



Annual Report 2003

Business segments

Civil

€ million	2002	2003	Δ in %	International business in %
Output volume	1,991	2,036	+2	Abroad 71
Orders received	2,237	2,007	-10	Germany 29
Order backlog	2,471	2,923	+18	
Capital expenditure	47	49	+4	
Earnings (EBITA)	43	39	-9	
Employees	25,959	24,854	-4	

Building and Industrial

€ million	2002	2003	Δ in %	International business in %
Output volume	1,957	1,920	-2	Abroad 50
Orders received	1,934	1,899	-2	Germany 50
Order backlog	1,649	1,917	+16	
Capital expenditure	4	5	+25	
Earnings (EBITA)	8	6	-25	
Employees	7,706	8,615	+12	

Project Development and Concessions

€ million	2002	2003	Δ in %	International business in %
Output volume	247	231	-6	Abroad 30
Orders received	316	375	+19	Germany 70
Order backlog	226	370	+64	
Capital expenditure	48	1	-98	
Earnings (EBITA)	-2	-3	-50	
Employees	99	92	-7	

Services

€ million	2002	2003	Δ in %	International business in %
Output volume	697	1,363	+96	Abroad 43
Orders received	679	1,464	+116	Germany 57
Order backlog	745	1,121	+50	
Capital expenditure	13	31	+138	
Earnings (EBITA)	26	47	+81	
Employees	14,771	15,612	+6	

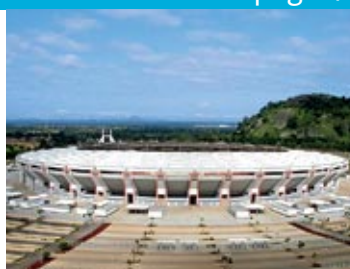
Environmental

€ million	2002	2003	Δ in %	International business in %
Output volume	187	181	-3	Abroad 45
Orders received	229	193	-16	Germany 55
Order backlog	161	217	+35	
Capital expenditure	2	2	0	
Earnings (EBITA)	3	6	+100	
Employees	1,068	969	-9	

The Civil business segment encompasses all Bilfinger Berger Group civil engineering activities. The Company is among the leaders in carrying out major civil engineering projects. In 2003, Bilfinger Berger increased its presence in the expanding Australian market for challenging infrastructure projects with its takeover of Abigroup, which is active primarily in civil engineering and road building.



The Building and Industrial business segment embraces the activities of the Building Construction division in Germany and the building and industrial construction operations of all our international companies. In addition to design and turnkey construction, Bilfinger Berger offers clients an exceptionally comprehensive range of services encompassing development, financing, maintenance and operations.



The Project Development and Concessions business segment, which encompasses private-sector concession activities, is enjoying a sustained period of expansion. The focus is on transportation infrastructure and public-sector building projects, with the principal markets being Great Britain and Australia. In Germany, the Company is well positioned thanks to its proven track record in BOT. Responsibility for developing office buildings for clients was transferred to the Building Construction division at the start of 2004.



The service companies Rheinhold & Mahla and HSG, acquired in fiscal 2002, are at the heart of the new Services business segment and will serve as springboards for the further, systematic expansion of activities in industrial and building services. In the United States, Fru-Con has a long history of success as a services provider, and Centennial, acquired in 2003, perfectly complements these activities.



The activities of the affiliated companies within the Environmental business segment comprise the engineering, construction and operation of plant for drinking-water purification and sewage treatment, as well as the remediation of contaminated soil. As this business segment is relatively small, starting in 2004 environmental activities will not be reported on separately but will be included in the Civil Engineering business segment.



Bilfinger Berger

€ million	2001	2002	2003
Output volume	4,607	4,912	5,586
Orders received	4,680	5,216	5,605
Order backlog	4,272	5,168	6,277
Capital expenditure	111	324	271
Property, plant and equipment	73	71	88
Financial assets	38	253	183
Employees (at year end)	43,471	50,277	50,460
Balance sheet			
Balance-sheet total	3,311	3,633	3,483
Equity capital	1,110	1,012	1,111
Equity ratio	in % 34	28	32
Working capital	-200	-178	-223
Cash and cash equivalents	802	772	900
Liabilities to banks	351	456	343
thereof, non-recourse	102	144	162
Capital employed	1,479	1,533	1,497
Earnings			
EBITA	36	74	101
Net profit	52	115	126
Earnings per share	in € 1.44	3.16	3.44
Dividend per share	in € 0.55	1.00	1.30
Cash earnings according to DVFA/SG	133	131	152
Profitability			
Return on output (EBITA/output volume)	in % 0.8	1.5	1.8
Return on equity (ROE)	in % 5.2	10.8	11.9
Return on capital employed (ROCE)	in % 6.8	7.9	8.8
Value added	-62	-47	-32

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Editorial



Ladies and Gentlemen,

Bilfinger Berger can look back on a successful 2003. Output volume, orders received and order backlog all set new records, and once again we achieved a significant increase in earnings. This success confirms that our decision to strategically refocus the Company was the right one.

In the last business year, Bilfinger Berger continued to expand its Services business segment and further strengthened its presence in major international markets. This Annual Report 2003 includes portraits of the Group's new companies – Abigroup in Australia, and Centennial in the United States – as well as detailed information on our operating activities. I would also like to draw your attention to a round-table discussion on the issue of public-private partnerships in Germany. And in an interview, my colleagues and I explain our corporate strategy.

Ladies and gentlemen, please allow me to thank you for the trust that you have placed in our Company. Bilfinger Berger once again made good progress last year, a fact that is also reflected in the share price. I assure you that we will make every effort to advance our Company's continuing development into a multi service group.

Sincerely,

A handwritten signature in blue ink, which appears to read "H. Bodner". The signature is fluid and cursive, written in a professional style.

Herbert Bodner

Working for sustained increases in earnings and shareholder value

An interview with the Executive Board of Bilfinger Berger AG

The overall economic situation was rather difficult in 2003. How did Bilfinger Berger manage to perform so well in that environment?

Herbert Bodner: This good performance resulted, first of all, from the successful refocusing of the Group. We now have a second strong area of business. The new services activities make us even more independent of the domestic construction market, and at the same time they're an ideal complement to our existing construction business. Secondly, we have the



Herbert Bodner

advantage of our broad international presence. This makes us less susceptible to fluctuations in individual regional markets.

How important has the services business become to Bilfinger Berger?

Dr. Joachim Ott: The services activities that we have recently built up are already making a significant contribution to output volume and earnings. Today, they account for a quarter of our output volume and 45% of our operating profit. In view of good

profitability and stable margins, we anticipate more expansion of the services business in the future. Last year, we acquired Centennial, a services provider in the United States that carries out repair and maintenance



Dr. Joachim Ott

work for well-known public institutions on the basis of long-term framework agreements. We are working hard to integrate the new businesses. It is a matter of achieving synergies between the service companies, but also of the potential that can be achieved when they cooperate with the Group's other units. The focus here is on a joint approach to the market. With our combination of expertise in construction and services, we can offer our clients significant added value.

The Group's success in the field of services is very clear. But how did the construction business develop last year?

Hans Helmut Schetter: Developments in building construction were comparatively good, in view of the generally difficult economic situation. Even in Germany, we achieved an operating profit, which was not a given: This success was only possible because we specialized

and adapted on time to the decline in demand. Instead of being present right across the country we are concentrating on economic centers with sufficient building activity. Another important factor in our success is our above-average number of repeat clients, which continues to grow. The consistent client orientation of our operating units is clearly bearing fruit. Our most important resources are the skills and motivation of our employees. Systematic personnel development has been a tradition with us for many years and includes all of our business segments. We follow an integrated approach, starting with the recruitment of especially gifted university graduates,



Hans Helmut Schetter

followed by targeted on-the-job orientation and on through to the grooming of top performers for our management.

What is the situation in civil engineering?

Carlos Möller: Our civil engineering business is dominated by large infrastructure projects outside Germany. While it is true that international markets have generally become more challen-

ging, we are well positioned in our regions and operated successfully once again last year. We've made particularly good progress in Australia. The newly acquired Abigroup is a perfect complement to the activities of our existing Australian subsidiary, Baulderstone Hornibrook. We are now No. 2, and have built



Carlos Möller

up a much stronger presence on the Australian continent. We're determined to do more, especially on large infrastructure projects. Our direct business benefits from our merger of the German civil engineering units with the corresponding international activities. This move was decisive in making us more competitive for large projects in Germany and abroad, since we can now develop and apply our high level of technical expertise even more efficiently.

How do you explain Bilfinger Berger's worldwide reputation for technical competence?

Dr. Klaus-Dieter Ehlers: The good reputation grows naturally out of exceptionally demanding projects that put our skills to the test. It's not only our construction engineers who are proud of that, by the way. Thanks to well-thought-out contractor's proposals from our engineers, we have been successful in the market, again and again. This success is

based equally on the high level of our structural designs and on our advanced building techniques. We develop cost-effective solutions that are designed to fit our clients' needs perfectly, and



Dr. Klaus-Dieter Ehlers

in order to stay competitive we carry out goal-oriented research and development, which is mostly done on a decentralized basis. The result is top-quality technical work and economically sound solutions that we can offer to our clients.

Bilfinger Berger's shares performed well in 2003. How do you assess their potential? And why should an investor buy your shares?

Dr. Jürgen M. Schneider: The very good performance of our shares shows that the equity market is rewarding our refocusing effort and the positive development of our business. But we still see potential for further increases in



Dr. Jürgen M. Schneider

our share price, because we will achieve a sustained improvement in our profitability as a result of our Company's consistent further development. We can build on a healthy financial

position and a sound capital structure. Against the background of an increased operating profit, we propose that the dividend for 2003 should be raised. We intend to let our shareholders participate in the capital gain that was realized on the sale of our shares in Buderus by raising the bonus, as well. And we want our shareholders to share over the long term in the growing success of the Company, through an attractive dividend.

Where will Bilfinger Berger be in five years?

Herbert Bodner: Our strategy aims to achieve a sustained increase in earnings and shareholder value. An important thrust of our development is to continue expanding our services business. But we also intend to keep growing in key markets outside of Germany, and for services and construction activities to make roughly equal contributions to our earnings. In five years, Bilfinger Berger will have an even more international reach. For many customers, we'll be a partner who can fulfill their needs with a high degree of integration, from planning and financing to construction, maintenance and operation. Our portfolio of private-sector operator projects, which is still young, will have at least doubled in size by then, and will provide stable contributions to our earnings over the years.



Hans Helmut Schetter

Born on February 25, 1949 in Albstadt, Germany. After studying civil engineering at the University of Karlsruhe and starting his career in the construction industry, he joined the Bilfinger Berger Group in 1990. Hans Helmut Schetter has been a member of the Executive Board since 1995 and is responsible for human resources, building construction and European subsidiaries.

Herbert Bodner
Chairman
of the Executive Board

Born on February 20, 1948 in Graz, Austria, he studied civil engineering at the University of Stuttgart and possesses many years of experience in the construction industry, particularly outside Germany. Herbert Bodner joined the Bilfinger Berger Group in 1991 and assumed directorship functions of major international affiliated companies. He has been a member of the Executive Board since 1997, and Chairman since 1999. His areas of responsibility include corporate development, communications, legal affairs, concessions, and civil engineering activities within Germany.

Dr. Jürgen M. Schneider

Born on December 19, 1946 in Walldürn, Germany. He followed his business administration studies at the University of Mannheim with work as a research assistant, earning a doctorate in business administration. He began his career working in the area of plant engineering. Dr. Jürgen M. Schneider joined the Bilfinger Berger Group in 1983. His responsibilities on the Executive Board, of which he has been a member since 1990, include accounting, treasury, controlling and industrial services.

Carlos Möller

Born on August 25, 1956 in Hamburg, Germany. After completing his studies in civil engineering at the Rhineland-Westphalia Technical University in Aachen, he worked in the construction industry both in Germany and internationally. Carlos Möller joined Bilfinger Berger in 1999, and has been a member of the Executive Board since 2000. He is responsible for international civil engineering activities and for affiliated companies outside of Europe.

Dr. Klaus-Dieter Ehlers

Born on September 30, 1941 in Hildesheim, Germany. After studying civil engineering at the Technical University of Hannover, he became a research assistant and took his doctorate degree in civil engineering. Dr. Klaus-Dieter Ehlers then proceeded to work in the construction industry, joining the Bilfinger Berger Group in 1984. He has been a member of the Executive Board since 1995 and is responsible for technology.

Dr. Joachim Ott

Born on February 5, 1963 in Wiesbaden, Germany. After studying economics at the University of Mainz, he earned a doctorate in business administration at the University of St. Gallen, in Switzerland. Dr. Joachim Ott joined the Bilfinger Berger Group in 1991. In 2003 he became a deputy member of the Executive Board, where his areas of responsibility include procurement as well as environmental and real estate services.

Areas of responsibility
as of April 14, 2004

Ask Patrick Huang what all the technology and investment behind Taiwan's new High Speed Rail link will mean to him, and he'll tell you: More time with his family. As the manager of a small electronics company, Patrick Huang now spends the workweek in Hsin-chu County, an information technology Mecca west of the capital, Taipei, and only gets to see his wife and their two school-age sons on weekends. The three-hour drive north from the family home in Chiayi County and then back again in the evening would be impossible on a daily basis, he explains.

