

## **Annual General Meeting of Bilfinger Berger AG**

**Thursday, June 6, 2002, 10:00 a.m., Mannheim**

**Speech by Herbert Bodner,  
Chairman of the Executive Board**

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*Check against delivery.*

Ladies and Gentlemen,

Bilfinger Berger continued along its successful path in 2001. Once again, we were a positive exception to the general trend in the field of construction. We achieved all of the goals we had set ourselves for the year.

### ***Chart: 2001 financial year***

We adopted a new strategic positioning.

We significantly improved our operating profit: net profit was up by 20%, with positive contributions to earnings coming from all business segments.

### ***Chart: comparative share-price developments***

Our share price also developed positively. With growth in value of nearly 100%, Bilfinger Berger ranked among the top performers of the

DAX 100 companies in 2001. This set us apart not only from the trend for the construction industry, but also from the general stock-market trend. And our stock has even more potential. We will continue to work intensively on achieving further share-price increases in the future.

***Chart: Report by the Executive Board***

First of all I would like to give you some details of the 2001 financial statements and of the developments in the first few months of this year. I will then go on to talk about our four business segments and explain to you Bilfinger Berger's strategic direction and future development.

Now to the year-end financial statements.

***Chart: Output, orders received, order backlog, 2001***

As a result of internal growth, the Group's output expanded by 4% to €4.6 billion last year. Orders received was also lifted by 2% to €4.7 billion, while our order backlog at year end also rose by 2% to €4.3 billion – thus slightly exceeding the already healthy level achieved at the end of the previous year.

Starting with the 2001 financial year, we converted our consolidated accounting methods to International Accounting Standards, with the

result that our financial statements now satisfy the equity market's need for information considerably better than they did before.

The changeover led to positive valuation effects in the amount of €237 million. These were entered under retained earnings with no effect on profits, bringing about a significant increase in shareholders' equity.

***Chart: Segment profits / consolidated profits***

The cause of the Group's increase in net profit in 2001 is the improved operating profit, which is reflected by an increase in EBITA from €10 million to €36 million.

Investment income declined by €8 million, whereby the prior year's figure was boosted by income from dividend distributions that were motivated by changes in German tax law. With €27 million, once again the biggest contribution came from our investment in Buderus.

Net interest income totaled €9 million. The decrease is the result of lower liquidity during the financial year and of generally lower interest rates.

After taxes on income and earnings there was a net profit for the year of €52 million, representing an increase of 21%. Earnings per share rose by 20% to €1.44.

The net profit of the Company amounted to €28.5 million. The Executive Board and the Supervisory Board hereby propose to the shareholders that an increased dividend is distributed of 55 cents per share. This represents an increase of one third in the total dividend distribution to a figure of €20 million. €8.5 million is to be transferred to the Company's retained earnings, and €32 million is to be transferred to the retained earnings of the Group.

The Group's asset and equity structure is as sound as ever, with an equity ratio of 34%. The renewed increase in this parameter is essentially a result of the first application of IAS 39 (financial instruments), whereby financial assets are to be entered at their fair market values. The increase in total assets to €3.3 billion is also primarily explained by this factor.

***Chart: Consolidated balance sheet, assets***

On the assets side the growth in fixed assets of €55 million is due in equal portions to property, plant and equipment, and to financial assets. Most of the growth in our financial assets is explained by the increase in our stake in Buderus to 30%.

Inventories were almost unchanged at €406 million.

Receivables and other assets climbed to €1,257 million. Due to the first market-price valuation of our Dresdner Bank shares, other assets

increased by €161 million. Trade receivables were also higher than in the previous year.

As a result of committing more funds during the period under review, total liquidity declined to €802 million.

***Chart: Consolidated balance sheet, liabilities***

On the liabilities side, other liabilities inflated by €49 million to €1,314 million. This was mainly due to higher trade liabilities.

The reason for the increase in liabilities to banks is solely to be seen in new project financing on a non-recourse basis, for which Bilfinger Berger is not liable. This amounted to €102 million on the balance-sheet date.

Due to utilization, other provisions were €44 million below the prior year's level. Provisions for pensions dropped by €9 million as a result of reinsurance taken out during the financial year.

Balance-sheet equity amounted to €1,110 million, which is 31% higher than our fixed assets. Undisclosed reserves in connection with our investment in Buderus are not included in this figure.

Bilfinger Berger also forged ahead with its positive development during the first three months of the current financial year.

### ***Chart: 2002, first-quarter financial statements***

Orders received saw an appreciable increase by more than 20% compared with the first quarter of 2001, and the order backlog at the end of March was 8% higher than in the prior year, thus reaching the magnitude of a year's output. Due to seasonal factors, output dipped slightly.

