

## **Annual Results Press Conference of Bilfinger Berger AG**

**Tuesday, April 15, 2003, 10.00 a.m., Mannheim**

**Speech by Herbert Bodner**

**Chairman of the Executive Board**

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*Check against delivery.*

Greetings,

Bilfinger Berger worked successfully in a very difficult environment last year:

We doubled our operative earnings. On this basis our net profit from ordinary activities rose by 15% to €60.3 million.

Including the exceptional capital gain made on the sale of our Dresdner Bank shares to Allianz, our net profit totaled €114.7 million, which is also more than double the comparable figure

for the prior year. We have used the resulting income of €262 million to expand our services business. The tax-free capital gain of €161 million has been primarily utilized to shape our future: to reduce the capital employed in some areas of the company, to adapt structures to changing market requirements and to strengthen our retained earnings. Including the exceptional effect, our net profit for 2002 amounts to €114.7 million. We will propose to our shareholders that a dividend of €1.00 per share be distributed, 55 cents as a regular dividend and 45 cents as a dividend bonus from the exceptional income.

The income of €262 million from the sale of our Dresdner Bank shares has been applied to expand our Services business segment. We have made significant progress in the transformation into a multi-service group that we commenced two years ago. Today, Bilfinger Berger is not only among the top group of internationally active construction companies, but also one of the leading providers of real-estate and industrial services in Germany. The integration of Rheinhold & Mahla, HSG and Wolfferts is running successfully and forms the foundation for the further expansion of our services business.

***Chart: Relative share-price development 2001/2002***

The progress we have made with our corporate development is reflected by the equity markets. The price of our shares is a positive exception to the trend for the industry. Nevertheless, The book value derived from our balance-sheet assets and the valuation of the company as determined by analysts are well above the current market capitalization. Our shares still have considerable potential. This fact should also have a corresponding effect when investors regain their confidence in the equity markets.

***Chart: Output volume, orders received, order backlog 12/02***

Ladies and Gentlemen,

In 2002, output volume, orders received and order backlog also significantly surpassed the levels of the prior year. Output volume increased by 7% to €4.9 billion, with the international proportion of the construction business accounting for about 63% of this total. Domestic construction's share of total output volume was around 31%, and falling. Orders received climbed by 12% to €5.2 billion, while the order backlog expanded by 21% to €5.2 billion.

The new acquisitions led to an increase in our key figures, while the appreciation of the euro led to a statistical decrease.

Without taking into consideration the newly acquired services companies and the negative currency effects, output volume amounted to €4.5 billion (-3%), orders received were at €4.9 billion (+5%), and the order backlog came to €4.8 billion (+12%).

***Chart: Group earnings trend 2000 – 2002***

Ladies and Gentlemen,

In the past three years we have continuously increased our earnings. This is due to a substantial improvement in our EBITA, that is, our earnings from ordinary business activities.

***Chart: Exceptional items in 2002***

I would now like to speak about the exceptional effects arising from the sale of our Dresdner Bank shares. From the capital gain of €161 million, €125 million was used for precautionary measures. We have used the exceptional income to reduce the volume of capital employed in real-estate project development by €70 million. The adjustment of the value of available-for-sale

real estate will create the right conditions for this portfolio to be reduced in connection with our strategic refocus. There is an additional amount of €40 for write-downs in the construction-materials business, which is suffering from the sustained weakness of the construction market in Eastern Germany and the resulting pressure on prices. We are reacting appropriately to this situation by reducing the amounts of capital employed, and are creating a basis for a possible sale of our construction-materials activities. As a third precautionary measure we are using €15 million of the exceptional income to cover the expected costs of a fundamental reorganization of the domestic and international construction business. As the restructuring measures are partially tax-deductible, there is also deferred-tax income of €18.1 million, so that an additional exceptional income of €54.4 million arises.