Text
Lu Chia-ying
Photos
Chris Stowers

That will change when the ultramodern railroad, known in Taiwan simply as "the HSR,"

Faster trains will mean more time to enjoy the finer things in life

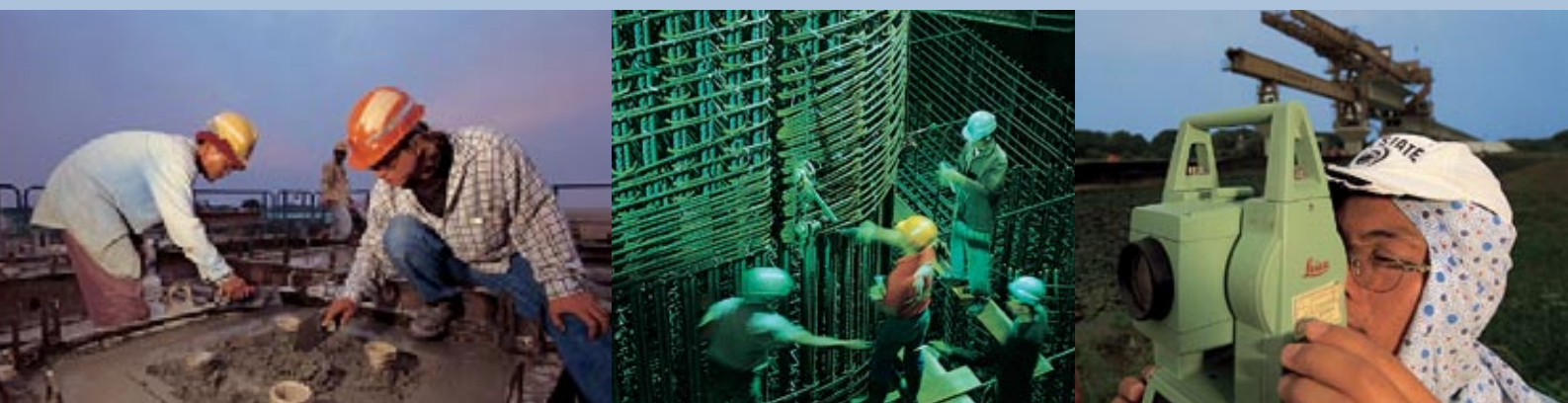
goes into service next year. It will reduce his travel time to an hour and allow him to realize





Bringing people closer

A new high-speed rail link will make it faster and easier to get around Taiwan's densely populated Western Corridor. The economy will benefit, and so will families.



his dream of living with his family in the countryside of Chiayi while still being able to pursue an exciting career in Taiwan's thriving IT industry.

More than 90% of Taiwan's 22 million people live along the island's west coast: This so-called "Western Corridor" is one of the most densely populated regions in the world, a place where hopelessly congested highways and an outdated rail-

High-speed rail will be central to the island's transportation infrastructure

way system make travel difficult. But the privately financed HSR will run the length of this coastal plain – between Taipei in the north and Kaohsiung in the south, a 345-kilometer trip that now takes four-and-a-half hours by train – in just 90 minutes.

An 80-kilometer stretch of the HSR south of the city of Taichung was built by Bilfinger Berger with a Taiwanese partner, Continental Engineering. Work started in April 2000 and the completed part of the line was handed over, well ahead of schedule, in spring 2004.

When it goes into service the HSR will not only play a central role in Taiwan's transportation infrastructure, but will provide long-term economic stimulus to many communities. The government has already designated 11 industrial development areas along the HSR's route, and cities where the high-speed trains make a stop are certain to benefit; this is especially true of Taichung, which is about halfway between Taipei and Kaohsiung.

"The high-speed train will give the city a powerful stimulus for development," says Chiu Ta-chan, an official with the Ministry of Transportation and Communication.

Some 3,000 workers, foremen and engineers from 24 countries were employed at the 40 separate Bilfinger Berger worksites for the project, prefabricating massive concrete track bed sections in two temporary factories and then installing them in place along the new

line. The assignment was particularly challenging because most of the stretch built by Bilfinger Berger consists of viaducts running several meters above the ground: Some 2,000 of the concrete sections, each weighing 850 tons, had to be delivered aboard 10-axle transporters and then lifted with the help of a giant launching truss into place between bridge piers.

Before long HSR trains will be racing across these viaducts, carrying tourists, Taiwanese families and businesspeople, and foreign visitors like John Ellis. The British businessman usually stays in Taipei, but with

The towns and cities along the new rail line can expect a major boost to their economies

the coming of the HSR he foresees making Taichung the base for his trips around Taiwan. By high-speed train the city will be within 30 minutes of Tainan, which Ellis now needs four hours' driving time to reach



from Taipei. Trips to international trade fairs and business contacts in the manufacturing hub of Taoyuan will only take 26 minutes on the HSR from

The city of Taichung is counting on the HSR to create 'a powerful stimulus for development'

Taichung, and Taipei and Kaohsiung will still be within easy reach.

For family man Patrick Huang, faster commuting will be only part of the story. "I could take a Saturday trip with my

children to Kaohsiung on the HSR, which would only take 30 minutes," he says, referring to Taiwan's second largest city and biggest port. "I could take them to an educational exhibition. We could have fresh seafood on Hsitzuwan beach downtown and still get home by 8 p.m."

Patrick Huang even sees the HSR opening up certain romantic possibilities: He looks forward to surprising his wife, Linda, with the occasional Friday-night dinner and concert in Taipei. With the HSR, Taiwan's biggest city will be within an hour's traveling time of their home.





Rush-hour relief Sydney's commuters

Over the next several years a number of ambitious traffic improvement projects will be completed in Australia. Through its acquisition of Abigroup, Bilfinger Berger has further strengthened its position in this market.





Text
Michael Kovacs
Photos
Abigroup

John McBride is loading up for another run, just one of nine that he has to manage daily in and around Sydney. And manage is the word. “The big challenge for me is not to find the shortest route, but the quickest,” the truck driver explains. “That is, the ones that are not too crowded and have the least risk of a traffic jam.”

For thousands of gridlock-plagued motorists in Australia’s metropolis, however, the 40-kilometer Westlink M7 highway now being built to connect three existing highways will mean less congestion and a much smoother traffic flow. It’s a mega-project that will cost some €1 billion, but as a man who knows the Sydney highway system intimately, John McBride considers the money well spent. The new highway, he says, “will be the missing link in Sydney’s highway network.”

The Westlink is the biggest highway construction project ever initiated in New South Wales, Australia’s most populous state, and an important partner in this joint venture is Abigroup, a leading

Abigroup has an outstanding reputation for civil engineering competence

infrastructure specialist. “It is an honor for our company” to take on such a large portion of the responsibility for carrying out the project, says Ken Scott-Mackenzie, the CEO of Abigroup, which will also be involved in the private commercialization and maintenance of the Westlink.

Abigroup has an outstanding reputation for civil engineering competence and the development of infrastructure projects. In addition to Abigroup’s technical expertise, however, Bilfinger Berger was interested in its proven profitability.

“Abigroup’s success can be attributed to its corporate culture and people,” explains Ken Scott-Mackenzie. “Insisting on quality from both staff and subcontractors creates excellence in what we construct. This in turn allows us to develop long-term repeat business relationships with clients.”





In Australia, the commercialization of infrastructure projects is a growing trend, and every unit of the Bilfinger Berger Group on the continent is fully prepared to meet the myriad demands that this entails. Together, they can point potential customers to some excellent projects already carried out and, most importantly, they command the necessary financial strength. “To achieve success in

Creating the second largest construction group on the continent opened up a wealth of opportunities

privately operated projects, it’s essential that an appropriate financing package can be wrapped up from proprietary capital and third-party capital,” explains Scott Allison, Managing Director of Abigroup Asset Developments.

Abigroup has extensive experience in BOT projects, and in addition to holding a share in the operating consortium for the Westlink it is involved in other important toll roads, among them the M2 Motorway in Sydney. Abigroup also handles the servicing and maintenance of toll roads, as well as gas and water distribution networks.

Abigroup and Boulderstone Hornibrook, the latter of which has been owned by Bilfinger Berger since the early 1990s, complement each other perfectly. Bringing them together created the second largest construction group on the continent, and opened up a wealth of opportunities.

John McBride, meanwhile, is more concerned with a future opportunity of his own – the chance to spend more of his working day serving customers and less of it wasting valuable time in traffic jams. “When the Westlink is finished in 2006, the traffic snarls on the western arterial roads will be a thing of the past,” he predicts. A number of similar highway infrastructure projects are on the agenda for Australia’s big metropolitan areas, which is something that John McBride’s colleagues in Melbourne and Perth will certainly be glad to hear.





Text
Andreas Lenz
Photos
Zeitenspiegel

Playing host to an entire continent

Nigeria's impressive new facilities helped make the All Africa Games a huge sporting and cultural success.

It was an important competition for the athletes from 53 countries, but when it came to Nigeria, Egypt and South Africa, the sporting giants of a continent, it was more like an all-out battle for athletic supremacy.

“Thirty years ago, when Nigeria first hosted the All Africa Games, Egypt came away from the event with more medals than we did. This time it will be the other way around,” the sprint champion Mary Onyali-Omagbemi vowed to her nearly 1,000 fellow members of the Nigerian national team. The responsibility weighed heavily on her as she carried the torch in the opening ceremony for the eighth edition of the games in Abuja, the Nigerian capital.

“I’m like a mother who needs to set a good example for her children,” said Mary Onyali-Omagbemi. Aged 36 when the competition started last October, she has won numerous medals for her country over two decades of international competition and, as the games would show, remains a top athlete.

As the biggest sporting event in Africa, the games are indeed emotionally charged, and a total of about 6,000 athletes came to Abuja, representing diverse sporting disciplines but with the common ambition of being crowned as their continent’s best. The athletics were not the only challenge, however: The preparation itself was a near-Herculean feat.

Yet when the time for the games came, Nigeria, with its impressive new sporting facili-

A huge competition between the top athletes of 53 African countries

ties and expansive athlete’s village, could rightly claim that it had more than fulfilled the vision of an all-round fantastic event, with the new 60,000-seat national stadium as its centerpiece. Julius Berger Nigeria, the largest construction company in the country, working in close cooperation with the parent company Bilfinger Berger, managed to erect the ultra-modern structure in less than two and a half years.

According to many spectators, the opening ceremonies held in the stadium were the most delightful in the history of the All Africa Games, which were

As a sporting event, the All Africa Games are emotionally charged

first staged in 1965. Nigerian riders galloped across the field and 600 dancers used sophisticated choreography to tell the history of Africa, from the distant time when it was the cradle of humanity through the era of colonization and on to freedom and independence for its people. The crowd was awed as the thunder god, Sango, ignited the torch in the stadium with a burst of flame from his mouth – the start signal for a breathtaking fireworks display. Upon entering the stadium, many of the teams offered a glimpse into their individual cultures by wearing traditional tribal costumes and symbols.





On the sporting side, a highlight was the women's soccer competition. The first ever held in the All Africa Games, it featured a dramatic finish that saw Nigeria's "Super Falcons" score the winning goal against South Africa in the 85th minute, sending the huge crowd into raptures. After the women's victory, the soccer-crazy country feverishly switched its attention to the men's final between Nigeria and Cameroon, but a 2-0 loss to the guests was a heavy blow for the enthusiastic Nigerian fans. The quiet was remarkable as thousands of them filed out of the sparkling new stadium in disappointment.

In Mary Onyali-Omagbemi, however, the Nigerian fans had a hero who was not about to

The national stadium was built in less than two and a half years

disappoint the lofty expectations placed upon her. To the delight of her compatriots this sprinter extraordinaire and mother of a 6-year-old daughter won both the 100-meter and

200-meter sprint events and ran on the team that clinched the 4 x 400-meter relay. Her three gold medals made her the most successful individual athlete of the entire 2003 edition of the All Africa Games.

Just as Mary Onyali-Omagbemi had hoped, her example inspired the entire Nigerian team, and a roar went up from the stadium when the final medal count was announced: Nigeria's 85 gold medals put the country ahead of Egypt and South Africa and atop the medal standings for the first time in the history of the All Africa Games.





Staying safe above a raging sea

Avoiding mishaps despite high winds and harsh weather is the challenge facing Torsten Bringaker and his crew. The Norwegian's demanding job: Managing the service and maintenance operations of North Sea oil rigs.



Text
Philipp Maußhardt

Photos
Christoph Otto
Jan Inge Haga

The giant wave is not something that Torsten Bringaker is likely to ever forget. “All of a sudden,” he recalls, “it was very quiet, and I had the feeling I was staring into the mouth of a giant fish.” A moment later a 20-meter-high wall of water washed over the drilling rig, leaving no trace of the large aluminum scaffolding that he and his 40-man crew had just built. The North Sea had simply swallowed it up, but fortunately, no one was injured:

The crew had retreated to the upper decks after receiving the storm warning. ‘Safety first’ is rule No. 1 for everyone who

For everyone working on offshore oil rigs, rule No. 1 is: ‘Safety first’

works on an offshore oil rig, and nobody takes this more seriously than Torsten Bringaker.

A plus for the Norwegian when he was hired as a scaffolder on the giant Valhall rig more than 10 years ago was that he



was already trained in life-saving techniques. Before anyone goes to work on an oil rig there is always intensive emergency training: launching lifeboats from great heights,

Especially out at sea, quality and safety are inextricably linked

rescues from sinking helicopters and open water retrieval with rescue gear are just part of it. Only when they are fully prepared are the workers sent out on to the rough seas.

Drilling for undersea oil and the maintenance of the technically advanced equipment required to carry it out is a job for specialists like Torsten Bringaker and his crew, who are responsi-

up to 10 million cubic meters of gas; a pipeline connects the rig to the northern German city of Emden. The rig's owner prefers long-term general agreements with Rheinhold & Mahla, not least because 'quality' and 'safety' are inextricably linked at this Bilfinger Berger subsidiary.

Every workday on Valhall starts the same way for Torsten Bringaker and his crew – with a briefing. First the weather. On this day it's overcast, but no rain is forecast, the expected wind force is a light three to four, and temperatures will stay above freezing. By the area's standards these are good conditions, so the crew's painting and insulation work can continue, and a scaffold will be dismantled. Attached at only a few critical points, the scaffolds hang like honeycombs beneath the platform. Torsten Bringaker calls the

thought through ahead of time, and everything has to be done exactly right."

Regulatory authorities and the rig operators themselves have made safety standards in the offshore sector progressively more stringent, and Rheinhold & Mahla is more than keeping up. "We are considered pacesetters in the areas of safety and envi-

'We're basically sitting on a powder keg out here. Everything has to be done exactly right'

ronmental awareness," notes Hans Petter Hansen, Managing Director of Rheinhold & Mahla Norway.

Torsten Bringaker is an especially important role model for

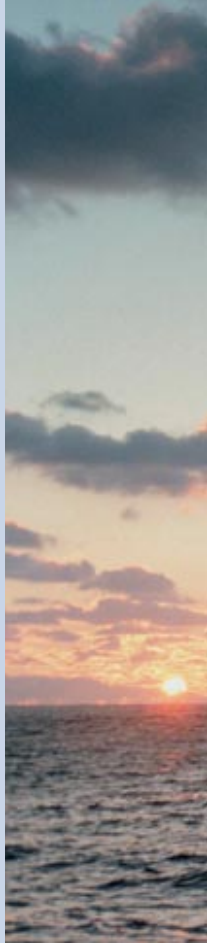


ble for servicing and maintaining the Valhall rig – which in fact is four separate steel platforms, all connected by bridges – over the course of several years. Valhall is a huge structure, anchored 70 meters below the ocean's surface and rising 60 meters above it, that produces 170,000 barrels of oil a day and

graceful, athletic movements of his men as they move around the scaffolds 'offshore climbing' – they are secured, naturally, with lines and hooks similar to those used by mountain climbers. He discusses all possible aspects of safety with his crew members: Where will welding take place today? Are the pipes shut down yet?