Net profit for the first quarter amounted to €157 million. This figure includes the €161 million gain realized on the sale of our shares in Dresdner Bank. Without this one-time effect, there would be a net loss for the quarter of €4 million, as in the prior year. This result is fully within the framework of our planning. In the construction industry, first-quarter earnings are always well below the level for the full year for seasonal reasons.

Our capital structure and financial situation are as strong as ever. Investments in financial assets were stepped up through our acquisition of the Wolfferts group. In total, our workforce has been augmented as a result of the growing need for labor at our building sites outside Germany.

For full-year 2002 we expect to see an increase in output to €4.8 billion, despite the rather uncertain global economic prospects. This planning does not include any possible future acquisitions. On a basis

of further improvements in our operating profit, we are confident in achieving a renewed increase in the Group's net profit.

The economic conditions that we are encountering on our various markets at home and abroad are lacking in uniformity. In Germany, the upswing that the construction industry has been hoping for will once again not materialize in 2002.

***Chart: Orders received, construction industry proper, 03/02***

In the first three months of the year in progress, demand for construction work fell by a further 2.3%. A differentiated analysis yields an uneven picture. The housing market, in which Bilfinger Berger is scarcely involved, performed particularly badly. In commercial and public-sector construction, on the other hand, a certain stabilization can be expected.

The central problem of the German construction market is the tendency to regard competition based on a single criterion, namely what is assumed to be the most favorable price. Other criteria such as quality, schedule efficiency and a solid financial foundation are largely neglected. The consequences are more often than not overlooked: with negative consequences for clients. Therefore we are strong advocates of a competitive approach that considers and duly weighs all of the factors essential in successful project management. It

is time that public authorities begin to rethink the criteria governing the award of contracts. Competition on quality and performance – long since the order of the day on our international markets – is of key significance for awarding authorities and the basis for promoting competent, top-performing players on the market.

The steady decline in the construction industry over recent years and the generally decreasing interest in engineering vocations have resulted in fewer and fewer young people opting to study civil engineering.

***Chart: Enrolments for civil-engineering studies***

We view this development with great concern. The number of those embarking on such a course of studies has halved since 1995, and is back down at the level of 1989 – with a continuing downward trend. As a leading player in our sector we are still able to find enough young civil engineers with suitable qualifications for the time being. However, it is foreseeable that the contracting numbers of graduates looking for jobs will present the entire construction industry with problems. We have joined forces with the Main Association of Building Industry and Civil Engineering in launching a raft of initiatives designed to reverse this trend. Not only the business community, but society as a whole is called on to find ways to once again awaken the enthusiasm of young individuals for mathematic, scientific and technical career paths. A failure to do so would

seriously jeopardize a fundamental pillar of Germany's international competitive strength.

Our Domestic Construction business segment factored in the prolonged recession in a timely manner. Over the past years our organization structure and our capacities have been consistently adjusted to declining demand. We are focusing our activities on regions in which the markets hold potential for success. Fact is: we will abide by our principle of stringently selecting contracts according to their opportunities for success and their potential risks. We decline on principle contracts that seek to impose unacceptable terms, even if this should entail the loss of individual orders.

***Chart: Key figures for Domestic Construction, 2001***

In 2001 output of the Domestic Construction business segment rose by 6%, to €1.8 billion. We continued to trim the number of employees on the payroll. In spite of our prudent selection of projects, orders received climbed by 27% to €1.9 million. The order backlog at the end of the year stood at €1.4 billion, marking an increase of 10%. These growth rates are attributable, among others, to a change in our reporting methods. Projects performed by domestic units abroad are allocated to these units.

We posted a positive operating result for the Domestic Construction business segment for the past year. Both building construction and

civil engineering contributed to this development. Our ambitious aim is to further enhance profitability in spite of the difficult environment we are operating in.

***Chart: Key figures for Domestic Construction at 04/02***

In the first four months of 2002, orders received and the order backlog in our Domestic Construction business segment continued their upward climb. We anticipate that output for the year as a whole will remain stable at around €1.8 billion.

***Chart: Key figures for International Construction, 2001***

The output of the International Construction business segment in 2001 was on a par with the previous year's level, at €2.5 billion. We continue to focus our international business on our priority markets Australia, the United States, Nigeria, South-East Asia and selected European countries. The volume of orders was on a par with output. This total was nevertheless down on the high prior-year figure due to the major contracts received in that year in Nigeria and Taiwan. The order backlog remained stable. Earnings showed a further improvement, rising from €32 to 40 million.

Demand for building construction is falling in Australia, whereas the civil-engineering sector is on the up. Our subsidiary Boulderstone Hornibrook has adjusted to this development and is involved in various

major transport projects. The company is also enjoying growing success in the field of building construction with its tailor-made packaging projects. For solutions of this kind, the company consciously reconciles the interests of landowners, banks, investors, users and concession holders, without exposing itself to project development risks. Boulderstone enjoys a strong market position and bright future prospects.

