



Interim Report Q2 2005

Business review

- **Substantial increases in output volume, orders received and order backlog**
- **Half-year earnings significantly higher than prior-year level**
- **Unchanged positive outlook for full year**

Bilfinger Berger substantially expanded its business in the first half of 2005, while earnings increased significantly. The Group continued with the consistent implementation of corporate strategy: Our portfolio of public-private partnership projects grew and our Services business segment made good progress as a result of important acquisitions.

Growth in output volume, orders received and order backlog

Output volume, orders received and order backlog posted substantial growth rates in the first six months of this year. In the construction business segments, the main contribution came from our

activities in international markets; in the Services business segment, growth was particularly strong in the Industrial Services division.

The Group's first-half output volume exceeded the prior-year figure by 18% to reach €3,339 million. Orders received increased by 32% to €3,700 million, while the order backlog grew by 11% to €6,915 million.

Significant increase in earnings

The earnings trend in the first six months underscores our positive forecast for the full year. Operating profit (EBITA) for the first half of the year increased substantially to €31 million (2004: €17 million), with the main contribution coming from the Services business segment. Earnings before taxes amounted to €29 million (2004: €17 million), net profit after taxes and minority interests rose to €16 million (2004: €10 million).

Sound financial situation and healthy capital structure

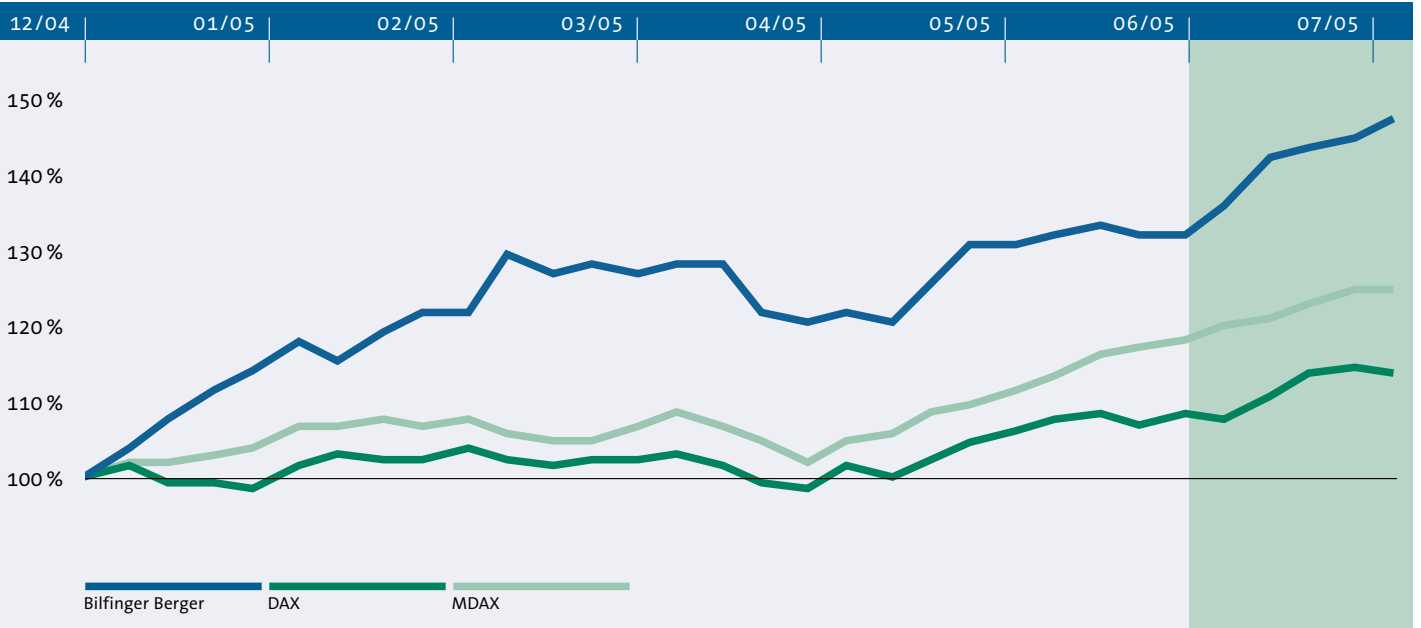
Bilfinger Berger has a sound financial situation and an unchanged healthy capital structure. At the end of this June, the Group's equity ratio was 28%. As expected, cash and marketable securities decreased and amounted to €425 million. This was partially due to investment in financial assets and property, plant and equipment totaling €200 million. In addition, working capital increased significantly. The increased need was as a result of growing business volume and a reduction of last year's particularly high advance-payment cover. This working capital need is expected to continue. Liabilities to banks – excluding project financing on a non-recourse basis – amounted to €141 million.

