant to Article 25 of the Articles of Incorporation, the Supervisory Board is authorized to make resolutions concerning amendments and supplements that affect only the wording of the Articles of Incorporation.

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

In February 2008, the Executive Board, with the consent of the Supervisory Board and on the basis of the authorization granted by the Annual General Meeting of May 23, 2007, bought back 1,884,000 shares through the stock exchange at an average price of €53.07 per share. Of these, a total of 59,517 shares was issued during financial years 2013, 2014 and 2015 as part of employee stock ownership plans and another 9,298 were issued for the same purpose during the reporting period. Afterwards, the company holds 1,815,085 treasury shares; this corresponds to 3.94 percent of the current voting rights.

The company has no rights from these treasury shares (Section 71 b AktG). In accordance with the resolution of May 23, 2007, the Executive Board can sell these shares through the stock exchange, offer them for sale to shareholders under consideration of the principle of equal treatment, use them within the scope of corporate mergers or acquisitions or for the fulfillment of conversion and option rights or recall them without any further resolution by an Annual General Meeting. The Annual General Meeting held on April 18, 2013 authorized the Executive Board, among other things, to offer these treasury shares for sale or to pledge / transfer them, with the approval of the Supervisory Board, to employees of Bilfinger SE and subordinated subsidiary companies as well as to the management of subordinated subsidiary companies; this also includes authorization to offer the shares for sale under other special conditions or to pledge / transfer them at no cost. The Annual General Meeting of May 7, 2015 also authorized the Supervisory Board to use the shares 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 Annual General Meeting of May 7, 2015 canceled the authorization from the Annual General Meeting of April 18, 2013 to acquire the company's own shares; the authorizations in the resolutions of the Annual General Meeting of April 18, 2013 on the use of the company's own shares are not affected. It authorized the Executive Board, with the consent of the Supervisory Board, to acquire the company's own shares until May 6, 2020 in an amount of €13,807,238 of the current share capital under the condition that the shares to be acquired on the basis of this authorization, together with other shares held by the company which the company has already acquired and which are still in its possession or attributable to the company in accordance with Sections 71d and 71e of the AktG, at no time exceed 10 percent of the share capital. Furthermore, the requirements of Section 71 Subsection 2 Sentences 2 and 3 AktG are also to be observed. 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 53 a 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 ten percent higher or ten percent lower than the stock-exchange price of the company's shares resulting from the opening auction in Xetra trading of Deutsche Börse AG (or a comparable successor system). With a public offer to buy, the price offered (excluding incidental costs) may not be more than 10 percent higher or 10 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 XETRA trading of Deutsche Börse AG (or a comparable successor system).

Shares acquired on the basis of this authorization may be offered to all shareholders with consideration of the principle of equal treatment or sold through the stock exchange. With the approval of the Supervisory Board, they may also be disposed of by sale or otherwise if the shares are sold in exchange for cash at a price not substantially below their average stock market price on the last three trading days before determination of the final selling price by the Executive Board. This authorization is limited to a total of 10 percent of the share capital of the company at the time of the resolution of the Annual General Meeting on May 7, 2015 or – if lower – 10 percent of the company's share capital at the time of disposal of the shares. The authorized volume is reduced by the proportionate part of the share capital which is attributable to the shares or to which conversion and / or option rights or obligations under bonds relate which were issued or sold, subject to an exclusion of subscription rights, on or after May 7, 2015 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. These treasury shares may also be offered for sale or to pledge / transfer them, with the approval of the Supervisory Board, to employees of Bilfinger SE and subordinated subsidiary companies as well as to the management of subordinated subsidiary companies; this also includes authorization to offer the shares for sale under other special conditions or to pledge / transfer them at no cost.

The Annual General Meeting of May 7, 2015 also authorized the Supervisory Board to use treasury shares that are acquired as a result of this authorization or which were acquired as a result of a previous authorizations 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.

Approved capital

By resolution of the Annual General Meeting of May 8, 2014, with the consent of the Supervisory Board, the Executive Board was authorized until May 7, 2019 to increase the company's share capital by up to €69,000,000 by the single or multiple issue of new no-par value bearer shares (Approved Capital 2014). 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 the share capital of up to €27,600,000 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.

Conditional capital

By resolution of the Annual General Meeting of April 18, 2013, the share capital was conditionally increased by up to €13,807,236 through the issue of up to 4,602,412 new bearer shares representing a proportionate amount of the share capital of €3.00 per share (Conditional Capital 2013). The conditional capital increase serves to grant shares to holders of conversion or option rights upon the execution of such rights, or to fulfill conversion or option obligations under convertible bonds or bonds with warrants which, in accordance with the authorization granted by the Annual General Meeting on April 18, 2013, are issued and / or guaranteed by the company or by a company of the Group until April 17, 2018.

The conditional capital increase will only be carried out to the extent that holders of bonds make use of their conversion and / or option rights or fulfill their obligations to exercise conversions / options, and the conditional capital is required for this purpose. The new shares participate in profits from the beginning of the financial year in which they are issued as a result of the exercise of conversion or option rights or the fulfillment of conversion or option obligations.

Agreements related to a change of control

In the case of a change of control resulting from an offer to take over Bilfinger SE, as is common business practice, termination possibilities exist for the providers of credit for our syndicated cash credit lines of €300 million, for the bilateral credit lines of €1,400 million, and for the investors in our corporate bond of €500 million.

Compensation agreements in the case of an offer to acquire the Company

In the case of a change of control and if certain other conditions are fulfilled, the members of the Executive Board have the 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 26

B.6 Executive Board remuneration

see page 26

The remuneration of the members of the Executive Board is generally comprised of a fixed annual salary, variable remuneration 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.

C. Consolidated financial statements

C.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 9, 2017
Bilfinger SE
The Executive Board

Thomas Blades | Dr. Klaus Patzak | Michael Bernhardt

C.2 Auditor's report

We have audited the consolidated financial statements prepared by Bilfinger SE, Mannheim, comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report, that was combined with the company's management report, for the fiscal year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [„Handelsgesetzbuch": „German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report meets with legal requirements, is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Mannheim, March 9, 2017
Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Mathieu Meyer	Karen Somes
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

C.3 Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

€ million

	Notes	2016	2015
Revenue	(7)	**4,248.6**	**5,002.1**
Cost of sales		-3,853.4	-4,570.9
Gross profit		**395.2**	**431.2**
Selling and administrative expenses		-480.8	-529.0
Other operating income	(8)	40.1	114.9
Other operating expenses	(9)	-191.4	-532.1
Income from investments accounted for using the equity method		6.1	14.8
Earnings before interest and taxes (EBIT)		**-230.8**	**-500.2**
Interest income	(12)	9.5	7.9
Interest expense	(12)	-28.8	-36.1
Other financial result	(12)	-2.8	-2.2
Earnings before taxes		**-252.9**	**-530.6**
Income tax income / expense	(13)	-25.9	-60.3
Earnings after taxes from continuing operations		**-278.8**	**-590.9**
Earnings after taxes from discontinued operations	(6.1)	**551.0**	**63.8**
Earnings after taxes		272.2	-527.1
thereof attributable to minority interest		1.6	-17.1
Net profit		**270.6**	**-510.0**
Average number of shares (in thousands)	(14)	44,204	44,194
Earnings per share* (in €)	(14)	6.13	-11.54
thereof from continuing operations		-6.33	-12.98
thereof from discontinued operations		12.46	1.44

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ million

	Jan. 1 - Dec. 1	
	2016	2015
Earnings after taxes	272.2	-527.1
Items that will not be reclassified to the income statement		
Gains / losses from remeasurement of net defined benefit liability (asset)		
Unrealized gains / losses	-99.2	9.0
Income taxes on unrealized gains / losses	30.8	-2.7
	-68.4	6.3
Items that may subsequently be reclassified to the income statement		
Gains / losses on fair-value measurement of securities		
Unrealized gains / losses	-13.8	0.0
Reclassifications to the income statement	15.0	0.0
Income taxes on unrealized gains / losses	0.0	0.0
	1.2	0.0
Gains / losses on hedging instruments		
Unrealized gains / losses	-1.6	-4.8
Reclassifications to the income statement	2.3	2.4
Income taxes on unrealized gains / losses	0.1	0.5
	0.8	-1.9
Currency translation differences		
Unrealized gains / losses	-19.5	69.9
Reclassifications to the income statement	0.9	1.8
	-18.6	71.7
Gains / losses on investments accounted for using the equity method		
Gains / losses on hedging instruments		
Unrealized gains / losses	0.0	0.9
Reclassifications to the income statement	1.4	42.2
	1.4	43.1
Currency translation differences		
Unrealized gains / losses	0.0	0.7
Reclassifications to the income statement	0.0	-0.7
	0.0	0.0
	1.4	43.1
	-15.2	112.9
Other comprehensive income after taxes	-83.6	119.2
Total comprehensive income after taxes	188.6	-407.9
attributable to shareholders of Bilfinger SE	189.6	-393.2
attributable to minority interest	-1.0	-14.7

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

CONSOLIDATED BALANCE SHEET

€ million

		Notes	Dec. 31, 2016	Dec. 31, 2015*
Assets	Non-current assets			
	Intangible assets	(15)	848.8	1,692.7
	Property, plant and equipment	(16)	382.7	586.7
	Investments accounted for using the equity method	(17)	10.3	20.2
	Other financial assets	(18)	326.8	62.7
	Deferred taxes	(13)	121.1	172.8
			1,689.7	**2,535.1**
	Current assets			
	Inventories	(19)	57.3	141.7
	Receivables and other financial assets	(20)	1,061.6	1,782.4
	Current tax assets		27.4	41.1
	Other assets	(21)	69.5	83.1
	Cash and cash equivalents		1,032.2	475.1
	Assets classified as held for sale	(6.2)	81.2	126.0
			2,329.2	**2,649.4**
			4,018.9	**5,184.5**
Equity & liabilities	Equity	(22)		
	Share capital		138.1	138.1
	Capital reserve		762.2	759.8
	Retained and distributable earnings		780.8	578.7
	Other Reserves		64.4	76.9
	Treasury shares		-96.3	-96.8
	Equity attributable to shareholders of Bilfinger SE		1,649.2	1,456.7
	attributable to minority interest		-28.3	-39.3
			1,620.9	**1,417.4**
	Non-current liabilities			
	Provisions for pensions and similar obligations	(23)	304.4	512.8
	Other provisions	(24)	28.7	59.8
	Financial debt, recourse	(25)	509.8	514.7
	Financial debt, non-recourse	(25)	0.0	12.5
	Other liabilities	(26)	0.0	17.5
	Deferred taxes	(13)	54.7	83.1
			897.6	**1,200.4**
	Current liabilities			
	Current tax liabilities	(24)	38.6	54.9
	Other provisions	(24)	489.7	603.5
	Financial debt, recourse	(25)	11.5	18.4
	Financial debt, non-recourse	(25)	0.0	0.7
	Trade and other payables	(26)	681.5	1,374.6
	Other liabilities	(27)	210.9	400.8
	Liabilities classified as held for sale	(6.2)	68.2	113.8
			1,500.4	**2,566.7**
			4,018.9	**5,184.5**

* The figures as of December 31, 2015 have been adjusted due to the reclassification of the Power business segment as continuing operations. See Note 5.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ million

	Equity attributable to the shareholders of Bilfinger SE								Attributable to minority interest	Equity
				Other Reserves						
	Share capital	Other reserves	Retained and istributable earnings	Fair valuation of securities reserve	Reserve from hedging transactions	Currency translation reserve	Treasury shares	Total		
Balance at January 1, 2015	**138.1**	**759.8**	**1,170.8**	**0.0**	**-43.5**	**9.9**	**-97.4**	**1,937.7**	**-20.6**	**1,917.1**
Earnings after taxes	0.0	0.0	-510.0	0.0	0.0	0.0	0.0	-510.0	-17.1	-527.1
Other comprehensive income after taxes	0.0	0.0	6.3	0.0	41.2	69.3	0.0	116.8	2.4	119.2
Total comprehensive income after taxes	**0.0**	**0.0**	**-503.7**	**0.0**	**41.2**	**69.3**	**0.0**	**-393.2**	**-14.7**	**-407.9**
Dividends paid out	0.0	0.0	-88.4	0.0	0.0	0.0	0.0	-88.4	-3.5	-91.9
Employee share program	0.0	-0.2	0.0	0.0	0.0	0.0	0.6	0.4	0.0	0.4
Long-term incentive plan	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.2	0.0	0.2
Changes in ownership interest without change in control	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.2	-0.3
Other changes	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	-0.3	-0.2
Balance at December 31, 2015	**138.1**	**759.8**	**578.7**	**0.0**	**-2.3**	**79.2**	**-96.8**	**1,456.7**	**-39.3**	**1,417.4**
Balance at January 1, 2016	**138.1**	**759.8**	**578.7**	**0.0**	**-2.3**	**79.2**	**-96.8**	**1,456.7**	**-39.3**	**1,417.4**
Earnings after taxes	0.0	0.0	270.6	0.0	0.0	0.0	0.0	270.6	1.6	272.2
Other comprehensive income after taxes	0.0	0.0	-68.5	1.2	2.2	-15.9	0.0	-81.0	-2.6	-83.6
Total comprehensive income after taxes	**0.0**	**0.0**	**202.1**	**1.2**	**2.2**	**-15.9**	**0.0**	**189.6**	**-1.0**	**188.6**
Dividends paid out	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.9	-3.9
Employee share program	0.0	-0.2	-0.1	0.0	0.0	0.0	0.5	0.2	0.0	0.2
Long-term incentive plan	0.0	2.6	0.0	0.0	0.0	0.0	0.0	2.6	0.0	2.6
Changes in ownership interest without change in control	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other changes	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	15.9	16.0
Balance at December 31 2016	**138.1**	**762.2**	**780.8**	**1.2**	**-0.1**	**63.3**	**-96.3**	**1,649.2**	**-28.3**	**1,620.9**

CONSOLIDATED STATEMENT OF CASH FLOWS

€ million

	Notes	Jan. 1 - Dec. 31 2016	Jan. 1 - Dec. 31 2015	Oct. 1 - Dec. 31 2016	Oct. 1 - Dec. 31 2015
Earnings after taxes from continuing operations		-278.8	-590.8	-59.4	-16.5
Depreciation, amortization and impairments		108.8	141.0	27.8	42.4
Gains / losses on disposals of non-current assets		0.0	-23.7	0.0	-3.1
Increase/decrease in non-current assets and liabilities		-4.2	-20.0	0.4	-16.1
Deferred tax expense / benefit		0.3	34.2	1.4	-13.6
Adjustment for non-cash income from equity-method investments		1.0	7.0	0.0	5.1
Goodwill impairment and impairment of investments		37.3	330.0	-2.4	0.0
Cash earnings from continuing operations		**-135.6**	**-122.3**	**-32.2**	**-1.8**
Decrease in inventories		17.9	5.2	14.0	9.6
Decrease in receivables		57.2	168.3	78.5	92.8
Increase / decrease in current provisions		-40.1	68.2	-5.7	13.2
Decrease / increase in liabilities		-166.8	-38.6	-64.0	38.2
Change in working capital		**-131.8**	**203.1**	**22.8**	**153.8**
Gains / losses on disposals of non-current assets		43.1	-42.3	31.6	-3.4
Cash flow from operating activities of continuing operations	(32)	**-224.3**	**38.5**	**22.2**	**148.6**
Proceeds from the disposal of intangible assets		0.6	0.8	0.1	0.6
Proceeds from the disposal of property, plant and equipment		29.4	24.4	9.7	4.0
Proceeds from the disposal of subsidiaries net of cash and cash equivalents disposed of		965.5	107.7	-17.0	3.2
Proceeds from the disposal of concession projects		0.0	52.5	0.0	52.5
Disposal of cash and cash equivalents classified as assets held for sale		0.0	-1.9	0.0	-1.9
Proceeds from the disposal of other financial assets		0.4	53.9	0.1	4.0
Investments in intangible assets		-2.0	-4.6	-0.4	-0.5
Investments in property, plant and equipment		-67.7	-57.2	-24.2	-14.4
Acquisition of subsidiaries net of cash and cash equivalents acquired		-0.8	-0.5	0.0	-0.1
Investments in other financial assets		-1.2	-3.0	-0.1	-0.5
Cash flow from investing activities of continuing operations	(32)	**924.2**	**172.1**	**-31.8**	**46.9**
Issue of treasury shares as part of the employee share program		0.0	0.4	0.0	0.0
Dividends paid to the shareholders of Bilfinger SE		0.0	-88.4	0.0	0.0
Dividends paid to minority interest		-2.5	-3.2	0.0	-0.2
Borrowing		2.8	91.5	1.1	0.1
Repayment of financial debt		-5.9	-104.6	0.4	-36.0
Cash flow from financing activities of continuing operations		**-5.6**	**-104.3**	**1.5**	**-36.1**
Change in cash and cash equivalents of continuing operations		**694.3**	**106.3**	**-8.1**	**159.4**
Cash flow from operating activities of discontinued operations	(32)	-123.4	24.1	-12.9	84.7
Cash flow from investing activities of discontinued operations	(32)	-10.5	-87.5	-0.1	-38.9
Cash flow from financing activities of discontinued operations	(32)	-2.5	18.5	0.0	7.6
Change in cash and cash equivalents of discontinued operations		**-136.4**	**-44.9**	**-13.0**	**53.4**
Change in value of cash and cash equivalents due to changes in foreign exchange rates		1.4	2.1	1.2	-0.3
Cash and cash equivalents at January 1 / October 1		475.1	403.1	1,051.0	255.7
Cash and cash equivalents classified as assets held for sale at January 1 / October 1 (+)		4.8	13.3	8.1	11.7
Cash and cash equivalents classified as assets held for sale at December 31 (-)		7.0	4.8	7.0	4.8
Cash and cash equivalents at December 31		**1,032.2**	**475.1**	**1,032.2**	**475.1**

C.4 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 type and number of business segments and divisions has changed as compared to December 31, 2015. As of December 31, 2016, there are five divisions allocated to two business segments. The divisions of the former Building and Facility business segment have been sold. Power was reclassified as continuing operations in the second quarter of 2016. The former divisions Engineering, Automation and Control and Industrial Fabrication and Installation have been combined to create the new Engineering Solutions division in the first quarter of 2016. The former Support Services division was formally dissolved and its companies were allocated to the Industrial Maintenance, Engineering Solutions and Insulation, Scaffolding and Painting divisions. The prior-year figures have been adjusted accordingly.

