



Interim Report Q2 2004

Business review

- **Significant growth rates for output volume and order backlog**
- **Substantial increase in operating profit**
- **Positive contribution to earnings from all new acquisitions**
- **Further increases in output volume and earnings for the full year**

Bilfinger Berger maintained its successful course in the first half of 2004. The Group's output volume increased by 11% to €2,830 million, and orders received, at €2,795 million, were of a similar magnitude to the output volume. The order backlog of €6,247 million exceeded the comparable prior-year figure by 13%.

Key figures for the Group

€ million	1 st half 2004	1 st half 2003	Δ in %	Year 2003
Output volume	2,830	2,542	+11	5,586
Orders received	2,795	2,921	-4	5,605
Order backlog	6,247	5,547	+13	6,277
EBITA	+17	+10	+70	+101
EBT	+17	+9	+89	+86 ¹
Net profit	+10	+8	+25	+50 ¹
Earnings per share (in €)	0.27	0.22	+23	1.37 ¹
Cash earnings according to DVFA/SG	41	51	-20	152
Capital expenditure	80	42	+90	271
thereof, property, plant, equipment	30	38	-21	88
thereof, financial assets	50	4		183
Employees	49,901	49,572	+1	50,460

¹ Adjusted for exceptional effects from the sale of our Buderus shares totaling +€48 million before taxes and +€76 million after taxes.

Continuation of positive earnings trend

The positive earnings trend continued through the first six months of 2004, underpinning our ambitious forecasts for the full year. Operating profit (EBITA) increased to €17 million (first half of 2003: €10 million) thanks to above-average growth in the Services business segment. Earnings in the construction business also improved once again compared with the year-earlier period.

As a result of higher net cash, we broke even on our net interest result, after a loss of €6 million in the prior-year period. There was also a positive effect from the cessation of regular goodwill amortization, in accordance with a new regulation introduced by the International Accounting Standards Board (IASB). While investment income fell to zero, compared to the €11 million contributed to profit by Buderus during the same period last year, earnings before taxes increased substantially to €17 million (first half of 2003: €9 million). Due to the strong increase in operating profit, the tax charge also rose significantly. Nonetheless, net profit increased to €10 million (first half of 2003: €8 million).

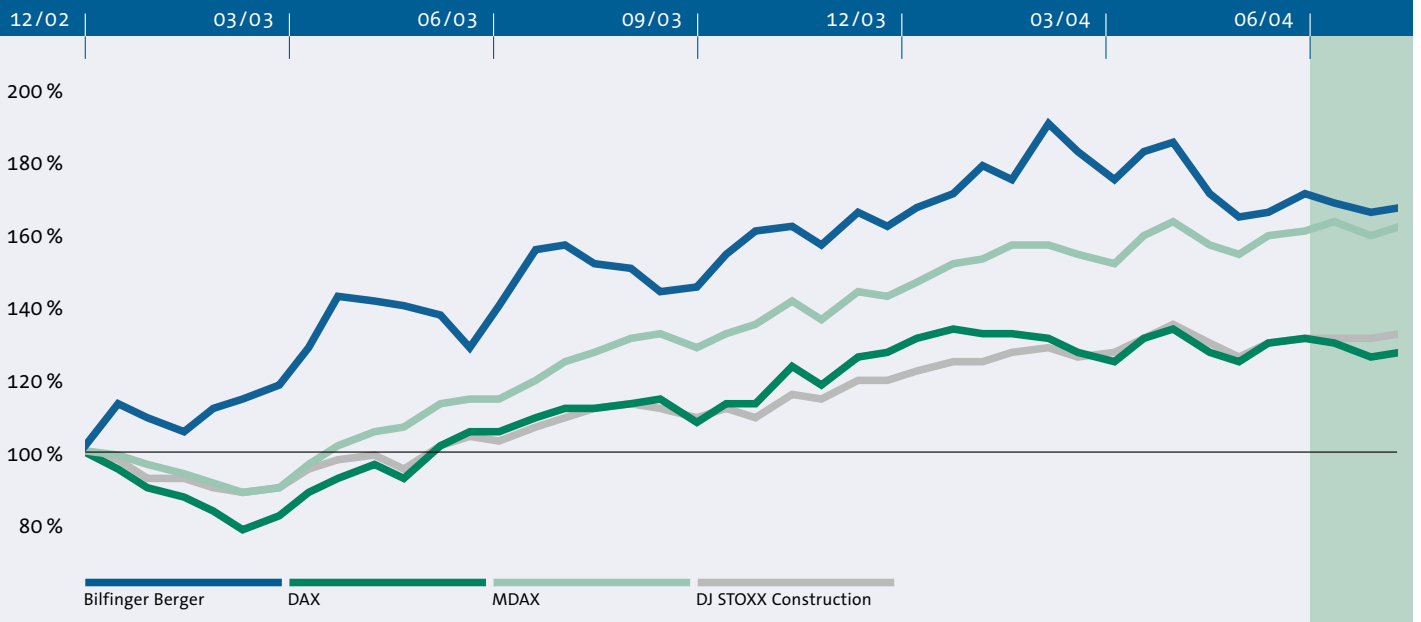
Our acquisitions strategy is a success, with all newly acquired companies contributing, as expected, to Group earnings. Operating profits more than compensated for contributions to earnings from former financial shareholdings, a development that will continue in the future.