Capital expenditure on property, plant and equipment increased to €42 million, primarily due to work starting on major projects. Investments in financial assets totaled €158 million, mainly reflecting the acquisition of Babcock Borsig Service.

Key figures for the Group

€ million	1 st half 2005	1 st half 2004	Δ in %	FY 2004
Output volume	3,339	2,830	+18	6,111
Orders received	3,700	2,795	+32	6,139
Order backlog	6,915	6,247	+11	6,339
EBITA	+31	+17	+82	+81
Earnings before taxes	+29	+17	+71	+91
Net profit	+16	+10	+60	+51
Earnings per share (in €)	0.45	0.27	+60	1.39
Capital expenditure	200	80	+150	165
thereof, property, plant, equipment	42	30	+40	70
thereof, financial assets	158	50	+216	95
Employees	55,071	49,901	+10	49,852

Relative performance of our shares



Workforce expansion due to acquisitions

As of June 30, 2005, the Bilfinger Berger Group had a total workforce of 55,071 persons (June 30, 2004: 49,901). The increase of 10% was mainly due to the first-time consolidation of Babcock Borsig Service and Simon Engineering, with the number of employees in the Services business segment rising to 21,249 (June 30, 2004: 16,443). The number of persons employed by the construction business segments was almost unchanged at 33,146 (June 30, 2004: 32,790), although the number in Germany decreased again to 5,683 (June 30, 2004: 6,201). Altogether, the Group employed 15,191 persons in Germany (June 30, 2004: 13,551) and 39,880 in the Group's other markets (June 30, 2004: 36,350).

Output volume and earnings to increase in the full year

Bilfinger Berger expects output volume to grow to €6.9 billion in the full year. On the basis of a significantly increased EBITA, current projections are for return on capital employed (ROCE) to reach at least 11%. We intend to increase net profit to more than €70 million. We will thus take a large step towards our goal of doubling the net profit posted in 2004 to at least €100 million by 2007.

Pleasing share-price development

The pleasing development of our share price since the beginning of the year has also continued in recent weeks. By the beginning of August, the value of Bilfinger Berger's shares, at a price of approximately €43, had increased by 46%, thus exceeding the performance of the DAX (14%) and the MDAX (26%).

On June 8, 2005, Dresdner Bank disposed of its equity interest in the Company. Within a period of just a few hours, the bank sold its entire holding of 25% to institutional investors by way of an accelerated book building process close to the stock-exchange price. This is good evidence of the confidence that the capital market places in us. The shares were sold with a broad international spread, so that two thirds of our capital stock is now held by investors outside Germany. The free float has increased to 100% and our shares' liquidity has been enhanced. The positive share-price trend also continued after the placement.

Developments in our business segments

Overview of output volume and order situation

€ million	1 st half 2005	Δ in %	1 st half 2005	Δ in %	1 st half 2005	Δ in %	FY 2005	FY 2004	Δ in %
	Output volume		Orders received		Order backlog		Target output volume	Output volume	
Civil	1,326	+20	1,403	+17	3,183	0	2,700	2,447	+10
Building and Industrial	938	0	1,114	+46	2,231	+23	2,100	1,989	+6
Services	1,003	+33	1,160	+36	1,481	+24	2,100	1,600	+31
Concessions	181		197		346		350	183	
Consolidation, other	-109		-174		-326		-350	-108	
	3,339	+18	3,700	+32	6,915	+11	6,900	6,111	+13

EBITA by business segment

€ million	1 st half 2005	1 st half 2004	Δ in %	FY 2004
Civil	+7	+6	+17	+22
Building and Industrial	+2	+2	0	+9
Services	+30	+17	+76	+62
Concessions	0	0	0	+3
Consolidation, other	-8	-8		-15
	+31	+17	+82	81

Civil

- **Substantial growth in output volume and orders received**
- **Earnings in 2005 to significantly exceed prior-year result**

The substantial growth in output volume and orders received in the Civil business segment was mainly a result of our international business. First-half EBITA increased to €7 million (first half of 2004: €6 million).

