Annual General Meeting of Bilfinger SE
Wednesday, May 24, 2017 at 10 a.m., Mannheim

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

Check against delivery.

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

I would like to welcome you warmly to the Bilfinger SE Annual General Meeting in Mannheim - also on behalf of the Executive Board.

In February, we launched a comprehensive reorganization called Bilfinger 2020. We have developed

- a new strategy,
- an implementation plan with measurable targets and
- an effective organizational structure.

This combination will bring Bilfinger back to profitable growth!

This is my first Annual General Meeting as Chairman of the Bilfinger Executive Board. I will therefore briefly introduce myself. Afterwards, I will focus on three topics. Firstly, I'll talk about the major developments of the 2016 fiscal year. Secondly, I would like to give you an in-depth insight into Bilfinger's future strategic direction. Thirdly, I'll talk about our short-term and medium-term targets.

Ladies and Gentlemen, I have been Chairman of Bilfinger's Executive Board since July 2016. And I want to emphasize that I haven't regretted that step for a single moment!

As you might be able to hear, I am British, though I was born in Hamburg. I'm 60 years old and married with two children. I grew up mainly in Vancouver in Canada and Plymouth in England. After finishing school, I studied electrical engineering at Salford near Manchester and in Lyon. So I'm an engineer through and through. I want to develop things, move them forward, make them better.
I have almost 40 years of experience in the industry and have lived on four continents during that time. After university, I spent many years at Schlumberger, the service provider to the oil and gas industry – in almost all corners of the world, including platforms in the North Sea. But also in Saudi Arabia, Iran, the United Arab Emirates, as well as in Houston on the Gulf of Mexico. So I know Bilfinger's core regions very well from personal experience.
I have also worked for large *German* groups. I led the oil and gas business at Siemens. At Linde, I was the executive board member responsible for North and South America as well as the operating business, and there I got to know Bilfinger as a reliable partner from a customer's perspective.
That's also a reason why I'm convinced that Bilfinger has great potential - but we need to bundle the strengths within our company a lot better. And that's what we're now doing.
We have major challenges behind us, but new tasks lie ahead. With our Bilfinger 2020 strategy, we are realigning our company to make it robust and fit for competition. I'll give you more details of that later. First, I will talk about the major developments of the 2016 fiscal year.

Ladies and Gentlemen, The 2016 fiscal year was intense for Bilfinger. The most significant strategic decision was the sale of Building and Facility to EQT. The sale price was around 1.2 billion euros. As a result, Bilfinger has become a pure industry service provider. For some, this was a huge step. In our view, it was the right step.

Why do we think that?
Firstly: The sale was a financial success. Bilfinger recorded a capital gain of more than 500 million euros from the transaction in 2016. The cash inflow was almost 800 million euros. In addition, there are two purchase price components payable at a later date. The latest possible date for these payments is when the business is resold by EQT. Bilfinger has granted the buyer a deferral of 100 million euros from the purchase price. Annual interest of 10 percent will be payable on this sum upon maturity. In addition, a further sum of around 200 million euros from the purchase price was converted into an instrument similar to an earn-out. As a result, Bilfinger is entitled to 49 percent of the net resale proceeds from EQT. We will therefore participate proportionally in the future performance of the business sold, resulting in further financial potentials for Bilfinger in future.

Secondly: Our company will be able to focus its full attention on the attractive industrial services business. Let's be clear, we will invest a substantial part of the proceeds from the sale of Building and Facility into the future of our company.

However, it's also clear that our realignment has been anything but easy. The demand situation in oil and gas as well as in the energy and utility industries was an additional challenge in 2016. Still, we met our forecasts – despite all these challenges.

Against this background, output volume fell as expected, to around 4.2 billion euros in 2016. Compared with the prior year, this was a decline of 16 percent. Orders received fell 6 percent to just under 4.1 billion euros – due to the sluggish market situation. Our order backlog stood at around 2.6 billion euros at the end of the year, compared with 2.9 billion euros at the end of 2015.

It is therefore all the more remarkable that operating profit improved significantly in 2016, despite the drop in output volume. Adjusted for special items, earnings before interest, tax and amortization of intangible assets from acquisitions (EBITA) were 15 million euros. In 2015, the company reported a loss of 23 million euros on that basis. This shows that our ongoing restructuring is paying off.