Description of reportable segments:

Industrial The Industrial segment comprises integrated technical services for the process industry and energy sector with a comprehensive service range across the entire life cycle of industrial facilities – from engineering to maintenance. In financial year 2016, the regional focus of the Industrial business segment was on Europe and the United States.

Power The Power segment comprises engineering and premium services for the energy-generating industry. The services include the design, construction, maintenance, service-life extension, efficiency enhancement and emission reduction of power plant components. Key markets in financial year 2016 included Europe, South Africa and the Middle East.

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

The reconciliation of segment assets in particular includes cash and cash equivalents as well as the non-current and current assets that are not allocated to the business segments. The segment liabilities shown in the reconciliation include the liabilities of Group headquarters and interest-bearing liabilities such as debt and provisions for pensions and similar obligations. Accordingly, the corresponding expense and income items are not recorded in segment earnings (EBITA). Investments in property, plant and equipment also include investments in intangible assets such as licenses or software of €2.0 million

* Figures in € million, unless stated otherwise.

(previous year: €4.6 million). Reconciliation of the total of segment assets or segment liabilities to the total of assets or liabilities results from the carrying amount of the assets classified as held for sale or the liabilities classified as held for sale which are not included in the segment assets or segment liabilities.

SEGMENT REPORTING BY BUSINESS SEGMENT € million	Industrial		Power		Total of segments		Headquarters / Consolidation / Other		Total continuing operations	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Output volume	3,196.9	3,649.6	966.5	1,283.7	4,163.4	4,933.3	55.3	69.2	4,218.7	5,002.5
External revenue	3,155.2	3,596.3	969.9	1,283.9	4,125.1	4,880.2	123.5	121.9	4,248.6	5,002.1
Internal revenue	55.7	69.4	2.3	5.6	58.0	75.0	-58.0	-75.0	0.0	0.0
Total revenue	3,210.9	3,665.7	972.2	1,289.5	4,183.1	4,955.2	65.5	46.9	4,248.6	5,002.1
EBITA (segment earnings)	120.0	127.7	-30.1	-69.5	89.9	58.2	-310.6	-214.8	-220.7	-156.6
Amortization of intangible assets from acquisitions and goodwill impairment	-7.8	-11.7	-2.0	-331.8	-9.8	-343.5	-0.3	0.0	-10.1	-343.5
EBIT (segment earnings)	112.2	116.0	-32.1	-401.3	80.1	-285.3	-310.9	-214.8	-230.8	-500.1
thereof depreciation of property, plant and equipment and amortization of other intangible assets	56.4	70.1	31.6	366.9	88.0	437.0	10.4	12.0	98.4	449.0
thereof income from investments accounted for using the equity method	2.7	5.7	0.4	0.4	3.1	6.1	3.0	8.7	6.1	14.8
Segment assets at December 31	1,822.9	1,956.1	380.0	545.7	2,202.9	2,501.8	1,734.8	829.6	3,937.7	3,331.4
thereof investments in associates and joint ventures accounted for using the equity method	8.0	12.2	2.3	0.0	10.3	12.2	0.0	0.0	10.3	12.2
Segment liabilities at December 31	593.0	740.6	431.3	593.9	1,024.3	1,334.5	1,305.5	1,286.4	2,329.8	2,620.9
Capital expenditure on P, P & E	58.2	46.9	8.0	0.0	66.2	46.9	4.4	5.9	70.6	52.8
Employees December 31	28,762	31,510	7,252	9,669	36,014	41,179	932	1,186	36,946	42,365

SEGMENT REPORTING BY REGION € million	Germany		Rest of Europe		America		Africa		Asia		Australia		Total continuing operations	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Output volume	1,004.1	1,117.4	2,221.4	2,626.7	641.1	845.2	134.5	175.3	217.4	237.7	0.2	0.2	4,218.7	5,002.5
External revenue	1,048.6	1,139.9	2,230.9	2,635.5	616.7	814.1	134.7	175.4	217.5	237.0	0.2	0.2	4,248.6	5,002.1
Non-current assets at December 31	446.6	552.3	501.5	531.2	265.7	254.2	5.1	5.4	12.6	22.8	0.0	0.0	1,231.5	1,365.9

2 General information

Bilfinger SE is a listed stock corporation in accordance with the law of the Federal Republic of Germany. The company is registered with the Commercial Register of the Mannheim District Court under HRB 710296 and has its headquarters at Carl-Reiß-Platz 1-5, 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 2016 were released for publication by the Executive Board on March 9, 2017.

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 315a 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 otherwise stated.

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:

The new and amended IFRSs relevant to Bilfinger and applied as of January 1, 2016 are:

- IAS 1 *Presentation of Financial Statements*
- *Improvements to IFRSs* 2010-2012 / 2012-2014 cycles

The effects of these changes are as follows:

IAS 1 *Presentation of Financial Statements*

The amendments to IAS 1 clarify that disclosures in the notes to the consolidated financial statements are only to be made where their presentation is not immaterial. The amendments also explain the aggregation of line items on the balance sheet and the statement of comprehensive income, clarify how shares of the other comprehensive income of associates and joint ventures accounted for using the equity method are to be presented, and discard the template for the order of the notes to the consolidated financial statements in favor of relevance to a company-specific presentation. The changes have not led to any effects on the consolidated financial statements.

Improvements to IFRSs 2010-2012 / 2012-2014 cycles

The improvements in the two collective standards regarding amendments to IFRS standards published in the context of the Annual Improvements Process include improvements to several IFRSs, mainly to remove inconsistencies and to clarify wording. The changes have not led to any effects on the consolidated financial statements.

IFRSs already published but not yet applied:

IFRS 2 *Share-based Payment*

The changes to IFRS 2 include the following clarifications: While the determination of fair value for cash-settled share-based remuneration has not been clearly regulated in the past, in future the measurement is to be carried out in accordance with the measurement requirements for share-based remuneration with settlement through equity instruments. A further clarification concerns the classification of share-based remuneration while withholding tax. Following the changes, share-based remuneration is to be considered as remuneration settled with equity instruments, insofar as this classification would have been approved for application without a net settlement clause. As a third clarification, the changes to IFRS 2 include specifications for the accounting of cash-settled share-based remuneration, which are to be reclassified as shared-based remuneration with equity instruments as a result of modifications (first application for annual periods beginning on or after January 1, 2018).

IFRS 9 *Financial Instruments*
The new standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* . The objective of IFRS 9 is to simplify the classification and measurement requirements for financial instruments. The standard also includes new guidance regarding hedge accounting and the impairment of financial assets. The effect of the application of IFRS 9 on Bilfinger is currently being reviewed (first application for annual periods beginning on or after January 1, 2018).

IFRS 10 *Consolidated financial statements* and
IAS 28 *Investments in Associates and Joint Ventures*
The amendments to IFRS 10 and IAS 28 eliminate an inconsistency between the two standards with regard to accounting for the sale of assets to an associate or a joint venture or, respectively, the contribution of assets to an associate or joint venture (the date of mandatory initial application has been delayed and is yet to be determined).

IFRS 15 *Revenue from Contracts with Customers*
IFRS 15 replaces the previous standards and interpretations on revenue recognition (IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31) and provides uniform guidance on the recognition, measurement, presentation and disclosures required in the notes to the consolidated financial statements concerning revenue from contracts with customers on the basis of a five-step model. Bilfinger recognizes revenue in accordance with both IAS 11 and IAS 18. We are currently assessing in particular the impact of the new regulations contained in IFRS 15 with regard to transfer of control at a point in time or over time on the recognition of revenue and profit (first application for annual periods beginning on or after January 1, 2018). Changes to the total amount and the timing of revenues recognized from contracts with customers are currently only expected to a very limited extent. On the basis of analyses carried out, it is expected that the majority of construction contracts, which are currently accounted for in accordance with the percentage of completion method, fulfill the prerequisites for a recognition of revenues over time. In addition, Bilfinger expects changes to the balance sheet and further quantitative and qualitative disclosures in the notes. Bilfinger does not expect any significant impact on the consolidated financial statements.

IFRS 16 *Leases*
IFRS 16 Leases IFRS 16 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 capitalize the right of use as an asset right of use and to recognize a lease payment as a liability. The effect of the application of IFRS 16 on Bilfinger is currently being reviewed (first application for annual periods beginning on or after January 1, 2019).

IAS 7 *Statement of Cash Flows*

The amendments to IAS 7 are part of the disclosure initiative of the IASB and concern the extension of the disclosures required in the notes to the consolidated financial statements on changes to financial liabilities included in cash flow from financing activities. The application of the amended standard will presumably lead to an extension of the disclosures required in the notes to the consolidated financial statements (first application for annual periods beginning on or after January 1, 2017).

IAS 12 *Income Taxes*

The amendments to IAS 12 clarify that write-downs of debt instruments measured at fair value which are the result of changes in the market interest rates and lead to a lower market value give rise to deductible temporary differences. Furthermore, the IASB clarifies that the entirety of deductible temporary differences must principally be assessed in order to determine whether sufficient future taxable profit will be generated to utilize against the temporary differences, and gives details on the determination of future taxable income. The effects on Bilfinger are currently being reviewed (first application for annual periods beginning on or after January 1, 2017).

IAS 40 *Investment Property*

The amendments to IAS 40 clarify the regulations as regards the transfer of property to the portfolio or out of the portfolio of investment properties (initial application January 1, 2018). The amendments have no impact on Bilfinger.

IFRIC 22 *Advance Payments in Connection with Foreign Currency Transactions*

IFRIC 22 clarifies the accounting for transactions, which include the receipt or payment of considerations in foreign currency (first application on or after January 1, 2018). The clarifications do not led to any effects on Bilfinger.

Improvements to IFRSs 2014-2016 cycle

The improvements in the collective standards published in the context of the Annual Improvements Process include improvements to several IFRSs, mainly to remove inconsistencies and to clarify wording (first application on or after January 1, 2017).

At the balance-sheet date, IFRS 16, amendments to IFRS 2, IFRS 10 and IAS 28, clarifications to IFRS 15, IAS 7, IAS 12, IAS 40 as well as IFRC 22 and the *improvements to IFRSs* 2014-2016 cycle had not yet been endorsed by the EU Commission. 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 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 3 and 8 years. In accordance with IFRS 3/IAS 36, goodwill and other intangible assets with an indefinite or unlimited useful life are no longer amortized. Instead, these items are subjected to regular annual impairment tests, which are also carried out during the year if there are indications of a lasting reduction in value.

Property, plant and equipment are valued at the cost of acquisition or production. Their loss in value is accounted for by 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 3 and 20 years; other equipment including office and factory equipment is usually depreciated over 3 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 amount. The recoverable amount is the higher of an asset's 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 amount is increased again accordingly, at the most up to the amount of the amortized cost of acquisition. Impairment tests are carried out at the level of the smallest cash-generating unit.

With lease agreements where the risks and rewards of ownership of the leased asset are allocated to a company of the Bilfinger Group (finance leases), the item is capitalized at the lower of its fair value or the present value of the lease payments. Depreciation takes place over the useful life. Payment obligations resulting from future lease payments are recognized under financial liabilities.

The classification of agreements as lease agreements takes place on the basis of the substance of the transaction. That is, a test is carried out as to whether the fulfillment of the agreement depends on the use of specific assets and whether the agreement confers the right of use of those assets.

Investments accounted for using the equity method – associates and jointly controlled entities – are valued with consideration of the prorated net asset change of the company as well as any impairments which may have been recognized.

Joint arrangements are contractual agreements in which two or more parties carry out a business activity under joint control. These include not only joint ventures, which also comprise construction consortiums, but also joint operations. The share of assets, liabilities, income and expenses of joint operations allocable to Bilfinger under the arrangement are 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 at the end of the reporting period if this is lower. If the net realizable value of inventories that were written down in the past has risen again, their carrying amounts 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 is 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 a company becomes a party to the contractual provisions of the instrument. Initial measurement is at fair value including transaction costs. Subsequent measurement of financial instruments is either at amortized cost or fair value, depending on the allocation of the instrument to the categories stipulated in IAS 39. 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).

IAS 39 divides financial assets into four categories:

Financial Assets Held for Trading (FAHfT) (Financial Assets at Fair Value through Profit or Loss)	Financial assets held for trading (financial assets at fair value through profit or loss)
Held-to-Maturity Investments (HtM)	Held-to-maturity financial investments
Loans and Receivables (LaR)	Loans and receivables
Available-for-Sale Financial Assets (AfS)	Available-for-sale financial assets

Available-for-sale financial assets are any non-derivative financial assets designated as available for sale, and those that are not classified to any of the other three categories of financial assets listed above.

Financial liabilities are divided into the following categories:

Financial Liabilities Held for Trading (FLHfT) (Financial Liabilities at Fair Value through Profit or Loss)	Financial liabilities held for trading (financial liabilities at fair value through profit or loss)
Financial Liabilities at Amortised Cost (FLAC)	Financial liabilities at amortized cost

Initial recognition of non-derivative financial assets is at the settlement date. Initial recognition of derivative financial instruments is at the trade date.

The amortized cost of a financial asset or financial liability is calculated using the effective interest method from the historical cost of acquisition minus capital repaid plus or minus the accumulated amortization of any difference between the original amount and the amount repayable at maturity and minus any depreciation and impairments or plus reversals. With current receivables and liabilities, amortized cost is equal to the nominal value or the redemption amount.

Fair value is the (market) price that could be obtained on the hypothetical transfer of a certain asset or a certain liability in an orderly (market) transaction in the respective accessible primary market or in the most advantageous market between market participants at the measurement date. For the measurement of fair value, the valuation technique is to be applied which is the most appropriate to the given circumstances and which makes use of as much objective and/or observable information as possible. Depending on the type of asset or liability to be measured, this is the market-price method (e.g., with traded financial instruments), the replacement method (e.g., with property, plant and equipment) or the discounted- cash-flow method (e.g. OTC derivatives and shares in non-listed companies).

Equity interests in non-listed companies shown under other non-current financial assets are classified as available-for-sale financial assets. They are measured at fair value directly in equity, taking into account deferred taxes, if that value can be reasonably estimated; otherwise they are measured at amortized cost (AfS-AC). Unrealized gains and losses from changes in fair value are recognized in equity with no impact on profit or loss, with due consideration of deferred taxes.

Receivables and other financial assets are measured at amortized cost, with the exception of derivative financial instruments. Possible default risks are reflected by allowances for impairments in separate impairment accounts. Individual impairments are recognized if there is an indication of a loss in value such as delayed payment or if there is information on the contracting party's significant financial difficulties and the present value of the expected future payments plus any payments from the disposal of sureties or other risk-reducing agreements is lower than the carrying amount. Irrecoverable receivables are written off.

Receivables from construction contracts are accounted for in accordance with IAS 11 using the percentage-of-completion (PoC) method. Revenue is recognized in relation to the percentage of completion of each contract.

