



Interim Report Q1 2005

# Business review

- **Substantial expansion of industrial services**
- **Strong increase in orders received**
- **Significant earnings growth anticipated**

Bilfinger Berger started the year 2005 with a strong first quarter. This applies both to orders received as well as to the ongoing implementation of our corporate strategy.

The major focus of corporate developments was on expanding our services activities. In Australia, the acquisition of the services division of Simon Engineering doubled the volume of our industrial-services business to €160 million. The acquisition of Babcock Industrierohrleitungsbau Bitterfeld extends Rheinhold & Mahla's range of integrated services. In addition, on the basis of an outsourcing solution, Rheinhold & Mahla will take over a major portion of the repair and maintenance work in the Hoechst and Griesheim industrial parks in Frankfurt am Main. With the acquisition of Babcock Borsig Service as of April 1, 2005,

we considerably expanded our industrial services for power plants and attained an excellent position also in this market. Our industrial services business has thus entered a new dimension.

## Growth in output volume, orders received and order backlog

The Group's first-quarter output volume increased by 3% to €1,399 million. Orders received were up by 31% to €1,746 million, demonstrating our company's outstanding development. The orders received include major road-building projects in Australia, new building and industrial construction in Germany and Nigeria, as well as additional orders for industrial services in Europe and Australia. The order backlog of €6,706 million at the end of the quarter was 7% higher than a year earlier.

## Quarterly earnings at prior-year level

As is typical for the industry, earnings at the beginning of the year are always considerably lower than in the following quarters, and the figures for the first quarter cannot be extrapolated for the earnings development over the full year. In 2005, the operating result (EBITA) for the first three months improved to minus €4 million (Q1 2004: -€5 million), which is in line with our projections. Net interest income was at breakeven, as in the prior-year period. Earnings before taxes amounted to minus €4 million (Q1 2004: -€5 million). After taxes and minority interests, there was a net result for the first quarter of minus €3 million – like in the same period of last year.

## Sound financial situation and capital structure

Bilfinger Berger's financial situation and capital structure remained sound. At the end of this March, the Group's equity ratio was 31%. Cash and marketable securities amounted to €661 million. The decrease compared with the level at the end of 2004 is a result of the typical increase in working capital during the first quarter, which was particularly sharp this year due to the unusually high cash inflow in Q4 2004. Liabilities to banks – excluding project financing on a non-recourse basis – amounted to €144 million.

## Key figures for the Group

€ million	Q1 2005	Q1 2004	Δ in %	12 / 2004
Output volume	1,399	1,354	+3	6,111
Orders received	1,746	1,333	+31	6,139
Order backlog	6,706	6,254	+7	6,339
EBITA	-4	-5	+20	81
Earnings before taxes	-4	-5	+20	91
Net profit	-3	-3	0	51
Earnings per share (in €)	-0.08	-0.09	+11	1.39
Capital expenditure	59	53	+11	165
thereof, property, plant, equipment	21	13	+62	70
thereof, financial assets	38	40	-5	95
Employees	51,004	49,557	+3	49,852

## Relative performance of our shares



Capital expenditure on property, plant and equipment increased from the low prior-year volume to €21 million. Investments in financial assets totaled €38 million, of which €27 million was for the acquisition of equity interests and €11 million was for capital contributions for concession projects.

### Slight workforce expansion

The number of persons employed by the Bilfinger Berger Group increased slightly compared with the end of Q1 2004. At the end of March 2005, the Bilfinger Berger Group employed 51,004 persons (March 31, 2004: 49,557). In the Services business segment, the number of employees increased primarily due to acquisitions, while staffing levels decreased in the construction business. 13,208 people were employed in Germany (March 31, 2004: 13,591) and 37,796 in the Group's other markets (March 31, 2004: 35,996).

### Projected growth in output volume combined with a significant increase in earnings

For full-year 2005, Bilfinger Berger expects its output volume to grow to €6.7 billion. Possible further acquisitions are not included in this forecast. Both EBITA and net profit are expected to rise substantially, and we intend to achieve a return on capital employed of at least 11%. Our goal is to at least double last year's net profit to €100 million or more by 2007.

### Further share-price potential

Bilfinger Berger's successful development has been recognized by the equity market. The increase in our share price during 2005 so far is a sign of our company's attractiveness for German and international investors. A reevaluation of Bilfinger Berger has taken place since its transformation into a multi-service group, and in our view this reevaluation is continuing. A sound capital structure and financial situation, the consistent implementation of corporate strategy, good earnings prospects and an attractive dividend yield give our shares further potential for price rises.