"We're basically sitting on a powder keg out here," he explains. "Everything has to be

the younger employees. He was hired when he was 20, learned scaffolding, and within two years had become a foreman. Today he is a sought-after specialist for particularly sensitive, integrated service and maintenance work, and in addition to his project management duties he works for the Rheinhold & Mahla training center. He





teaches, among other things, the ‘higher art’ of scaffold construction.

Rheinhold & Mahla works for the big names in the oil and gas industry, and an important reason, as Hans Petter Hansen points out, is that “We have

‘We have always brought in the best people’

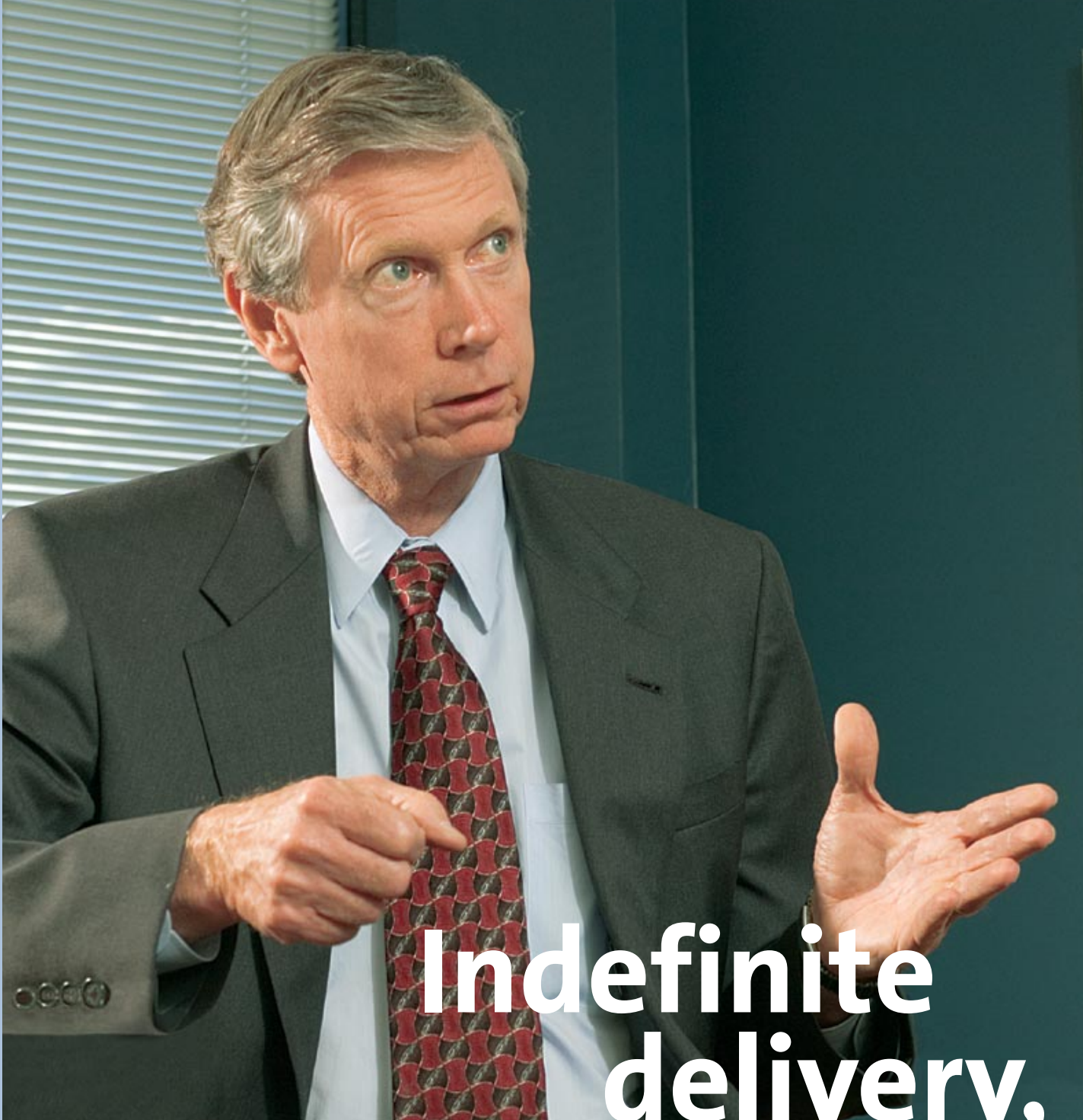
always brought in the best people – not the second best. That has helped to establish our reputation as the leading service company in the offshore business.”

As the crew members once again settle into the helicopter after a strenuous two weeks of 12-hour shifts with no days off,

the exhaustion is written plainly across their faces. But so is a measure of anticipation, for the time has come to relax ‘onshore’ with friends and family. Torsten Bringaker enjoys this rhythm, explaining that it actually gives him more time with his wife and son.

Three weeks later, back on the platform and with the helicopter disappearing into the distance as it returns to shore, that ‘Valhall feeling’ begins to set in again – the knowledge that for the next few weeks the rig is home, and there will be no leaving it.

“It’s a good feeling to be able to rely on each other out here,” says Torsten Bringaker. And not just when the big wave comes.



Indefinite delivery, indefinite quantity

Text
Marc Hohmann

Photos
Centennial

For many companies, building maintenance and modernization can be a big distraction. By taking these worries away from customers, Centennial has built a successful business model.

First impressions can be misleading, as people who know Centennial can attest. The company specializes in maintaining, modernizing and expanding buildings, and while its work may appear fairly routine at first glance it actually reflects top-flight performance. Centennial's business model is known as job order contracting, which involves long-term framework agreements that are not limited in terms of the time involved or the scope of the agreed work and services. Flexibility is the name of the game, and this assumes the perfect organization and synchronization of all operations. To achieve this ambitious aim, Centennial draws on a specially designed database and sophisticated forecasting methods that have been fine-tuned to perfection over many years. The database is used to record all work and services that have been performed, even the most minor, while optimizing maintenance intervals and forecasting future wear and tear on buildings.

Last year, through its U.S. subsidiary Fru-Con, Bilfinger Berger AG acquired Centennial, which is one of the leading providers of job order contracting services in the United States and operates out of more than 25 business locations across the country.

Centennial, based in Vienna, Virginia, has an annual output volume of €150 million, giving it a 15% market share. Among its most important customers are the U.S. Defense Department and most branches of the U.S. military, the U.S. Postal Service, universities and

Flexibility assumes the perfect organization and synchronization of all operations

schools, and important organizations such as the World Bank, which has been relying on Centennial's services for more than a decade. On behalf of the World Bank, which is based in Washington D.C., the company now looks after more than 20 buildings with a total of more than 400,000 square meters of office floor space.

In another development in this relationship, Centennial recently joined with audio and video technicians to set up an ultramodern interactive training and conference center for the World Bank that is linked to 30 locations around the globe. The center also interfaces with two television studios where training programs are created for broadcast to World Bank units in 182 countries.

Customer satisfaction is at the heart of Centennial's mission statement. Every day, more than 300 Centennial employees and the workforces of subcontractors selected by Centennial according to the most stringent criteria are dedicated to not only meeting, but exceeding, client demands and requirements.





Together into the future

The German government wants to help the Public-Private Partnership (PPP) concept to make a major breakthrough in the realization of public-sector buildings



Text
Dr. Ralf Neubauer

Photos
Daniel Lukac

What are the prospects for PPP projects and what conditions need to be met if they are to succeed? These questions are discussed by Achim Großmann, the Parliamentary Secretary of State to the German Minister of Transport, Building and Housing, Professor Martin Weber of Price Waterhouse Coopers, and Gerhard Becher, Managing Director of Bilfinger Berger BOT GmbH.

Mr. Großmann, PPP projects account for 20 percent of public buildings in Great Britain, yet in Germany there have been only a handful of pilot projects so far. How do you rate the potential here?

Achim Großmann: Germany certainly is a developing country in terms of PPP. Although a few building construction projects involving private equity have already been realized, these are not out-and-out PPP projects. In other words, the life-cycle approach has so far not been implemented: There has been no wholesale transferring of design, construction, financing and operations to private providers. However, I am confident that we'll be able to boost the number of PPP projects steadily over the next few years. The appraisal presented by Price



Waterhouse Coopers last fall, in which Professor Weber played an instrumental role, is an excellent reference work for partnership-based projects for public-sector building construction. Our new competence network, which links the federal government and the state governments to other parties with relevant expertise will give a lasting impetus to PPP, along with the pilot projects that we have launched.

Professor Weber, how important do you think such pilot projects are?

Prof. Martin Weber: The importance of successful reference projects is ultimately that they help to overcome the skepticism in public administration towards this new form of procurement. Anything that is new is initially treated with suspicion. But pilot projects also serve the

faster that Public-Private Partnerships can evolve into a normal procurement option for public-sector buildings.

Achim Großmann: Professor Weber has mentioned an important aspect. Here in Germany, we must not make the mistake of declaring that the Public-Private Partnership is the be-all and end-all: As an instrument it creates a great opportunity to build more buildings more cost effectively, but each individual project must prove that it is more economical than if it were to be realized by conventional means.

Could it be that there are actually not enough suitable projects?

Achim Großmann: Achim Großmann: That's hardly the problem – why shouldn't we be able to attain a similarly high rate as in

Mr. Becher, Bilfinger Berger is involved in numerous projects of this type in Great Britain. Viewed in this light, how do you assess the prospects in Germany?

Gerhard Becher: The model has been implemented in Great Britain since the start of the 1990s, and very rapidly gained a foothold. Schools, hospitals, prisons, courts of law and many other types of buildings are now being built or restored and then operated by private enterprise. The budget situation played a key role in promoting this approach in Great Britain. The budget constraints were and still are so pressing that the public sector has no option other than to use every possible opportunity for making savings. In Germany, the situation is now no different. Consequently, I expect PPP projects to become increasingly common here –



Prof. Dr. Martin Weber

purpose of gathering experience. Not every task can be solved with PPP; for example, projects have to attain a certain minimum volume. The more that findings with scope for general application are obtained, the

Great Britain? At any rate, the potential demand is enormous. According to a study, the need for investment from local governments alone is around €650 billion. I'm convinced that a considerable portion of this is suitable for PPP projects. Even if not every project harbors potential for a 20 percent saving, a tidy little sum can easily be saved.

particularly as there is increasing political support for this approach. PPP projects are in vogue.



Achim Großmann

On the subject of political support, the appraisal we mentioned repeatedly stresses the adverse general economic situation. Are privately financed projects possible at all right now?

Achim Großmann: The appraisal expressly points out that PPP projects can be realized in the present circumstances. A few such pilot projects are already running successfully in North Rhine-Westphalia. Contracts and projects can be structured in such a way as to circumvent obstacles. But there is undoubtedly a need for action, for instance in the areas of tax law and tendering law. We are working intensively on these issues, together with other federal ministries and the states.

Professor Weber, what conditions govern the success of PPPs?

Prof. Martin Weber: There are a great many factors that determine success, such as professional preparations and the existence of adequate acceptance of a PPP project. I would like to emphasize the role of the state, however. It needs to define very accurately the scope of services it desires, without inordinately constraining the creativity of the private partner, which needs breathing space.

What does the construction industry want the state to do?

Gerhard Becher: As the costs of tendering are very high, there are two aspects that are particularly close to my heart. First of all, I would like to see the competition limited to suitable companies; no high-performance bidder wants to have to deal

with a haphazard field of competitors. An advance selection process also serves the interests of the public-sector partner for an obvious reason: A competition involving suitably qualified companies will produce particularly attractive solutions. And second, if we are to deploy our highly specialized personnel in an effective manner, there must be a sufficient number of PPP projects on the market. All the experts agree that the prospects of this are now better than ever.



Gerhard Becher

The Bilfinger Berger shares

- **Very good performance**
- **Higher dividend proposed**
- **More intensive contacts with the financial community**

Strong gains on equity markets

Stock exchanges began to develop positively again in 2003 after three consecutive years of weak equity prices. After a substantial drop at the start of the year, historically low interest rates combined with a quicker-than-expected end to the war in Iraq to boost share prices around the world, and a sustained recovery commenced in the spring. Additional stimulus came in the autumn. In the United States, the Dow Jones Index gained 25% on the year, while Europe's EuroStoxx 50 climbed by 18%. The performance of the Dow Jones Stoxx Construction Index, which includes Europe's 27 biggest listed construction companies, was even better, rising 29%.

The turnaround was felt on the German equity market, as well. At the beginning of 2003 share prices were still under pressure from the pending war in Iraq, large share sales by insurance compa-

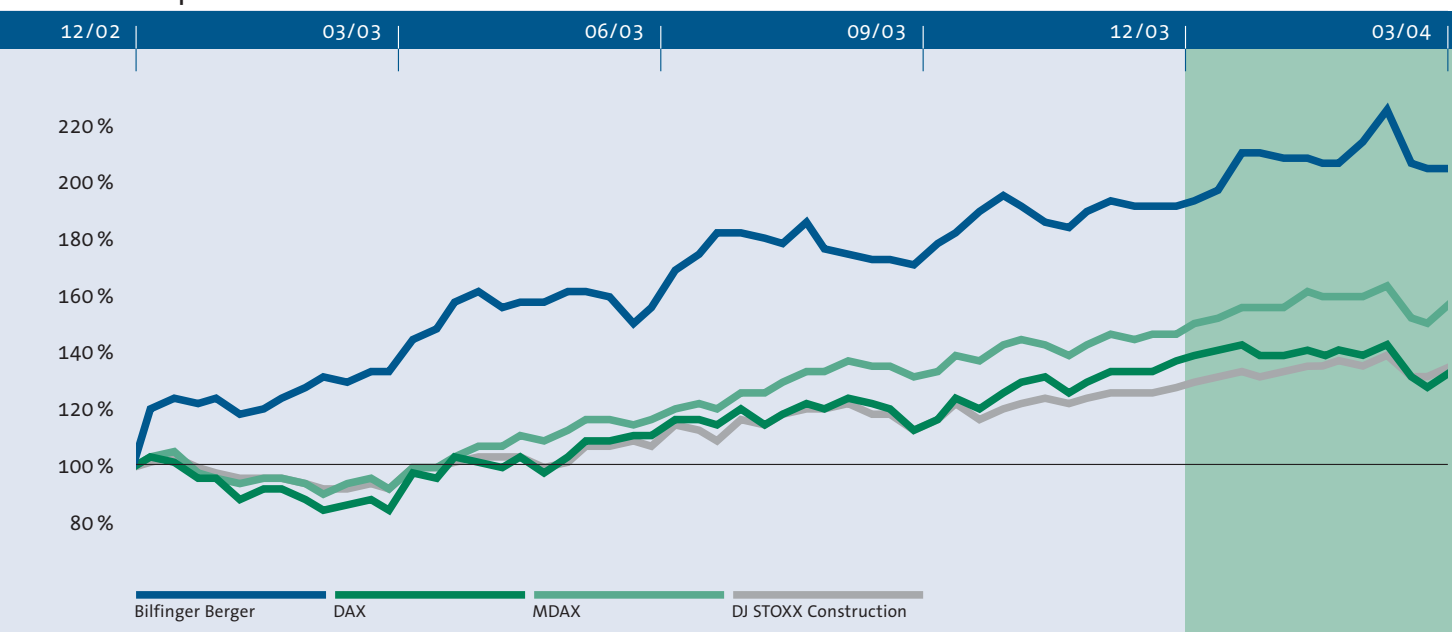
nies and worries about possible deflation, but after Germany's leading DAX index hit a seven-year low of 2,188 on March 12 a powerful recovery set in, driven by stable, low interest rates and hopes of an improved overall economic situation. The DAX's peak for 2003 was 3,996: Over the year, the index gained 38%, while the MDAX climbed by a full 48%.