If, for construction contracts, output has been produced which exceeds the amount of advances received, this excess is shown under trade receivables. If the amount of advances received from invoices is higher than the output produced, this excess is shown under advances received from construction contracts. Receivables from percentage of completion correspond to the balance of progress payments invoiced less progress payments received; they are shown together with trade receivables. Anticipated contract losses are accounted for in full from the time that they become known.

Receivables from the provision of services are accounted for in accordance with IAS 18 also using the percentage-of-completion method – provided that the conditions for application are fulfilled – and are presented analogously to receivables from construction contracts.

Construction contracts processed in consortiums are measured according to the percentage-of-completion method. Receivables from and payables to consortiums take account not only of payments received and made, but also of internal cost allocations and prorated profits on orders.

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 are recognized in profit or loss. Changes in the market prices of other securities measured at fair value are recognized in retained earnings (fair value measurement of securities reserve) with no effect on profit or loss, with due consideration of deferred taxes. With these securities, impairment losses are recognized if there is any indication of a significant or lasting reduction in value.

Cash and cash equivalents, primarily comprising cash at banks and cash in hand, are measured at amortized cost.

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.

Derivative financial instruments are used solely to hedge against interest-rate and currency exchange-rate risks and, if necessary, commodity price risks. Purely speculative transactions without any underlying basic transaction are not undertaken. The most important derivative financial instruments are currency futures, currency options and commodity swaps.

In accordance with IAS 39, 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).

With derivative financial instruments related to hedging instruments, measurement depends on changes in fair value due to the type of hedging instrument.

The goal of hedging with the use of a fair-value hedge is to offset changes in the fair values of balance-sheet assets and liabilities, or of off-balance fixed obligations, through opposing changes in the market value of the hedging transaction. The carrying amount of the hedged underlying transaction is adjusted to changes in market values if these changes result from the hedged risk factors. The changes in market values of the hedging transactions and the adjustments of the carrying amounts of the hedged underlying transactions are recognized through profit or loss.

Cash-flow hedges are used to safeguard future cash flows from recognized assets or liabilities or from unrecognized firm commitments and from highly probable forecast transactions. Changes in the effective part of the fair value of a derivative are at first recognized under equity with no effect on profit or loss, with due consideration of deferred taxes (hedging transactions reserve), and are only recognized through profit or loss when the hedged underlying transaction is realized. The ineffective part of the hedging instrument is recognized immediately through profit or loss.

Derivative financial instruments that are not related to a hedging instrument as defined by IAS 39 are deemed to be financial assets or financial liabilities held for trading. For these financial instruments, changes in fair value are immediately recognized through profit or loss.

Share-based payments as defined by IFRS 2 are measured on the basis of the share price with consideration of a discount due to the lack of dividend entitlement at fair value at the end of the reporting period. Here, the Monte Carlo Simulation method is also used. Expenses from share-based payments are recognized on a pro-rata basis in the relevant vesting period. In the case of cash-settled share-based payment transactions, the expense is shown by recognizing a provision; in the case of equity-settled share-based payment transactions, the expense is entered directly in equity.

Non-current assets held for sale and disposal groups as well as related liabilities are classified as such and presented separately in the balance sheet. Assets are classified as held for sale if the carrying amounts are primarily to be realized through a sale transaction rather than through continuing use. The sale must be highly probable and the assets or disposal groups must be immediately saleable in their present condition. These assets and disposal groups are measured at the lower of carrying amount or fair value less cost to sell, and are no longer systematically depreciated or amortized. Impairment losses are recognized if the fair value less cost to sell is lower than the carrying amount. Any reversals of impairment losses due to an increase in fair value less cost to sell are limited to the previously recognized impairment losses. Impairment charges allocated to the carrying amount of goodwill are not reversed.

Assets and liabilities of discontinued operations are treated as disposal groups. A discontinued operation is a separate major line of business or geographical area of operations which is held for sale. In addition, earnings after taxes from discontinued operations are presented separately in the income statement.

Revenue from construction contracts is recognized in accordance with IAS 11 Construction Contracts with the use of the percentage-of- completion method – provided that the conditions for application are fulfilled. Depending on reliability, the stage of completion is determined on the basis of the ratio of the output volume already delivered at the end of the reporting period to the total output volume to be delivered or on the basis of the ratio of costs already incurred to the estimated total contract costs. If the results of construction contracts cannot be reliably estimated, revenue is calculated using the zero-profit method in the amount of the costs incurred and probably recoverable.

Revenue from the provision of services is recognized in accordance with IAS 18.20 with the use of the percentage-of-completion method – provided that the conditions for application are fulfilled. In the area of services, percentage of completion is mainly calculated using the cost-to-cost method.

Revenue from the sale of goods is recognized according to the criteria of IAS 18.14 (revenue recognition on the transfer of significant risks and rewards of ownership).

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 €7.4 million (previous year: €9.9 million) were recognized.

Borrowing costs that can be directly allocated to the acquisition, construction or production of an asset which requires a considerable period of time to be put into its intended condition for use or for sale are capitalized as part of that asset's cost of acquisition or production. All other borrowing costs are expensed in the period in which they are incurred. In the year under review, no borrowing costs were capitalized, as in the prior year.

Summary of selected measurement methods:

Balance-sheet item	Measurement method
Goodwill and intangible assets with an indefinite or unlimited useful life	Cost of acquisition (no amortization, regular and indication-induced impairment tests)
Intangible assets with a finite useful life	Amortized cost (straight-line amortization, indication-induced impairment tests)
Property, plant and equipment	Depreciated cost of acquisition or production (systematic depreciation, normally straight-line, indication-induced impairment tests)
Assets capitalized in the context of finance leasing	Fair value upon capitalization or present value of minimum leasing payments less systematic depreciation (indication-induced impairment tests)
Investments accounted for using the equity method	Cost of acquisition increased and reduced by the proportionate change in net assets (indication-induced impairment tests)
Equity interests	Cost of acquisition (indication-induced impairment tests)
Securities (AfS)	Fair value
Securities (HtM)	Amortized cost (effective-interest method, indication-induced impairment tests)
Inventories	Lower of cost of acquisition or production or net realizable value
Receivables from construction and services contracts	Percentage-of-completion method, amortized cost
Loans granted and receivables	Amortized cost (effective-interest method, indication-induced impairment tests)
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	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)

3.3 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 by the percentage of completion method: With the use of the percentage-of-completion-method, estimates have to be made with regard to the percentage of completion, the contract costs to complete the contract and the total contract revenue. Changes in those estimates can lead to an increase or decrease in revenue for the period. In financial year 2016, revenue of €2,613.5 million was realized by the percentage-of-completion method (previous year: €3,607.3 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 individual projects and influencing factors.
- Allowances for bad debts: Allowances for bad debts include to a great extent estimates and assessments of individual receivables that are based on the creditworthiness of the respective client, current economic developments and collaterals received. The carrying amount of receivables at December 31, 2016 was €1,019.3 million (previous year: €1,704.1 million), whereby allowances for default risks for trade receivables amounted to €24.5 million (previous year: €25.5 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 counterparties and relevant factors.
- 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. Obligations increase as of December 31, 2016 due to adjustments of further measurement assumptions. See Note 23 for details of the assumptions made and possible risks.
- Other provisions: The recognition of provisions for risks relating to contracts and litigation as well as warranty risks, personnel-related obligations, restructuring measures and other uncertain liabilities to a great extent involves estimates by Bilfinger. These estimates can change as a result of new information, for example with ongoing project progress or with the status of proceedings. The actual cash outflows or expenses can deviate from the original and updated estimates and can affect profit or loss accordingly. The carrying amount of other provisions at December 31, 2016 was €518.4 million (previous year: €663.3 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 hand. 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 at December 31, 2016 was €121.1 million (previous year: €172.8 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 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 obtained as a non-cash purchase price components for the former Building, Facility Services and Real Estate divisions, are measured as non-listed securities (available for sale) at fair value in level 3 in accordance with the IFRS 13 hierarchy. The measurement of fair value involves estimates by the management. See Note 28 of the notes to the consolidated financial statements for further details.

3.4 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 output volume have been adjusted to exclude any inter-company profits. Deferred taxes from consolidation processes affecting profit have been accrued / deferred.

3.5 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	
		2016	2015	2016	2015
Australia	AUD	1.4878	1.4776	1.4593	1.4990
China	CNY	7.3521	6.9732	7.3228	7.0910
United Kingdom	GBP	0.8199	0.7258	0.8554	0.7380
India	INR	74.3472	71.1954	71.6285	72.5350
Canada	CAD	1.4656	1.4184	1.4184	1.5171
Qatar	QAR	4.0294	4.0419	3.8310	3.9670
Croatia	HRK	7.5331	7.6138	7.5572	7.6370
Nigeria	NGN	287.6781	219.3594	331.6201	216.8513
Norway	NOK	9.2899	8.9488	9.0866	9.6160
Poland	PLN	4.3637	4.1849	4.4240	4.2615
Sweden	SEK	9.4700	9.3537	9.5508	9.1878
Switzerland	CHF	1.0901	1.0678	1.0738	1.0814
South Africa	ZAR	16.2535	14.1699	14.4535	16.8847
Czech Republic	CZK	27.0338	27.2788	27.0200	27.0250
Hungary	HUF	311.4448	310.0759	311.0200	313.1200
United Arab Emirates	AED	4.0645	4.0769	3.8641	4.0014
United States	USD	1.1066	1.1095	1.0543	1.0926

4 Consolidated group

4.1 Changes in the consolidated group and inclusion

53 (previous year: 140) companies in Germany and 99 (previous year: 186) companies based outside of Germany have been included in the consolidated financial statements. Of these, 0 (previous year: 1) company in Germany and 5 (previous year: 3) companies based outside of Germany have been consolidated for the first time in the reporting period. In addition, 87 (previous year: 23) companies in Germany and 92 (previous year: 18) companies based outside of Germany were no longer included in the consolidated group due to sale or merger. A further 10 (previous year: 33) 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 2016.

4.3 Disposals

In financial year 2016, the former Building, Facility Services, Real Estate and Water Technologies divisions, the steel and mechanical engineering activities, the Asia-Pacific activities from the Engineering Solutions division, activities related to the manufacturing and installation of offshore foundations of the former Offshore Systems and Grids division and the investments in the Bilfinger Duro Dakovic Montaza Group and Bilfinger Rosink GmbH of the Power business segment were sold and the acquisition of the Mauell Group was reversed.

The former Construction division was sold to the Swiss construction and construction services company Implenia and the former Infrastructure division was sold to the Austrian construction company Porr in the previous year. Furthermore, the shares in two Hungarian motorway concession projects, accounted for using the equity method, were sold to a consortium consisting of Aberdeen Asset Management, Intertoll and the European Bank for Reconstruction and Development.

The overall effects of the sales were as follows:

EFFECTS AT THE TIME OF SALE

	2016	2015
Disposal of goodwill	-109.9	
Disposal of other non-current assets	-59.5	
Disposal of current assets	-118.5	
Disposal of cash and cash equivalents	-28.0	
Disposal of assets classified as held for sale	-1,740.8	-354.5
Disposal of assets	**-2,056.7**	**-354.5**
Disposal of non-current liabilities	14.1	
Disposal of current liabilities	67.7	
Disposal of liabilities classified as held for sale	1,047.1	308.5
Disposal of liabilities	**1,128.9**	**308.5**
Disposal of net assets	**-927.8**	**-46.0**
Derecognition of minority interest	17.9	0.1
Disposal of intercompany receivables	-37.1	-88.2
Disposal of loans	-0.9	-22.7
Reclassification of other comprehensive income to the income statement		-48.5
Other changes	**-20.1**	**-159.3**
Sale price less selling transaction expenses	1,465.5	286.6
Capital gain / loss after selling transaction expenses	**517.6**	**81.3**
Risk provision	-49.1	-67.4
Capital gain including risk provision	**468.5**	**13.9**

A capital gain, including a risk provision, in the amount of €516.2 million (previous year: €13.0 million) is reported in earnings from discontinued operations and a capital loss in the amount of €47.7 million (previous year: €0.9 million) in other operating expense.

The sale price for the former Building, Facility Services and Real Estate divisions includes the following non-cash components, which were recognized at fair value and presented as non-current other financial assets:

- An interest-bearing vendor claim of €100.0 million as well as
- Equity-like participation rights (available for sale) of €195.4 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 decreased by €0.1 million and minority interest decreased by €0.2 million in the previous year.

5 Reclassification of the Power business segment as continuing operations

The Executive Board of Bilfinger SE decided in the second quarter of 2016 to reposition the selling process for Power which began in mid-2015. Rather than continuing to focus on the sale of the whole business, individual sales will now be pursued. At the same time, individual areas will be further restructured and repositioned. As a result of this decision, the conditions for the presentation of the Power business segment as discontinued operations are no longer met. Accordingly, the Power business segment has once again been presented as continuing operations since the second quarter of 2016.

In the course of the reclassification, the items in the financial statements for the prior-year period will be adjusted in such a way as if the presentation as discontinued operations had never occurred (among other things, consideration of depreciation and amortization). In addition, impairment losses on non-current assets of €28.5 million, of which €13.7 million applies to financial year 2015, were recognized as a result of the valuation at the lower value of the carrying amount calculated under consideration of depreciation and amortization and the recoverable amount. In addition, goodwill of the business segment was tested for impairment; the test did not result in any need for impairment. In total, depreciation, amortization and impairments in the amount of €25.1 million were retroactively recognized for financial year 2015. This led to a reduction of earnings after taxes for financial year 2015 in the amount of €23.8 million, of which €2.5 million is allocated to minority interest. Further, this also resulted in an increase in the currency translation reserve in the amount of €1.9 million. The carrying amounts of the assets and equity as of December 31, 2015 have been adjusted accordingly.

The comparative figures for previous periods presented in these consolidated financial statements have, as a result of the reclassification, been restated as follows:

- Consolidated income statement and consolidated statement of comprehensive income: The comparative figures for the previous year were adjusted as described above.
- Consolidated balance sheet: In contrast to the consolidated balance sheet published in the consolidated financial statements for 2015 as of December 31, 2015, the individual items presented for the consolidated balance sheet as of December 31, 2015 in these consolidated financial statements also include the carrying amounts of the Power business segment rather than a combined presentation under *Assets classified as held for sale* and *Liabilities classified as held for sale*.
- Consolidated statement of changes in equity: In contrast to the consolidated statement of changes in equity published in the consolidated financial statements as of December 31, 2015, the consolidated equity as of January 1, 2016 presented in these consolidated financial statements considers the retroactively adjusted earnings after taxes from financial year 2015 as well as the resulting effects on the currency translation reserve (see above).
- Consolidated statement of cash flows: In contrast to the consolidated statement of cash flows published in the consolidated financial statements as of December 31, 2015, the comparative figures for the consolidated statement of cash flows in these consolidated financial statements consider the effects from the changed values of the consolidated income statement and the consolidated balance sheet.

6 Discontinued operations and disposal groups

6.1 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 former Water Technologies division,
- the significant portions of the former Offshore Systems and Grids division sold or still put up for sale,
- the disposed activities of the former Construction division,
- the disposed former Infrastructure division, as well as
- abandoned construction activities.

The former Water Technologies division was sold to the Chinese company Chengdu Techcent Environment Group on March 31, 2016. It is retrospectively reported as discontinued operations.

On August 4, 2016, the activities related to the manufacturing and installation of offshore foundations of the former Offshore Systems and Grids division were sold to the VTC group Munich and the Dutch Van Oord group. The selling process for the remaining marine construction activities will be continued.

The former Building, Facility Services and Real Estate divisions were sold to EQT on September 1, 2016.

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.

All discontinued operations with the exception of 'Building, Facility Services, Real Estate' and 'Water Technologies' are reported together under Construction activities.

Earnings from discontinued operations are allocated to 'Construction activities', 'Building, Facility Services, Real Estate' and 'Water Technologies' as follows:

	2016	2015
Construction activities	-9.9	-13.9
Building, Facility Services, Real Estate	580.5	69.0
Water Technologies	-19.6	8.7
Earnings after taxes from discontinued operations	**551.0**	**63.8**

A loss after taxes from discontinued operations of €546.8 million is attributable to the shareholders of Bilfinger SE (previous year: €71.6 million).

6.1.1 Construction activities

	2016	2015
Output volume (for information purposes)	155.4	295.5
Revenue	156.8	281.6
Expenses / income	-159.9	-356.5
Capital gain / loss including impairment	-5.1	56.4
EBIT	**-8.2**	**-18.5**
Interest result	-1.6	0.1
Earnings before taxes	**-9.8**	**-18.4**
Income tax income / expense	-0.1	4.5
Earnings after taxes	**-9.9**	**-13.9**

A capital loss in the amount of €5.1 million resulted from the sale of the activities related to the manufacturing and installation of offshore foundations of the former Offshore Systems and Grids division.