In the United States, our subsidiary Fru-Con benefited from a high level of spending by the energy sector during the fiscal year, and took on a substantial number of new contracts for the construction or extension of power stations. It continues to place the emphasis on major infrastructure projects. A contract worth €250 million for the construction of a cable-stayed bridge represents a landmark in the company's development. Capital expenditure in the transport infrastructure and the energy sector is stabilizing the building sector in the United States. Fru-Con is consequently confident of being able to step up its output.

Demand in Nigeria, our most important African market, was underpinned last year by growing capital expenditure by the government on the one hand and the petroleum industry on the other. On the basis of the high order backlog, we expect output to remain stable at a high level in the current fiscal year. Our continuing fortunes there will depend on movements in the price of crude oil.

Bilfinger Berger is among the leading contractors for major infrastructure projects in South-East Asia. We continue to regard the region as a promising market, even if its economic recovery is proving a slow affair. Our activities currently focus on China, Taiwan and Thailand.

Our claims for additional costs for the Bang Na Expressway, completed in 1999, were endorsed in full by the court of arbitration. The Thai government has yet to comply with this ruling. Its counter-arguments are motivated by matters of domestic politics and are lacking in substance. We do not at present expect that the claims substantiated by the court of arbitration will be settled in the immediate future. Therefore, in spite of the confirmed legal claim, we have continued to exclude these items from the annual financial statement.

In Taiwan, we are constructing an 80-kilometer section of the new high-speed railway line between Taipei and Kaohsiung. Brisk progress is being made. Further major infrastructure projects are on the cards. We enjoy an excellent reputation there and have good prospects of securing further contracts.

In China, we are adjusting to the demands of a growing market. There is a rising demand due to the current run-up to the Olympic Games. In connection with this, at the start of the year we forged a joint venture

with a construction company owned by the City of Beijing to compete for contracts for major infrastructure projects.

***Chart: Key figures for International Construction at 04/02***

In International Construction, output, orders received and the order backlog were on a par with last year in the first four months of the year in progress. We expect output for the year as a whole to rise to €2.7 billion, with a renewed increase in operating earnings.

The Real Estate Development and BOT business segment brackets our activities in real-estate-development projects, private-sector concession projects and facility management.

***Chart: Key figures for Real Estate Development and BOT, 2001***

Output climbed appreciably by 41% in fiscal 2001, to €288 million. Despite start-up costs for BOT projects, the segment was able to post a marginally positive result.

Real Estate Development and BOT is also instrumental in preparing the ground for our evolution into a multi-service group. The focus is on broadening our range in the service sector. We cemented our strategic move into technical facility management through the acquisition of the Wolfferts group at the start of 2002. Wolfferts generated an output of some €125 million in the past financial year,

with 670 employees. The company is one of Germany's few full-service companies in the field of building-services engineering.

Output for private-sector concession projects has risen, while earnings were diminished by start-up costs for new projects. These costs nevertheless ultimately guarantee a stable source of revenue and high returns in the longer term, thus representing a sound investment for the future.

We substantially reinforced our position in our target markets for BOT projects, above all in the United Kingdom and Australia. In Great Britain, a particularly dynamic market for private-sector BOT models, we were recently awarded the concession to build and operate a hospital in the city of Gloucester, in the West of England. There are further interesting new projects in the pipeline.

We have taken a significant step towards strategically expanding our BOT activities in Australia. A consortium led by ourselves secured the status of preferred bidder for the privately-financed construction of the Cross City Tunnel in Sydney. This measure, which has a total value of €520 million, will be the most ambitious BOT project in our portfolio to date. The concession agreement is set to be signed before the end of the year. We will design, finance and build the two-kilometer toll tunnel under the heart of the city and operate it for a period of 30 years.

In Germany, the initiative by the Federal Ministry of Transport to allow private funding for the widening of heavily congested autobahn stretches would appear to indicate a growing interest in private-sector financing. The recent amendment to the Highways Construction Private Financing Act opens up prospects for private financing of tunnels, bridges and roads, and the State of North Rhine-Westphalia has already announced initial pilot projects for public-sector buildings. Thanks to our experience in handling initial projects in Germany, such as the Herren Tunnel in Lübeck and the British Embassy in Berlin, and in particular our BOT projects abroad, we have a solid basis on which to profit from this emerging market in Germany.

***Chart: Key figures for Real Estate Development and BOT at 04/02***

The output of the Real Estate Development and BOT business segment rose considerably by 40% in the first four months of this year, to €84 million. The sharp growth in orders received and the order backlog is one consequence of the inclusion of the Wolfferts group in the consolidated figures for the first time.

The output of this business segment will exceed €400 million in the course of fiscal 2002. While start-up costs for new BOT activities will continue to affect the result, we nevertheless anticipate that it will make a positive contribution towards consolidated earnings.