Bilfinger Berger's shares show their potential

Investors who had bought Bilfinger Berger shares enjoyed well-above-average gains in 2003, with the shares closing the year at €27, which was 85% higher than at the end of 2002. Our shares thus outperformed all of the major indices. In early 2004 the Bilfinger Berger share price continued to climb, reaching €29 at the end of March – a clear sign of our shares' attractiveness to investors in Germany and abroad. On the basis of a healthy capital structure and sound finances, the continuous, ongoing implementation of our corporate strategy and further earnings growth give our share price additional potential.

Bilfinger Berger is one of the 50 companies included in the MDAX share index, with a weight-

Relative performance of our shares



Key figures on our shares

€ per share	1999	2000	2001	2002	2003
Earnings	0.62	1.20	1.44	3.16	3.44
Cash Earnings according to DVFA/SG	2.28	2.94	3.67	3.62	4.14
Dividend	0.41	0.41	0.55	0.55	0.65
Dividend bonus	-	-	-	0.45	0.65
Highest price	27.90	19.00	26.50	27.20	27.40
Lowest price	16.50	12.00	12.70	14.20	16.30
Year-end price	21.60	12.99	25.00	14.60	27.00
Book value*	17.50	24.80	30.50	27.80	30.30
Market value / book value*	1.23	0.52	0.82	0.53	0.89
Market capitalization in € million	782	471	908	531	991

* Equity capital as shown in balance sheet excluding minority interests
1999 German Commercial Code / 2000-2003 International Accounting Standards

Additional data

Int. Sec. Id. No.	DE0005909006
German Sec. Id. No.	590 900
Stock-exchange abbreviation	GBF
Stock exchange	XETRA / Frankfurt, Stuttgart
German stock-exchange segment	Prime Standard, MDAX, CDAX-Construction

ing of 1.8%. Bilfinger Berger has been in the Prime Standard since January 1, 2003, and is listed on the Xetra electronic trading system as well as for official trading on the Frankfurt and Stuttgart stock exchanges. The average daily trading volume in 2003 was about 105,000 shares.

Attractive dividend yield

By distributing an attractive dividend, we intend for our shareholders to benefit in a sustained way from the Company's success. In addition to an increase in the dividend to €0.65 per share (2002: €0.55), the Executive Board and the Supervisory Board will propose to the Annual General Meeting that a bonus of €0.65 per share (2002: €0.45) be

paid out of the capital gain resulting from the sale of our Buderus shares. Related to our current share price, this represents a 4.5% yield. The total dividend distribution amounts to €48 million (2002: €36 million).

Shareholder structure

Bilfinger Berger's biggest single shareholder is Allianz AG, which has a stake of just over 25% via Dresdner Bank. Investors outside of Germany own about a quarter of our shares, while within Germany 25% of the shares are held by institutional investors and an equal number by private investors. The free float, a factor used for the calculation of weighting in the indices, amounts to 75%.

Investor Relations

In 2003, we worked to deepen and broaden our investor relations activities, and we maintain continuous and transparent communication with all segments of the financial community. We described our corporate development and corporate strategy to investors and analysts at roadshows in Frankfurt, Geneva, Zurich, Vienna, London, Paris, Boston and New York. Additionally, we presented the Company to analysts' and investors' conferences in Frankfurt, Hamburg, Mannheim and London. In addition, numerous individual discussions and conference calls were held to provide German and foreign investors and analysts with information on current developments and important events. We maintain contacts to private investors via our website at www.bilfingerberger.com and through the press.

Financial analysts' coverage of Bilfinger Berger increased significantly in 2003. The number of institutions regularly publishing studies on Bilfinger Berger's shares increased to 15, and our shares have received a "buy" recommendation in almost all cases.

Report of the Supervisory Board

The Supervisory Board was kept regularly informed throughout 2003 about business developments and the general situation of the Company, and monitored the Company's management by the Executive Board on the basis of written and oral reports. Business transactions requiring Supervisory Board approval were examined and discussed with the Executive Board.

Last year, the Supervisory Board met four times, the Presidential Committee met three times and the newly formed Audit Committee met twice. As well as addressing matters relating to current business and major projects, the Supervisory Board also dealt in detail with corporate strategy and Bilfinger Berger's position in relation to its competitors in Europe, and discussed these matters with the Executive Board. The Supervisory Board was intensively involved in the acquisition of Centennial and of Abigroup, as well as the expansion of services and international activities in general. Another focus of consultation was the sale of the Group's Buderus shares, the resulting change in the portfolio and the use of the resulting exceptional income. There was also detailed discussion of structural adaptations to market changes, corporate planning and the course of business in relation to target figures.

The Audit Committee was not only occupied with the year-end and interim financial statements, but also received detailed information on the status of the risk-management system and the activities of the internal auditing department. The external auditors who signed the year-end financial statements attended both Audit Committee meetings.

In addition to the meetings of the Supervisory Board and its Presidential Committee, the Chairman of the Supervisory Board met regularly with the Chairman of the Executive Board to discuss the position of the Company and its further development.

The Supervisory Board again dealt in detail with the German Corporate Governance Code; among other things, it used a questionnaire to evaluate the efficiency of its own activities. In the Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Law that was

jointly issued with the Executive Board on December 17, 2003, it is stated that Bilfinger Berger AG complies with the recommendations of the Code in the version of May 21, 2003 with two exceptions and one transitional arrangement. The Declaration of Compliance has been posted on the Company's website, where it is available at all times to shareholders.

In addition to the Presidential Committee and the Audit Committee, in accordance with Article 11, Paragraph 2 of the Articles of Incorporation there is also a Mediation Committee to perform the duties described in Section 31, Subsection 3 of the German Law of Industrial Codetermination. The current composition of the committees is shown in the chapter of this Annual Report entitled "Boards and Committees of the Company."

The terms of all members of the previous Supervisory Board ended with the conclusion of the Annual General Meeting on May 28, 2003. As elected by the shareholders at this meeting, Mr. Udo Stark became, for the first time, a member of the Supervisory Board representing shareholders. The employees elected Mr. Reiner Jager, Mr. Klaus Obermierbach, Mr. Harald Möller and Mr. Friedrich Rosner as new members of the Supervisory Board. Dr. Christian Roth retired from the Supervisory Board as a representative of the shareholders, while Mr. Frank Brose, Mr. Wolfgang Hilgendorf, Mr. Herbert Kotsch and Mr. Dieter Schmidt departed as members representing the employees. The Supervisory Board expresses its thanks to these gentlemen for their faithful cooperation.

Special thanks go out to Dr. Christian Roth, who had a major impact on the development of the Company as a longstanding member and Chairman of the Executive Board. Dr. Roth, who joined the Supervisory Board on January 1, 1999, after finishing his active service for the Company, made an exceptional contribution during his total of 45 years with Bilfinger Berger.

In its constitutive meeting on May 28, 2003, the Supervisory Board elected Mr. Gert Becker, of Königstein, as Chairman, and Ms. Maria Schmitt, of Mannheim, as Deputy Chairwoman.



As announced at the Annual General Meeting on May 28, 2003, Mr. Becker will retire from his position as a member of the Supervisory Board at the end of the Annual General Meeting on May 26, 2004, in order to comply with the age limit introduced by the Supervisory Board in accordance with a recommendation of the German Corporate Governance Code. The proposal is made to the Annual General Meeting that Dr. Hermut Kormann be elected to succeed Mr. Becker as a member of the Supervisory Board.

The annual financial statements, the consolidated financial statements and the combined management report on Bilfinger Berger AG and the Group for the 2003 financial year were audited by PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, of Karlsruhe, and Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, of Mannheim, those being the auditing firms elected by the Annual General Meeting and appointed by the Supervisory Board to perform the independent audit. The auditors' reports were provided to the members of the Supervisory Board, and its Audit Committee discussed these reports, along with the financial statements, in the presence of the auditors. In accordance with the recommendation of the Audit Committee, the Supervisory Board acknowledged and accepted the results of the audit.

Following its concluding examination of the annual financial statements, the consolidated financial statements, the combined management report and the proposal regarding the appropriation of profits, the Supervisory Board has stated that it has no objections to be raised. At its meeting held on April 14, 2004, the Supervisory Board ratified the financial statements of the Company and the Group and the combined management report for 2003 as submitted by the Executive Board. Two of the auditors who signed the auditors' report also attended this meeting to explain and discuss their audit of the annual financial statements and the consolidated financial statements. The Company's annual financial statements have thus been approved and adopted. The Supervisory Board concurs with the proposal made by the Executive Board regarding the appropriation of profits.

The Supervisory Board hereby thanks the Executive Board and all of the Company's employees for their individual efforts in the year 2003.

Mannheim, April 14, 2004

A handwritten signature in blue ink, appearing to read 'Gert Becker', written in a cursive style.

Gert Becker
Chairman of the Supervisory Board

Management Report on the Group and on Bilfinger Berger AG

Economic environment

World economy

The economic climate improved slightly in 2003, with overall global growth reaching 3.5%, but growth rates diverged widely between regions. Whereas the economic upswing accelerated in the United States, the European economy remained stagnant until the second half of the year, when a revival finally commenced. East Asia recovered rapidly from the SARS crisis and returned to its growth path.

Gross domestic product: Growth by region

in %	2002	2003
Germany	0.2	-0.1
Europe	1.0	0.8
United States	2.2	3.1
Asia (including Australia)	6.7	8.1
World economy	2.6	3.5

Source: German Federal Statistics Office, UBS

The key driver of the global upturn was the low level of interest rates, but tax reductions also had an impact, in the United States for example. The further weakening of growth that had been feared due to the war in Iraq largely failed to materialize.

Europe: Stagnation

Economic growth in Europe was very weak last year. The strong euro placed a heavy burden on exports, and put pressure on margins and market share in many industries. Investment in property, plant and equipment decreased again, while private consumption also remained low, a problem felt especially acutely in the retail sector. Gross domestic product grew by a very weak 0.8% on average; Germany was one of the worst performers with just 0.1% growth. The political debate over reforms to the tax and social insurance systems had a negative impact on the economic climate in Europe, although by year's end leading economic indicators gave some reason for hope that the economy was heading for better times.

United States: Upswing

GDP growth of 3.1% in the United States was based on various factors. Strong private consumption was good news for the retail sector. After a period of weakness, production levels in the electrical engineering industry began to rise again, and the outlook for the automotive industry also improved. Companies' capital expenditure increased in the last few months of the year.

Australia: Growth

Australia emerged from the international political and economic crises of recent years relatively unscathed. In 2003, the economy once again achieved surprisingly strong growth, despite the appreciation of the Australian dollar. At the same time, inflation was held in check and the unemployment rate fell to a 15-year low. In addition to its mineral wealth and strong agricultural sector, growth in Australia today is also based on success in biotechnology, as well as the automotive and construction industries.

Industry developments

Construction industry

In Germany, demand for new construction fell for a ninth consecutive year. Revenues in the main construction sector decreased by 3.3% to €83 billion, while orders received fell by 10.8%. The number of persons employed on average during the year – 814,000 – was also significantly lower than the 2002 level. The main confederation of the German construction industry is predicting that the market will bottom out during 2004 and that slight growth will be possible in 2005.

Internationally, the situation for construction was better. In Australia, strong demand from the private sector helped the industry make a significant contribution to reducing unemployment, and while there are some signs that the boom in residential building may be slowing, rising investment by companies and the public sector could offset this. In the United States, the only growth was in residential building.

In Europe, the construction market is developing very differently from country to country. As in previous years, there were rising revenues in the United Kingdom in 2003, with civil engineering work showing particularly strong growth. In France, demand for civil engineering work was

particularly good. This year the industry anticipates growth in all areas. Overall construction output in Poland fell in 2003 to its lowest point since the establishment of a free market economic system in the country more than a decade ago. A significant increase in construction activity is expected, however, when the country joins the European Union in May 2004. In Austria, meanwhile, figures available thus far show a 10% increase in investment, mainly due to buoyant demand from public-sector clients for civil engineering work.

Services

The difficult economic environment was also reflected in the level of demand for industrial services. In Western Europe, competition and the resulting price pressure are increasing significantly for providers of individual services, while the situation in the countries of Eastern Europe is relatively stable. In many industries, however, there is increasing interest in outsourcing concepts, namely the takeover of the complete maintenance management of production facilities by outside companies.

The market for real estate services grew again last year, while the process of consolidation among providers of such services continued. In Germany, the trend towards the complete contracting of integrated services is still apparent. With these services, clients have a place to do one-stop shopping for facility management and to find answers to infrastructural, technical and commercial questions.

Corporate developments

- **Another year of substantial increases in operating profit and net profit**
- **Output volume, orders received and order backlog at record levels**
- **Stronger presence in major international markets**
- **Further expansion of services business**
- **Higher dividend**

The 2003 business year was another successful one for Bilfinger Berger: All of the targets set for the year were achieved. The services business was further expanded and the Group strengthened its presence in major international markets.