Taking special items into account, we recorded an EBITA loss of 221 million euros. These special items comprised mainly restructuring expenses. Additional special items were:
- expenses for the efficiency improvement program at the company's headquarters,
- costs for further improvements regarding our compliance system
- and losses in connection with the streamlining of our portfolio.

The sale of Building and Facility resulted in a capital gain of 538 million euros in the 2016 fiscal year. Against this background, net profit rose significantly to 271 million euros. The sale also had a positive impact on our equity ratio, which stood at 40 percent at the end of the year. That's 13 percentage points higher than at the end of 2015.

However, adjusted free cash flow was substantially negative, at minus 111 million euros. The main reasons for this were:
- project losses,

- weak results in some areas due to inefficient capacity utilization
- and selling and administrative expenses that were too high.

We are systematically addressing these issues with our Bilfinger 2020 strategy.
Return on capital employed (ROCE) improved significantly in 2016 compared with the prior year. However, at minus 13.8 percent, it remained substantially negative, reflecting the unsatisfactory earnings situation.

Ladies and Gentlemen, Starting this year, we will be presenting our annual report in digital format only. We've made a conscious decision to do so as digitalization is becoming increasingly common in this area as well. Today, you can use the digital presentation technology we're also using at trade fairs. This change will enable us to conserve resources. We will also be saving costs for printing, storage and distribution – around 100,000 euros a year.

Now, I'd like to give you an update on compliance. I want to be very clear:
- We place a very high value on integrity.
- There is no room for non-compliant conduct at Bilfinger.
- Laws and internal rules apply to every single employee throughout the world.

Good companies have no need to break the rules, and Bilfinger is a very good company. We convince our customers through the quality of our services and win our customers' trust through fair competition. That's been the case for many, many decades.

Where do we currently stand on compliance?
In 2013, Bilfinger agreed with the U.S. Department of Justice to set up an effective compliance system. This followed a bribery case in Nigeria in 2003. Our progress is being reviewed by an independent compliance monitor.

In 2015, the compliance monitor came to the conclusion that Bilfinger's efforts so far were not enough. The company developed a comprehensive program to improve the compliance system – also with additional help from external experts. The result is twelve work packages, which are being implemented company-wide. These packages deal among other things with risk assessment, internal control systems and third-party relationships. In September 2016, we agreed with the U.S. Department of Justice that we will implement this program until fall 2018, improve our systems and strengthen the compliance culture within the company.

Establishing a world-class compliance system is the top priority. Over a period of several years, we are investing a high double-digit million-euro amount to achieve that goal.

We are constantly introducing further compliance processes: for example, since July 2016, all our employees have been able to contact a compliance helpdesk. The compliance monitor has acknowledged that we have already made significant progress.
However, compliance is not a project that will end in 2018.
Compliance is a task that is relevant to each employee at work every day.
Before I switch to our strategy, I would like to say a brief word about the Bilfinger share price. After a decline in the course of 2016, the stock rose significantly towards the end of the year and finished 2016 at 36.57 euros.

The capital markets had a positive start into 2017. Bilfinger shares also performed well in the first quarter. However, it came under pressure again together with the recent share price losses on the US market.

Ladies and Gentlemen, We want to increase the value of the company sustainably by generating profitable growth. We have developed a coherent strategy to achieve this goal: Bilfinger 2020. My colleagues and I conducted a thorough analysis of the starting position of our company last year. We came to a number of conclusions.
Bilfinger is a leading international industrial service provider, with an exceptional profile and extensive industry know-how. Demand for industrial services is rising because:
- the number of plants is increasing.
- the plants are becoming older.
- plant maintenance is becoming more complex because of stricter environmental standards.

However, Bilfinger is still very fragmented. In the past, the company's various units sometimes acted quite independently of each other. In many cases, Bilfinger did not utilize its potential. As a result, many business opportunities were lost.

We are here to change that!

That brings me to our new alignment and our Bilfinger 2020 strategy. The core element is our so-called 2-4-6 structure:
- two business segments,
- four regions,
- six core industries.

I'd like to explain this new structure to you in detail.