# Developments in our business segments

## Overview of output volume and order situation

€ million	Q1 2005	Δ in %	Q1 2005	Δ in %	Q1 2005	Δ in %	2004
	Output volume		Orders received		Order backlog		Output volume
Civil	550	+4	704	+38	3,273	+6	2,447
Building and Industrial	408	-8	534	+9	2,180	+9	1,989
Services	379	+6	512	+45	1,250	+12	1,600
Concessions	97	+126	7	-56	239	-4	183
Consolidation, other	-35		-11		-236		-108
	<b>1,399</b>	<b>+3</b>	<b>1,746</b>	<b>+31</b>	<b>6,706</b>	<b>+7</b>	<b>6,111</b>

## EBITA by business segment

€ million	Q1 2005	Q1 2004	Δ in %	12 / 2004
Civil	-3	-4	+25	+22
Building and Industrial	-3	-3	0	+9
Services	+5	+5	0	+62
Concessions	0	+1		+3
Consolidation, other	-3	-4		-15
	<b>-4</b>	<b>-5</b>	<b>+20</b>	<b>81</b>

### Civil

- **High level of orders received**
- **Increase in output volume and order backlog**
- **Projected earnings for 2005 distinctly higher than in 2004**

Output volume in the Civil business segment increased in the first quarter, and the order backlog at the end of the period was also higher than a year earlier. EBITA was minus €3 million (Q1 2004: -€4 million).

The strong increase in orders received was partially due to major road-construction projects in Australia. These include the widening of more than 20 kilometers of the Hume Highway,

which will link the metropolises of Sydney and Melbourne. This project is worth €210 million and includes the construction of several large bridges and maintenance work over a period of ten years. In addition, we are widening a nine-kilometer section of the Pacific Highway south of Brisbane to four lanes, also involving major civil-engineering work. This order is worth €120 million and also entails long-term maintenance services.

In the United Arab Emirates, Bilfinger Berger and its Passavant-Roediger subsidiary, which specializes in sewage treatment, are together realizing a waste-water treatment plant for 80,000 people with a volume of €70 million. This project is in the Emirate of Fujairah and also includes the construction of a 195-kilometer sewer network and the required house connections. Passavant-Roediger will take over the technical operation of the sewage plant for a period of fifteen years. This will result in a secure flow of additional long-term income for the Bilfinger Berger Group.

In Poland, we have acquired PPRM, which specializes in bridge construction. This company complements our civil-engineering activities in Poland, which we already expanded last year with the acquisition of WPRD, a road-construction company. As previously announced, we are in the process of establishing a Road Construction division in Germany.

For full-year 2005, Bilfinger Berger plans to increase the output volume of its Civil business segment to a good €2.6 billion. EBITA will be significantly higher than in the prior year.

## Building and Industrial

- **Growth in orders received and order backlog**
- **i.volution: full-range provider for real-estate clients**
- **Ongoing earnings improvement over the full year**

Output volume in the Building and Industrial business segment decreased in the first three months of this year, primarily due to the weather conditions in Germany. Significant growth was recorded for both orders received and order backlog. EBITA for the first quarter was unchanged at minus €3 million.

### Key figures for Civil

€ million	Q1 2005	Q1 2004	Δ in %	12 / 2004
Output volume	550	527	+4	2,447
Orders received	704	511	+38	2,447
Order backlog	3,273	3,087	+6	3,127
Capital expenditure on P, P & E	15	7	+114	40
EBITA	-3	-4	+25	+22
Employees	22,679	24,251	-6	22,090

### Key figures for Building and Industrial

€ million	Q1 2005	Q1 2004	Δ in %	12 / 2004
Output volume	408	444	-8	1,989
Orders received	534	492	+9	2,061
Order backlog	2,180	1,998	+9	2,055
Capital expenditure on P, P & E	1	2	-50	5
EBITA	-3	-3	0	+9
Employees	9,845	8,874	+11	9,972

We are well positioned in the extremely difficult German market due to our firm focus on the needs of our customers. For example, we recently received an order to construct a leisure and services center in Duisburg. In Gummersbach, Bilfinger Berger has received an order for the turnkey construction of a complex of buildings at the technical university, and in Stuttgart we are building a new multi-event center to be used by VfB Stuttgart, one of the country's top soccer teams. The new projects have a total volume of €120 million. The close cooperation between our Building division and corporate units from the Services and Concessions business segments gives us good prospects in the German market. We are effectively presenting our complete range of advisory and other services under our 'i.volution' brand, covering the entire real-estate lifecycle – through the concept, design and construction phases and including operation and refurbishment.