In Australia, we acquired the listed Abigroup at the end of the year for 186 million Australian dollars, about €110 million. Abigroup is primarily active in the field of civil engineering and road construction, and ideally complements Bilfinger Berger's other Australian subsidiary, Baulderstone Hornibrook, which has been a part of the group since 1993. In addition to construction activities, Abigroup carries out repair and maintenance work on gas and water distribution networks and toll roads, and is involved in successful private-sector projects. Last year, with 1,500 employees, Abigroup generated an output volume of €440 million, a figure that will rise considerably this year because of several major projects. EBIT margins of at least 3% are expected.

In the United States, we have expanded our activities in the high-margin services business. Centennial, a job-order contractor we acquired in the autumn of 2003, is one of the country's leading providers of repair, maintenance and extension services on buildings, carried out on the basis of long-term framework agreements. It has a 15% share of its specialized market and is active all over the United States. With a workforce of 300, Centennial generated an output volume of €150 million in its latest financial year, and significantly exceeds the 4% EBIT margin that is Bilfinger Berger's target for its services activities.

Our industrial services business was further strengthened by the acquisition of a scaffolding services company and a maintenance services provider for the natural gas and petrochemicals industry. From the start, all of the acquired companies will make a positive contribution to Bilfinger Berger's net profit, even after goodwill amortization and financing costs.

Our services activities have been expanded since 2002, and are developing as planned into an additional, major business area for Bilfinger Berger. The services business was consolidated for a full year for the first time in 2003, when it already contributed more than 45% of the Group's operating profit. Services' share of output volume amounted to about 25%.

Growth in output volume, orders received and order backlog

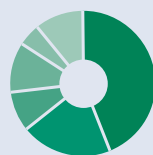
The output volume generated in international markets amounted to 56% of the Group's total revenues, while the domestic construction business accounted for 27%. The increase in orders received, by 7% to €5,605 million, was due to growth in the Services and Project Development and Concessions segments. The output volume generated in international markets amounted to 56% of the Group's total revenues, while the domestic construction business accounted for 27%. The increase in orders received, by 7 percent to €5,605 million, was due to growth in the Services and Project Development and Concessions segments. The order backlog rose significantly in all business segments, climbing 21% to €6,277 million. Centennial has been included in the consolidated Group since the beginning of December 2003. Of the order backlog, €870 million is accounted for by Abigroup, which was consolidated for the first time at the end of the year.

Output volume, orders received and order backlog

€ million	2001	2002	2003	Δ in %
Output volume	4,607	4,912	5,586	+14
Orders received	4,680	5,216	5,605	+7
Order backlog	4,272	5,168	6,277	+21

Output volume by region

€ million	2003
Germany	2,458
Rest of Europe	1,146
America	493
Africa	613
Asia	270
Australia	606
Total	5,586



Renewed strong increases in net profit and operating profit

The Bilfinger Berger Group's positive earnings trend continued in 2003. Net profit increased again, to €126 million (2002: €115 million), while operating profit (EBITA) (2002: €74 million) continued climbing strongly to reach €101 million in 2003, which was in line with the target. The services business accounted for a significant 46% share of this total. The companies acquired in August 2002, Rheinhold & Mahla and HSG, are fully consolidated for the first time, leading to a corresponding rise in the income and expense items.

Total revenues increased to €4,592 million (2002: €3,886 million) when volume from joint ventures and consortiums is excluded. This figure therefore differs from the output volume quoted in the segment reporting; see the details given on sales revenues in the notes to the income statement.

The cost of materials, subcontractor services and personnel remained nearly unchanged at a ratio of 90.1% (2002: 90.2%). The percentage of per-

sonnel expenses increased again due to the expansion of the personnel-intensive services business.

Depreciation of property, plant and equipment increased by €5 million to €75 million (2002: €70 million). In relation to total revenues, it decreased to 1.6% (2002: 1.8%).

Other operating income/expenses increased as a result of the larger volume of business. The net negative effect is an increase of €39 million, to -€277 million (2002: -€238 million). This is equivalent to 6.0% of total revenues (2002: 6.1%).

Without taking exceptional items into consideration, EBITA amounts to €101 million (2002: €74 million).

Our Civil business segment once again achieved a good result of €39 million (2002: €43 million). The quality of earnings remained stable. The decrease is due to higher exceptional income from claims settlements in 2002.

EBITA in the Building and Industrial business segment of €6 million (2002: €8 million) was somewhat below the level of the previous year. Both in the difficult German business and in our increasingly challenging international markets, earnings will improve significantly in the short term.

In the Project Development and Concessions business segment, the BOT business once again made a positive contribution to earnings, despite increased start-up costs. Real estate development, which was discontinued at the end of 2003, once more negatively affected earnings. The business segment's EBITA was therefore negative again at -€3 million (2002: -€2 million).

With the first consolidation of Rheinhold & Mahla and HSG for a full financial year, the Services business segment significantly increased its EBITA to €47 million (2002: €26 million). Services has thus established itself as a major field of our operative business, along with the Civil segment.

Environmental's EBITA climbed to €6 million, which was double the corresponding figure of €3 million for 2002.

EBITA not allocated to the business segments (consolidation / other) was positive in 2003 at €6 million (2002: -€4 million). It includes exceptional income of €10 million from the transfer of land, a transaction related to the funding of our pension obligations through a contractual trust arrange-

ment. Details are shown in the notes to the balance sheet. This gain is offset by an equal additional expense under net interest income, meaning there is no effect on net profit.

In addition to the EBITA from ordinary business activities of €101 million (2002: €74 million), a tax-free capital gain of €238 million was made on the sale of our Buderus shares. As for the utilization of this income, strengthening our balance sheet by forming additional provisions once again takes priority, as was the case last year. In view of the continuing weakness in the German real estate market, Bilfinger Berger is withdrawing from real estate activities, and in the future we will limit ourselves to developing projects to order without putting up our own capital. In order to quickly reduce our level of capital employed, we are using €90 million of the capital gain to carry out a precautionary adjustment of the carrying value of our real estate held for sale. With lower book values, we will have the right conditions for a quicker disposal of the properties. Furthermore, in order to protect against political and economic risks connected with our activities in developing countries and emerging markets, we formed a provision from the capital gain amounting to €45 million. In addition, a provision of €25 million was formed for capacity adjustments in the construction business and for adjustments to our portfolio of shareholdings.

After exceptional items, EBITA amounts to €179 million (2002: €110 million). Regular amortization of goodwill increased to €12 million (2002: €5 million). To safeguard against possible negative effects from future impairment tests, we also utilized some of the exceptional income to carry out a precautionary special write-down of €30 million.

Due to the sale of our Buderus shares, income from investments decreased to €13 million (2002: €26 million).

Operating profit (EBITA)

€ million	2002	2003
Civil	43	39
Building and Industrial	8	6
Project Development and Concessions	-2	-3
Services	26	47
Environmental	3	6
Consolidation, other	-4	6
Group	74	101

Consolidated income statement (abridged)

€ million	2002	2003
Total revenues	3,885.7	4,592.1
Costs of materials and personnel	-3,504.7	-4,139.3
Depreciation	-69.8	-74.7
Other operating expenses / income	-237.6	-276.9
EBITA (earnings before interest, taxes and goodwill amortization)	73.6	101.2
Exceptional items:		
Capital gain on sale of Buderus shares (2002: Dresdner Bank shares)	161.3	237.9
Provisions for real-estate project development	-70.0	-90.0
Provisions for country risks	0.0	-45.0
Restructuring / portfolio rationalization	-55.0	-25.0
EBITA after exceptional items	109.9	179.1
Goodwill amortization thereof, from exceptional items 30.0 (2002: 0)	-4.8	-42.4
EBIT (earnings before interest and taxes)	105.1	136.7
Income from investments	26.4	12.9
Net interest income	-9.9	-15.7
EBT (earnings before taxes)	121.6	133.9
Taxes on income and earnings thereof, from exceptional items 27.7 (2002: 18.1)	-4.6	-4.0
Minority interests	-2.3	-4.0
Net profit	114.7	125.9
Average number of shares	in thousands	36,310
Earnings per share	in €	3.16
		3.44

The negative interest loss increased to -€16 million (2002: -€10 million). This figure includes exceptional expenses of €10 million due to the transfer of securities in connection with the contractual trust arrangement.

Pre-tax earnings (EBT) amounted to €134 million (2002: €122 million). After deducting income taxes of €4 million (2002: €5 million) and minority interests of €4 million (2002: €2 million), net profit amounted to €126 million (2002: €115 million). Earnings per share amounted to €3.44 (2002: €3.16).

Higher dividend and dividend bonus proposed

Bilfinger Berger AG's net profit for 2003 amounted to €62.7 million (2002: €56.4 million), of which €15.0 million was allocated to retained earnings (2002: €20.0 million).

We will propose to the shareholders during the Annual General Meeting that an increased dividend of €0.65 per share (2002: €0.55) and an additional bonus of €0.65 per share (2002: €0.45) be distributed from the unappropriated retained earnings of €47.7 million (2002: €36.4 million).

The dividend and the bonus add up to €1.30 per share, resulting in a total dividend distribution of €47.7 million.

Value added improves again

We measure the value added by the Group using our return-on-capital-employed controlling method. Value added is achieved when the return on capital employed (ROCE) exceeds the cost of capital. In 2003, we applied a weighted average cost of capital (WACC) for the Group of 11%, as in the previous years. The method of calculation is explained in detail in the chapter on return-on-capital-employed controlling.

The Civil business segment currently provides the highest value added. Its ROCE in 2003 remained at the high level of 17.8% (2002: 17.5%). Value added, therefore, decreased only slightly to €18.3 million (2002: €19.3 million).

The value added by the Building and Industrial business segment was positive last year, unlike in 2002, but was still at a low level as a result of weak returns. An improvement in operating margins, which we expect this year, should have a distinctly positive effect on this business segment's future value added.

The value added by the Project Development and Concessions business segment was negative once again at -€23.5 million (2002: -€24.7 million). This result was mainly due to the project-development activities. The increasingly difficult situation surrounding the marketing of commercial real estate made it impossible to significantly reduce capital employed, giving rise to capital costs not covered by corresponding revenues. We therefore

Bilfinger Berger AG Financial statements according to the German Commercial Code (HGB) (abridged)

€ million	Dec. 31, 2002	Dec. 31, 2003
Balance sheet		
Assets	141.6	143.8
Tangible and intangible assets	706.9	517.6
Financial assets	848.5	661.4
Fixed assets	63.3	64.6
Inventories less progress payments	674.4	844.4
Receivables and other assets	623.7	715.8
Cash and marketable securities	1,361.4	1,624.8
Current assets	2,209.9	2,286.2
Liabilities	807.9	835.9
Shareholders' equity	471.2	571.2
Provisions	930.8	879.1
Liabilities	2,209.9	2,286.2
Income statement		
Total revenues	1,437.9	1,407.6
Costs of materials and personnel	-1,273.2	-1,302.9
Depreciation of property, plant and equipment	-21.6	-20.0
Other operating expenses / income	-124.4	-339.3
Earnings from financial assets	31.9	314.6
Write-down of financial assets and securities	-23.9	-20.1
Net interest income	30.3	23.5
Profit before income taxes	57.0	63.4
Taxes on income and earnings	-0.6	-0.7
Net profit	56.4	62.7
Transfer to other retained earnings	-20.0	-15.0
Unappropriated retained earnings	36.4	47.7

discontinued our real estate project development at the end of the year. Responsibility for winding up existing projects lies with Bilfinger Berger Real Estate Management GmbH as of 2004. After another write-down on real estate held for sale, these properties have now been allocated to headquarters. As for our concessions business, it should be remembered that our BOT portfolio is still young, with the projects still in the construction phase or in an early phase of operation. By con-

In total, the business segments delivered positive value added of €1.3 million, which, once again, was a significant improvement (2002: -€7.6 million).

Transitional items and headquarters reduced this value added by €33.8 million (2002: -€39.6 million). The negative value contributed by headquarters primarily results from the fact that the return on cash, invested mainly in the form of fixed-interest securities and fixed-term deposits, is well below the WACC of 11%. In addition, the sale of our

Value added

	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003
	Capital Employed € million		Return € million		ROCE in %		Relative value added in %		Absolute value added € million	
Civil	297	269	51.9	47.8	17.5	17.8	6.5	6.8	19.3	18.3
Building and Industrial	219	186	21.2	22.1	9.7	11.9	-1.3	0.9	-2.9	1.7
Project Devt. and Concessions	158	137	-7.5	-8.3	-4.7	-6.1	-15.7	-17.1	-24.7	-23.5
Services	206	399	25.6	47.0	12.4	11.8	1.4	0.8	2.9	3.2
Environmental	53	43	3.6	6.3	6.8	14.6	-4.2	3.6	-2.2	1.6
Total for segments	933	1,034	94.8	114.9	10.2	11.1	-0.8	0.1	-7.6	1.3
Consolidated, other	600	463	26.6	17.4	4.4	3.7	-6.6	-7.3	-39.6	-33.8
Group	1,533	1,497	121.4	132.3	7.9	8.8	-3.1	-2.2	-47.2	-32.5

stantly examining the net present value of the projects' cash flows over the period of the concessions, we ensure that each project and therefore the entire portfolio – when mature, and including related transaction costs – will exceed the return-on-capital-employed rate of 11% required in the Group.

With a total of €399 million, the Services business segment accounts for the biggest share of capital employed. Of this figure, €196 million represents goodwill paid for in the context of acquisitions. After this business segment was built up in 2002, the newly acquired companies were consolidated for a full year for the first time in 2003. Services' return of €47.0 million results in an ROCE of 11.8% – which is above the WACC – and thus a positive value added of €3.2 million.

After the sale of non-core activities, the Environmental business segment had a low level of capital employed, resulting in an ROCE of 14.6% (2002: 6.8%). Value added amounted to €1.6 million (2002: -€2.2 million).

Buderus shares in mid-2003 led to headquarters' investment income being halved to about €13 million; interest income from reinvesting the proceeds was insufficient to offset this effect. Another factor is that the real estate held for sale is booked here, which increases capital employed without a corresponding return.

Value added for the Group is therefore still negative in total. However, it has improved continuously over recent years from -€61.7 million in 2001 to -€47.2 million in 2002 and -€32.5 million in the year under review.