***Chart: Key figures for Environmental Services, 2001***

The output of the Environmental Services business segment fell by 8% in 2001 to €200 million. Slack domestic demand has, however, resulted in a drop in the number of orders received. Earnings for the year were positive.

Our subsidiary Passavant-Roediger is a leading plant-engineering company in the sewage-treatment and drinking-water-purification sector. The company has now shed all activities that are not connected with this core line of business. Efforts to tap international markets are being stepped up, and over 50% of output is now of foreign origin.

Bilfinger Berger Umwelt GmbH, which deals with the remediation of contaminated soil and the disposal of asbestos, boosted its output and was able to strengthen its market position.

The output of the GKW group, which specializes in advisory and planning services in the area of water supply and the disposal of sewage and solid waste, likewise rose.

***Chart: Key figures for Environmental Services at 04/02***

Output by the Environmental Services business segment fell by 17% in the first four months of the current year, to €50 million. This downturn is attributable to Passavant-Roediger's decision to

concentrate on sewage treatment and drinking-water purification. The sharp rise in orders received is highly satisfactory.

We anticipate that output for 2002 will total around €200 million, together with earnings which will once again be positive.

***Chart: Output, orders received, order backlog at 04/02***

The first four months of the current financial year can be summarized as follows: output – due to seasonal factors - was slightly down on the prior-year figure. Orders received, on the other hand, rose by 10 per cent to more than €1.8 billion. Order backlog of €4.8 billion at the end of April was considerably higher than one year earlier and represents a solid foundation for planned growth.

In looking back on the year 2001 I would like to thank our employees in the name of the Executive Board for their excellent performance over the past year. Under difficult market conditions they have succeeded in increasing the value of the Company and made a valuable contribution towards the position Bilfinger Berger enjoys on domestic and foreign construction markets as a reliable, established player. Our employees will thus be receiving a special bonus for the year 2001.

Bilfinger Berger not only enjoys a fundamentally sound position, but is also pursuing ambitious plans. The increasing demand for

comprehensive solutions from a single source is the driving force behind our strategic aim of developing into a multi-service group. In every market we serve we are offering all-encompassing solutions – and are enjoying increasing success in the process. We are in a position to assume overall responsibility for challenging projects that we optimise to the benefit of our clients - from development, design and financing through to turnkey construction, maintenance and operation.

### ***Chart: Strategic aims I***

Our range of services is being broadened through organic growth and targeted acquisitions. We place great store on the growth potential and earning stability of new activities. In the medium term, we aim to generate one-third of our earnings through services. We will further intensify our involvement in privately financed concession projects.

We likewise intend to expand on our international position. In doing so we will focus on stepping up our presence in markets in which we already enjoy a track record of success. We see development potential for our international business in the United States, Australia and in selected European countries. China, too, offers very interesting prospects.

Without addressing further takeover candidates, I would like to highlight the selection criteria by which we gauge potential acquisitions.

***Chart: Criteria for takeover candidates***

We will only be considering companies that dovetail with our strategic direction. That means that they must strengthen our service business or decisively improve our position on international markets.

Subsequent to goodwill amortization and interest payments on financing, we expect new companies to make a positive contribution towards **Group earnings**. We are targeting our emphasis on candidates with promising development potential. And we expect to find a strong management team already in place.

***Chart: Strategic aims II***

In pursuing both strategic directions of thrust – diversification in the services business and internationalization – the development of our Company will be systematically focused on achieving growing economic success. We have added a return-on-capital-employed controlling system to our existing range of management instruments. This will help us to commit our resources specifically on the expansion of activities in high-yield sectors. Our immediate objective

is to achieve a yield on shareholder's equity and debt of over 11% for all operative units. In order to achieve this objective we need further enhancements of our operating profit and a stringent yield-oriented commitment of our resources.

We today request your approval of another stock-option plan for our management employees. This measure is intended to continue providing our management with a powerful incentive to consistently focus on enhancing the value of the Company.

We are also submitting a proposal to you to authorize us to buy back treasury shares representing up to 10% of the capital stock. As the existing buy-back authorization expires at the end of the year, we require a new resolution in order to be able to continue exercising this instrument. We have no current plans to buy back treasury shares.

Although today's general meeting of shareholders will focus strongly on reviewing the year 2001, our entire efforts are fully geared to the future and to the following objectives:

- Solid organic growth of our existing business with above-average increases in earnings
- Targeted acquisitions geared to further expanding our services business and strengthening our international position

- Expansion of our private-sector concession business
- And in all endeavors: the consistent orientation to economic success - in connection with a judicious awareness of staff concerns and interests.

These are the pillars of our further development that we are pursuing with great optimism and enthusiasm.

Dear shareholders,

We hope that you will support us in pursuing the outlined course and continue to place your trust in us – now and in future.

Thank you for your attention.