***Chart: Net profit 2001/2002***

I would like to briefly describe the structure of our earnings in 2002 compared with the prior year. As I have already mentioned, EBITA increased significantly. Goodwill amortization rose to €5 million due to the new acquisitions in the Services business segment. Income from investments of €26 million is at the same level as in the prior year, but its structure has

changed: Lower dividend income after the sale of the Dresdner Bank shares at the beginning of the year was compensated for by lower impairment charges taken on financial assets. Net interest income of -€10 million is negative for the first time. This was caused by the drop in the level of interest paid on investments, the first consolidation of interest expenses from the newly acquired companies and impairment charges on securities of €7.5 million. Deducting corporate income tax of €5 million and minority interests of €2 million results in net profit for the Group of €115 million. Excluding the effect of the exceptional income, net profit amounts to €115 million. Earnings per share amount to €3.16, or €1.66 after excluding exceptional items.

The net profit of Bilfinger Berger AG was €56 million. Of this amount, €20 million was transferred to retained earnings. We propose to the Annual General Meeting that from the unappropriated retained earnings of €36.4 million an unchanged dividend of €0.55 per share plus a dividend bonus of €0.45 per share be distributed. This adds up to a total dividend of €1.00 per share.

***Chart: Value added – ROCE***

Since last year we have been using return-on-capital employed controlling as an additional management instrument to focus our entrepreneurial activities consistently on financial success. In the year under review we came closer to our goal of achieving a total return on capital of 11%. Above all, the value added by the business segments has improved significantly.

### ***Chart: Consolidated balance sheet***

The consolidated balance sheet shows an increase in total assets and a sound asset and capital structure. The growth of €322 million in the balance-sheet total is caused by the first consolidation of the newly acquired companies in the Services business segment.

About €200 million of the increase of €340 million in fixed assets is accounted for by goodwill. Around €160 million of this applies to the first consolidation of Rheinhold & Mahla, HSG and Wolfferts, with the remaining €40 reflecting goodwill taken over with these companies. There was growth in financial assets of €84 million, €48 million of which is accounted for by a 20% stake in the BOT project company for the Cross City Tunnel in Sydney. Inventories are almost unchanged at €412 million, despite the additions from the newly acquired

companies. The reason for this is the significant reduction in funds tied up in available-for-sale real estate. Receivables and other assets are almost unchanged. The disposal of the shares in Dresdner Bank that we still held on December 31, 2001 was offset by higher receivables related to first consolidation.

Liquidity of €772 million is still at a high level.

On the liabilities side, €65 million of the increase in pension provisions is related to the new services companies. And the rises in other provisions and liabilities are also caused by the consolidation. Liabilities to banks amount to €456 million, including project credits in an amount of €144 million on a non-recourse basis without any liability for Bilfinger Berger.

Shareholders' capital decreased by €98 million to about €1 million, despite the Group's positive net profit of €115 million. Pursuant to IAS 39, the capital gain on the sale of Dresdner Bank shares had to be taken into account in shareholders' equity in the previous year in an amount of €161 million. This was then shown in the income statement for 2002 with a corresponding reduction in retained earnings. The equity ratio is 28%, related to the increased balance-sheet total.

Ladies and Gentlemen,

I now come to the development of our business segments, presented in the form that was valid until the end of 2002.

***Chart: Key figures for Domestic Construction at December 31, 2002***

Output volume in the *Domestic Construction* business segment decreased last year by 3% to €1.7 billion. Orders received increased by 11% to €2.1 billion, while the order backlog was up 27% to €1.8 billion. This growth is caused by projects carried out abroad by our civil engineering in Germany. The civil engineering units generated one third of their output volume in international markets, and half of their order backlog is accounted for by projects outside Germany.

In Germany, all the economic indicators point towards a continuation of the building recession. Construction industry revenues fell again last year. Orders received were also well below the prior year's figure, so there is no basis for a stabilization of revenues in the industry in 2003. Due to the uncertain economic situation, the future development of the German construction industry is hard to assess. Even if orders received bottom out this year, the best that can be expected for 2004 is a stagnation of construction investment.

Bilfinger Berger adapted its structures in Germany to the market situation at an early stage, and still anticipates a declining demand. Also in the future, we will continue to restrict ourselves to activities that hold out the promise of financial success. The share of the Group's total output volume taken up by construction in Germany will continue to drop and will probably be less than 25% in 2003.