The capital loss including impairment in the previous year resulted from impairments to the activities for the manufacturing and installation of offshore foundations of the former Offshore Systems and Grids division as well as the gain from the sale of the former Construction and Infrastructure divisions.

6.1.2 Building, Facility Services, Real Estate

	2016	2015
Output volume (for information purposes)	1,556.2	2,477.6
Revenue	1,557.6	2,482.0
Expenses / income	-1,496.7	-2,391.0
Capital gain on disposal	538.4	0.0
EBIT	**599.3**	**91.0**
Interest result	-5.6	-8.2
Earnings before taxes	**593.7**	**82.8**
Income tax income / expense	-13.2	-13.8
Earnings after taxes	**580.5**	**69.0**

Under consideration of a risk provision of €49.1 million, a capital gain in the amount of €538.4 million resulted from the sale of the former Building, Facility Services and Real Estate divisions.

6.1.3 Water Technologies

	2016	2015
Output volume (for information purposes)	52.6	280.8
Revenue	53.6	282.8
Expenses / income	-55.1	-261.7
Capital gain / loss including impairment	-17.1	0.0
EBIT	**-18.6**	**21.1**
Interest result	-0.6	-2.0
Earnings before taxes	**-19.2**	**19.1**
Income tax income / expense	-0.4	-10.4
Earnings after taxes	**-19.6**	**8.7**

Under consideration of an impairment loss, a capital loss in the amount of €17.1 million resulted from the sale of the former Water Technologies division.

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

As of the balance-sheet date, assets classified as held for sale and liabilities classified as held for sale comprise the following disposal groups:

- the marine construction activities of the former Offshore Systems and Grids division not yet sold,
- the shares of Julius Berger Nigeria plc (16.5 percent) that have been put up for sale,
- The Group companies MCE Aschersleben GmbH, Bilfinger Babcock CZ s.r.o. and Bilfinger Babcock Hungary Kft. of the Power business segment, that have been put up for sale,
- the Bilfinger Scheven GmbH and Envi Con & Plant Engineering GmbH Group companies of the Engineering Solutions division, which have been put up for sale,
- The Group company Bilfinger IT Hungary Kft. of the Industrial Maintenance division, which has been put up for sale.

As of December 31, 2015, the activities of the former Offshore Systems and Grids division, which had already been sold as of the reporting date, were still included.

In the third and fourth quarter of 2016, MCE Aschersleben, Bilfinger Babcock CZ s.r.o. and Bilfinger Babcock Hungary Kft. of the Power business segment were put up for sale. The activities were classified as disposal group accordingly and were measured through profit and loss at fair value less cost to sell. Fair value was measured on the basis of the expected selling prices. This resulted in an impairment loss of €4.9 million (see Note 9).

In the fourth quarter, Bilfinger Scheven GmbH and Envi Con & Plant Engineering GmbH from the Engineering Solutions division as well as Bilfinger IT Hungary Kft. from the Industrial Maintenance were put up for sale. The activities were classified as disposal group accordingly and were measured at fair value less cost to sell. Fair value was measured on the basis of the expected selling prices. This resulted in an impairment loss of €18.0 million (see Note 9).

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

	Dec. 31, 2016	Dec. 31, 2015
Goodwill	4.0	0.0
Other non-current assets	42.9	98.0
Current assets	27.3	23.0
Cash and cash equivalents	7.0	5.0
Assets classified as held for sale	**81.2**	**126.0**
Non-current liabilities	1.6	6.9
Current liabilities	66.6	106.9
Liabilities classified as held for sale	**68.2**	**113.8**

The disposal group's cumulative other comprehensive income after taxes as of the balance sheet date amounts to minus €0.6 million (previous year: minus €0.8 million), of which €0.0 million (previous year: €0.4 million) is attributable to minority interest.

Notes to the income statement

7 Revenue

Revenue of €2,613.5 million (previous year: €3,607.3 million) includes revenue resulting from the application of the percentage-of-completion method.

8 Other operating income

	2016	2015
Income from the reversal of other provisions	9.0	3.8
Gains on the disposal of property, plant and equipment	7.6	6.9
Income from the reversal of impairments on trade receivables	3.5	1.5
Income from operating investments	2.5	41.7
Income from currency translation and hedging	1.9	20.6
Other income	15.6	40.4
Total	40.1	114.9

The amount for income from operating investments in the previous year included a gain of €27.8 million from the reduction of our investment in Julius Berger Nigeria plc and Julius Berger International GmbH as well as gains from the sale of the project company Power Office in the amount of €9.7 million.

Other income includes numerous items of minor individual importance. In the previous year, this included earnings from the remeasurement of contingent consideration for the acquisition of subsidiaries of €5.9 million as well as gains from the remeasurement of the remaining shares in Julius Berger Nigeria plc in the amount of €23.7 million.

9 Other operating expenses

	2016	2015
Expenses from operating investments	87.9	8.2
Restructuring expenses	80.3	111.8
Impairment of trade receivables	7.9	6.7
Losses on the disposal of property, plant and equipment	3.2	1.7
Expenses for currency translation and hedging	2.9	16.5
Compliance expenses	2.4	26.6
Expenses from additions to other provisions	1.2	7.1
Impairments of other receivables (excluding trade receivables) and other financial assets	1.1	1.5
Goodwill impairment	–	330.0
Other expenses	4.5	22.0
Total	191.4	532.1

Expenses from operating investments primarily include losses from the disposal of and impairments to investments (see Notes 4.3 and 6.2).

Restructuring expenses particularly relate to the Power business segment and primarily include expenses for workforce reductions.

Compliance expenses relate to expenses in connection with the requirements for the further development of the compliance system and the conclusion of old cases. In the current year, compliance costs in the amount of €20.8 million were also reported under administrative expense.

The goodwill impairment in the previous year relates to the Power business segment, which was recognized at fair value less costs to sell as part of the reclassification as discontinued operations in the previous year. The Power business segment was reclassified as continuing operations in the course of the current year (see Notes 5 and 11).

Other expenses includes numerous other items of minor individual importance. In the previous year, expenses in connection with the audit of the internal control system in the amount of €7.1 million were included here.

10 Personnel expenses and average number of employees

The following table shows personnel expenses as well as the average number of employees.

	2016	2015
Personnel expenses (€ million)	**2,098.3**	**2,429.4**
Wages and salaries	1,738.0	2,022.8
Social security costs	316.4	349.4
Pension obligation expenses	43.9	57.2
Average number of employees		
Salaried	**14,109**	**16,251**
Germany	4,031	4,662
International	10,078	11,589
Industrial employees	**23,836**	**27,062**
Germany	4,854	5,431
International	18,982	21,631
Total employees	**37,945**	**43,313**

The total number of employees relates to continuing operations.

11 Depreciation, amortization and impairments

Scheduled amortization of €10.1 million was carried out on intangible assets from acquisitions (previous year: €13.5 million) and is included in cost of sales. Depreciation of property, plant and equipment and the amortization of other intangible assets amount to €98.4 million (previous year: €118.3 million). This includes impairment losses of €15.9 million (previous year: €20.1 million).

12 Interest and other financial income / expense

Interest and other financial income / expense comprise the following items of the income statement:

		2016		2015
Interest income		**9.5**		**7.9**
Current interest expense		-23.1		-29.9
Interest expense from defined benefit obligation (DBO)	-9.5		-9.8	
Interest income on plan assets	3.8	-5.7	3.6	-6.2
Interest expense		**-28.8**		**-36.1**
Income on securities		0.0		0.0
Interest expense for minority interest		-2.8		-2.2
Other financial result		**-2.8**		**-2.2**
Total		**-22.1**		**-30.4**

Interest income is primarily earned on deposits of cash and cash equivalents with variable interest rates as well as accrued interest from interest-bearing vendor claims (see Note 4.3).

Current interest expense is mainly incurred on financial debt with fixed interest rates.

With an unchanged investment policy, an increase in interest rates would lead to higher interest income.

The interest expense for minority interest reflects the share in profits of the minority interest which is classified as borrowing due to contractual regulations, in particular preemption rights pursuant to IAS 32.

13 Income tax

Income taxes are the taxes on income and earnings paid, owed or deferred in the various countries. The calculations are based on the expected tax rates in those countries at the time of realization. Those expected tax rates are derived from the statutory regulations that are in force or enacted at the end of the reporting period.

	2016	2015
Actual taxes	25.6	26.2
Deferred taxes	0.3	34.1
Total	**25.9**	**60.3**

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

	2016	2015
Earnings before taxes	-252.9	-530.5
Theoretical tax expense at 30.95%	-78.3	-164.2
Tax-rate differences	-6.9	-1.3
Tax-rate effects of non-deductible expenses and tax-free income	26.5	125.0
Losses for which no deferred tax assets are capitalized and changes in value adjustments	86.1	105.2
Taxes from other accounting periods	-1.5	-4.4
Income tax expense	**25.9**	**60.3**

The combined income tax rate for Bilfinger SE was 30.95 percent, as in the prior year, consisting of corporate income tax at a rate of 15 percent and the solidarity surcharge, which is levied at a rate of 5.5 percent of the applicable corporate income tax, as well as trade tax at an average municipal multiplier of 432 percent.

Deferred tax assets on tax-loss carryforwards are only recognized insofar as their realization is reasonably certain. Based on current assessments, this is not the case on particular for the losses incurred in the current financial year at Bilfinger SE and its tax-group companies, so that no deferred tax assets on tax-loss carryforwards were recognized as of December 31, 2016.

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, 2016	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2015
Non-current assets	12.6	19.0	37.9	70.8
Current assets	55.7	93.8	59.5	117.8
Provisions	98.0	164.8	17.5	26.7
Liabilities	32.5	76.5	47.0	78.8
Tax-loss carryforwards	29.5	29.7		
Corporate income tax (or comparable taxes outside Germany)	29.5	28.3	–	–
Trade taxes	–	1.4	–	–
Offsetting	-107.2	-211.0	-107.2	-211.0
Carried in the balance sheet	**121.1**	**172.8**	**54.7**	**83.1**

At the end of the reporting period, deferred taxes in the amount of €48.7 million (previous year: €51.7 million) mainly from the measurement of retirement benefit obligations pursuant to IAS 19 as well as from the measurement of financial instruments pursuant to IAS 39 were offset against equity.

The total amount of deferred tax assets of €121.1 million (previous year: €172.8 million) includes future reductions in tax payments of €29.5 million (previous year: €29.7 million) that arise from the expected utilization in future years of existing tax-loss carryforwards. The realization of the tax-loss carryforwards is reasonably certain. Non-capitalized tax-loss carryforwards for corporate income tax (or comparable taxes outside Germany) amount to €689.6 million (previous year: €467.1 million) and for trade tax to €639.0 million (previous year: €343.3 million). Of the tax-loss carryforwards not recognized as deferred tax assets, €32.3 million (previous year: €1.5 million) will expire within the next 5 years, €35.6 million (previous year: €5.5 million) within the next 10 years, €0 million (previous year: €14.3 million) within the next 15 years and 20 years (previous year: €14.6 million).

Deferred tax liabilities for tax payments on possible future dividend payments out of subsidiaries' retained earnings have not been recognized if these earnings are required for the long-term financing of the respective subsidiaries.

Sufficient provisions have been set aside for risks resulting from tax items not yet assessed as of the date of the calculation of tax assets and tax liabilities. The tax items are determined based on the most likely interpretation of tax code provisions.

14 Earnings per share

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

	2016	2015
Net profit	270.6	-510.0
Weighted average number of shares issued	44,204,393	44,194,276
Earnings per share, basic / diluted (in €)	**6.13**	**-11.54**
thereof from continuing operations	-6.33	-12.98
thereof from discontinued operations	12.46	1.44

Notes to the balance sheet

15 Intangible assets

COST OF ACQUISITION OR PRODUCTION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
January 1, 2016	**123.7**	**2,056.3**	**175.7**	**0.8**	**2,356.5**
Additions to the consolidated group	0.1	0.0	0.0	0.0	0.1
Disposals from the consolidated group	58.2	818.1	96.1	0.5	972.9
Additions	2.0	0.0	0.0	0.0	2.0
Disposals	3.4	0.0	8.4	0.0	11.8
Reclassifications	0.5	0.0	0.0	-0.3	0.2
Currency adjustments	0.5	3.5	0.3	0.0	4.3
Reclassification of disposal group	-3.0	-11.5	0.0	0.0	-14.5
December 31, 2016	**62.2**	**1,230.2**	**71.5**	**0.0**	**1,363.9**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Licenses, software and similar rights and assets	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
January 1, 2016	**93.8**	**478.1**	**91.9**	**0.0**	**663.8**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	40.5	64.1	40.8	0.0	145.4
Additions	5.6	0.0	9.8	0.0	15.4
Disposals	2.8	0.0	8.4	0.0	11.2
Reclassifications	0.2	0.0	0.0	0.0	0.2
Write-ups	0.0	0.0	0.0	0.0	0.0
Currency adjustments	0.5	0.0	0.2	0.0	0.7
Reclassification of disposal group	-3.0	-5.4	0.0	0.0	-8.4
December 31, 2016	**53.8**	**408.6**	**52.7**	**0.0**	**515.1**
Carrying amount December 31, 2016	**8.4**	**821.6**	**18.8**	**0.0**	**848.8**

COST OF ACQUISITION OR PRODUCTION	Licenses, software and similar rights and assets	Goodwill	Intangible assets from Acquisitions	Advance payments on intangible assets	Total
January 1, 2015	**117.7**	**2,018.6**	**259.8**	**1.8**	**2,397.9**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.7	0.3	0.0	0.0	1.0
Additions	7.0	0.2	0.0	1.0	8.2
Disposals	3.2	0.0	94.7	0.0	97.9
Reclassifications	2.6	0.0	-0.4	-2.0	0.2
Currency adjustments	0.3	37.8	11.0	0.0	49.1
Reclassification of disposal group	0.0	0.0	0.0	0.0	0.0
December 31, 2015	**123.7**	**2,056.3**	**175.7**	**0.8**	**2,356.5**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Licenses, software and similar rights and assets	Goodwill	Intangible assets from Acquisitions	Advance payments on intangible assets	Total
January 1, 2015	**83.2**	**148.0**	**151.2**	**0.0**	**382.4**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.3	-0.1	0.0	0.0	0.2
Additions	12.4	330.0	29.5	0.0	371.9
Disposals	2.1	0.0	94.7	0.0	96.8
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	0.6	0.0	5.9	0.0	6.5
Reclassification of disposal group	0.0	0.0	0.0	0.0	0.0
December 31, 2015	**93.8**	**478.1**	**91.9**	**0.0**	**663.8**
Carrying amount December 31, 2015	**29.9**	**1,578.2**	**83.8**	**0.8**	**1,692.7**

Goodwill

Within the context of carrying out annual impairment tests in accordance with IFRS 3 / IAS 36, goodwill was allocated to the relevant divisions as cash-generating units. Goodwill is distributed among the divisions as shown in the following table:

	Dec. 31, 2016	Dec. 31, 2015
Division / business segment		
Industrial Maintenance	191.8	181.3
Insulation, Scaffolding and Painting	96.0	54.8
Oil and Gas	60.0	64.5
Engineering Solutions	397.8	
Industrial Fabrication and Installation		249.9
Engineering, Automation and Control		148.4
Support Services		70.3
Industrial	**745.6**	**769.2**
Power	26.8	31.4
Government Services	49.1	47.4
Continuing operations	**821.5**	**848.0**
Building		18.6
Facility Services		407.8
Real Estate		196.6
Water Technologies		107.2
Building and Facility		**730.2**
Total	**821.5**	**1,578.2**

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 cash generating units were 1.02 percent for *Industrial Maintenance*, (previous year: 0.97 percent), 0.98 percent for *Insulation, Scaffolding and Painting* (previous year: 0.97 percent) and 1.09 percent for *Engineering Solutions* .

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.

In the Industrial business segment, earnings development is influenced by the long-term oil price development and resulting investment behavior in the oil and gas industry. In the medium term, we anticipate an increase in the price of oil to a level below the long-term average. Growth of the Power business segment is influenced by weak demand for conventional energy generation in domestic markets, and the resulting competitive and price pressures. Furthermore, measures introduced to adjust operating capacity impact earnings development. We anticipate an improved margin in the short and medium term due to the highly-selective approach in the German and international project business as well as measures to further improve project management. The restructuring measures already initiated will also have a positive effect.