Our goal is to achieve positive value added for the Group as of 2005. This should be possible in Building and Industrial by improving the weak margins. In future, the Concessions business segment will comprise only our BOT activities, which we will continue to expand in order to generate

long-term stable positive value added for the Company. At headquarters, after the discontinuation of project development, negative value added will be gradually scaled back through the sale of real estate. We will use our liquid funds for value-adding acquisitions, particularly in the business segments of Services and Civil. Furthermore, the transfer of assets in the form of a contractual trust arrangement (CTA) to cover the pension provisions of Bilfinger Berger AG, which only occurred in December 2003, will reduce the average amount of capital employed by €100 million.

Value created

Value created is the difference between the output volume generated by the Company and the cost of the purchased goods and services. It increased in 2003 to €1,502 million (2002: €1,185 million), which is equivalent to a value-created ratio of 31% (2002: 29%).

The share of value created accounted for by the workforce increased to 88% due to the personnel-intensive services business (2002: 86%). The dividend proposed for distribution to our shareholders also rose significantly, to €48 million (2002: €37 million).

The amount of value created remaining in the Company remained constant at €82 million, but in relative terms it fell to 5% (2002: 7%).

Stronger financial situation and capital structure

Bilfinger Berger used the flow of funds from the sale of its Buderus shares to make additional investments in the operative business and to improve the Company's capital structure. At the end of the year, pension obligations of €101 million applicable to the Company were extracted from the balance sheet. To cover these obligations, we transferred €66 million of cash and cash equivalents and €35 million of real estate assets to a trust company in the context of a contractual trust arrangement (CTA). The direct allocation of assets to pension obligations will improve the structure of the balance sheet, equity ratio and return on capital employed, therefore further improving Bilfinger Berger's creditworthiness in the capital market. In addition, liabilities to banks were reduced. Despite the expansion of the consolidated Group with the acquisitions in Australia and the United States, the balance-sheet total decreased by €150 million compared with the previous year to €3.5 billion.

Fixed assets decreased by €174 million to €1.0 billion. This was primarily due to the reduction of €247 million in financial assets resulting from the sale of our Buderus shares, which were included in financial assets in 2002 with a carrying value of €313 million. There was a small decrease of €14 million in property, plant and equipment caused by the disposal of fixed assets with the sale of building-material activities and the transfer of three items of real estate in the context of the CTA. Intangible assets rose by €87 million; in addition to acquired software they primarily comprise goodwill from the acquisition of companies, particularly Abigroup and Centennial in 2003. There were opposing effects from the regular amortization of goodwill in an amount of €12 million, and above all from exceptional goodwill amortization of €30 million. The latter is shown in the income statement under exceptional items. In total, goodwill of €287 million is capitalized.

Inventories include goods and services not yet invoiced, as well as real estate held for sale, materials and other goods. The decrease of €41 million to €371 million is primarily explained by the lower amount of capital tied up in real estate held for sale due to the aforementioned exceptional amortization.

Value created

€ million	2002	%	2003	%
Sources of value created				
Sales revenues and earnings	4,080	100	4,805	100
Costs of materials and subcontractor input	-2,486	-61	-2,821	-59
Other expenses	-325	-8	-394	-8
Depreciation and amortization	-84	-2	-88	-2
Value created	1,185	29	1,502	31
Beneficiaries of value created				
Employees	1,019	86	1,319	88
State	11	1	12	1
Lenders	37	3	41	3
Shareholders	37	3	48	3
The Group	81	7	82	5
Value created	1,185	100	1,502	100

Receivables and other assets including deferred taxes decreased, despite the consolidation of newly acquired companies, by €63 million to €1.2 billion. Most of the decrease occurred in the item of trade receivables.

Group balance-sheet structure

€ million	2002	2003	2003	2002	
Assets	3,633	3,483	3,483	3,633	Equity and liabilities
Cash and marketable securities	21% 772	900 26%	43% 1,485	41% 1,521	Other liabilities**
Receivables and other assets*	35% 1,263	1,200 34%	10% 343	13% 456	Liabilities to banks
Inventories	11% 412	371 11%	13% 454	13% 456	Other provisions
Fixed assets	33% 1,186	1,012 29%	2% 90	5% 188	Pension provisions
			32% 1,111	28% 1,012	Shareholders' equity

* including deferred taxes

** including deferred taxes and minority interests

Cash and marketable securities rose by €128 million to €900 million. The main reasons for this increase are explained in connection with the statement of cash flows.

On the liabilities side, provisions for pensions decreased from €188 million to €90 million due to the funding of the Company's pension obligations with the use of the CTA.

Other provisions remained almost unchanged at €454 million. The reduction in existing provisions due to their utilization, and to a slight extent

the retransfer of provisions no longer required, was offset by the formation of new provisions in the same amount. The proportion of short-term provisions decreased by 10%, with a corresponding increase in the share of long-term provisions.

Liabilities to banks were reduced from €456 million to €343 million, of which €162 million was granted on a non-recourse basis for typical project financing in the Project Development and Concessions business segment without any liability for Bilfinger Berger. Excluding non-recourse loans, liabilities to banks amounted to €181 million at the end of the year.

Other liabilities, including deferred taxes, decreased slightly to just below €1.5 billion. Without the effects of consolidation, there would have been a reduction of around €150 million.

Working capital is negative at -€223 million (2002: -€177 million). This figure is the difference between current assets, excluding cash and marketable securities, and short-term liabilities, excluding liabilities to banks.

Shareholders' equity increased by €99 million to €1.1 billion due to the net profit. It exceeds fixed assets by 10%. The equity ratio improved from 28% to 32%.

Significant rise in net liquidity

In order to determine our cash earnings, we adjusted net profit to exclude expenses and income from exceptional items. These are the tax-free capital gain of €238 million realized on the sale of our Buderus shares, the expense of €190 million for related provisions, and the resulting tax credit of €28 million. Cash earnings thus amounted to €152 million (2002: €131 million).

The cash flow from operating activities, which includes the change in funds tied up in net current assets, decreased to €30 million (2002: €74 million). The main reason for this was the outflow of funds in an amount of around €65 million for the development of a real estate project. Furthermore, in the construction business a payment of some €40 million promised for December was postponed until the beginning of this year.

The cash flow for investing activities was largely a reflection of the cash inflow of €551 million from the sale of our Buderus shares and the cash outflow of €185 million for acquisitions. Of the latter figure, €150 million is accounted for by Abigroup and Centennial. Net capital expenditure on property, plant and equipment of €63 million

Cash earnings according to DVFA/SG

€ million	2002	2003
Net profit	114.7	125.9
Adjustment for exceptional items	-54.4	-75.7
Minority interests	2.3	4.0
Write-downs / write-ups of fixed assets	74.7	89.6
Change in long-term provisions	-1.5	-5.8
Deferred tax liabilities / assets	11.8	13.5
Other income and expenses not affecting cash	-16.3	0.1
Cash earnings according to DVFA/SG	131.3	151.6
Average number of shares	in thousands 36,310	36,575
Cash earnings per share according to DVFA/SG	in € 3.62	4.14

Consolidated statement of cash flows (abridged)

€ million	2002	2003
Cash flow from operating activities	74	30
Cash flow from investing activities	-38	328
Cash flow from financing activities	-46	-230
Change in cash and marketable securities	-10	128
Other value adjustments to cash and marketable securities	-20	0
Cash and marketable securities at January 1	802	772
Cash and marketable securities at December 31	772	900

Capital expenditure on property, plant and equipment and financial assets

€ million	2001	2002	2003	Δ in %
Total	111	324	271	-16
thereof, property, plant and equipment	73	71	88	+24
thereof, financial assets	38	253	183	-28

Capital expenditure on property, plant and equipment by business segment

€ million	2002	2003	Δ in %
Civil	47	49	+4
Building and Industrial	4	5	+25
Project Development and Concessions	0	0	0
Services	13	31	+138
Environmental	2	2	0
Headquarters, other	5	1	-83

was €11 million lower than in 2002, and also lower than the amount of depreciation. This is due to higher receipts from the sale of fixed assets.

The cash outflow for financing activities increased to €230 million (2002: €46 million), with €130 million of this amount being accounted for by repayments on loans (2002: €26 million). A further €66 million was transferred in the context of the CTA to cover the pension obligations of Bilfinger Berger AG. The dividend distribution for 2002 was €36 million (2002: €20 million).

At the end of the year, financial resources – comprising cash and marketable securities – increased to €900 million (2002: €772 million).

Capital expenditure

Capital expenditure on property, plant and equipment climbed to €88 million as a result of an increase in the Services business segment (2002: €71 million). Investments in financial assets reached €183 million (2002: €253 million), most of which was for the acquisitions of the Australian infrastructure specialist, Abigroup, and the American services provider Centennial.

Development of the business segments

Bilfinger Berger's segment reporting reflects the range of activities of the Group. In the year under review, these comprised Civil, Building and Industrial, Project Development and Concessions, Services, and Environmental.

The Civil business segment encompasses all Group activities in this area of the construction industry both in Germany and in international markets. In addition to the Bilfinger Berger Civil division, this segment comprises the civil engineering activities of the affiliated companies Boulderstone Hornibrook in Australia, Fru-Con in the United States, and Bilfinger Berger in Nigeria. Australia's Abigroup has been added to this line-up in the current fiscal year. The affiliated company Razel, of France, and the Polish company Hydrobudowa-6 are included in full.

The Building and Industrial business segment brings together the activities of the Building Construction division in Germany and the building and industrial construction operations of the international companies in Australia, the United States, Nigeria and Great Britain. In addition to design and turnkey construction, Bilfinger Berger is able to offer its demanding clients an especially comprehensive range of services encompassing development, financing, maintenance and operation.

The Project Development and Concessions business segment includes Bilfinger Berger's private-sector concessions business, which is currently enjoying a sustained expansion. In response

to the continuing weakness of the German property market, Bilfinger Berger wound up its real estate development activities at the end of the year under review.

The service companies Rheinhold & Mahla and HSG, acquired in fiscal 2002, form the core of the Services business segment, and industrial and building services will be the springboards for its further expansion. In the United States, Fru-Con can boast of a lengthy track record of success as a provider of services to leading industrial companies. Building services were added to this range of activities in the year under review following the takeover of Centennial.

The affiliated companies in the Environmental business segment are active in the engineering, construction and operation of drinking-water-purification and sewage treatment plants, as well as the remediation of contaminated soil. They were commercially successful in the past year. As this area of activity is relatively small compared with the other business segments, however, operative environmental activities will no longer be reported separately starting in 2004 but will instead come under the Civil business segment.

Civil

- **Output volume and earnings on a par with 2002**
- **Notable increase in order backlog**
- **Position in Australia substantially strengthened**
- **Further rise in output volume and earnings envisaged**

Output volume in the Civil business segment increased slightly to €2,036 million, while new orders received were approximately equal to a year's output volume. At €2,007 million, they were 10% below the previous year's figure, due to the business cycles of major projects. The order backlog, including Abigroup, was €2,923 million, 18% higher than at the end of 2002. Bilfinger Berger once again achieved a good result in this business segment with an operating profit of €39 million (2002: €43 million). Capital expenditure on proper-

ty, plant and equipment rose slightly to €49 million (2002: €47 million) as a result of major projects getting under way. The number of employees fell 4% on a year-on-year basis to a total of 24,854 following the completion of various projects in Nigeria.

The Bilfinger Berger Civil division, based in Wiesbaden, is one of the leading contractors for challenging infrastructure projects in Germany and abroad. One focal region for direct international business is Asia, where projects of particular note include an 80-kilometer section of the €1.3 billion Taiwan High Speed Rail link. In Central America, an imposing cable-stayed bridge over the Panama Canal is currently being erected in conjunction with Baulderstone Hornibrook. In Egypt, Bilfinger Berger is a partner in a joint venture building a dam with locks and a power station on the lower reaches of the Nile, near the city of Naga-Hammadi.

Australia: substantially reinforcing our position

Baulderstone Hornibrook substantially expanded its civil engineering activities. Especially noteworthy is Baulderstone Hornibrook's involvement in the two-kilometer Cross City Tunnel underneath Sydney's city center. A consortium set up by Bilfinger Berger is realizing the project, with a contract value of €520 million, as a privately financed BOT model. Bilfinger Berger and Baulderstone Hornibrook are responsible for its design, construction and operation. Special proposals on the tunnel's route and the construction techniques to be employed are significantly reducing interruptions to traffic during the tunnel's construction, compared with the client's original concept. Transport projects completed during the year under review include the widening to several lanes of a 2.5-kilometer section of the F3 Freeway between Sydney and the coast of New South Wales, a stretch of road that is one of the most heavily traveled on the continent. Baulderstone was able to finish the project well before the agreed date of completion.

In acquiring Abigroup, which focuses on road and highway construction, Bilfinger Berger has substantially reinforced its position in the growing market for challenging infrastructure projects in Australia.

Key figures for Civil

€ million	2002	2003	Δ in %
Output volume	1,991	2,036	+2
Orders received	2,237	2,007	-10
Order backlog	2,471	2,923	+18
Capital expenditure	47	49	+4
Depreciation of property, plant and equipment	45	43	-4
Earnings (EBITA)	43	39	-9
Employees (number at December 31)	25,959	24,854	-4

Civil: Output volume by region

€ million	2003
Germany	585
Rest of Europe	571
America	220
Africa	265
Asia	247
Australia	148
Total	2,036



United States: building on competitive strengths

All Fru-Con civil engineering projects progressed on schedule last year, with output volume remaining stable. Fru-Con was awarded the contract to build the 1.5-kilometer Four Bears Bridge over Lake Sakakawae in North Dakota. The concept for the complex foundation was developed in close collaboration between Fru-Con's engineers and specialists from Bilfinger Berger. A technically demanding bridge structure spanning the Maumee River in Ohio, the heart of which is a 470-meter stay-cable structure connected at both ends to foreshore bridges and ramps, is being built using the segmental construction method. Fru-Con is constructing a system of locks on the Kanawha River near Marmet, West Virginia; it will replace an older system and substantially increase this already busy river's transport capacity.

The U.S. Government increased funding for infrastructure by more than \$17 billion in 2003. This will have a positive effect on demand, and by consistently networking its existing in-house expertise the Bilfinger Berger Group is building on its competitive strengths for civil engineering projects on the American market.

Nigeria: new orders for pipelines, roads

We completed key infrastructure projects in Nigeria within the context of preparations for the All Africa Games, staged in the Nigerian capital Abuja at the start of October 2003. New sections of the city's expressway system played a vital part in keeping traffic flowing smoothly throughout the games. New orders were received for the construction of pipelines and the upgrading of roads in several regional capitals.

Asia: Taiwan High Speed Rail link handed over

The focus of Bilfinger Berger's civil engineering activities in East Asia is on Taiwan, China and Thailand.