Financial situation and capital structure remain strong

There has been no change in Bilfinger Berger's financial situation and capital structure: they remain strong. The Group's equity ratio was 31% in the middle of 2004, while cash and marketable securities totaled €754 million. Liabilities to banks – excluding project financing on a non-recourse basis – were reduced to €152 million. We will use our financial resources for further strategic acquisitions and new investments in BOT projects. No decision has yet been taken on a share buyback.

Capital expenditure on property, plant and equipment decreased to €30 million, the corresponding figure for the prior-year period having

Relative performance of our shares



been influenced by the starting up of major civil engineering projects. Investments in financial assets increased to €50 million, largely due to the acquisition of the remaining shares in Australia's Abigroup and an equity capital injection into our Australian-based concession company, Victoria Corrections. The acquisition of the WPRD road construction company in Poland by our Polish subsidiary, Hydrobudowa-6, was approved by the cartel authorities at the end of July, and we currently hold 98% of the shares in this newly acquired company. The purchase price amounted to €25 million. With Bilfinger Berger as a strong, internationally experienced partner, Hydrobudowa-6 and WPRD are ideally placed to profit from the rising demand for infrastructure projects resulting from European Union enlargement.

Number of employees remains constant

Whereas the number of employees in the Services business segment increased again, overall manpower requirements in the construction business decreased. At June 30, 2004, our workforce totaled 49,901 people (June 30, 2003: 49,572).

Further increases in output volume and earnings for the full year

The development of the Bilfinger Berger Group in the first half of 2004 confirms our expectations for the rest of the year. It should be noted that income up to June 30 is regularly under the full-year rate as a consequence of industry-specific seasonal factors. We anticipate significant growth in output volume for full-year 2004 to €6 billion. Operating profit and earnings before taxes are forecast to increase at a higher rate than output volume, while net profit will surpass the prior-year level, adjusted for exceptional items and goodwill amortization.

Our share price has potential for further increases

Bilfinger Berger's shares performed extremely well in 2003, but in recent weeks they have not been immune to the generally downbeat mood on the stock market, and our share price has been moving laterally at the level reached in 2003. Yet financial analysts continue to recommend Bilfinger Berger's stock as a "buy" and foresee potential for increases because of our rising profitability, sound capital structure and financial position, the consistent implementation of our corporate strategy and, not least, an attractive dividend yield.

Developments by business segment

Overview of output volume and order situation ¹

€ million	1 st half 2004	Δ in %	1 st half 2004	Δ in %	1 st half 2004	Δ in %	Year 2003
	Output volume		Orders received		Order backlog		Output volume
Civil	1,103	+15	1,200	+1	3,198	+13	2,189
Building and Industrial	934	+3	762	-15	1,810	+11	1,920
Services	754	+24	853	+2	1,194	+23	1,363
Concessions	72	+16	8	-43	214	+53	107
Consolidation, other	-33		-28		-169		7
	2,830	+11	2,795	-4	6,247	+13	5,586

¹ Due to the modification of the reporting structure as of January 1, 2004, the prior-year figures have been adjusted accordingly for better comparability.