The discount rates calculated using the capital asset pricing model for the cash-generating units are shown in the table below:

CASH GENERATING UNIT
in %

	Dec. 31, 2016	Dec. 31, 2015
Industrial Maintenance	9.4	10.1
Insulation, Scaffolding and Painting	9.6	10.2
Oil and Gas	9.4	10.1
Engineering Solutions	9.7	
Industrial Fabrication and Installation		11.0
Engineering, Automation and Control		10.0
Support Services		10.5
Power	11.7	11.4
Government Services	7.3	6.2
Building		7.1
Facility Services		7.3
Real Estate		8.7
Water Technologies		9.0

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, 2016.

For all cash-generating units, even a significant increase in the discount rate (by 1 percentage point) or a significantly negative deviation from the cash flows (by 10 percent) assumed in the planning figures would not have resulted in a need to impair goodwill.

In the previous year, a goodwill impairment was recognized in the Power business segment, which was measured at fair value less costs to sell as part of the classification as discontinued operations in the previous year. The Power business segment was reclassified as continuing operations in the course of the financial year (see Notes 5 and 9).

Intangible assets from acquisitions

Intangible assets from acquisitions reflect the portions of purchase prices attributed to acquired customer relations (e.g. order backlogs, framework agreements and client bases) and are amortized over their useful lives using the straight-line method.

16 Property, plant and equipment

COST OF ACQUISITION OR PRODUCTION	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2016	**461.4**	**526.2**	**651.9**	**6.6**	**1,646.1**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	79.8	101.5	157.1	3.5	341.9
Additions	2.5	22.7	41.7	1.7	68.6
Disposals	36.1	34.5	40.1	0.6	111.3
Reclassifications	0.9	-2.4	2.1	-0.8	-0.2
Currency adjustments	1.4	5.2	-2.7	0.0	3.9
Reclassification of disposal group	-35.1	-31.9	-9.5	0.0	-76.5
December 31, 2016	**315.2**	**383.8**	**486.3**	**3.4**	**1,188.7**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2016	**205.2**	**387.4**	**466.8**	**0.0**	**1,059.4**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	42.6	77.1	110.7	0.0	230.4
Additions	20.3	29.0	43.5	0.0	92.8
Disposals	21.9	27.7	36.6	0.0	86.2
Write-ups	0.3	0.0	0.0	0.0	0.3
Reclassifications	0.1	-0.7	0.4	0.0	-0.2
Currency adjustments	1.1	4.5	-1.4	0.0	4.2
Reclassification of disposal group	-12.1	-13.7	-7.5	0.0	-33.3
December 31, 2016	**149.8**	**301.7**	**354.5**	**0.0**	**806.0**
Carrying amount December 31, 2016	**165.4**	**82.1**	**131.8**	**3.4**	**382.7**
thereof finance leases **Carrying amount December 31, 2016**	**13.8**	**0.0**	**1.4**	**0.0**	**15.2**

COST OF ACQUISITION OR PRODUCTION	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2015	**462.5**	**503.3**	**674.5**	**10.4**	**1,650.7**
Additions to the consolidated group	0.0	0.1	0.1	0.0	0.2
Disposals from the consolidated group	0.0	0.0	1.3	0.0	1.3
Additions	7.9	28.0	39.0	6.6	81.5
Disposals	19.4	17.5	53.0	0.3	90.2
Reclassifications	7.2	12.3	-9.6	-10.1	-0.2
Currency adjustments	3.2	0.0	2.2	0.0	5.4
Reclassification of disposal group	0.0	0.0	0.0	0.0	0.0
December 31, 2015	**461.4**	**526.2**	**651.9**	**6.6**	**1,646.1**

ACCUMULATED DEPRECIATION AND IMPAIRMENT	Land and buildings	Technical equipment and machinery	Other equipment, operating and office equipment	Advance total payments and assets under construction	Total
January 1, 2015	**197.2**	**351.5**	**451.7**	**0.0**	**1,000.4**
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	0.0	0.0	0.8	0.0	0.8
Additions	19.5	43.5	64.6	0.0	127.6
Disposals	12.5	14.9	41.1	0.0	68.5
Write-ups	0.0	0.0	0.0	0.0	0.0
Reclassifications	0.4	7.4	-7.8	0.0	0.0
Currency adjustments	0.6	-0.1	0.2	0.0	0.7
Reclassification of disposal group	0.0	0.0	0.0	0.0	0.0
December 31, 2015	**205.2**	**387.4**	**466.8**	**0.0**	**1,059.4**
Carrying amount December 31, 2015	**256.2**	**138.8**	**185.1**	**6.6**	**586.7**
thereof finance leases Carrying amount December 31, 2015	14.4	0.0	2.3	0.0	16.7

Finance-lease transactions in the reporting period mainly involve buildings with contract periods of up to 30 years.

The payment obligation resulting from finance leases is recognized in the amount of the present value of future lease payments due. The minimum lease payments, consisting of present value and an interest portion, are shown in the following table:

	< 1 year	1-5 years	> 5 years	Total
2016				
Lease payments	2.5	7.1	6.3	15.9
Interest portion	0.0	0.5	3.2	3.7
Carrying amount / present value	**2.5**	**6.6**	**3.1**	**12.2**
2015				
Lease payments	1.9	8.1	7.2	17.2
Interest portion	0.2	0.5	3.6	4.3
Carrying amount / present value	**1.7**	**7.6**	**3.6**	**12.9**

17 Investments accounted for using the equity method

For an overview of the investments accounted for using the equity method, please see the list of subsidiaries and equity interests (see Note 39).

The carrying amounts of or income from investments accounted for using the equity method are distributed to associates and joint ventures as follows:

	Associated companies	Joint ventures	Total
Dec. 31, 2016			
Carrying amount of investments accounted for using the equity method	2.0	8.3	**10.3**
Income from investments accounted for using the equity method	0.4	5.7	**6.1**
Dec. 31, 2015			
Carrying amount of investments accounted for using the equity method	11.6	8.6	**20.2**
Income from investments accounted for using the equity method	5.9	8.9	**14.8**

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

17.1 Associated companies

Aggregated disclosure concerning insignificant associates:

	2016	2015
Carrying amount of the investee accounted for using the equity method	**2.0**	**11.6**
Group's share of profit / loss from continuing operations	0.4	5.9
Group's share of other comprehensive income for the period	0.0	45.0
Group's share of total comprehensive income for the period	**0.4**	**50.9**

17.2 Joint ventures

Significant joint ventures:

Name		Tebodin & Partner LLC
Principal place of business		Muscat, Oman
Activity		Engineering
Bilfinger's share	50.0%	50.0%
	2016	2015
Dividends received from the investee	**8.4**	**9.6**
Non-current assets	2.5	2.9
Current assets not including cash and cash equivalents	18.4	19.6
Cash and cash equivalents	15.9	4.6
Non-current liabilities not including financial debt	5.3	3.7
Non-current financial debt	0.0	0.7
Current liabilities not including financial debt	22.0	9.3
Net assets/equity	**9.5**	**13.4**
Group's share of net assets	4.8	6.7
Carrying amount of the investee using the equity method	**4.8**	**6.7**
Revenue	70.9	76.1
Depreciation and amortization (property, plant and equipment and intangible assets)	-0.8	-1.1
Interest expense	-0.2	-0.1
Income tax income / expense	-1.7	-1.4
Remaining income (loss) from continuing operations	14.0	11.6
Profit from continuing operations	11.3	9.0
Total comprehensive income for the period	**11.3**	**9.0**

Aggregated disclosure concerning insignificant joint ventures:

	2016	2015
Carrying amount of the investee accounted for using the equity method	**3.5**	**1.9**
Group's share of profit / loss from continuing operations	0.1	4.4
Group's share of other comprehensive income for the period	0.0	-1.9
Group's share of total comprehensive income for the period	**0.1**	**2.5**

As of the balance-sheet date, there were no obligations to contribute capital or resources to joint ventures or obligations to purchase ownership interests in joint ventures from another party in the event certain future conditions are met.

18 Other financial assets

Securities (available for sale) and loans almost solely relate to the equity-like participation rights and the interest-bearing vendor claim received as non-cash purchase price components from the sale of the former Building, Facility Services and Real Estate divisions (see Note 4.3).

Equity interests (available for sale at cost) include shares in non-listed companies, which are measured at cost of acquisition.

Other financial assets primarily comprise amounts that serve to fulfill pension obligations.

	2016	2015
Securities (available for sale)	195.7	0.5
Loans	111.0	8.2
Equity interests (available for sale, at cost)	1.3	1.6
Securities (held to maturity)	0.1	0.0
Derivative financial instruments in hedging relationships	0.0	0.0
Derivative financial instruments not in hedging relationships	0.0	0.2
Other financial assets	18.7	52.2
Total	326.8	62.7

19 Inventories

Inventories are comprised as follows:

	2016	2015
Real estate properties held for sale	1.7	10.2
Finished goods and work in progress	1.1	17.7
Raw materials and supplies	38.8	87.2
Advance payments made	15.7	26.6
Total	57.3	141.7

Cost of sales includes cost of inventories, recognized in expenses, in the amount of €1,778.6 million (previous year: €1,831.9 million).

20 Receivables and other financial assets

	2016	2015
Receivables		
trade receivables (including receivables from percentage of completion)	997.0	1,666.5
from consortiums and joint ventures	13.7	15.0
from companies in which equity is held	8.6	22.6
	1,019.3	**1,704.1**
Derivatives		
in hedging relationships	0.0	2.7
not in hedging relationships	0.9	2.9
	0.9	**5.6**
Other financial, non-derivative assets	41.4	72.7
Total	**1,061.6**	**1,782.4**

Construction contracts measured according to the percentage-of-completion method but not yet finally invoiced are recognized as follows:

	2016	2015
Costs incurred plus recognized profits	2,882.0	4,591.4
Less advance billings	2,747.0	4,424.4
Balance	**135.0**	**167.0**
thereof future receivables from construction contracts	257.0	362.2
thereof advance payments received from construction contracts	122.0	195.2

The amount of future receivables from construction contracts is included under trade receivables.

Advance payments received totaled €2,595.6 million (previous year: €4,217.8 million).

Receivables include security deposits in the amount of €6.5 million (previous year: €14.3 million).

Details of days overdue and impairments of trade receivables are as follows:

	2016	2015
Receivables neither overdue nor impaired	721.1	1,320.4
Receivables overdue but not impaired		
less than 30 days	161.2	202.8
30 to 90 days	42.9	63.5
91 to 180 days	21.7	20.5
more than 180 days	42.7	51.1
	268.5	**337.9**
Residual value of impaired receivables	7.4	8.2
Total	**997.0**	**1,666.5**

Impairments of trade receivables for default risks developed as follows:

	2016	2015
Opening balance	**25.5**	**24.4**
Changes in the consolidated group, currency differences	-3.4	2.6
Allocations (impairment losses)	7.9	6.7
Utilization	2.0	6.7
Withdrawals (gains on impairment reversals)	3.5	1.5
Closing balance	**24.5**	**25.5**

All losses and gains from the impairment of trade receivables are recognized under other operating income and other operating expenses.

No default risk is recognizable for the receivables that are not impaired.

Other financial non-derivative assets comprise receivables and assets outside the field of supplying goods and services.

21 Other assets

Other assets primarily include value-added tax claims of €39.4 million (previous year: €42.0 million) and prepaid expenses of €13.7 million (previous year: €24.4 million).

22 Equity

The classification of equity and changes in equity are presented in the consolidated statement of changes in equity.

Share capital remains unchanged at €138.1 million. It is divided into 46,024,127 bearer shares with an arithmetical value of €3.00 per share.

By resolution of the Annual General Meeting of May 8, 2014, the Executive Board is authorized with the consent of the Supervisory Board until May 7, 2019 to increase the share capital of the company by up to €69.0 million (Approved Capital 2014). The capital increase serves to issue new shares against cash and / or non-cash contributions.

By resolution of the Annual General Meeting of April 18, 2013, the share capital was increased by up to €13.8 million by the issue of up to 4,602,412 new bearer shares with a arithmetical value of €3.00 per share (Contingent Capital 2013). 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 April 17, 2018.

With the approval of the Supervisory Board and on the basis of the authorization granted by the Annual General Meeting of May 23, 2007, the Executive Board of Bilfinger SE bought back 1,884,000 shares through the stock exchange at an average price of €53.07 per share in February 2008. Of these, a total of 48,682 shares was issued during financial years 2013 and 2014, and 10,935 shares in financial year 2015, and another 9,298 shares during the reporting period as part of employee share program. Since then, the company has held 1,815,085 treasury shares, equivalent to 3.94 percent of current voting rights. The company has no rights from these shares (Section 71 b AktG).

We refer to the explanation given in the combined management report for Bilfinger SE and the Bilfinger Group pursuant to Section 289 Subsection 4 and Section 315 Subsection 4 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.

Retained and distributable earnings

	2016	2015
Unappropriated retained earnings	46.0	291.5
Remeasurement of net defined pension plans	-115.5	-134.2
Employee share program	0.7	0.8
Other retained earnings	849.6	420.6
Total	**780.8**	**578.7**

Distributable earnings and proposal on the appropriation of earnings

It is proposed that the reported distributable earnings of Bilfinger SE for the 2016 financial year of €46.0 million be appropriated as follows:

Distribution of a dividend of €1 per dividend-entitled share	44.2
Carried forward to new account	1.8
Total	**46.0**

No dividend was paid out 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 €164.2 million before deferred taxes (previous year: €186.0 million) and €115.5 million after consideration of deferred taxes (previous year: €134.2 million).

As part of an employee share program 2012, employees of Group companies in Germany, once the relevant plan conditions were met, were granted the right to free bonus shares. The share buyback carried out through the stock exchange in 2012 for the issue of free shares to the employees, the periodic recognition of expenses from the program in financial years 2012 to 2016 as well as the first-time granting of these bonus shares in financial year 2014 and in the reporting year led to changes in retained earnings.

Other retained earnings principally comprise amounts established from earnings in the reporting period or in previous financial years.

Other reserves

The fair-valuation of securities reserve includes the unrealized gains and losses on financial assets classified as available for sale and primarily relates to listed shares held in Julius Berger Nigeria PLC.

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.

23 Provisions for pensions and similar obligations

Various retirement benefit obligations exist at the Bilfinger Group, the heterogenic nature of which is historically based in the development of the Group with numerous corporate acquisitions. They comprise both defined contribution pension plans and defined benefit pension plans.

With defined contribution pension plans, the company makes fixed contributions on a contractual or voluntary basis to an external pension fund. Beyond those contributions, the company has no legal or constructive payment obligations in the case that the pension fund should not be sufficient to provide the retirement benefit in full. The contributions are recognized as an expense for pension provision when they fall due. Obligations from multi-employer plans are accounted for as obligations from defined contribution pension plans, if sufficient information is not available to enable the enterprise to account for the plans as a defined benefit plan. The services of a pension fund in Germany are therefore financed on the basis of the coverage method. The employer contribution is determined depending on the employee contribution and the investment income. The contribution rate is determined by the pension fund. The employer has no obligation towards 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 2017 amount to €2 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 – with due consideration of any asset ceilings.

Obligations from pension commitments are calculated separately for each plan by estimating the amounts of future pension entitlements. These are discounted to their present values at the end of the reporting period. A discount rate is used equivalent to the rate of return on high-grade corporate bonds with an AA rating denominated in the same currency as the pension obligations and with similar maturities. At the end of the reporting period, the amount of the pension obligations is actuarially calculated with consideration of assumptions on future developments and with application of the so-called projected-unit-credit method. The assumptions underlying the calculations are based on published country- specific statistics and on experience. In addition to estimates of future income and pension developments, they also include biometric assumptions. The latter are based on locally recognized mortality tables; these are the 2005 G Guideline Tables by Klaus Heubeck in Germany.