The Building Construction division contributed a good half of the output volume of the Domestic Construction business segment last year. By means of a consistent customer focus, we were able to increase the proportion of clients for whom we carry out repeat projects and raised the number of directly negotiated contracts. Our activities in the field of building construction will be more closely focused on the complete assumption of project responsibility and on long-term cooperation with demanding customers.

The proportion of the output volume of the Domestic Construction business unit accounted for by Civil Engineering has increased and now stands at well over 40%. This trend has been due in particular to foreign markets such as the core part of the Gotthard basis tunnel in Switzerland. With continued

reductions in public-sector investment, the market situation in Germany remains extremely difficult.

Bilfinger Berger again improved its operative earnings in the Domestic Construction business segment. Both Building Construction and Civil Engineering made a positive contribution to this result.

***Chart: Key figures for International Construction at December 31, 2002***

Ladies and Gentlemen,

The rise of the euro has led to a statistical reduction in the key figures of the *International Construction* business segment. Output volume of €2.4 billion was therefore 5% below the prior year's figure. Orders received decreased by 14% to €2.1 billion, while an order backlog of €2.4 billion was equal to the year's output. If the effects of exchange-rate movements are excluded, output volume, orders received and order backlog were at the same level as in the prior year. Earnings again improved significantly, from €40 million to €49 million.

The main areas of our international activities are still in Australia, the United States, Nigeria, Southeast Asia and some European countries. This geographical diversity makes us less susceptible to economic fluctuations in particular regions.

In Australia, the construction industry has emerged from its period of weakness. Our subsidiary, Boulderstone Hornibrook, again increased its orders received in 2002 and entered this year with a high order backlog. With the financial close and the concession contract for the Cross City Tunnel in Sydney taking effect, a major infrastructure project in Australia has now begun. A consortium initiated by Boulderstone will realize the two-kilometer long toll tunnel under the city center. Design, construction and operation are in the hands of Bilfinger Berger and Boulderstone, whereby our BOT subsidiary together with the finance investors hold the equity of the project company. There are additional major projects in the pipeline in Australia, which are to be realized with public funds or in the private sector. Within the Group, Boulderstone will further strengthen its market position as an infrastructure specialist. The company also successfully gained contracts in the field of building construction last year.

In the United States, the economic situation in 2002 was generally one of stagnation. Construction demand is not expected to rise in 2003. Commercial construction is suffering from the uncertainty concerning future economic developments. However, public-sector investment in the transport infrastructure is still at a high level. In this environment, our subsidiary, Fru-Con, performed well. It successfully established itself in the market for large infrastructure projects with new contracts such as for the construction of a cable-stayed bridge in Ohio and a system of locks in West Virginia.

In Nigeria, our most important market in Africa, there has been a normalization of demand for public-sector construction after a phase of extremely high investment. Major projects such as the National Stadium in the country's capital, Abuja, were continued according to plan. This arena can accommodate 60,000 spectators and will be the central venue for the All African Games this year. We have obtained new contracts from the oil and gas industry, which is increasing its investment, among other things, for the further expansion of a gas-liquefaction plant.

In Southeast Asia, the focus of our activities is currently in China and Taiwan. Opportunities are offered with forthcoming

infrastructure projects in connection with the 2008 Olympic Games. With a small initial contract we are already involved in the construction of an urban railway in Beijing and can now prove our civil-engineering capabilities also in this country. In Taiwan, the work on our 80-kilometer-long, technically unconventional and demanding section of the new high-speed-train line is progressing successfully. As you know, with a total volume of €1.3 billion, this is the biggest single contract in the history of our company.

In Thailand, there are indications of a sustained economic recovery. However, so far this has not had any effect on demand for major infrastructure projects.

Bilfinger Berger is not directly affected by the war in Iraq. We pulled out of the country during the Iraq-Iran war in the middle of the eighties. In view of the complete lack of information on financing the reconstruction of Iraq, it is now too early to make any forecasts concerning who will be involved in what.