We have also taken on some major projects in our international building and industrial markets. Our Julius Berger Nigeria subsidiary is constructing a new administration center for Nigerian Natural Liquefied Gas Ltd. on Bonny Island, as well as additional buildings to accommodate the company's employees. And in Calabar, this subsidiary is building a shopping center and leisure facilities including the required infrastructure. These orders add up to a volume of €180 million. An encouragingly high level of orders received was also recorded in Australia.

We anticipate an output volume of more than €2 billion and a further improvement in EBITA for the Building and Industrial business segment in 2005.

## Services

- **Output volume for the full year to increase to €2 billion**
- **Acquisition of Babcock Borsig Service**
- **Renewed substantial increase in EBITA in 2005**

Dynamic growth is continuing unabated for the Services business segment, which comprises our activities in the fields of facility management and industrial services. Output volume, orders received and order backlog all grew significantly, while first-quarter EBITA amounted to €5 million, as in 2004.

We have further expanded our activities in Australia with the acquisition of the services division of Simon Engineering in March 2005. Simon Engineering has been a capable service partner for renowned industrial companies for several decades now. Its range of services includes the repair and maintenance of machinery and plant inspections. This newly acquired company generates an annual output volume of €80 million, and gives us a strong market position for industrial services also in Australia. The main focus is on services for gas, water and electricity suppliers as well as mining companies.

Rheinhold & Mahla has extended its range of services with the acquisition of Babcock Industrierohrleitungsbau Bitterfeld. There is a growing tendency to award complete service packages in the processing industry. This acquisition will enable the Company to cover pipeline construction in addition to the areas of scaffolding, insulation, corrosion protection and assembly work.

In April, Rheinhold & Mahla signed contracts to take over large parts of the repair and maintenance work in the Höchst and Griesheim industrial parks near Frankfurt am Main, where the production facilities of several leading companies in the chemical and pharmaceutical industries are located. The volume of services to be provided currently amounts to €110 million per annum and will rise in the future. This is one of the biggest outsourcing

### Key figures for Services

€ million	Q1 2005	Q1 2004	Δ in %	12 / 2004
Output volume	379	357	+6	1,600
Orders received	512	354	+45	1,588
Order backlog	1,250	1,118	+12	1,088
Capital expenditure on P, P & E	5	4	+25	22
EBITA	+5	+5	0	+62
Employees	17,808	15,746	+13	17,125

### Key figures for Concessions

number / € million	Q1 2005	Q1 2004	Δ in %	12 / 2004
Projects in portfolio	17	11	+54	16
thereof, in construction	12	6	+100	11
Committed equity	186	145	+28	171
thereof, paid in	117	103	+14	112
EBITA	0	+1		+3
Employees	66	54	+22	64

projects for industrial services in Germany. Rheinhold & Mahla will introduce a comprehensive system of maintenance management in the industrial parks. The range of services to be provided includes the maintenance of plant, machinery and drive equipment, and also covers power, measuring and control equipment. There is increasing interest in outsourcing the complete maintenance management of production facilities in many industrial sectors. This deal is therefore of considerable strategic importance to Rheinhold & Mahla.

The recently acquired Babcock Borsig Service will be consolidated as of April 1, 2005. This takeover will substantially expand our industrial services in the power-plant sector, giving us an excellent position also in this growth market. Babcock Borsig Service is one of the market leaders for the provision of lifecycle services for fossil-fuel power plants. Its broad range of services includes regular inspection and maintenance and the spare-parts business, as well as modernization, efficiency enhancements and lifetime extensions for existing power stations. Babcock Borsig Service should contribute €270 million to the Group's total output volume in the last three quarters of 2005. In the coming year, an output volume of €400 million is expected, more than half of which will be accounted for by international business.

For full-year 2005, we expect the Services business segment to raise its output volume to €2 billion accompanied by another significant increase in EBITA.

## Concessions

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- **Substantial growth of concessions portfolio**
  - **Expansion of concessions activities in Australia**
  - **Further value added in current financial year**
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Bilfinger Berger's build-operate-transfer portfolio in the Concessions business segment has grown considerably compared with the prior-year period. At the end of the first quarter, it comprised 17 projects, while committed equity amounted to €186 million, €117 million of which had been paid into project companies. EBITA was close to breakeven, although operating profit alone is unsuitable as a measure of success for a concessions business in the process of being built up. We therefore also consider the annual change in the present value of future cash flows from our concessions activities. Last year, this value increased from €120 million to €153 million, and was thus already well above the volume of paid-in capital of €112 million, despite the low level of maturity of our portfolio.