ACTUARIAL ASSUMPTIONS (WEIGHTED)	Eurozone	Other countries	Eurozone	Other countries
		2016		2015
Discount rate	1.60%	2.20%	2.25%	1.75%
Projected increase in wages and salaries	2.75%	2.05%	2.75%	1.40%
Projected pension increase	1.55%	0.25%	1.50%	0.30%

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	Eurozone	Other countries	Total	Eurozone	Other countries	Total
			2016			2015
Defined benefit obligation of funded pension plans	148.7	37.6	186.3	169.9	149.1	319.0
Defined benefit obligation of non-funded pension plans	248.0	36.3	284.3	415.5	48.4	463.9
Defined benefit obligation of all pension plans	**396.7**	**73.9**	**470.6**	**585.4**	**197.5**	**782.9**
in percent	84%	16%	100%	75%	25%	100%
Defined benefit obligation of funded pension plans	148.7	37.6	186.3	169.9	149.1	319.0
Fair value of plan assets	147.4	29.8	177.2	169.2	113.0	282.2
Funded status	**1.3**	**7.8**	**9.1**	**0.7**	**36.1**	**36.8**
thereof provisions for pensions	12.3	7.8	20.1	12.8	36.1	48.9
thereof net assets	11.0		11.0	12.1		12.1
Provision for funded pension plans	12.3	7.8	20.1	12.8	36.1	48.9
Provision for non-funded pension plans	248.0	36.3	284.3	415.5	48.4	463.9
Provisions for pensions and similar obligations, total	**260.3**	**44.1**	**304.4**	**428.3**	**84.5**	**512.8**

In the Eurozone, the present value of future pension obligations relates mainly to Germany with €327.0 million (previous year: €505.1 million) while a further €60.8 million relates to obligations in Austria (previous year: €62.5 million). Outside the Eurozone, 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 relief and 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. The direct benefit obligation (DBO) at the end of the reporting period amounts to €97.6 million. 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 pension commitments, assets in a total amount of €108.4 million 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 investment 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
			2016			2015
Defined benefit obligation at January 1	**319.0**	**463.9**	**782.9**	327.9	479.5	807.4
Reclassification to liabilities classified as held for sale	0.0	-0.3	-0.3	0.0	0.0	0.0
Interest expense	3.8	5.7	9.5	6.3	9.8	16.1
Service cost	1.8	4.5	6.3	4.1	6.1	10.2
current service cost	2.3	4.5	6.8	7.4	7.1	14.5
Past service cost	-0.5	0.0	-0.5	1.7	-0.9	0.8
Gains / losses on settlements	0.0	0.0	0.0	-5.0	-0.1	-5.1
Settlement payments	-3.1	-1.0	-4.1	-24.7	-1.3	-26.0
Pension payments	-16.7	-12.5	-29.2	-14.9	-18.3	-33.2
Employee contributions	3.0	0.1	3.1	6.8	0.2	7.0
Currency adjustments	1.1	0.9	2.0	12.4	1.4	13.8
Additions to the consolidated group	0.0	0.0	0.0	0.0	0.0	0.0
Disposals from the consolidated group	-133.4	-226.1	-359.5	0.0	-1.6	-1.6
Transfers to / from other companies	0.0	0.1	0.1	0.1	0.0	0.1
Remeasurement gains (-) / losses (+)	10.8	49.0	59.8	1.0	-11.9	-10.9
from changes in demographic assumptions	-0.4	0.0	-0.4	0.0	0.2	0.2
from changes in financial assumptions	9.8	52.8	62.6	2.3	-15.1	-12.8
from experience adjustments	1.4	-3.8	-2.4	-1.3	3.0	1.7
Defined benefit obligation at December 31	**186.3**	**284.3**	**470.6**	319.0	463.9	782.9
Fair value of plan assets at January 1	**282.2**		**282.2**	288.9		288.9
Reclassification to assets classified as held for sale	0.0		0.0	0.0		0.0
Interest income on plan assets	3.8		3.8	5.7		5.7
Settlement payments	-3.0		-3.0	-22.5		-22.5
Pension payments	-16.7		-16.7	-14.9		-14.9
Allocations to fund (company contributions)	8.7		8.7	12.3		12.3
Allocations to fund (employee contributions)	3.2		3.2	6.8		6.8
Currency adjustments	1.0		1.0	9.5		9.5
Additions to the consolidated group	0.0		0.0	0.0		0.0
Disposals from the consolidated group	-103.5		-103.5	0.0		0.0
Transfers to / from other companies	0.2		0.2	0.2		0.2
Remeasurements	1.3		1.3	-3.8		-3.8
Changes from asset ceiling	0.0		0.0	0.0		0.0
Fair value of plan assets at December 31	**177.2**		**177.2**	282.2		282.2
Defined benefit obligation at December 31	**186.3**	**284.3**	**470.6**	319.0	463.9	782.9
Fair value of plan assets at December 31	**177.2**		**177.2**	282.2		282.2
Funded status at December 31	-9.1	-284.3	-293.4	-36.8	-463.9	-500.7
Net pension provisions at December 31	**20.1**	**284.3**	**304.4**	48.9	463.9	512.8
Net plan assets at December 31	**11.0**		**11.0**	12.1		12.1
Gains / losses recognized in profit or loss						
Current service cost	-2.3	-4.5	-6.8	-7.4	-7.1	-14.5
Past service cost	0.5	0.0	0.5	-1.7	0.9	-0.8
Gains / losses on settlements	0.0	0.0	0.0	5.0	0.1	5.1
Net interest cost (-) / income (+)	0.0	-5.7	-5.7	-0.6	-9.8	-10.4
Net pension cost	**-1.8**	**-10.2**	**-12.0**	-4.7	-15.9	-20.6

In the income statement, service costs and any gains or losses from settlements are allocated to the respective functional areas and are thus included in EBIT. The net interest cost from the interest accrued on the net pension obligation is presented under interest expense.

The defined contribution pension expense amounted to €28.0 million (previous year: €27.0 million).

The weighted average duration of the pension obligations is 13.5 years.

COMPOSITION OF PLAN ASSETS

	Dec. 31, 2016	Dec. 31, 2015
Total assets	**177.2**	**282.2**
Assets with a quoted market price	**147.8**	**232.0**
Cash and cash equivalents	8.7	3.9
Equity instruments	1.6	22.5
thereof shares Europe, North America and Australia	1.5	22.4
thereof shares emerging markets	0.1	0.1
Debt instruments	46.1	88.2
thereof government bonds	19.4	36.2
thereof corporate bonds investment grade	13.3	38.6
thereof corporate bonds non-investment grade	0.8	0.8
thereof covered bonds	12.6	12.6
Investment funds	90.2	116.8
thereof equity funds	3.8	15.4
thereof bond funds	18.8	30.1
thereof money-market funds	4.8	5.4
thereof other funds	62.8	65.9
Other assets	1.2	0.6
Assets without a quoted market price	**29.4**	**50.2**
Equity instruments	3.6	3.6
thereof shares	3.4	3.4
thereof other equity instruments	0.2	0.2
Debt instruments	1.1	1.0
Real-estate properties	2.9	17.8
Qualifying insurance policies	19.1	24.6
Other assets	2.7	3.2

For 2017, contribution payments to pension plans in the amount of €23 million are planned.

The pension obligations, which exist as of the balance-sheet date, are expected to result in the following – undiscounted – cash outflows in the next 10 financial years:

EXPECTED PENSION PAYMENTS

	2017	2018	2019	2020	2021	2022-26
	22	20	22	23	26	114

Contributions of €68.9 million were paid to state pension insurance institutions (previous year: €80.9 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, 2016	
	0.5 percentage point increase	0.5 percentage point decrease
Discount rate	-27.9	30.8
Projected increase in wages and salaries	6.2	-6.1
Projected pension increase	19.7	-18.1
	1 year increase	1 year decrease
Life expectancy	17.8	-17.7

24 Current tax liabilities and other provisions

	Current tax liabilities	Risks relating to contracts and litigation	Warranty risks	Personnel-related obligations	Restructuring measures	Other uncertain liabilities	Other provisions	Total
Balance at January 1, 2016	**54.9**	**166.4**	**94.1**	**83.1**	**104.3**	**215.4**	**663.3**	**718.2**
Utilization	11.4	60.1	8.1	28.1	65.4	44.4	206.1	217.5
Release	2.8	21.3	14.3	2.7	4.3	17.5	60.1	62.9
Additions	14.7	79.6	15.1	26.3	52.0	92.5	265.5	280.2
Currency adjustments	-0.4	0.2	-0.4	0.8	0.3	0.6	1.5	1.1
Changes in the consolidated group	-16.4	-35.4	-40.8	-21.3	-18.0	-27.0	-142.5	-158.9
Reclassification of disposal group	0.0	-0.3	-1.3	-0.2	-1.4	0.0	-3.2	-3.2
Balance at December 31, 2016	**38.6**	**129.1**	**44.3**	**57.9**	**67.5**	**219.6**	**518.4**	**557.0**

Maturities of current tax liabilities and other provisions

	Non-current		Current		Total	
	2016	2015	2016	2015	2016	2015
Current tax liabilities	0.0	0.0	38.6	54.9	38.6	54.9
Other provisions	28.7	59.8	489.7	603.5	518.4	663.3
Risks relating to contracts and litigation	0.1	9.0	129.0	157.4	129.1	166.4
Warranty risks	3.4	13.0	40.9	81.1	44.3	94.1
Personnel-related obligations	21.2	32.1	36.7	51.0	57.9	83.1
Restructuring measures	0.0	0.0	67.5	104.3	67.5	104.3
Other uncertain liabilities	4.0	5.7	215.6	209.7	219.6	215.4
Total	28.7	59.8	528.3	658.4	557.0	718.2

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.

Alongside obligations as part of a program to increase efficiency in the headquarters, the provisions for restructuring particularly relate to restructuring measures in the Power business segment. In addition to costs for site closures, the provisions primarily relate to severance payments for departing employees.

Other contingent liabilities include, inter alia, provisions for risks in connection with discontinued operations, provisions for contingent losses, costs of annual financial statements, compensation for damages and consultant costs, and other miscellaneous provisions.

25 Financial debt

	Non-current		Current		Total	
	2016	2015	2016	2015	2016	2015
Bank debt (non-recourse)	0.0	12.5	0.0	0.7	0.0	13.2
Financial debt, non-recourse	0.0	12.5	0.0	0.7	0.0	13.2
Bonds (recourse)	500.0	500.0	0.0	0.0	500.0	500.0
Bank debt (recourse)	0.1	3.5	9.0	16.7	9.1	20.2
Finance leases	9.7	11.2	2.5	1.7	12.2	12.9
Financial debt, recourse	509.8	514.7	11.5	18.4	521.3	533.1

Liabilities from bonds relate to an unsubordinated, unsecured bond placed in December 2012 in the amount of €500 million, for which repayment is due in December 2019.

26 Trade and other payables

	2016	2015
Liabilities from derivatives, non-current		
in hedging relationships	0.0	0.0
not in hedging relationships	0.0	0.3
	0.0	0.3
Other non-current financial, non-derivative liabilities	0.0	17.2
Other non-current liabilities	0.0	17.5
Trade receivables	390.2	839.6
Advance payments received from construction contracts	123.0	205.2
Liabilities to joint ventures and consortiums	16.5	52.9
Liabilities to companies in which equity is held	4.4	5.7
	534.1	1,103.4
Liabilities from derivatives, current		
in hedging relationships	0.0	1.7
not in hedging relationships	2.6	6.9
	2.6	8.6
Other current financial, non-derivative liabilities	144.8	262.6
Trade and other payables	681.5	1,374.6

27 Other liabilities

	2016	2015
Liabilities for sales tax and other taxes	66.2	190.2
Personnel obligations	100.6	123.2
Social-security levies	30.0	48.9
Deferred income and / or accrued expenses	14.1	38.5
Total	210.9	400.8

28 Additional information on financial instruments

Carrying amounts and fair values of financial assets and financial liabilities, classified according to the categories of IAS 39 and indicating the fair value hierarchy according to IFRS 13, are as follows:

	Level according to IFRS 13 hierarchy	IAS 39 category	Carrying amount	Fair value	Carrying amount	Fair value
				2016		2015
Assets						
Equity interests (available for sale, at cost)	–	AfS-aC	1.3	–	1.6	–
Receivables	2	LaR	1,019.3	1,019.3	1,704.1	1,704.1
Other financial, non-derivative assets	2	LaR	171.2	171.2	133.1	133.1
Securities, listed	1	AfS	0.0	0.0	0.5	0.5
Securities, non-listed	3	AfS	195.7	195.7	–	–
Securities	2	HtM	0.1	0.1	0.0	0.0
Cash and cash equivalents	1	LaR	1,032.2	1,032.2	475.1	475.1
Derivatives						
in hedging relationships	2	(Hedge)	0.0	0.0	2.7	2.7
not in hedging relationships	2	FAHfT	0.9	0.9	3.1	3.1
Equity & liabilities						
Financial debt, non-recourse	2	FLAC	0.0	0.0	13.2	15.7
Financial debt recourse, bonds	1	FLAC	500.0	514.3	500.0	499.1
Financial debt recourse, without bonds and finance leases	2	FLAC	9.1	9.1	20.2	20.2
Finance leases, recourse	2	(IAS 17)	12.2	17.8	12.9	18.2
Liabilities	2	FLAC	534.1	534.1	1,103.4	1,103.4
Other non-derivative liabilities	2	FLAC	144.8	144.8	279.8	279.8
Derivatives						
in hedging relationships	2	(Hedge)	0.0	0.0	1.7	1.7
not in hedging relationships	2	FLHfT	2.6	2.6	7.2	7.2
Valuation category						
Loans and receivables		LaR	2,222.7	2,222.7	2,312.3	2,312.3
Available-for-sale financial assets		AfS	195.7	195.7	0.5	0.5
Available-for-sale financial assets at cost		AfS-aC	1.3	–	1.6	–
Held-to-maturity financial investments		HtM	0.1	0.1	0.0	0.0
Financial assets held for trading		FAHfT	0.9	0.9	3.1	3.1
Financial liabilities held for trading		FLHfT	2.6	2.6	7.2	7.2
Financial liabilities at amortized cost		FLAC	1,188.0	1,202.3	1,916.6	1,918.2

	Level	Recognized at fair value	Fair value for information only in the Notes	Recognized at fair value	Fair value for information only in the Notes
			2016		2015
Aggregated presentation according to IFRS 13 hierarchy levels					
assets	1	0.0	1,032.2	0.5	475.1
	2	0.9	1,190.6	5.8	1,837.2
	3	195.7	0.0	0.0	0.0
Liabilities	1	0.0	514.3	0.0	499.1
	2	2.6	705.8	8.9	1,437.3
	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 *loans and receivables, held- to-maturity financial investments* and *financial liabilities at amortized cost* 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, interest rates and commodity prices (forwards and swaps: present-value method; options: option-pricing models).

The fair values of the listed available-for-sale securities and of the recourse financial debt from the bonds issues in financial year 2012 are derived from the respective stock-exchange prices.

The fair values of the non-listed available-for-sale securities (equity-like participation rights in the sold former Building, Facility Services and Real Estate divisions) are valued using a combined discounted-cash-flow and multiplicator method on the basis of financial planning (unobservable input) and discount rates calculated using the capital asset pricing model or multiplicators (observable input). Any changes to the planned results or cash flows have a direct impact on the fair value.

Equity interests are measured at cost of acquisition as fair values cannot be reliably determined.

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 to 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.

Net earnings from financial instruments classified according to IAS 39 measurement categories are as follows:

	IAS 39 category	2016	2015
Valuation category			
Loans and receivables	LaR	-5.8	-18.6
Available-for-sale financial assets	AfS	-15.6	-12.0
Financial instruments held for trading	FAHfT & FLHfT	1.9	11.6
Financial liabilities at amortized cost	FLAC	-1.2	-0.1

Interest and dividends are not components of net earnings shown.

The net earnings of the measurement category loans and receivables include *impairments* (reporting year: €9.0 million, previous year: €11.4 million) reversals and income / expenses from currency translation.

The net earnings of the measurement category *available-for-sale financial assets* include impairments (reporting year €16.1 million, previous year: €12.7 million) and gains / losses realized on disposals.

The net earnings of the measurement category *financial instruments held for trading* include gains / losses on measurement at fair value as well as gains / losses realized on disposals.

The net earnings of the measurement category *financial liabilities at amortized cost* primarily comprise gains / losses realized on currency translation.

With regard to impairment losses, see also the development of the account for allowances for non-collection of trade receivables (see Note 20).

The derivatives contracted by Bilfinger are partially subject to legally enforceable netting arrangements (ISDA agreement, German framework contract for currency futures), which, however, do not allow any offsetting of receivables and payables in the balance sheet under IAS 32.42, i.e., there is no current legally enforceable right to offsetting with the simultaneous intention to settle on a net basis, but the right to offset in the case of delayed payment or insolvency on the part of a contracted party. These items are therefore presented in the balance sheet on a gross basis. The carrying amount of the derivatives that were subject to offsetting agreements with positive fair values is €0.9 million (previous year: €4.5 million); the carrying amount of the corresponding derivatives with negative fair values is €2.5

million (previous year: 7.2 million). The offset- table amount is €0.9 million (previous year: €3.1 million). This results in arithmetical net assets of €0 million (previous year: €1.4 million) and net liabilities of €1.6 million (previous year: €4.1 million). No contractual arrangements exist with regard to offsetting other financial assets and liabilities.