During the first half of 2005, work started on several major infrastructure projects, including the Wienerwald Tunnel in Austria, the Malmö City Tunnel in Sweden, the M6 motorway in Hungary as well as an expressway on La Réunion. Our subsidiaries in Australia and Poland also posted notable growth in output volume.

The German market remains difficult. Amongst politicians, however, there is a growing acceptance of the necessity to boost investment in transport infrastructure and to make use of public-private partnerships in doing so. The recently passed Acceleration Law for Public-Private Partnerships should assist this development. We therefore expect demand to revive in the medium term.

Bilfinger Berger plans to increase the output volume of its Civil business segment to €2.7 billion in full-year 2005. We aim to double the segment's EBITA compared with the prior year, which was negatively affected by a non-recurring item.

Building and Industrial

- **Growth in orders received and order backlog**
- **Further EBITA improvement planned for the full year**

Key figures for Civil

€ million	1 st half 2005	1 st half 2004	Δ in %	FY 2004
Output volume	1,326	1,103	+20	2,447
Orders received	1,403	1,200	+17	2,447
Order backlog	3,183	3,198	0	3,127
Capital expenditure on P, P & E	25	18	+39	40
EBITA	+7	+6	+17	+22
Employees	23,041	23,467	-2	22,090

Key figures for Building and Industrial

€ million	1 st half 2005	1 st half 2004	Δ in %	FY 2004
Output volume	938	934	0	1,989
Orders received	1,114	762	+46	2,061
Order backlog	2,231	1,810	+23	2,055
Capital expenditure on P, P & E	2	4	-50	5
EBITA	+2	+2	0	+9
Employees	10,105	9,323	+8	9,972

Output volume in the Building and Industrial business segment held stable in the first half of the year. In particular, the orders gained in Australia and Nigeria led to a strong increase in orders received and order backlog. EBITA amounted to €2 million, as in the same period of last year.

Building and Industrial profited from the synergies arising through the collaboration between our construction and services units. For example, the Bilfinger Berger Building division and our services company HSG played a significant part in the planning and organization of the World Youth Congress in Cologne, for which several hundred thousand visitors are expected. The project includes supplying amenities to the area and constructing temporary buildings, as well as installing and operating the equipment needed for the event. In Australia, the continuing strong demand for construction is assisted by the high acceptance of public-private partnerships. For example, in Melbourne we are building a hospital along these lines with a construction volume of more than €140 million.

For full-year 2005, Bilfinger Berger anticipates an output volume of €2.1 billion in the Building and Industrial business segment and a renewed increase in EBITA.

Services

- **Ongoing high growth rates**
- **Earnings in 2005 to significantly surpass good prior-year result**

The Services business segment, which comprises the Industrial Services and Facility Services divisions, once again posted strong growth rates. EBITA increased significantly to €30 million (first half of 2004: €17 million).

Key figures for Services

€ million	1 st half 2005	1 st half 2004	Δ in %	FY 2004
Output volume	1,003	754	+33	1,600
Orders received	1,160	853	+36	1,588
Order backlog	1,481	1,194	+24	1,088
Capital expenditure on P, P & E	+12	8	+50	22
EBITA	+30	+17	+76	+62
Employees	21,249	16,443	+29	17,125

This segment's increase in output volume is primarily due to the growth of Industrial Services. On the one hand, the newly acquired Babcock Borsig Service has been consolidated since April 2005 and the Australian company Simon Engineering since March 2005. On the other hand, Rheinhold & Mahla's business has expanded significantly compared with the prior year. This subsidiary, specialized in providing services to the processing industry, acquired a large proportion of the repair and maintenance work in the Höchst and Griesheim industrial parks near Frankfurt am Main in April, taking an important step to further strengthen its market position in Germany.

In Facility Services, the Group's acquisition of a majority interest in Assetis GmbH and the merger of some of its own service units in EPM Assetis GmbH mean that it will play an important role in property management in Germany. Bilfinger Berger holds a 70% stake in the new company, which generates an output volume of more than €60 million and achieves good margins; Westdeutsche Immobilienbank holds the other 30%.

In the future, our facility services business in Germany will come under the umbrella of Bilfinger Berger Facility Services GmbH. The HSG, Wolferts and EPM Assetis brands will remain in place.

This year, the Services business segment's output volume will increase to a total of €2.1 billion, of which more than €1,500 million will be accounted for by Industrial Services and more than €500 million by Facility Services. EBITA for full-year 2005 is expected to increase significantly compared with the prior year.