EBITA by business segment

€ million	1 st half 2004	1 st half 2003	Δ in %	Year 2003
Civil	+6	+4	+50	+45
Building and Industrial	+2	+1	+100	+6
Services	+17	+10	+70	+47
Concessions	0	+1		+3
Consolidation, other	-8	-6		0
	+17	+10	+70	+101

of 2003. Orders received remained stable compared with the prior-year period, while earnings rose to €6 million (first half 2003: €4 million).

In the second quarter of 2004, Bilfinger Berger won a number of major civil engineering contracts in its international markets. We have, for example, a substantial participation in the construction of the Wienerwald Tunnel in Austria, the core section of the high-speed railway line between Vienna and Salzburg. The total volume of this 13-kilometer tunnel, which we are building together with an Austrian partner, amounts to €340 million, and it is one of the biggest infrastructure projects currently underway in Europe.

In Australia, a consortium led by our new subsidiary, Abigroup, has been commissioned to design and construct a 110-kilometer railroad line that will connect a coal-mining area in the state of Queensland with the existing railway network. In addition, Boulderstone Hornibrook, which has been a part of the Group since 1993, has won a contract to build a 10-kilometer section of the Pacific Highway in New South Wales. As well as extensive civil engineering work, the contract includes the design and maintenance of the highway for a period of 10 years. The volume of these two projects totals €120 million.

Civil

- **Increases in output volume and order backlog**
- **Earnings up from first half of 2003**
- **Success in international markets**

In the Civil business segment, output volume and order backlog both increased significantly compared with the same period last year. The growth was due to the consolidation of the Australian company Abigroup, which we acquired at the end

Our U.S. subsidiary, Fru-Con, has been awarded new contracts for the construction and expansion of sewage treatment plants worth €80 million in the Washington D.C. area. In the state of Virginia, the company is constructing the first phase of the new Broad Run Facility, which will create essential new capacity for sewage treatment, and in Virginia's Arlington County the company is modernizing an existing facility.

In other international markets, too, we have been able in recent weeks to announce success in winning contracts. On the island of La Reunion in the Indian Ocean, our French subsidiary, Razel, is undertaking the earthworks and drainage for the construction of the first section of a 34-kilometer highway. Near Brixlegg in Austria, meanwhile, Bilfinger Berger is participating in a consortium for the construction of a technically ambitious 3.5-kilometer tunnel on one of the feeder routes to the

Brenner basis tunnel. The total volume of these two projects is €110 million. They hold out good prospects for follow-up contracts.

For the year 2004, the Civil business segment plans to increase its output volume to around €2,400 million. Our major projects are running well, with the exception of the Maumee River Bridge in the United States. Work on this site, which was curtailed after an accident, will soon be resumed in full. Despite the additional costs resulting from the accident, for which provisions have been formed, the earnings achieved by the Civil business segment will at least equal the level of 2003.

Building and Industrial

- **Stable output volume and rising order backlog**
- **Major contracts in Germany**
- **Substantial increase in earnings for the full year**

Key figures for Civil

€ million	1 st half 2004	1 st half 2003	Δ in %	Year 2003
Output volume	1,103	955	+15	2,189
Orders received	1,200	1,186	+1	2,169
Order backlog	3,198	2,829	+13	3,102
Capital expenditure on P, P & E	18	28	-36	51
EBITA	+6	+4	+50	+45
Employees	23,467	25,775	-9	25,541

Key figures for Building and Industrial

€ million	1 st half 2004	1 st half 2003	Δ in %	Year 2003
Output volume	934	911	+3	1,920
Orders received	762	893	-15	1,899
Order backlog	1,810	1,632	+11	1,917
Capital expenditure on P, P & E	4	1	+300	5
EBITA	+2	+1	+100	+6
Employees	9,323	8,038	+16	8,615

The first half of 2004 brought a stable output volume and an increased order backlog for the Building and Industrial business segment. Orders received were lower than in the prior-year period. We are limiting our bidding activities in Australia due to the high order backlog there. In Nigeria, we are set to receive contracts whose awarding was postponed from earlier. The earnings achieved by the Building and Industrial business segment in the first half of the year improved to €2 million (first half 2003: €1 million).