We expanded our concessions activities in Australia by signing a public-private-partnership agreement with the Royal Women's Hospital in Melbourne. This project has a volume of €190 million and our equity commitment amounts to €11 million. Bilfinger Berger will design, finance and construct a new hospital building, and operate it for a period of 25 years. Australia is one of the Group's most important markets for the PPP business.

For full-year 2005, we assume that the Concessions business segment will continue to expand its portfolio and will deliver positive value added once again.

# Interim financial statements

The interim financial statements as of March 31, 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, the balance sheet is presented for the first time with a clear separation of current and non-current assets and liabilities.

## Consolidated income statement

€ million	Q1 2005	Q1 2004
Sales revenues	1,181	1,227
Other operating income	28	25
Cost of materials	-729	-758
Personnel expenses	-355	-358
Depreciation	-21	-21
Other operating expenses	-108	-120
<b>EBITA</b>	<b>-4</b>	<b>-5</b>
Amortization of intangible assets from acquisitions	0	0
<b>EBIT</b>	<b>-4</b>	<b>-5</b>
Net interest result	0	0
<b>Earnings before taxes</b>	<b>-4</b>	<b>-5</b>
Income taxes	2	2
Minority interests	-1	0
<b>Net profit</b>	<b>-3</b>	<b>-3</b>
Average number of shares (in '000)	36,744	36,719
Earnings per share, basic (€)	-0.08	-0.09
Earnings per share, diluted (€)	-0.08	-0.09

While output volume increased by 3% to €1,399 million, the item of sales revenues in the income statement decreased slightly to €1,181 million. The reason for this is an increase in output volume by joint-ventures in which we participate, which is solely reflected in our output volume and not in our sales revenues.

First-quarter EBITA is always negative due to seasonal effects typical of our business. It amounted to minus €4 million this year (Q1 2004: -€5 million).

Since the 2004 financial year, there has been no more goodwill amortization due to the application of IFRS 3. Amortization of intangible assets from acquisitions amounted to only €165,000 in the first quarter.

As in the prior year, the net interest result was close to zero.

After taxes and minority interests, the first-quarter net loss was unchanged at €3 million.

## Consolidated balance sheet

€ million	Mar. 31, 2005	Dec. 31, 2004
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	375	349
Property, plant and equipment	484	475
Financial assets	469	428
thereof, shareholdings in associated companies	(85)	(81)
thereof, investment properties	(161)	(162)
Fixed assets	1,328	1,252
Deferred tax assets	121	113
	<b>1,449</b>	<b>1,365</b>
<b>Current assets</b>		
Inventories	332	283
Receivables and other assets	1,223	1,158
Cash and marketable securities	661	914
	<b>2,216</b>	<b>2,355</b>
	<b>3,665</b>	<b>3,720</b>
<b>Liabilities and shareholders' equity</b>		
<b>Shareholders' equity</b>		
Shareholders' equity before minority interests	1,113	1,110
Minority interests	18	21
	<b>1,131</b>	<b>1,131</b>
<b>Non-current liabilities</b>		
Provisions for pensions	98	97
Other provisions	111	117
Financial liabilities <sup>1</sup>	230	200
Other liabilities	20	20
Deferred tax liabilities	51	53
	<b>510</b>	<b>487</b>
<b>Current liabilities</b>		
Accruals	368	389
Financial liabilities <sup>2</sup>	147	139
Other liabilities	1,509	1,574
	<b>2,024</b>	<b>2,102</b>
	<b>3,665</b>	<b>3,720</b>

<sup>1</sup> Thereof, non-recourse debt of €142 million (Dec. 31, 2004: €114 million)

<sup>2</sup> Thereof, non-recourse debt of €91 million (Dec. 31, 2004: 91 million)

## Consolidated statement of cash flows

€ million	Q1 2005	Q1 2004
<b>Cash flow from operating activities</b>	<b>-192</b>	<b>-87</b>
<b>Cash flow from investing activities</b>	<b>-56</b>	<b>-48</b>
<b>Cash flow from financing activities</b>	<b>-10</b>	<b>-22</b>
Change in cash and marketable securities	-258	-157
Other adjustments to cash and marketable securities	5	2
Cash and marketable securities at January 1	914	900
<b>Cash and marketable securities at March 31</b>	<b>661</b>	<b>745</b>

The cash flow from operating activities is generally negative in the first quarter as a result of a seasonal increase in working capital. The unusually weak operating cash flow in the first quarter of this year is additionally due to reverse effects from the particularly high cash inflow at the end of the 2004 financial year. Compared with 2004, one must also consider the fact that the cash flow in the first quarter of that year was especially favorable.