Concessions

- **New projects in Australia and in The United Kingdom**
- **Renewed positive value added planned for full-year 2005**

Bilfinger Berger's Concessions portfolio comprised 17 projects as of June 30, and had thus expanded significantly compared with a year earlier. Committed equity reached €186 million, of which €117 million had been paid into project companies

Key figures for Concessions

number / € million	1 st half 2005	1 st half 2004	Δ in %	FY 2004
Projects in portfolio	17	11	+54	16
thereof, in construction	12	6	+100	11
Committed equity	186	122	+52	171
thereof, paid in	117	107	+9	112
EBITA	0	0	0	+3
Employees	72	59	+22	64

by the end of June. EBITA was again at break-even, despite substantial advance expenses for new projects.

As operating profit is unsuitable as a measure of success for a concessions business in the process of being built up, we mainly consider the annual change in the present value of future cash flows. Last year, this value increased substantially and was well above the book value of the paid-in capital, despite the low level of maturity of the portfolio. The method of calculating net present value is described in detail in our Annual Report 2004.

At present, we are preferred bidder for a public-private partnership to realize new school buildings in the county of Kent, England, as well as for a hospital in Sydney, Australia, and a road project in Belfast, Northern Ireland. These projects will probably add up to a total equity contribution of €30 million.

In Germany, the passing of the Acceleration Law for Public-Private Partnerships has removed obstacles in the fields of budgetary, contract-award and transport law. The higher degree of legal security should speed up the realization of PPP solutions in this market.

We will go on expanding our already substantial project portfolio. For full-year 2005, again, we anticipate a positive value-added contribution from this business segment.

Interim financial statements

The interim financial statements as of June 30, 2005 have been prepared in accordance with the guidelines of the International Accounting Standards Board (IASB), London, as were the year-end financial statements for 2004. The accounting and valuation methods explained in the notes to the consolidated financial statements for 2004 have

been applied unchanged. With the application of the revised IAS 1 as of January 1, 2005, starting with this financial year the balance sheet is presented with a clear separation of current and non-current assets and liabilities.

The newly acquired Babcock Borsig Service Group has been consolidated since April 1.

Consolidated income statement

€ million	January 1 - June 30		April 1 - June 30	
	2005	2004	2005	2004
Sales revenues	2,873	2,668	1,692	1,441
Other operating income	55	55	27	30
Cost of materials	-1,786	-1,697	-1,057	-939
Personnel expenses	-807	-752	-452	-393
Depreciation	-43	-41	-22	-21
Other operating expenses	-261	-216	-153	-96
EBITA	31	17	35	22
Amortization of intangible assets from acquisitions	-2	0	-2	0
EBIT	29	17	33	22
Net interest result	0	0	0	0
Earnings before taxes	29	17	33	22
Income taxes	-11	-6	-13	-8
Minority interests	-2	-1	-1	-1
Net profit	16	10	19	13
Average number of shares, basic (in thousands)	36,820	36,723	36,900	36,727
Average number of shares, diluted (in thousands)	37,120	36,950	37,170	36,934
Earnings per share, basic (€)	0.45	0.27	0.53	0.35
Earnings per share, diluted (€)	0.45	0.27	0.53	0.35

While output volume increased by 18% to €3,339 million, the item of sales revenues in the income statement rose by only 8% to €2,873 million. This is due to the increase in output volume generated by joint ventures in which we participate, which is

solely reflected in our output volume and not in our sales revenues.

About half of the increase in the income and expense items resulted from the first-time consolidation of the Babcock Borsig Service Group.

Consolidated balance sheet

€ million	June 30, 2005	Dec. 31, 2004
Assets		
Non-current assets		
Intangible assets	562	349
Property, plant and equipment	499	475
Financial assets	517	428
thereof, shareholdings in associated companies	(86)	(81)
thereof, investment properties	(160)	(162)
Fixed assets	1,578	1,252
Deferred tax assets	122	113
	1,700	1,365
Current assets		
Inventories	391	283
Receivables and other assets	1,416	1,158
Cash and marketable securities	425	914
	2,232	2,355
	3,932	3,720
Liabilities and shareholders' equity		
Shareholders' equity		
Shareholders' equity before minority interests	1,101	1,110
Minority interests	18	21
	1,119	1,131
Non-current liabilities		
Provisions for pensions	100	97
Other provisions	119	117
Financial liabilities ¹	271	200
Other liabilities	20	20
Deferred tax liabilities	54	53
	564	487
Current liabilities		
Accruals	399	389
Financial liabilities ²	146	139
Other liabilities	1,704	1,574
	2,249	2,102
	3,932	3,720

¹ Thereof, non-recourse debt of €186 million (December 31, 2004: €114 million)

² Thereof, non-recourse debt of €90 million (December 31, 2004: €91 million)

The increase in intangible assets primarily reflects goodwill from acquisitions, mainly from the first-time consolidation of the Babcock Borsig Service Group.