Firstly: Since the beginning of the current financial year, Bilfinger has bundled its services into two segments: Engineering & Technologies (E&T) and Maintenance, Modifications & Operations (MMO). In the E&T business segment, we develop, construct and expand industrial plants. In the MMO business segment, we assume local responsibility for the maintenance of plants on behalf of customers – ranging from ongoing maintenance to turnarounds. We also take over operations if requested to do so by the customer.

This structure enables us to serve our markets much more efficiently. Let me simplify this a little. Expenditure on plants can basically be split into two categories. On the one hand, there is capital expenditure. This is covered by our E&T business. On the other hand, there is expenditure on operations, which is addressed by our MMO business.

Secondly: Bilfinger is focusing on four regions: Continental Europe, Northwest Europe, North America and the Middle East. The MMO segment offers its services locally in the regions – directly on the customer's site. On the other hand, the E&T segment is a project and technology business and has an international setup. E&T and MMO complement each other. Our engineering references provide our credentials for MMO services - and vice versa, we use the experience and skills from our MMO business in the design of facilities in our E&T business. This enables us to enhance the overall efficiency and environmental compatibility of the plants, to ensure a high level of availability and to reduce maintenance costs.

Thirdly: We are concentrating in particular on six industries: oil & gas, chemicals & petrochemicals, energy & utilities, pharma & biopharma, metallurgy, and – for the first time - to an increasing extent the cement industry.

The new structure makes Bilfinger much more transparent. Thanks to Bilfinger 2020, we will be in a far better position than in the past to utilize market opportunities. There is great potential out there if we bundle our own strengths.

Bilfinger is operating in a structural growth market. There are around 40,000 industrial plants in our four regions and six industries, and new ones are being added every year. At the same time, more and more plants are over 10 years old. And those plants of course require more maintenance. The increasing complexity of new plants also benefits our business. Last but not least, environmental requirements for plants are becoming ever stricter.

So what does this all mean for Bilfinger?
The annual volume of the 2-4-6 total industrial service market is around 230 billion dollars – and rising. Around half of this volume is contracted out to companies such as Bilfinger. This contracted-out market is growing at an average rate of 3.4 percent per year. That's faster than the total market.

Ladies and Gentlemen, We examined each of our businesses closely and asked ourselves: Does it fit into our new 2-4-6 structure?

This was especially relevant in the case of the former Power division, which was originally put up for sale. Our analysis showed that the Power label did not apply to all the businesses that were bundled in that division. Some of them are now included in the MMO segment, while others are part of E&T. We have retained valuable technology know-how, enabling us to expand our engineering capacity.

However, it is also clear that some businesses are not a good fit with our core business, either for geographical or technological reasons. Those businesses have been allocated to the Other Operations segment. For some of these companies, we do not see any opportunity to achieve a sufficient profitability level in the foreseeable future, and we will be selling or closing them in the next quarters. Other businesses are successful and profitable. We will continue to invest in these companies to make them more valuable. Should any better owners turn up with an attractive offer, we'll sell them – but we're not under any pressure here.

Ladies and Gentlemen, I've described our strategy path going forward. That strategy is linked of course to specific targets. That's what I'd like to talk about now. Bilfinger will go through three stages in the coming years: stabilization, build-up and build-out.

During the stabilization phase, we'll streamline our corporate structure and establish our new business segments E&T and MMO in their respective markets. After a successful stabilization, the build-up phase of the business segments will start. The main focus of this phase is growth in output volume – organically and potentially also through bolt-on acquisitions. In the final phase, the build-out phase, we will go for organic growth and also look at targeted takeovers.

Let me first talk about the short-term outlook. For the 2017 fiscal year, we expect an organic increase in orders received compared with the prior year. Output volume is expected to see a mid to high single-digit percentage decline, also on an organic basis. The reason for this is the decline in orders in 2016 which is now reflected in the output volume. Among other things, we are very selective when it comes to new projects. We plan to achieve a further improvement in profitability in 2017.

Our results in the first quarter show that the market environment remains challenging. Still, our performance was in line with our plans. We are making good progress with the stabilization of Bilfinger: We are already bundling our strengths more effectively.

Ladies and Gentlemen, I now want to turn to the mid-term outlook for Bilfinger. We are making steady progress on a path towards profitable growth. We have defined clear financial targets to achieve that goal – based on a detailed analysis. We examined growth potential in the individual markets. We looked at the profitability of our competitors in those markets and compared it with our own skills. We undertook an in-depth analysis of our weaknesses and developed ideas for improvements.
This gives us sound targets for the future. Based on our 2017 output volume, we want to achieve an average organic growth rate of at least 5 percent per year until 2020.