Bilfinger Berger has taken on new major building contracts in Germany. On the Alexanderplatz in Berlin, a department store is being remodeled

and expanded while continuing to welcome shoppers. In Frankfurt, Bilfinger Berger is the general contractor for the construction of the Main Triangle, a 14-floor office complex. Also in Frankfurt, Bilfinger Berger is the lead partner for the construction of the first section of the FrankfurtHochVier services center in the downtown Zeil shopping area. In Cologne, work has begun on the construction of a new office complex on the Rhine riverfront. The six-floor building, which is 125 meters long and up to 35 meters wide, will incorporate historically significant sections from older buildings on the site. The total value of this project runs to €170 million.

We expect the Building and Industrial business segment to increase its output volume for full-year 2004 to the region of €2,050 million, with a distinct improvement in earnings over 2003.

Services

- **Significant growth in output volume and order backlog**
- **Merger of real estate services**
- **Earnings will clearly surpass good level of 2003**

The Services business segment's output volume and order backlog increased significantly in the first six months of this year. This increase from the prior-year period was primarily related to acquisitions. Orders received were at the same level as in the prior-year period. Earnings rose sharply once again, to €17 million (first half 2003: €10 million).

We are taking an important step in the further development of our real estate services business. Our subsidiaries, Wolfferts and HSG, will soon be merged in organizational terms, creating an even more dynamic services group that will be able to take a leading position in this sector. The operating business will still be based on the two strong brands of Wolfferts and HSG. With this positioning, we aim to achieve sustainable growth in our real estate services activities in Germany, as well as a further improvement in profitability. Centennial, a services company acquired in the United States last year, has also developed positively.

The industrial services business of our Rheinland & Mahla subsidiary maintained its growth in the first half of 2004. In June, the company concluded a long-term framework agreement covering the maintenance of a refinery in Leuna, in eastern Germany. Our U.S. subsidiary, Fru-Con, also expanded its services business with renowned industrial clients, and recently signed additional contracts for the maintenance of Procter & Gamble

Key figures for Services

€ million	1 st half 2004	1 st half 2003	Δ in %	Year 2003
Output volume	754	607	+24	1,363
Orders received	853	833	+2	1,464
Order backlog	1,194	971	+23	1,121
Capital expenditure on P, P & E	8	7	+14	31
EBITA	+17	+10	+70	+47
Employees	16,443	14,695	+12	15,612

Key figures for Concessions

number / € million	1 st half 2004	1 st half 2003	Δ in %	Year 2003
Projects in portfolio	11	8		10
thereof, in construction	6	3		5
Committed equity	122	100	+22	120
thereof, paid-in	107	87	+23	90
Equity investments	17	0		1
EBITA	0	+1		+3
Employees	59	49	+20	50

production facilities at various locations. In Australia, Abigroup has extended by €35 million a long-term framework agreement for the repair and maintenance of water supply and sewage systems in the greater Melbourne area.

For the year 2004, the Services business segment is expected to increase its output volume to the vicinity of €1,550 million. The earnings trend for the first half-year confirms our forecast calling for the good results of the previous year to be significantly surpassed.

Concessions

- **Even stronger market position in the United Kingdom**
- **Further expansion of our portfolio**
- **Concessions to make significant earnings contributions in the future**

The positive development of our public-private partnership activities can be seen in the growing number of projects in our Concessions portfolio. Our focus in this field is on public sector building construction and transportation infrastructure, with the UK and Australia currently the most important markets. The committed equity capital in our project portfolio increased by 22% to €122 million on June 30, 2004 (June 30, 2003: €100 million). Of this total, €107 million was paid into project companies. Equity-capital investments reached the figure of €17 million in the period under review, predominantly for the Victoria Corrections project in Australia.