The growth of our PPP business leads to higher receivables from concession projects and is reflected in the increased financial assets. Accordingly,

non-recourse debt has increased on the liabilities side. The changes in current assets and current liabilities are explained in the notes on the statement of cash flows.

The increase in total assets was mainly caused by the first-time consolidation of the Babcock Borsig Service Group.

Consolidated statement of cash flows

€ million	1 st half 2005	1 st half 2004
Cash earnings according to DVFA / SG	61	41
Changes in working capital	-317	-96
Cash flow from operating activities	-256	-55
Cash flow from investing activities	-192	-11
thereof, property, plant and equipment	-36	-19
thereof, financial assets	-156	8
Cash flow from financing activities	-49	-81
Change in cash and marketable securities	-497	-147
Other adjustments to cash and marketable securities	8	1
Cash and marketable securities at January 1	914	900
Cash and marketable securities at June 30	425	754

The cash flow from operating activities is generally negative in the first half as a result of a seasonal increase in working capital. The cash flow in the first six months of this year was affected by the reduction of the previous year's particularly high pre-payments. In addition, growing business volume led to higher working capital needs. Overall, we anticipate a higher level of working capital moving forward.

The cash outflow for investing activities, net of inflows of €8 million from disposals, amounts to

€192 million (first half of 2004: €11 million). The cash outflow for investments in financial assets mainly reflects the acquisition of Babcock Borsig Service Group. In the prior-year period, the cash inflow from financial assets was due to the sale of our equity holding in the listed Australian highway company, Hills Motorway.

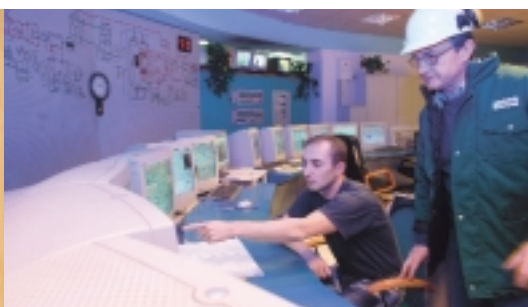
The cash outflow for financing activities of €49 million primarily comprises the €37 million dividend distribution for the 2004 financial year.

Statement of changes in shareholders' equity

€ million

	Subscribed capital	Additional paid-in capital	Retained earnings	Other comprehensive income ¹	Unappropriated retained earnings	Shareholders' equity before minority interests	Minority interests	Shareholders' equity
Balance at January 1, 2004	110	522	445	-14	48	1,111	25	1,136
Contributions to capital	0	0	0	0	0	0	0	0
Dividend distributions	0	0	0	0	-48	-48	0	-48
Net profit	0	0	0	0	10	10	0	10
Other changes	0	0	2	-3	0	-1	-8	-9
Balance at June 30, 2004	110	522	447	-17	10	1,072	17	1,089
Balance at January 1, 2005	110	523	461	-21	37	1,110	21	1,131
Contributions to capital	1	0	0	0	0	1	0	1
Dividend distributions	0	0	0	0	-37	-37	0	-37
Net profit	0	0	0	0	16	16	0	16
Other changes	0	0	0	11	0	11	-3	8
Balance at June 30, 2005	111	523	461	-10	16	1,101	18	1,119

¹ Currency translation and reserves from the fair valuation of securities and hedging transactions



Financial calendar

2005

November 14 Interim Report Q3 2005

2006

March 22 Press conference on financial statements,
Investors' and analysts' conference

May 11 Interim Report Q1 2006

May 18 Annual General Meeting*

August 10 Interim Report Q2 2006

November 13 Interim Report Q3 2006

* Congress Centrum Rosengarten,
Mannheim, 10 a.m.

The members of the Supervisory and Executive Boards are listed in the Boards of the Company section of our Annual Report and our Internet site, www.bilfingerberger.com

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