29 Risks related to financial instruments, financial risk management and hedging relationships

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 also lead to a changed creditworthiness assessment of Bilfinger, particularly by rating agencies and banks, which can lead to more difficult and more expensive financing or more difficult and more 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 a rolling cash flow planning and introducing countermeasures at an early stage. Within the context of central financing, Bilfinger SE provides its subsidiaries with the required liquidity. 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. In financial year 2012, a €500 million bond with maturity in 2019 and a fixed interest rate throughout the entire term was issued. To finance working capital, we have a €300 million pre-approved credit line in place until June 2018. This includes a customary financial covenant in the form of a limitation of the dynamic gearing ratio net debt/EBITDA. The value as of December 31, 2016 is substantially 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 €2,000 million are sufficiently dimensioned to accompany the further development of the company. In addition, we have a US surety program in the amount of USD 700 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, 2016 and December 31, 2015 (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	2017	2018	2019	2020-23	> 2023
2016							
Financial debt, non-recourse	0.0	**0.0**	–	–	–	–	–
Financial debt, recourse, excluding finance leases	509.1	**544.8**	21.0	11.9	511.9	–	–
Finance leases, recourse	12.2	**17.8**	2.7	1.0	0.2	6.1	7.8
Liabilities	534.1	**534.1**	533.8	0.2	0.1	–	–
Other financial, non-derivative liabilities	144.8	**144.8**	144.8	–	–	–	–
Derivative financial liabilities to be fulfilled on a net basis	0.0	**0.0**	0.0	–	–	–	–
Derivative financial liabilities to be fulfilled on a gross basis	2.6						
Payments received		**218.6**	218.6	0.0	0.0	–	–
Payments made		**221.1**	221.1	0.0	0.0	–	–
		2.5	2.5	0.0	0.0	–	–

	Carrying amount	Total	2016	2017	2018	2019-22	> 2022
2015							
Financial debt, non-recourse	13.2	**18.1**	2.0	1.4	1.4	3.1	10.2
Financial debt, recourse, excluding finance leases	520.2	**567.8**	30.8	12.4	12.2	512.4	–
Finance leases, recourse	12.9	**18.8**	2.0	1.5	1.1	6.2	8.0
Liabilities	1,103.4	**1,103.4**	1,096.8	1.6	1.6	3.3	0.1
Other financial, non-derivative liabilities	279.8	**280.6**	264.6	3.1	6.2	3.5	3.2
Derivative financial liabilities to be fulfilled on a net basis	1.7	**1.7**	1.7	–	–	–	–
Derivative financial liabilities to be fulfilled on a gross basis	7.2						
Payments received		**301.3**	293.8	6.9	0.3	0.3	–
Payments made		**307.3**	299.3	7.3	0.3	0.4	–
		6.0	5.5	0.4	0.0	0.1	–

With its international operations, the Bilfinger Group is subject to various market-price risks, relating in particular to currency exchange rates, interest rates, raw-material prices and the market values of financial investments. We counteract market-price risks by protecting against certain currency, interest rate and commodity 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. An appreciation of the euro, in particular against the US dollar, could thus have a negative impact on our earnings situation. We use currency futures or currency options to hedge risks relating to foreign-currency cash flows and balance sheet items denominated in foreign currencies (not translation risks). We generally hedge against transaction risks in the project business for the entire project period immediately after a contract is received. In some cases this is already done during the bidding phase. Risk management takes place with the use of specified risk limits for outstanding foreign-exchange items, their value at risk and marked-to-market results. All future cash flows that are not denominated in the functional currency of the respective company of the Group are subject to currency risk.

Interest-rate risk is the risk that the fair values or future payments of financial instruments might change due to movements in market interest rates. Negative developments in the financial markets and changes to the policies of central banks could have a negative impact on our earnings. We counteract the risks of interest-rate changes by continually reviewing and, when required, adjusting the composition of recourse liabilities subject to fixed and variable interest rates. We assess risks in consideration of future needs for new financing or refinancing on the basis of a cash-flow-at-risk model. The borrowing costs budgeted within the scope of the cost-of-capital model serve as a point of reference. To manage this, we generally apply derivative financial instruments such as interest-rate swaps and swaptions.

Raw-material price risk is the risk of changes in the market prices of those raw materials that the Group purchases. Whenever possible, hedging against price fluctuations of raw materials is undertaken on the basis of fixed-price agreements for materials purchased or sliding-price clauses for our affected services. If this is not possible, hedging is carried out with the use of commodity swaps, for diesel fuel or bitumen, for example.

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. In the previous year, this involved interest-rate swaps designated as hedging instruments in the context of cash-flow hedges, so that the risk of a change in interest rates relates to other comprehensive income (unrealized gains / losses on hedging instruments) and not profit or loss.

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.

The value at risk for currency risks amounts to €0.2 million (previous year: €0.9 million).

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 IAS 39.

	2016	2015
Derivatives with positive fair values		
In hedging relationships		
Currency derivatives	–	1.6
Interest-rate swaps	–	1.1
	–	2.7
Not in hedging relationships		
Currency derivatives	0.9	3.1
	0.9	3.1
Total derivatives with positive fair values	0.9	5.8
Derivatives with negative fair values		
in hedging relationships		
Currency derivatives	–	1.7
	–	1.7
Not in hedging relationships		
Currency derivatives	2.6	5.5
Commodity derivatives	0.0	1.7
	2.6	7.2
Total derivatives with negative fair values	2.6	8.9

Other disclosures

30 Additional information on capital management

The goal of capital management at Bilfinger is to maintain a strong financial profile including adherence to the financial covenant. 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. Since 2012, the credit quality of Bilfinger has been evaluated by rating agency Standard & Poor's. On June 24, 2016, the rating was adjusted to BB+ / stable outlook (December 31, 2015: BB+ / negative outlook).

On the basis of mid-term corporate planning and with a view to various acquisition and development scenarios, the financial scope for action is regularly analyzed in terms of any action that might need to be taken.

31 Contingent liabilities and other financial obligations

	2016	2015
Liabilities from guarantees	340.5	47.3

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 €251 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 consortia 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 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.

The other financial obligations from operating leases also include, in line with IAS 17, other forms of arrangements for the use of assets, in particular rental agreements.

	Minimum lease payments on operating leases	
	2016	2015
< 1 year	88.1	87.9
1-5 years	156.8	150.6
> 5 years	46.6	42.6

The future payments from non-terminable operating leases primarily relate to real estate, scaffolding, items of equipment and furnishings, and vehicles. Some of the contracts include extension options and price adjustments clauses.

The expenses recognized in profit or loss of operating leases amounted to €188.3 million in 2016 (previous year: €210.8 million).

32 Notes to the statement of cash flows

The cash flow from operating activities of continuing and discontinued operations includes the following items in the reporting year:

	2016	2015
Interest payments	22.8	25.6
Interest received	9.5	7.1
Dividends received	8.7	19.0
Income tax payments	43.4	86.8
Tax refunds	14.1	40.1

33 Executive and Supervisory Board

More details on the remuneration of members of the Executive Board and the Supervisory Board is included in the remuneration report which is a component of the combined management report.

Compensation for the members of the Executive Board is comprised of several components which are presented in the table below (remuneration pursuant to German accounting standard GAS 17).

€ thousand	Non-performance-related remuneration				Performance-related remuneration						Total remuneration		Expense recognized from share-based remuneration	
	Fixed remuneration		Fringe benefits		Short Term Incentive		Long Term Incentive (share-based)		Profit sharing 35% (share-based)					
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Thomas Blades (from July 1, 2016, Chairman)	3,200[1]	–	19	–	500	–	407	–	–	–	4,126	–	407	–
Per H. Utnegaard (from June 1, 2015 to May 31, 2016, Chairman)	500	700	5	6	–	1,167	–	339	–	–	505	2,212	341	68
Dr. Klaus Patzak (from October 1, 2016, Chief Financial Officer)	175	–	10	–	163	–	206	–	–	–	554	–	206	–
Axel Salzmann (from April 1, 2015 to September 30, 2016, Chief Financial Officer)	700[2]	450	21	18	0	375	379	426	–	–	1,100	1,269	650	104
Michael Bernhardt (from November 1, 2015, Member of the Executive Board)	600	300[3]	36	5	500	36	505	44	–	–	1,641	385	546	3
Dr. Jochen Keysberg (until September 6, 2016, Member of the Executive Board)	409	600	73	94	0	219	349	480	–	–	831	1,393	639	14
Herbert Bodner (August 9, 2014 to May 31, 2015, interim Chairman)	-	1,125	–	46	–	–	–	–	–	–	–	1,171	–	–
Joachim Müller (until March 31, 2015, Chief Financial Officer)	–	125	–	12	–	–	–	–	–	–	–	137	–	-147
Joachim Enenkel (until October 2, 2015, Member of the Executive Board)	–	375	–	30	–	–	–	–	–	140	–	545	–	-147
Pieter Koolen (until August 24, 2015, Member of the Executive Board)	–	268	–	30	–	–	–	–	–	113	–	411	–	-68
Executive Board total	5,584	3,943	164	241	1,163	1,797	1,846	1,289	–	253	8,757	7,523	2,789	-173

1 Including one-time payment of €2,600 thousand
2 Including one-time payment of €250 thousand
3 Including one-time payment of €200 thousand

The expense recognized from share-based remuneration through profit or loss in 2016 is partly attributable to 2015.

Total remuneration as defined by IAS 24 was €11,908 thousand (previous year: €12,006 thousand). Of that amount, €6,911 thousand was accounted for by short-term employee benefits (previous year: €5,981 thousand), €1,241 thousand by post-employment benefits (previous year: €2,632 thousand), €967 thousand by termination benefits (previous year: €3,566 thousand) and €2,789 thousand by long-term share-based remuneration (previous year: minus €173 thousand). Termination benefits particularly relate to Dr. Keysberg and Mr. Utnegaard.

The total remuneration paid to former members of the Executive Board or their surviving dependents amounted to €4,602 thousand (previous year: €9,976 thousand). This figure includes, among other things, severance payments and compensation for non-competition. The present value of future pension obligations for those persons calculated according to IAS 19 amounts to €32,625 thousand (previous year: €28,138 thousand).

The total remuneration of the members of the Supervisory Board amounts to €1,448 thousand (previous year: €1,392 thousand), including reimbursement of expenses in the amount of €85 thousand (previous year: €92 thousand).

34 Share-based payment

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 the remaining MDAX-listed companies. At the end of the performance period, members of the Executive Board receive a number of real shares corresponding to the final number of PSUs. The determination of the fair value of a PSU is based on the requirements of IFRS 2 for equity-settled share-based payments at the time of granting. The measurement is conducted on the basis of a recognized method from financial mathematics. In the Monte Carlo simulation used for this purpose, a large number of possible development paths of the Bilfinger share are simulated, in addition to comparative values from the MDAX. The parameters underlying the measurement are derived in a systematic process. Annualized volatility and correlations are determined on the basis of historical daily returns. The risk-free interest rate was determined on the basis of the level of return of German government bonds with matching maturities. The following average parameter values were taken into consideration when assessing the LTI 2016:

Annualized volatility of the Bilfinger share	36.7%
Average annualized volatility of remaining MDAX companies	28.7%
Average correlation of the Bilfinger share to remaining MDAX values	58.7%
Risk-free interest rate	-0.3%

The weighted average fair value of the PSU granted in the financial year was €28.47 at granting. The following PSU-volumes were granted:

	PSUs outstanding as of January 1, 2016	PSUs granted in 2016	PSUs outstanding as of December 31, 2016	Weighted average residual term of the LTI tranches in years
Thomas Blades	0	21,572	21,572	2.0
Per H. Utnegaard	17,743	0	17,743	1.0
Dr. Klaus Patzak	0	7,694	7,694	2.0
Axel Salzmann	10,265	10,938	21,203	1.5
Michael Bernhardt	2,281	14,583	16,865	1.9
Dr. Jochen Keysberg	13,687	10,081	23,768	1.4
Total	**43,977**	**64,867**	**108,844**	**1.6**

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.

Within the context of the remuneration system that was previously valid, members of the Executive Board receive variable remuneration according to a profit-sharing model. Members of the Executive Board therefore receive remuneration related to the average of the earnings before taxes (EBT) generated in the past three financial years, of which only 65 percent is paid out immediately. The remaining 35 percent (deferral) is paid out only after a waiting period of two years and depending on the relative development of Bilfinger's share price (in terms of total shareholder return) compared with the MDAX. The assessment of the deferral is made in accordance with the requirements of IFRS 2 for cash-settled share-based payments at the balance-sheet date; the fair value as of December 31, 2016 was €925 thousand (previous year: €2,455 thousand).

Equity-settled share-based payments also exist in the context of an employee share program 2012. Under this program, employees of German Group companies were able to acquire Bilfinger shares for up to 10 percent of their annual gross salary for an average price of €75.13 (own investment). For a maximum of five share packages each of five shares, the plan participants received one bonus share per package, totaling 12,250 shares. In addition, for each share package, participants were granted the right to one Bilfinger share free of charge (matching share) after two, four and six years (vesting periods). A precondition for the granting of matching shares is that the plan participants do not dispose of their own investment until the end of the respective vesting period and continue to be employed at the Bilfinger Group. The shares to be issued free of charge from the program have been measured at their fair value at the time of issue. That fair value for future matching shares is the result of the stock-market price of Bilfinger shares less the present value of the dividends expected during the vesting period. The average fair value of the future matching shares was €65.11 when granted. At the end of 2016, 8,312 share packages each of five shares were owned by employees, which allow them to receive the corresponding number of Bilfinger shares in 2018 at no cost, provided the vesting conditions are met.

The costs resulting for Bilfinger from the share programs are deferred pro rata over the vesting period. The expense recognized through profit or loss of cash-settled and equity-settled share-based payments was €2.8 million (previous year: income of €0.1 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	
	2016	2015	**2016**	2015	**2016**	2015
Revenue	**0.1**	0.6	**28.0**	31.1	**0.2**	0.4
Services received	**31.2**	39.1	**0.0**	0.0	**2.6**	2.0
Receivables	**0.1**	8.4	**3.9**	5.5	**7.9**	12.2
Liabilities	**1.7**	2.2	**0.4**	0.4	**2.2**	2.9
Guarantees granted	**0.0**	0.9	**0.0**	1.3	**2.7**	7.8

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 21 Subsection 1 of the German Securities Trading Act (WpHG) dated September 29, 2014, the investment company Cevian Capital II GP Limited, St. Helier, Jersey, Channel Islands, holds 25.62 percent of voting rights with respect to Bilfinger SE capital. Over the past financial 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 2016 financial year. The amounts of these services provided by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft are shown as 'thereof' in the following table.

	2016	**2015**
Audit fees	3.5	5.6
(thereof in Germany)	1.6	2.4
Other assurance fees	1.8	3.8
(thereof in Germany)	1.6	3.3
Tax-consulting services	0.5	0.8
(thereof in Germany)	0.1	0.4
Other services	0.4	0.3
(thereof in Germany)	0.3	0.1
Total	**6.2**	**10.5**

37 Declaration of compliance

Bilfinger SE is included in the consolidated financial statements as a listed company.

On March 9, 2017, the Executive Board and the Supervisory Board issued the annual declaration of compliance required pursuant to Section 161 of the German Stock Corporation Act and made this permanently available to shareholders on our website as of that date.