In Taiwan, we completed an 80-kilometer section of the Taiwan High Speed Rail link. A consortium with the Taiwanese partner Continental Engineering Corporation handled the project,

which had a total price tag of €1.3 billion. In handing the completed rail line over to the private operating company in early 2004, we completed the largest single contract in Bilfinger Berger's history to the full satisfaction of the client and with considerable commercial success. The subway line constructed by Bilfinger Berger in Bangkok was also completed: The eight double tunnels running under the Thai capital, a total of 15 kilometers in length and connecting nine underground stations, had to be driven through difficult subsoil conditions beneath the Chao Phraya delta. The work was done in cooperation with a Thai partner and two Japanese partners.

Our activities in Asia focus on major infrastructure projects. Even though the underlying economic situation has improved in the region, there is still a hesitation to invest. The sustained high growth rates achieved by the important Chinese economy have prompted rising demand, but it is still too early to predict to what extent foreign companies will be able to benefit from this. In Beijing we are involved in two projects for the extension of the subway network in preparation for the 2008 Olympic Games.

Near and Middle East: political stability needed

In Libya, we have strengthened our traditionally good position by establishing a joint venture with a solid local partner, thereby creating a sound basis for sharing in the anticipated economic boom as the country opens up. At present, the joint venture is working on a 50-kilometer section of the Great Man Made River irrigation project.

Now that the war in Iraq is over, major projects in the Middle East that were on hold will gradually come onto the market, and Bilfinger Berger enjoys an excellent reputation in the region. Likewise, the Company's activities in Iraq date back many years, though any decision to take on future projects in that country will depend on the general security situation.

Europe: bright prospects in selected markets

Our specialist for earthworks and civil engineering, the French affiliated company Razel, boosted its output volume last year. Early in 2003, a consortium led by Razel secured the contract to build a domestic refuse processing plant southwest of Paris with a contract value of €210 million, for completion in 2006, with the demanding foundation work to be performed by specialist units from Bilfinger Berger. The facility, most of which will be underground, will process the refuse of 22 municipalities in the Ile-de-France region around Paris and from three arrondissements in Paris itself. Based on a healthy order backlog, civil engineering output volume in France is set to rise further in the current fiscal year.

In Poland, our affiliated company Hydrobudowa downscaled its output volume as planned in view of slack demand, though Poland's accession to the European Union in May 2004 is expected to trigger a surge in orders. Hydrobudowa would be well placed to profit from it. In the year under review it completed a technically challenging 900-meter tunnel structure along the Vistula River that is the longest road tunnel in the country.

In Switzerland, Bilfinger Berger and its partners are constructing the technically very challenging 6.2-kilometer core stretch of the Gotthard base tunnel. In Austria, too, tunnel construction features prominently in Bilfinger Berger's portfolio, with the Company involved in the construction of several sections of underground railway in Vienna, work that is being carried out as part of an extension program. In Scandinavia, meanwhile, work on the Svinesund Bridge over the Idefjord between Norway and Sweden and on the Lilla Bommen Tunnel in Gothenburg is progressing according to schedule.

Germany: continued falling demand

Demand for civil engineering work in Germany continues to decline, and in view of the poor state of public finances there is no recovery in sight. In the first half of 2003, we merged domestic civil engineering operations with direct business operations abroad, and by further concentrating our civil engineering expertise we have strengthened our position with regard to major projects.

In autumn 2003, Bilfinger Berger was awarded the contract to build the core stretch of Cologne's new north-south metropolitan railway. As the lead member of a consortium, we are constructing a very technically sophisticated tunnel structure in the densely developed city centre. The new stretch of underground railway, more than three kilometers long, will link Cologne's main railway station to the districts in the south of the city. The total value of the contract is €390 million, with Bilfinger Berger taking responsibility for a portion worth €130 million. Other major projects currently in progress in Germany include the ready-for-operation construction of the fourth and final section of the large drinking water conduit running from the Mangfall district to the Bavarian capital Munich. The tunnel, with a diameter of 3.4-meters, is 18 kilometers long and is due for completion in autumn 2007. The Magdeburg Waterway Intersection, one of the principal infrastructure projects launched in the wake of German reunification, was opened to traffic at the start of October 2003. Bilfinger Berger played a leading role in its realization.

An increasing presence on international markets

Bilfinger Berger will continue to put its full energy behind an internationalization strategy that focuses on sophisticated infrastructure projects and on expanding the Company's presence in regions where it is already successfully established.

A major step in this direction was taken in Australia with our acquisition of Abigroup. The integration of this company into the Group now gives us an appreciably stronger position in the market for major transport projects. Similarly, we intend to step up our civil engineering capacity in the United States and Poland under our own momentum and through acquisitions. Output volume and earnings for the Civil business segment will rise substantially in the current year.

Building and Industrial

- **Output volume and earnings remain at previous year's level**
- **Synergy with service business**
- **Proportion of international business rising**
- **Sharp upswing in earnings expected**

The Building and Industrial business segment generated an output volume of €1,920 million, and orders worth €1,899 million were received. Both of these figures are similar to the previous year's levels. The order backlog rose by 16% to €1,917 million. Earnings were of a broadly similar magnitude to the previous year's, at €6 million (2002: €8 million). Capital expenditure on property, plant and equipment remained broadly unchanged at €5 million

(2002: €4 million), while the number of employees rose by 12% as a result of new projects for the oil industry in Nigeria, to a total of 8,615. The employee total in the other Building and Industrial units fell, however.

Australia: a one-stop provider for major projects

The output volume in Australia, an important market for challenging building projects, has risen significantly. Boulderstone Hornibrook's ability to handle major projects as a one-stop provider is meeting with growing interest among clients, and last year it was awarded a contract worth €175 million for the expansion of a shopping centre in Sydney. The project involves the construction of a new complex with a gross floor area of around 50,000 square meters. Boulderstone was commissioned with the entire design process for the project and also took charge of obtaining the official approvals. In addition, the company is a successful developer of office, leisure and residential properties on behalf of sophisticated clients, and on the basis of these packaging models Boulderstone draws up customized concepts in close cooperation with clients but without tying up its own capital in projects.

The company also puts together comprehensive packages of services for its industrial clients, having completed numerous contracts on behalf of the car manufacturer Holden, a subsidiary of the U.S.-based automotive giant General Motors, among them the design and turnkey construction of a production plant for advanced six-cylinder engines. Boulderstone Hornibrook is also in charge of realizing Holden's new headquarters in Port Melbourne. The company's building construction business will enjoy further growth in the current year.

United States: business spurred by new power station construction

In the United States, Fru-Con's commercial construction activities are benefiting from demand for new power stations. Within this field of activity, Fru-Con clinched the contract to build a 500-megawatt combined gas and steam turbine power station near Sacramento, California, a project with a value of €100 million. Fru-Con has many years of experience in the construction, outfitting, commis-

Key figures for Building and Industrial

€ million	2002	2003	Δ in %
Output volume	1,957	1,920	-2
Orders received	1,934	1,899	-2
Order backlog	1,649	1,917	+16
Capital expenditure	4	5	+25
Depreciation of property, plant and equipment	5	4	-20
Earnings (EBITA)	8	6	-25
Employees (number at December 31)	7,706	8,615	+12

Building and Industrial: Output volume by region

€ million	2003
Germany	957
Rest of Europe	58
America	123
Africa	344
Australia	438
Total	1,920



sioning, maintenance and operations management of power stations. Moreover, as an established and effective partner to leading industrial clients, Fru-Con's prospects in this area are brightening in tandem with the improving state of the U.S. economy.

Nigeria: output volume rises ahead of international gatherings

Building construction activities in Nigeria – in common with the civil engineering business there – have been dominated by projects for the All Africa Games in Abuja. Output volume has risen markedly. The National Stadium, which was handed over on time, hosted a top-caliber sporting event in October 2003 in front of 60,000 spectators, including impressive opening and closing ceremonies. The international airport serving the Nigerian capital was likewise extended for the occasion. In addition, Bilfinger Berger played a part in ensuring that the Commonwealth Heads of Government Meeting in Abuja progressed smoothly. The 52 heads of state and government who attended were based at a conference centre that had been extensively renovated with an eye to creating maximum efficiency and outstanding technical facilities. Of particular note among the new projects embarked upon in Nigeria last year was a cement factory in Kogi State.

Germany: holding fast amid difficult market conditions

Demand in Germany once again fell in the last fiscal year. In view of persisting unsatisfactory price levels, the Bilfinger Berger Building division, which is responsible for domestic business, continues to apply stringent criteria in selecting its projects. Although the overall economic situation remained difficult, our methodical approach to selecting contracts and our close relationships with clients assured our commercial success. Capacity was

adjusted further and activities were concentrated in regions with adequate demand. The output volume for 2003 was on a par with 2002.

Major projects in fiscal 2003 included the Gallileo tower for Dresdner Bank in Frankfurt, the Theresie service complex in Munich, the Berliner Tor Center in Hamburg and the Cologne Media-park. Activities in the Stuttgart area include the Schwabengalerie, DaimlerChrysler's Global Training Center and the new town center complex in Vaihingen. And new contracts were received for architecturally and technically complex projects in Düsseldorf and Duisburg.

Systematically focusing on the client is the key strategic approach behind Bilfinger Berger's successful building construction activities in Germany, and the proportion of longstanding regular clients has been steadily increased over the past few years, reaching over 70% in 2003. Additionally, close cooperation between the Bilfinger Berger Building Construction division and Group companies in the field of services and concessions opens up interesting prospects. Cross-selling potential along the entire value creation chain of designing, financing, developing, constructing, maintaining and operating is being increasingly tapped, and on the basis of its comprehensive range of services Bilfinger Berger is working increasingly closely with clients to produce more one-stop solutions for challenging property projects. This expertise has been further enhanced by the integration of property development expertise. The Bilfinger Berger Building division will adjust its output volume in the current year, in line with the continuing fall in demand.

Positive results will improve further

Bilfinger Berger's building and commercial construction units worldwide are well positioned in their respective markets. The proportion of international business will continue to rise. Despite difficult market conditions in Germany, we anticipate significantly higher earnings for the year in progress.

Project Development and Concessions

- **Growth in private-sector concession projects**
- **New BOT projects in Great Britain and Australia**
- **Further expansion and earnings increases targeted**

The output volume of the Project Development and Concessions business segment decreased by 6% to €231 million. Growth in the concessions business did not offset a decline in project-development activities. Thanks to the successful expansion of BOT activities, orders received rose by 19% to €375 million and the order backlog increased by 64% to €370 million.

In 2003, the BOT business once again made a positive contribution to earnings. Real estate project development, which was wound up at the end

of 2003, once more proved a burden on earnings. The loss for this business segment totaled €3 million, compared to a loss of €2 million in 2002.

Equity investments fell sharply to €1 million (2002: €48 million). The previous-year figure was particularly high as a result of the project equity for the Cross City Tunnel in Sydney. We aim to continue increasing our involvement in concession projects. The number of employees at Bilfinger Berger BOT GmbH has risen sharply, whereas personnel capacity for real estate project development has been reduced. At the reporting date there were 92 people in total employed in the Project Development and Concessions business segment, a year-on-year fall of 7%.

Private-sector concession projects: sustained expansion

Bilfinger Berger's private-sector concession business is enjoying a sustained period of expansion, with the Company focusing its activities on transport infrastructure and public-sector building projects. The principal markets in this area are currently Great Britain and Australia. The Bilfinger Berger BOT portfolio, encompassing all concession business within the Group, comprises 10 projects. Bilfinger Berger has a total of €119.6 million in equity tied up in these projects.

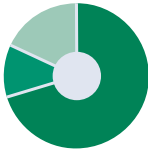
In assessing the current earnings contribution of our BOT activities, it should be remembered that half of the projects are under construction and some of the others are still at an early stage of operation. Therefore, the obligation to restrict any

Key figures for Project Development and Concessions

€ million	2002	2003	Δ in %
Output volume	247	231	-6
Orders received	316	375	+19
Order backlog	226	370	+64
Depreciation of property, plant and equipment	48	1	-98
Earnings (EBITA)	-2	-3	-50
Employees (number at December 31)	99	92	-7

Project Development and Concessions: Output volume by region

€ million	2003
Germany	162
Rest of Europe	27
Australia	42
Total	231



evaluation of returns to one fiscal year currently gives a misleading picture of actual earnings. By considering the net present value over the entire project term, we ensure that the Group's return-on-capital-employed target of 11% is exceeded by each individual project and therefore the entire portfolio, including overhead costs. Our BOT activities are a source of guaranteed long-term income and steady cash flows.

In Great Britain, further projects were added to the existing list of schools and hospitals at the end of 2003. In Bedfordshire, Bilfinger Berger is to finance, design and construct two school buildings, then operate them over a period of 30 years, a project with a value of €30 million. A consortium led by Bilfinger Berger has, in addition, been chosen as preferred bidder for the realization of two further projects on behalf of Britain's Department of Health: Bilfinger Berger will build and operate medical practices and hospitals in Liverpool and

London. The project volume for the first phase amounts to €70 million, and both facilities are expected to be expanded later, with additional investments of up to €100 million.

In Australia, we have successfully extended our BOT activities to include building construction for the public sector, and are realizing two prisons to the west of Melbourne that will have a total investment volume of €150 million. Under a contract awarded by the government of the State of Victoria, Bilfinger Berger agreed to finance, design and construct the buildings, then operate them for a period of 25 years. Boulderstone Hornibrook has been put in charge of designing and building these facilities, as well as running their technical operations. The focus of BOT activities in Australia has until now been on transport infrastructure: For example, construction work on the Cross City Tunnel beneath Sydney's city center commenced at the start of 2003. A consortium set up by Bilfinger Berger is in charge of the toll tunnel project, which has a total contract value of €520 million. The two-kilometer tunnel is due for completion by mid-2005.