***Chart: Key figures for Real Estate Development and BOT at December 31, 2002***

Ladies and Gentlemen,

I now come to the business segment of *Real Estate Development and BOT*, which includes our private-sector operating business and project development. Output volume of €247 million equaled the level of the previous year. Orders received increased by a substantial 63%, and the order backlog went up by 44%. These growth rates were primarily a result of the Cross City Tunnel project in Sydney, which I have already described. The sales volume of project development did not fulfil expectations and led to a negative EBITA for the business segment in 2002.

Our subsidiary, Bilfinger Berger BOT, once again improved its position in the United Kingdom, by far the most important market for private-sector concession projects in Europe. We operate school and hospital buildings there. In 2002, we received a contract for the construction and operation of another hospital in Gloucester, and succeeded as preferred bidder for schools in Bedfordshire. With the Cross City Tunnel in Sydney we have successfully entered the Australian market for transport projects realized by the private sector.

In Germany, before the end of 2003 we hope to see the invitations to tender for the first projects for the privately financed widening of autobahn sections subject to particularly

heavy traffic. Also in the field of public-sector building construction, especially for school buildings and prisons, some federal states and municipalities are inviting tenders for initial projects in order to utilize the advantages of private-sector concepts over conventional budget financing. I would like to take this opportunity to emphasize once again: experience gained in the United Kingdom shows that the complete award of design, financing, construction and long-term operation does not only create new scope for public budgets, but can also lead to considerable price reductions. Based on our experience with public-private partnerships (PPP) abroad we are very well prepared to profit from the growing acceptance of private-sector solutions here in Germany.

The office-building market in Germany weakened more than had been expected in 2002. In view of the poor economic outlook the situation is likely to deteriorate. Against this backdrop we have reorganized the activities of our project development. As well as the traditional development of office buildings, packaging models are also gaining importance. Here we combine various services connected with real-estate development into an individual package, depending on the customers' requirements – without taking the risks involved with

conventional project development due to significant capital investment.

***Chart: Key figures for Environmental Services  
at December 31, 2002***

The output volume of the *Environmental Services* business segment decreased by 7% to €187 million, due to the sale of activities outside the core business of Passavant-Roediger. However, orders received increased by 31% over the prior year, and the order backlog rose by 35%. The positive order situation was largely a result of our growing activities outside Germany. The segment's positive earnings improved again.

***Chart: Key figures for Services at December 31, 2002***

Ladies and Gentlemen,

The selective expansion of our range of services, which are a logical supplement to the construction business and which extend our value chain, was at the center of our corporate development last year. The acquisition of Rheinhold & Mahla was an important step. This internationally focused company is a strong service partner for industrial customers. HSG, also

acquired during 2002, is also an important element of our development into a multi-service group. HSG is one of Germany's leading providers of integrated facility management services. It is active all over the country and is highly competent particularly in the demanding field of technical facility management. We took over Wolfferts at the beginning of the year. This company is one of the few full-service providers in the field of technical equipment for buildings.

The total output volume of our services activities in 2002 amounted to €593 million, orders received in an amount of €640 million, and the order backlog reached €676 million. Rheinhold & Mahla and HSG have been included in the consolidated group since September 2002. The services business already delivered a positive contribution to the Group's EBITA in 2002.

Rheinhold & Mahla succeeded in increasing its output volume by 12% to €821 million last year. 57% of its output was generated abroad. Orders received and order backlog increased significantly. The company has high growth rates particularly in the field of technical services. In connection with industrial customers' outsourcing projects, Rheinhold & Mahla takes over the complete maintenance management. The company has just signed a service contract worth €80 million

with Statoil, Norway's biggest operator of oil rigs, involving the maintenance and repair of twelve oil and gas platforms in the North Sea. The contract runs for a period of five years and includes an option to extend until the year 2014. This contract demonstrates clearly how we can systematically reduce our Group's dependency on the cyclical construction industry and improve the structure of earnings with good and stable margins.

HSG is one of the best-performing providers of real-estate services in Germany. It offers one-stop shopping for the whole range of commercial, technical and infrastructure facility management. Last year, HSG increased its output volume by 10% to €192 million. Orders received and order backlog developed positively after the acquisition by Bilfinger Berger in August 2002. The company will further strengthen its position through organic growth, targeted acquisitions and strategic alliances. For example, HSG has founded a joint venture with E.ON Energie AG, which is to act as a universal facility-management provider for the E.ON Group and selected external clients.