Three main factors will drive this growth:

- First, we expect the market we are addressing to grow by 3.4 percent per year.
- Secondly, we are increasing our focus on the growth regions of North America and the Middle East.
- The third growth driver is a broadening of our business focus. Currently, around 80 percent of our revenue comes from oil & gas, energy & utilities, and chemicals & petrochemicals. In the future, we will also focus more closely on pharma & biopharma, metallurgy, and cement. In our view, these industries offer great opportunities for Bilfinger.
  Additionally, we will expand our business with existing customers in the established industries.

At the same time, we want to achieve an adjusted EBITA margin of around 5 percent in 2020. This is an increase of approximately 500 basis points compared with 2016. An improved gross margin is expected to contribute some 200 basis points to this goal, while a reduction in selling and administrative expenses should contribute around 300 basis points.

We are introducing a wide range of measures including:

- a substantial reduction in project losses. We have a selective approach toward risky projects. At the same time, we are improving the monitoring and execution of projects.
- an extensive harmonization of processes and IT in all administrative areas
- optimization of procurement – for example by setting up a company-wide procurement organization
- lean headquarters and lean decentralized group structures

Our margin target leads to a ROCE of 8 to 10 percent after tax. The projected cost savings and a stronger focus on cash will help improve our free cash flow.
On an adjusted basis, free cash flow should be positive from the 2018 financial year at the latest.

Ladies and Gentlemen, My team and I are focusing strongly on the development of our businesses. At the same time, we want to provide attractive remuneration for our shareholders. That makes our stock even more interesting for investors.

Bilfinger has a solid financial basis. We have developed a coherent plan for the future of the company.
We are firmly convinced that we will return to profitable growth. With our dividend policy and a share buyback, we want to send a clear signal.
We want to strengthen your confidence in Bilfinger and build your loyalty – every single year.
We are therefore proposing a dividend of 1.00 euro per share already now. This dividend of 1.00 euro should be the floor in the medium term – until our results allow us to pay a higher dividend. Then, we want to distribute 40 to 60 percent of our adjusted net profit to you.

In addition, we are planning to buy back own shares with a volume of up to 150 million euros. Back in March, we cancelled treasury shares comprising around 4 percent of our share capital. We had held these shares since 2008.

You can see that we have many plans for the future. These are underpinned by plans for a new location.
In the coming year, Bilfinger will move into new corporate headquarters in Mannheim-Almenhof. The new building will have six floors and around 4,600 square meters of rental space. The relocation will take place in summer 2018.

The newly-constructed modern building is an ideal fit for our realignment. Our employees will have their say in the design of the interior - just as they are playing an active role in developing Bilfinger's strategy and implementing the company's realignment.
Together, we will turn Bilfinger into a world-class company.

Ladies and Gentlemen, Before I finish, let me summarize:

- Bilfinger has an outstanding profile as a leading international industrial service provider.
- Bilfinger has extensive industry know-how and strong long-standing customer relationships.
- Bilfinger is operating in a growth market. However, it failed to utilize many market opportunities in the past.
- Our new 2-4-6 structure allows us to address markets and customers a lot better. We will become more transparent and more efficient as a result.
- We have clearly-defined mid-term targets.
  - After 2017, we want to grow on average by at least 5 percent a year until 2020.
  - We want to achieve an adjusted EBITA margin of around 5 percent in 2020.
- We are pursuing a sustainable dividend policy.
- We will also continue to strengthen Bilfinger's compliance culture. Our aim is to establish a world-class compliance system which will set standards and become part of daily life for all employees.
  Compliance is part of Bilfinger's DNA.

Dear shareholders, We will do everything we can to continue to restore confidence in the company.
The first steps have been taken.
We have a sound strategy. We know what we are. We know what to do. And we know where we are heading. We are making progress with the stabilization of our company.

I would like to take this opportunity to address our employees. Many thanks for your trust and your commitment and for all the hard work you are putting in to create the new Bilfinger!

Dear shareholders,

As we move forward, we'll also be relying on your support. Please join us as we move forward towards profitable growth. We make it work!

Thank you for your kind attention.