38 Events after the balance-sheet date

There have been no 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: http://www.bilfinger.com/en/investor-relations/reporting/

D Additional information

D.1 Return-on-capital-employed controlling

€ million	Industrial		Power		Total of segments		Headquarters / consolidation / other		Total continuing operations	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Goodwill	765.8	800.4	32.6	242.8	798.4	1.043.2	47.2	46.5	845.6	1.089.7
Property, plant and equipment	234.8	270.3	121.3	172.2	356.1	442.5	87.9	121.7	444.0	564.2
Other non-current assets	60.7	61.1	12.1	27.5	72.8	88.6	121.4	127.5	194.2	216.1
Current assets	848.1	944.3	329.7	420.2	1.177.8	1.364.5	723.6	431.1	1.901.4	1.795.6
Segment assets	**1.909.4**	**2.076.1**	**495.7**	**862.7**	**2.405.1**	**2.938.8**	**980.1**	**726.8**	**3.385.2**	**3.665.6**
Segment liabilities	669.5	777.3	528.2	602.1	1.197.7	1.379.4	1.267.0	1.347.2	2.464.7	2.726.6
Interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0	-868.7	-904.3	-868.7	-904.3
Non-interest-bearing liabilities	**669.5**	**777.3**	**528.2**	**602.1**	**1.197.7**	**1.379.4**	**398.3**	**442.9**	**1.596.0**	**1.822.3**
Balance	**1.239.9**	**1.298.8**	**-32.5**	**260.6**	**1.207.4**	**1.559.4**	**581.8**	**283.9**	**1.789.2**	**1.843.3**
Financial assets, project-related	0.0	0.0	32.5	0.0	32.5	0.0	-32.5	0.0	0.0	0.0
Financial assets, division-related	0.0	0.0	258.5	170.6	258.5	170.6	-258.5	-170.6	0.0	0.0
Operating financial assets	**0.0**	**0.0**	**291.0**	**170.6**	**291.0**	**170.6**	**-291.0**	**-170.6**	**0.0**	**0.0**
Capital employed	**1.239.9**	**1.298.8**	**258.5**	**431.2**	**1.498.4**	**1.730.0**	**290.8**	**113.3**	**1.789.2**	**1.843.3**
EBIT	112.2	116.0	-32.1	-401.3	80.1	-285.3	-310.9	-214.8	-230.8	-500.1
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	9.5	7.9	9.5	7.9
Interest income, project-related (2.13%)	0.0	0.0	0.7	0.0	0.7	0.0	-0.6	0.0	0.1	0.0
Interest income, division-related (2.13%)	0.0	0.0	5.5	3.6	5.5	3.6	-5.5	-3.6	0.0	0.0
Taxes	-31.1	-31.3	6.3	16.6	-24.8	-14.7	-1.1	-45.6	-25.9	-60.3
Return	**81.1**	**84.7**	**-19.6**	**-381.1**	**61.5**	**-296.4**	**-308.6**	**-256.1**	**-247.1**	**-552.5**
ROCE (return on capital employed)	**6.5%**	**6.5%**	**-7.6%**	**-88.4%**	**4.1%**	**-17.1%**	**–**	**–**	**-13.8%**	**-30.0%**
WACC (weighted average cost of capital)	**7.4%**	**7.9%**	**9.8%**	**9.0%**	**7.8%**	**8.3%**	**6.9%**	**7.1%**	**7.4%**	**8.2%**
Value added, relative	**-0.9%**	**-1.4%**	**-17.4%**	**-97.3%**	**-3.7%**	**-25.4%**	**–**	**–**	**-21.2%**	**-38.2%**
Value added, absolute	**-10.6**	**-17.9**	**-44.9**	**-419.5**	**-55.5**	**-437.4**	**-324.0**	**-266.2**	**-379.5**	**-703.6**

D.1.1 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.

Adjusted EBITA previously served as a basis for the calculation of the return. In the reporting year, for the first time, we switched to an after taxes calculation, based on EBIT and including interest income. This means that, unlike in the past, 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. We have adjusted the prior-year figures for comparability.

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 'Consolidation/other' include cash and cash equivalents, as well as non-current and current assets not allocated to the business segments. Not included in the segment assets are the so-called preferred participation notes that were assumed in connection with the sale of the Building, Facility Services and Real Estate divisions, because these are not countered by a relevant current income in the return.

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 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 is earned primarily from the investment of cash and cash equivalents listed under 'Consolidation / other' as well as from interest income from 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.

Taxes are calculated on the basis of business-segment specific tax rates.

Return 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.

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.2 Boards of the company

D.2.1 Executive Board

Thomas Blades, Chairman of the Executive Board (from July 1, 2016)

Divisions:
Engineering Solutions | Industrial Maintenance | Insulation, Scaffolding and Painting | Oil and Gas | Power

Communications | Legal & Compliance | Strategy & Projects | Technology & Development

Michael Bernhardt

Human Resources (Labor Director) | Health, Safety, Environment & Quality (HSEQ) | Real Estate

Dr. Klaus Patzak (from October 1, 2016)

Accounting, Tax & M&A | Bilfinger Infrastructure Mannheim | Controlling | Internal Audit | Internal Control Systems | Investor Relations | IT | Procurement | Project Controlling | Shared Services | Treasury

Memberships in statutory supervisory boards of other German companies:
Bayerische Börse AG, Munich

Per H. Utnegaard, Chairman (until April 30, 2016)

Dr. Jochen Keysberg (until September 6, 2016)

Axel Salzmann (until September 30, 2016)

Unless otherwise indicated,
all details correct
at December 31, 2016

* Group mandate

D.2.2 Supervisory Board

Honorary Chairman:

Gert Becker

Dr. Eckhard Cordes, Chairman

Partner at Cevian Capital AG,
Partner and Managing Director of EMERAM Capital Partners GmbH

Memberships in statutory supervisory boards of other German companies:
WMP Eurocom AG, Berlin

Membership of comparable monitoring boards of other German and foreign companies:
AB Volvo (publ), Gothenburg / Sweden (Member of the Board of Directors)

Stephan Brückner, Deputy Chairman

Employee of Bilfinger Maintenance GmbH

Agnieszka Al-Selwi (from September 7, 2016)

Employee of Multiserwis Sp. z o.o.

Wolfgang Bunge (until May 11, 2016)

Employee of Bilfinger Marine & Offshore Systems GmbH[1]

Dorothée Anna Deuring (from May 11, 2016)

Self-employed corporate consultant in corporate finance

Membership of comparable monitoring boards of other German and foreign companies:
Röchling SE & Co. KG, Mannheim, Advisory Board

Unless otherwise indicated, all details correct at December 31, 2016

* Group mandate

[1] At the time of stepping down from the Supervisory Board

Dr. John Feldmann (until May 11, 2016)

Former Member of the Executive Board of BASF SE

Memberships in statutory supervisory boards of other German companies:[1]
KION Group AG, Wiesbaden (Chairman)
HORNBACH Holding AG & Co. KGaA, Neustadt an der Weinstraße (Group mandate Hornbach)
HORNBACH Baumarkt AG, Bornheim (Group mandate Hornbach)
HORNBACH Management AG, Annweiler am Trifels

Lone Fønss Schrøder

Non-executive member in administrative bodies at German and non-German companies

Membership of comparable monitoring boards of other German and foreign companies:
AKASTOR ASA, Lysaker / Norway (Deputy Chairwoman)
Ingka Holding B.V., Leiden / Netherlands
Saxo Bank AS, Copenhagen / Denmark (Deputy Chairwoman)
Valmet Corporation, Espoo / Finland
Volvo Personvagnar AB, Gothenburg / Sweden

Dr. Ralph Heck (from May 11, 2016)

Entrepreneur, Director emeritus McKinsey & Company

Memberships in statutory supervisory boards of other German companies:
Schaltbau Holding AG, Munich

Membership of comparable monitoring boards of other German and foreign companies:
Adolf Würth GmbH & Co. KG, Künzelsau, Member of the Advisory Board
Bertelsmann Stiftung, Gütersloh, Member of the Board of Trustees

Dr. Marion Helmes (from May 11, 2016)

Corporate consultant, former Speaker of the Executive Board at Celesio AG

Memberships in statutory supervisory boards of other German companies:
ProSiebenSat1 Medien SE, Munich (Deputy Chairwoman)

Membership of comparable monitoring boards of other German and foreign companies:
NXP Semiconductors NV, Eindhoven / Netherlands
British American Tobacco p.l.c., London / United Kingdom

Susanne Hupe (from September 7, 2016)

Employee of Bilfinger Piping Technologies GmbH

Thomas Kern (until September 6, 2016)

Employee at Bilfinger HSG FM Rhein-Main GmbH [1]

Ingo Klötzer (until May 11, 2016)

Employee on the Executive Board of IG Metall [1]

Rainer Knerler

Chief Executive of the Berlin branch of IG Bauen-Agrar-Umwelt
(Construction, Agriculture and Environment Trade Union)

Dr. Janna Köke (from May 11, 2016)

Trade Union Secretary at IG Metall, Mannheim

Emma Phillips (May 11, 2016 to September 6, 2016)

Employee of Bilfinger Europa Facility Management [1]

Hans-Peter Ring (until May 11, 2016)

Former Member of the Executive Board of EADS N.V.
Self-employed corporate consultant [1]

Memberships in statutory supervisory boards of other German companies: [1]
Airbus Defence and Space GmbH, Ottobrunn (Group mandate Airbus Group)
Elbe Flugzeugwerke GmbH, Dresden (Group mandate Airbus Group)
KION Group AG, Wiesbaden

Membership of comparable monitoring boards of other German and foreign companies: [1]
Fokker Technologies Group BV, Papendrecht / Netherlands

Jörg Sommer (from May 11, 2016)

Employee of Bilfinger arnholdt GmbH

Udo Stark (until May 11, 2016)

Former Chairman of the Executive Board of MTU Aero Engines AG

Membership of comparable monitoring boards of other German and foreign companies:[1]
Arvos Group, Heidelberg (Chairman)
Austria Pet Food GmbH, Eisenstadt / Austria
Stabilus S.A., Luxemburg (Chairman)

Jens Tischendorf

Managing Director of Cevian Capital AG

Memberships in statutory supervisory boards of other German companies:
ThyssenKrupp AG, Essen

Marek Wróbel (until May 11, 2016)

Employee of Multiserwis Sp z o.o.[1]

Presiding Committee:

Dr. Eckhard Cordes
Stephan Brückner
Dr. John Feldmann (until May 11, 2016)
Dr. Ralph Heck (from May 11, 2016)
Rainer Knerler

Audit Committee:

Hans-Peter Ring (until May 11, 2016)
Dr. Marion Helmes (from May 11, 2016)
Wolfgang Bunge (until May 11, 2016)
Dorothée Anna Deuring (from May 11, 2016)
Dr. John Feldmann (until May 11, 2016)
Thomas Kern (until September 6, 2016)
Dr. Janna Köke (from May 11, 2016)
Jörg Sommer (from September 22, 2016)

Nomination Committee:

Dr. Eckhard Cordes
Dr. John Feldmann (until May 11, 2016)
Dr. Marion Helmes (from May 11, 2016)
Udo Stark (until May 11, 2016)
Jens Tischendorf (from May 11, 2016)

Transformation Committee:

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

D.3 Ten-year overview

GROUP

€ million

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assets										
Non-current assets	**3,139**	**3,964**	**4,914**	**4,460**	**3,090**	**3,519**	**3,012**	**2,491**	**1,525**	**1,690**
Intangible assets	787	1,235	1,539	1,457	1,561	1,890	2,015	1,639	895	849
Property, plant and equipment	581	599	796	663	647	690	629	477	471	383
Receivables from concession projects	1,500	1,642	2,134	1,789	377	508	–	–	–	–
Other non-current assets	167	300	216	358	341	254	196	136	40	337
Deferred taxes	104	188	230	193	164	177	172	239	119	121
Current assets	**2,989**	**2,809**	**3,026**	**3,477**	**4,630**	**3,331**	**3,520**	**3,514**	**3,660**	**2,329**
Inventories, receivables, other	2,193	2,089	2,228	1,890	2,022	2,244	2,213	1,753	1,380	1,216
Cash and cash equivalents	796	720	798	537	847	1,087	647	359	427	1,032
Assets classified as held for sale	–	–	–	1,050	1,761	–	660	1,402	1,853	81
Equity & liabilities										
Equity	**1,332**	**1,141**	**1,561**	**1,812**	**1,793**	**2,037**	**2,165**	**1,917**	**1,418**	**1.621**
Share capital	112	1112	138	138	138	138	138	138	138	138
Reserves	1,132	1,034	1,408	1,650	1,503	1,795	1,972	1,805	1,124	1,562
Treasury shares	–	-100	-100	-100	-100	-100	-99	-97	-97	-97
Unappropriated retained earnings	67	74	92	115	247	196	138	92	292	46
Minority interest	21	21	23	9	5	8	16	-21	-39	-28
Non-current liabilities	**1,817**	**2,602**	**2,873**	**2,511**	**1,159**	**1,748**	**1,146**	**1,061**	**901**	**898**
Provisions for pensions and similar obligations	135	219	287	313	325	394	417	400	295	304
Other provisions	89	69	84	71	60	56	55	45	31	29
Financial debt, recourse	70	306	320	184	181	519	517	514	513	510
Financial debt, non-recourse	1,314	1,489	1,880	1,624	339	461	13	13	0	–
Other liabilities	79	393	187	212	128	169	49	22	2	–
Deferred taxes	130	127	116	107	126	149	95	68	60	55
Current liabilities	**2,979**	**3,030**	**3,506**	**3,614**	**4,768**	**3,065**	**3,221**	**3,027**	**2,866**	**1,500**
Deferred tax liabilities	81	120	133	118	88	102	115	84	39	39
Other provisions	435	448	613	633	755	557	482	360	512	489
Financial debt, recourse	41	22	34	89	5	192	28	7	13	12
Financial debt, non-recourse	48	30	22	19	9	9	28	27	0	–
Other liabilities	2,375	2,411	2,704	2,052	2,116	2,205	1,907	1,484	1,156	892
Liabilities classified as held for sale	–	–	–	703	1,795	0	661	1,065	1,146	68
Balance-sheet total	**6,128**	**6,773**	**7,941**	**7,937**	**7,720**	**6,850**	**6,532**	**6,005**	**5,185**	**4,019**

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 Water Technologies division as well as Building, Facility Services and Real Estate divisions

BUSINESS DEVELOPMENT

€ million

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Orders received	**11,275**	**10,314**	**11,129**	**7,854**	**7,690**	**8,304**	**7,513**	**5,510**	**4,301**	**4,056**
Order backlog	**10,759**	**10,649**	**11,704**	**8,429**	**7,557**	**7,388**	**6,476**	**4,401**	**2,902**	**2,618**
Output volume	**9,222**	**10,742**	**10,403**	**7,983**	**8,397**	**8,586**	**7,552**	**6,246**	**5,003**	**4,219**
Investments	**268**	**697**	**530**	**273**	**310**	**521**	**391**	**258**	**66**	**72**
Property, plant and equipment	204	237	162	141	127	143	140	117	62	70
Financial assets	64	460	368	132	183	378	251	141	4	2
Employees (at year-end)	**52,723**	**60,923**	**67,199**	**58,047**	**59,069**	**66,683**	**71,127**	**57,571**	**42,365**	**36,946**
Earnings figures										
Gross profit	1,011	1,073	1,072	1,015	1,051	1,121	1,052	794	431	395
EBITA	242	322	275	346	379	432	349	207	-157	-221
EBITA adjusted [1]	242	277	275	346	379	387	415	262	-23	15
EBIT	229	298	250	305	344	381	298	170	-501	-231
Net profit [4]	134	200	140	284	394	276	173	-71	-510	271
Adjusted net profit from continuing operations [1,2]	–	–	–	205	235	241	251	160	-30	-8
Cash flow from operating activities	325	357	368	244	281	232	210	34	39	-224
Adjusted Free cash flow [1]	–	–	–	–	–	–	–	–	136	-111
Cash flow per share in €	8.07	9.22	9.94	5.53	6.37	5.26	4.76	0.77	0.88	-5.77
Earnings per share in € [4]	3.32	5.18	3.79	6.43	8.93	6.26	3.91	-1.62	-11.54	6.13
Adjusted earnings per share from continuing operations in € [1,2]	–	–	–	4.64	5.32	5.46	5.69	3.62	-0.68	-0.17
Profitability ratios										
Gross profit as a percentage of output volume	11.0	10.0	10.3	12.7	12.5	13.1	13.9	12.7	8.6	9.4
Return on output (EBITA adjusted) in %	2.6	2.6	2.6	4.3	4.5	4.5	5.5	4.2	-0.5	0.4
Return on equity (adjusted net profit) in %	10.7	16.6	11.3	12.7	12.8	12.0	12.3	7.8	-1.8	-0.6
Return on capital employed (ROCE) in %	18.7	20.4	15.6	18.4	17.3	15.7	13.9	11.9	-30.0	-13.8
Value added	126	157	98	175	186	165	157	43	-704	-380
BILFINGER SE										
Dividend distribution	63.6	70.6	88.3	110.4	150.1	132.4	132.5	88.4	–	44.2
Dividend per share in €	1.66	1.85	2.00	2.50	2.50	3.00	3.00	2.00	–	1.00
Dividend bonus in €	–	–	–	–	0.90	–	–	–	–	–
Share price at year-end in €	48.72	34.45	53.92	63.20	65.88	73.00	81.53	46.35	43.47	36.57

All values relate to continuing operations, unless stated otherwise.
2010 - 2012 continuing operations not including Valemus and Concessions
2013 continuing operations and not including Concessions, Construction and Offshore Systems
2014 continuing operations and not including Power
2015 continuing operations including Power, not including Water Technologies division as well as Building, Facility Services and Real Estate divisions

[1] adjustments see chapter *B.2.2 Earnings situation – adjusted earnings per share*
[2] Based on adjusted tax rate of 31 percent
[3] Includes treasury shares. 2008 - 2012: 1,884,000 | 2013: 1,866,365 | 2014: 1,835,318 | 2015: 1,824,383 | 2016: 1,815,085
[4] Includes continuing and discontinued operations

see page 54

D.4 Financial calendar

May 15, 2017
Quaterly statements Q1 2017

May 24, 2017
Annual General Meeting
(Congress Centrum Rosengarten, Mannheim, 10 a.m.)

August 14, 2017
Interim Report Q2 2017

November 14, 2017
Quaterly statements Q3 2017

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