The business segment broke even despite additional start-up costs for new projects. By continuously monitoring our cash flow over the total contract period, we ensure that each project as well as the total portfolio including overheads

exceeds the 11% return on capital employed targeted within the Group. Our current projects will already generate substantial, stable contributions to future earnings.

We once again strengthened our good position with private sector concessions activities in the United Kingdom. With the recent financial close, the start signal was given for the realization of doctors' centers and clinics in Liverpool and London. These facilities will be financed, planned, built and operated for 26 and 27 years respectively by Bilfinger Berger-led consortiums. The two projects have a total volume of €100 million, and are to be expanded with additional investments at a later date.

Furthermore, we are involved as preferred bidder in promising negotiations for the PPP realization of schools in the English county of Kent and for a section of an expressway south of Budapest, the capital of Hungary.

Public-private partnerships are becoming increasingly important in Germany. In an effort to encourage a breakthrough for PPPs in the country, the Federal Ministry of Transport, Building and Housing has set up a national competence center to help encourage their use for public buildings. Thanks to its extensive knowledge in PPPs, Bilfinger Berger is in an excellent position to profit from the growing acceptance of this innovative financing model in Germany. For example, we were recently named as preferred bidder for the renovation and operation of the town hall in Unna.

We expect the Concessions business segment to make a positive contribution to earnings for full-year 2004. We will expand our activities with additional projects that promise an attractive return on capital.

Interim financial statements

We prepared the interim financial statements as of June 30, 2004 according to the principles of the International Accounting Standards Board (IASB), London, as we did the year-end financial statements for 2003. The accounting and valuation methods explained in the notes to the 2003 consolidated financial statements were again applied

with just one exception: we have already adopted the new regulations on business combinations (IFRS 3), with effect from January 1, 2004. For this reason, we no longer amortize goodwill. Instead, the carrying values of goodwill are subjected to impairment tests at least once a year.

Consolidated income statement

€ million	January 1-June 30		April 1-June 30	
	2004	2003	2004	2003
Sales revenues / changes in inventories	2,668	2,156	1,441	1,171
Other operating income	55	36	30	19
Cost of materials	-1,697	-1,313	-939	-732
Personnel expenses	-752	-632	-393	-332
Depreciation	-41	-39	-21	-20
Other operating expenses	-216	-198	-96	-87
EBITA (earnings before interest, taxes and goodwill amortization)	17	10	22	19
Goodwill amortization	0	-6	0	-3
EBIT (earnings before interest and taxes)	17	4	22	16
Income from investments	0	11	0	5
Net interest result	0	-6	0	-3
EBT (earnings before taxes)	17	9	22	18
Taxes on income and earnings	-6	-1	-8	-5
Minority interests	-1	0	-1	0
Net profit/loss	10	8	13	13
Average number of shares in thousands	36,723	36,519	36,727	36,410
Earnings per share, basic (€)	0.27	0.22	0.35	0.36
Earnings per share, diluted (€)	0.27	0.22	0.35	0.36

The increase in income and expense items resulted from the initial consolidation of companies acquired at the end of 2003, in particular Abigroup and Centennial.

EBITA increased significantly to €17 million (1st half 2003: €10 million), primarily due to the disproportionately high rise in earnings from the services business.

As already explained, the application of IFRS 3 means that there is no more goodwill amortization in this financial year. EBIT is thus equal to EBITA. Due to the sale of our shares in Buderus in the middle of last year, there is no more investment income from these shares; in the first half of 2003

they had made a substantial contribution of €11 million to the Group's net profit.

As a result of our higher net cash position, we broke even on our net interest result; in the prior-year period there had been a net interest loss of €6 million.

The elimination of goodwill amortization and the improved net interest result compensated for the lack of investment income following the sale of our Buderus shares. Thus, EBT increased to €17 million (1st half 2003: €9 million). Due to the sharp increase in operating profit, income taxes rose to €6 million (1st half 2003: €1 million).