The cash outflow for investing activities – net of inflows from disposals – amounts to €56 million (Q1 2004: €48 million), of which €18 million was for property, plant and equipment and €38 million was for financial investments. €27 million of the latter amount was applied for the acquisition of equity interests, and the other €11 million was for capital contributions or loans for concession projects.

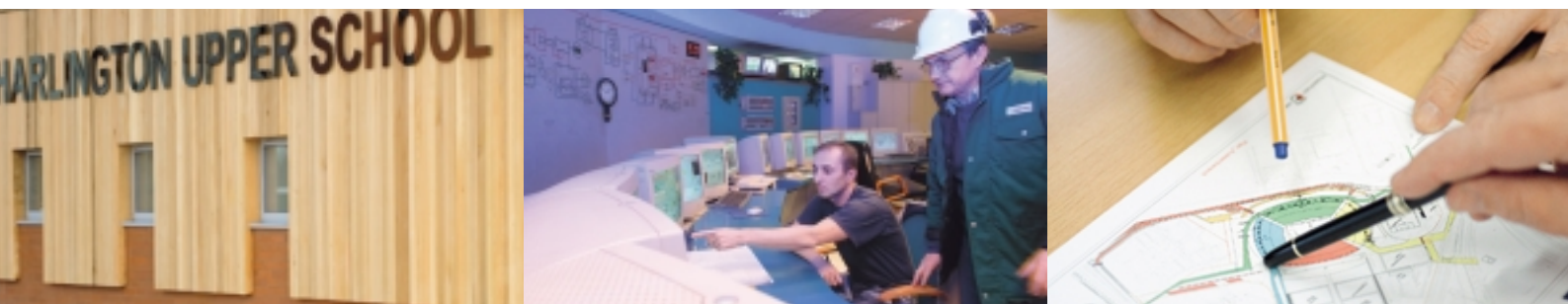
The cash outflow for financing activities of €10 million (Q1 2004: €22 million) includes €17 million used to finance pension obligations. Borrowing resulted in a cash inflow of €7 million.

## Statement of changes in shareholders' equity

€ million	Subscribed capital	Additional paid-in capital	Retained earnings	Other comprehensive income <sup>1</sup>	Unappropriated retained earnings	Shareholders' equity before minority interests	Minority interests	Shareholders' equity
<b>Balance at January 1, 2004</b>	<b>110</b>	<b>522</b>	<b>445</b>	<b>-14</b>	<b>48</b>	<b>1,111</b>	<b>25</b>	<b>1,136</b>
Contributions to capital	0	0	0	0	0	0	0	0
Dividend distributions	0	0	0	0	0	0	0	0
Net profit	0	0	-3	0	0	-3	0	-3
Other changes	0	0	1	6	0	7	-9	-2
<b>Balance at March 31, 2004</b>	<b>110</b>	<b>522</b>	<b>443</b>	<b>-8</b>	<b>48</b>	<b>1,115</b>	<b>16</b>	<b>1,131</b>
<b>Balance at January 1, 2005</b>	<b>110</b>	<b>523</b>	<b>461</b>	<b>-21</b>	<b>37</b>	<b>1,110</b>	<b>21</b>	<b>1,131</b>
Contributions to capital	0	0	0	0	0	0	0	0
Dividend distributions	0	0	0	0	0	0	0	0
Net profit	0	0	-3	0	0	-3	0	-3
Other changes	0	0	1	5	0	6	-3	3
<b>Balance at March 31, 2005</b>	<b>110</b>	<b>523</b>	<b>459</b>	<b>-16</b>	<b>37</b>	<b>1,113</b>	<b>18</b>	<b>1,131</b>

<sup>1</sup> Currency translation and reserves from the fair valuation of securities and hedging transactions





## Financial calendar

### 2005

<b>May 19</b>	Annual General Meeting*
<b>August 11</b>	Interim Report Q2 2005
<b>November 14</b>	Interim Report Q3 2005

### 2006

<b>March 23</b>	Press conference on financial statements
<b>May 11</b>	Interim Report Q1 2006
<b>May 18</b>	Annual General Meeting*
<b>August 10</b>	Interim Report Q2 2006
<b>November 13</b>	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](http://www.bilfingerberger.com)

#### Investor Relations

Andreas Müller  
Phone +49-621-459-23 12  
Fax +49-621-459-27 61  
e-mail: [skle@bilfinger.de](mailto:skle@bilfinger.de)

#### Corporate Communications

Michael Weber  
Phone +49-621-459-24 64  
Fax +49-621-459-25 00  
e-mail: [mweb@bilfinger.de](mailto:mweb@bilfinger.de)