Wolfferts specializes in providing and operating equipment for buildings. Its output volume, orders received and order backlog were similar to the prior year's figures. The company works

primarily for renowned companies in the automotive and pharmaceutical industries as well as for banks, insurance companies and health-care institutions. For selected clients, Wolfferts optimizes the energy consumption of large buildings with a holistic approach. Within a framework of long-term contracts, Wolfferts guarantees not only the smooth operation of such equipment, but also significant cost savings.

***Chart: Structure of business segments from January 1, 2003***

Ladies and Gentlemen,

At the beginning of the year 2003, we restructured our business segments to appropriately reflect the changes that have occurred within our company. The new organization of our segments facilitates more transparent reporting – not least through the development of the newly developed services business. Our segment reporting is now organized with the business segments of Civil, Building and Industrial, Project Development and Concessions, Services and Environmental.

The *Civil* business segment includes all of the company's activities in the field of civil engineering both in Germany and

internationally. The civil engineering business, which was hitherto done primarily in Germany, and the direct business done abroad have been merged into a single organization and form the core of the new segment. Both units have cooperated successfully in the past. Against a backdrop of the further deterioration of the German construction sector and increasingly difficult international markets, this amalgamation will achieve improved competitiveness and a more efficient use of resources. For 2003 we anticipate an output volume by this business segment at about the same level as last year. Its share of business done abroad will increase slightly to nearly 80%.

The *Building and Industrial* business segment consists of the activities of the old building construction division in Germany and the building and industrial activities of the companies abroad. Moreover, the organization of building construction in Germany will be leaned down again to reflect the expected continued decline in overall demand. On the whole, we expect a lower output volume for this business segment and a stable share of business done abroad of 50%.

The *Project Development and Concessions* business segment includes the mainly international activities of Bilfinger Berger

BOT, as well as real-estate project development, which takes place in Germany.

The services companies acquired in 2002 form the core of the new *Services* business segment. Rheinhold & Mahla and HSG are the platforms on which we will systematically expand our services activities. The first consolidation of the companies for a full year in 2003 will lead to a substantial increase in output volume.

The *Environmental* business segment still consists of our subsidiaries, Passavant-Roediger, Bilfinger Berger Umwelt and GWK. For the current year we anticipate a constant output volume and further growth in the share of business done abroad.

***Chart: Output volume, orders received, order backlog at March 31, 2003***

Ladies and Gentlemen,

Finally I come to the development of our Group during the first three months of this year. The preliminary key figures are

positive, so that our targeted output volume of €5.2 billion for the full year is a realistic goal.

Ladies and Gentlemen,

Allow me to summarize:

- With the expansion of the services business we have created important conditions for the ongoing successful development of Bilfinger Berger. The entry into less cyclical activities makes us less dependent on the fluctuations of the construction market and gives us increased stability. This year the services business will generate an output volume of €1.2 billion and achieve an operating profit in the region of €40 million.
- The successful integration of the newly acquired services companies will create the platforms upon which we will further expand our business activities with industrial and real-estate services.
- The international growth of all of our activities – both internally as well as through acquisitions – remains an

important goal. Regions in which we are already represented will have priority.

Our high standards limit the group of acquisition candidates from the start. From the sale of our Buderus shares to Bosch we will receive additional funds in the amount of €551 million, which we will also utilize for the strategic further development of our company. A major share of our financial income has been eliminated and will be replaced with new income from operating activities. We will fill the earnings gap and take the opportunities to expand Bilfinger Berger as a multi-service group. At an appropriate time a decision will be taken on the use of the exceptional income in an amount of €230 million.

Unchanged good fundamental data, continuous increases in earnings and the consistent implementation of our strategy form a sound basis for our future success. Despite uncertain economic prospects in Germany and abroad, we continue to strive to increase our operating profit. Due alone to the renewed exceptional income, the Group's net profit will once again exceed the unusually high result of the previous year.

Thank you for your attention.