Net profit increased to €10 million (1st half 2003: €8 million).

Consolidated balance sheet

€ million	June 31, 2004	Dec. 31, 2003
Assets		
Fixed assets		
Intangible assets	325	300
Property, plant and equipment	536	540
Financial assets	142	172
	1,003	1,012
Current assets		
Inventories	440	371
Receivables and other assets	1,197	1,095
Cash and marketable securities	754	900
	2,391	2,366
Deferred tax assets	119	105
	3,513	3,483
Liabilities and shareholders' equity		
Shareholders' equity	1,072	1,111
Minority interests	17	25
Provisions		
Provisions for pensions	93	90
Other provisions	462	454
	555	544
Liabilities		
Liabilities to banks ¹	310	343
Other liabilities	1,504	1,404
	1,814	1,747
Deferred tax liabilities	55	56
	3,513	3,483

¹ Thereof, non-recourse debt of €158 million (December 31, 2003: €162 million).

Consolidated statement of cash flows

€ million	1 st half 2004	1 st half 2003
Cash earnings according to DVFA/SG	41	51
Change in working capital	-96	-202
Cash flow from operating activities	-55	-151
Cash flow from investing activities	-11	-30
Cash flow from financing activities	-81	-63
Change in cash and marketable securities	-147	-244
Other adjustments to cash and marketable securities	1	5
Cash and marketable securities at January 1	900	772
Cash and marketable securities at June 30	754	533

The cash flow from operating activities once again improved substantially compared with the prior-year period, but is still an outflow of €55 million (1st half 2003: outflow of €151 million) due to an increase in working capital which is typical of the first half of the year.

The cash outflow for investing activities is the result of a €19 million outflow for net capital expenditure in property, plant and equipment, and an inflow of €8 million from financial investment activity. Investments made in financial assets amounted to €50 million and comprise the

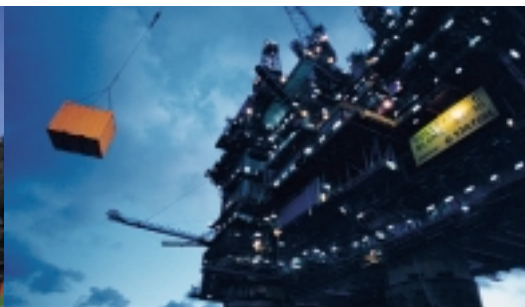
takeover of the remaining shares in Abigroup, the capital contribution into the Australian concession company, Victoria Corrections, and the acquisition of companies in the Services segment. The sale of our 8.1% stake in the listed Australian highway operator, Hills Motorway, resulted in a cash inflow of €58 million.

The cash outflow for financing activities of €81 million is the sum of €33 million for loan repayments and €48 million for the dividend distribution for the year 2003.

Statement of changes in shareholders' equity

€ million	Subscribed capital	Additional paid-in capital	Retained earnings	Other comprehensive income ¹	Unappropriated-retained earnings	Total
Balance at January 1, 2003	109	522	355	-11	36	1,011
Contributions to capital	1	0	0	0	0	1
Dividend distributions	0	0	0	0	-36	-36
Net profit	0	0	0	0	8	8
Other changes	0	0	2	-5	0	-3
Balance at June 30, 2003	110	522	357	-16	8	981
Balance at January 1, 2004	110	522	445	-14	48	1,111
Contributions to capital	0	0	0	0	0	0
Dividend distributions	0	0	0	0	-48	-48
Net profit	0	0	0	0	10	10
Other changes	0	0	2	-3	0	-1
Balance at June 30, 2004	110	522	447	-17	10	1,072

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



Financial calendar

2004

November 18 Interim Report Q3 2004

2005

February 17 Preliminary figures for the year 2004
March 31 Press conference on financial statements
March 31 Analysts' conference
May 12 Interim Report Q1 2005
May 19 Annual General Meeting*
August 11 Interim Report Q2 2005
November 14 Interim Report Q3 2005

* 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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