Projects of Bilfinger Berger BOT GmbH

	Project volume € million	Bilfinger Berger's share of project %	Bilfinger Berger's share of equity € million	Method of consolidation	Project status	Concession until
Traffic infrastructure						
Cross City Tunnel – Sydney, Australia	520	20.0	48.0	at equity	In construction	2035
Herrentunnel – Lübeck, Germany	160	50.0	11.7	at equity	In construction	2035
Expressway – Bangkok, Thailand	1,100	4.4	18.0	Not consolidated	In operation	2020
Building construction						
British Embassy – Berlin, Germany	38	100.0	5.9	Fully consolidated	In operation	2030
North Wiltshire Schools – Great Britain	62	50.0	1.4	at equity	In operation	2031
Maternity Hospital – Hull, Great Britain	37	100.0	3.8	Fully consolidated	In operation	2032
Hospital – Gloucester, Great Britain	60	50.0	2.9	at equity	In construction	2034
Victoria Corrections – Australia	150	100.0	16.8	Fully consolidated	In construction	2031
Bedfordshire Schools – Great Britain	30	80.0	3.6	Fully consolidated	In construction	2035
Lufthansa Center – Beijing, China	253	11.2	7.5	Not consolidated	In operation	2021
			119.6*			

* Thereof, paid in by December 31, 2003: €90 million

In Germany, Bilfinger Berger is playing a key role in the realization of the Herren Tunnel in Lübeck, likewise due to open in 2005. The implementation of further privately financed road projects ground to a halt last year following the cancellation of the bidding process for a second road link to Rügen and the continuing problems surrounding the introduction of a system for levying tolls on trucks using the autobahns. But while no bidding processes for private road projects are likely to be launched in the current year in Germany, the first specific projects in the domain of public-sector buildings are getting off the ground. The new national center of expertise has the important task of optimizing models, particularly with regard to risk sharing. Bilfinger Berger will participate in the bidding processes for further pilot projects that have been announced. In Germany, our track record with a number of projects places us in a strong position to profit from the growing acceptance of privately financed public buildings and infrastructure.

Project development: handling contracts without using our own capital

Due to the generally unfavorable economic situation in Germany, the crisis in the office property market continued in 2003. Leasing revenue once again fell, and the number of vacant properties in economic centers rose drastically. In response to continuing slack demand, Bilfinger Berger wound up its project-development activities at the end of 2003.

Bilfinger Berger Real Estate Management GmbH is completing projects already in progress and has been instructed to speed up the process of

selling off the remainder of the real estate portfolio. In future, Bilfinger Berger will concentrate on property development activities that do not require it to employ any significant level of capital or entail any sales risks. These activities – also referred to in the international arena as packaging – form part of the services provided by the Building division.

Profit contributions: on a steady rise

Now that the Company has pulled out of real estate project development, the activities of this business segment have been confined to the privately funded concession business since the start of 2004. In view of the employment of equity, the long-term nature of the involvement and the specific structure, it will remain necessary to represent BOT projects as a separate segment.

As a result of delays to domestic transport projects, we are intensifying our focus on international activities. We are concentrating in particular on markets where the underlying conditions are fundamentally favorable to the successful implementation of private finance models. Alongside the existing focal countries of Great Britain and Australia, these include North America and selected European states. The privately financed concession business will continue to expand and deliver rising profit contributions.

Services

- All key figures substantially higher
- Industrial services extended through takeovers
- Growth in real estate services
- Centennial boosts our service business in the United States
- Further rise in output volume and earnings in current year

The first consolidation of Rheinhold & Mahla and HSG for a full financial year resulted in a significant increase in the Services segment's key figures. Output volume increased by 96% to €1,363 million, and orders received rose by 116% to €1,464 million. The order backlog grew organically and through the inclusion of the newly acquired companies by 50% to €1,121 million. This business segment's earnings climbed to €47 million (2002: €26 million). Capital expenditure on property, plant and equipment rose to €31 million (2002: €13 million). The

employee total rose by 6% to 15,612, largely as a result of integrating the service units of Abigroup in Australia and of Centennial in the United States.

Industrial services: Success with maintenance management

Our industrial services business comprises the activities of Rheinhold & Mahla, a leading service provider in numerous European countries, and Fru-Con, which is a successful service partner to prestigious clients in the United States. Output volume amounted to €960 million (2002: €441 million). Whereas progress in Western Europe was rather limited, the markets in Eastern Europe and the United States developed more dynamically. The overall output volume of this business area rose.


Rheinhold & Mahla is a long-standing partner of renowned industrial clients such as BASF, Bayer and Dow Chemical for the maintenance of production plant facilities. On the basis of its integrated services concept, Rheinhold & Mahla creates customized packages of services encompassing individual components such as scaffolding construction, corrosion protection and insulation. The company is, for example, responsible for the maintenance of oil and gas rigs in the North Sea and oversees the smooth operation of petrochemical facilities in Hungary and the Czech Republic. With a view to further strengthening its position in this field, Rheinhold & Mahla last year acquired Arnholdt Services, Germany's leading industrial scaffolding service provider, and EMS, a company specializing in the maintenance of facilities for the gas supply, petrochemical and food industries. In addition, Rheinhold & Mahla takes responsibility for all maintenance management tasks. Working within this field in Poland, the company recently took over the maintenance of five production sites of Elektrociepłowni Warszawskie S.A., the

Key figures for Services

€ million	2002	2003	Δ in %
Output volume	697	1,363	+96
Orders received	679	1,464	+116
Order backlog	745	1,121	+50
Capital expenditure	13	31	+138
Depreciation of property, plant and equipment	7	17	+143
Earnings (EBITA)	26	47	+81
Employees (number at December 31)	14,771	15,612	+6

Services: Output volume by region

€ million	2003
Germany	779
Rest of Europe	437
America	147
Total	1,363



Warsaw electricity and heating power generating company belonging to the Vattenfall Group. On the basis of a long-term framework agreement, maintenance work to the value of € 80 million will be carried out over the next five years.

Fru-Con's services encompass the commissioning, maintenance and repair of production facilities. The significance of this business has risen steadily over the past few years.

Real estate services: clear potential for growth

Our affiliated companies HSG and Wolfferts specialize in real estate services. Output volume in 2003 amounted to €384 million (2002: €238 million).

HSG develops customized concepts on behalf of its clients in Germany for the entire life cycle of buildings, based on an integrated commercial, technical and infrastructural approach to facility management. Last year, HSG entered new agreements to take over the administration of numerous properties and facilities, including the General Hospital of the U.S. Armed Forces in Landstuhl, with its eight affiliated clinics, and 12 locations of Citibank Privatkunden AG. In the retail sector, HSG was able to strengthen its position by assuming responsibility for the technical building management of all Breuninger department stores. The joint venture with E.ON Energie AG established in 2002 took charge of the facility management of all of that group's power stations at the start of 2004.

Wolfferts is one of the leading service companies for the technical outfitting of buildings in Germany. The operation of facility systems and the integrated optimization of energy concepts are becoming increasingly important, and the proportion of energy contracting orders continued to rise in the past fiscal year.

Service activities: further expansion and integration

The further expansion of our service activities remains one of the principal objectives of our corporate development policy. Industrial and real estate services act as springboards for the further expansion – both from our intrinsic momentum and through acquisitions – of this business segment. The takeover of Centennial at the end of 2003 signals the importance of the American market for Bilfinger Berger's service business. This acquisition is an outstanding complement to the existing range of services in the United States, because Centennial is a leader in job order contracting: This entails repair, maintenance and extension work in the field of building construction, carried out on the basis of long-term framework agreements. Its principal clients are the U.S. military, universities, schools and organizations such as the World Bank. Centennial has captured a market share of 15% in this specialized segment, and has operations nationwide. The prospects in Australia, too, are bright. Abigroup is active in the maintenance and repair of gas and water networks and of toll roads.

A broad-based integration project has the aim of paving the way for close collaboration with other Group units and systematically tapping existing potential for synergy between the individual service companies.

The output volume and earnings from the services business will rise further in the current year.

Environmental

- **Output volume stable**
- **Profit contribution doubled**
- **Reporting structures adjusted**

The Environmental business segment's output volume of €181 million was slightly below the previous-year figure, while orders received were down 16% to €193 million but were still higher than the year's output. The order backlog rose by 35% to €217 million. The segment achieved an operating profit of €6 million, double the figure for 2002. Spending on property, plant and equipment remained unchanged from the previous year, at €2 million, while the number of employees declined by 9% to 969.

Sewage technology: new markets to the east

Our affiliated company Passavant-Roediger is a highly proficient partner to municipal and industrial clients in the fields of engineering, building and operating plants for sewage treatment, drinking-water purification and waste treatment. The drive to internationalize this business in recent years has resulted in a stable proportion of international business of more than 60%. Passavant-Roediger's strong position in its international markets, especially China, is clearly reflected in the order backlog – here, the international share at the reporting date was in excess of 80%, and thus outstripped the previous year's already high level. The eastward expansion of the European Union is opening up new horizons but, in view of the weak state of public finances in Germany, no revival in domestic demand is in sight. The service business – in the form of assembly, spare parts and maintenance – is of growing significance to Passavant-Roediger.

Soil treatment: strengthening our market position

Bilfinger Berger Umwelt (environment) GmbH primarily concerns itself with the reclamation of complex contaminated sites and the treatment of contaminated soil and waste, operating five stationary centers for waste treatment in Germany as well as mobile facilities for thermal soil remediation. This subsidiary acquired several companies with regional operations in 2003, as a result of which it was able to strengthen its market position in disposal services. The international share of this business rose to more than 25%. International business is set to acquire growing significance through close cooperation with other Group units.

Change to reporting structures

The companies with operations in the Environmental business segment enjoy bright prospects in their respective specialized markets. As this business segment represents a relatively small proportion of total revenues, however, its activities will no longer be reported in a separate segment. The companies have been allocated to the Civil business segment since the start of 2004.

Key figures for Environmental

€ million	2002	2003	Δ in %
Output volume	187	181	-3
Orders received	229	193	-16
Order backlog	161	217	+35
Capital expenditure	2	2	0
Depreciation of property, plant and equipment	3	3	0
Earnings (EBITA)	3	6	+100
Employees (number at December 31)	1,068	969	-9

Environmental: Output volume by region

€ million	2003
Germany	99
Rest of Europe	53
America	2
Africa	4
Asia	23
Total	181



Research and development

Research and development makes an important contribution to maintaining our competitive edge. While headquarters directs projects involving more than one business segment or division, the actual R & D is carried out by the divisions, ensuring that we remain oriented to practical problems and the needs of our customers. This results in high-quality, economically sound solutions to our customers' problems.

Last year, our R & D focus was construction materials, building methods, and measuring and information technologies. We were granted several building-inspectorate approvals and applied for numerous new patents and utility patents. In addition to project-related development work, we also cooperate with leading universities to carry out research in selected areas, which is also aimed at yielding direct operative benefits.

A focus on practical questions

When making decisions on real estate investments, long-term operating costs are increasingly taken into consideration, because, with an average period of use of 30 years, a building's construction costs make up only 30% of the total costs. Together with the Technical University of Darmstadt we are developing analytical calculating methods and forecasting models for the costs of constructing, equipping and using different types of buildings. A prerequisite for this work was an exacting analysis of individual types of costs with existing buildings, and on this basis a software package is being created that will allow us to estimate the future operating costs of selected types of office or administrative buildings. This will directly increase the advisory expertise of our construction and service units.

When it comes to the hardening of concrete, temperature changes have a decisive influence on the formation of cracks and therefore on the durability of buildings, bridges and other structures. The temperature curve depends on the type and quantity of concrete used, the shape of the structure and the ambient conditions. A software package we have developed makes it possible to simulate hydration-related temperature fields in hardening concrete, and to thereby optimize the geometry of the structure and the composition of the concrete so that crack formation is minimized. In addition, local measuring activities can be significantly reduced, thus helping to cut costs. The software has already proven its value with the construction of the Leibis-Lichte reservoir in Thuringia, in eastern Germany, and was awarded a prize by the German Ministry for Economics and Labor at the Build IT trade fair.

An international research project supported by the European Union is investigating vibrations in structures caused by earthquakes, wind or other external influences. In this context, we have developed numerical models for semi-active control systems and vibration dampers that help to effectively dissipate such forces as they arise. The dampers actually alter their characteristics over the vibration curve, and with the aid of the numerical model it is possible to calculate the interplay between dampers and structure. Tests have already yielded promising results. The knowledge gained is extremely useful when we prepare projects in regions threatened by earthquakes.

One of our subsidiaries, BBV Vorspanntechnik, played a major part in the development of a technology for monitoring structures. Sensors on the structure supply all the data needed to make a precise assessment of the load-bearing structure's condition, while measurements made at designated intervals reveal any changes, make it possible to carry out damage analyses, and assist in the preparation of repair proposals. In Germany, we have the exclusive right to apply this technology. Numerous bridges built in the 1950s, 1960s and 1970s are to be investigated, which shows the enormous potential of the new procedure.

In order to better fulfill the needs of our services and operating companies, as well as of our international subsidiaries, an Intranet platform launched in 2002 was further developed for technical knowledge management. It supplies information on projects in Germany and abroad, and on experts within the Group. A new electronic library system gives our employees access to national and international specialist literature, standards, guidelines and approvals. The continuous further development of the Intranet platform helps make our processes more efficient.

In a strategic development partnership with the software company SAP, we adapted the program "SAP for Engineering, Construction & Operations" to the specific demands of the construction industry and plant engineering, and added new functions for controlling and risk management. This new software package for the industry bundles all important finance and project information into a single system, and since the start of 2004 it has been supporting the monitoring of key data at many levels of our Company, from the project and operative units to the business units or the Group.

Procurement

The increasing concentration on our core competencies goes hand in hand with a continuous decrease in the depth of production. At the same time, the requirements placed on procurement processes are growing. In the year under review, the Group's total procurement volume rose, as a result of the higher output volume, by 13% to €2.8 billion. Of the total expenditure for purchased goods and services, 73% was accounted for by subcontractor services and 27% by material purchases.

The development of procurement controlling and the conclusion and putting into effect of Group-wide framework agreements were the key steps for the consistent utilization of existing synergy potential.

Supplier selection helps cut costs

Our supplier base has been reduced considerably, and in some product areas Bilfinger Berger bundles its requirements with one supplier, thus achieving significant cost advantages. The purchase of subcontractor services in our construction business is largely based on a database information method to which our operating units have access. In this context, a two-stage selection takes place: Before acceptance, there is a structured selection process, and during the period of collaboration each subcontractor's performance is continuously assessed. In addition, there is a regular exchange of information between the purchasing specialists in Germany and abroad.

Bilfinger Berger's buyers have access to comprehensive online procurement tools via the Company's Intranet, where they can find framework agreements, specimen contracts and forms, and other information relevant to purchasing. Since January 2004, new procurement guidelines have been in force defining the goals, principles, strategies and instruments of the procurement departments. Through the standardization of all purchasing activities, synergies within the Group are to be utilized more consistently and purchasing processes are to be made even more efficient in the future.

Marketing and sales

The importance of marketing and sales activities varies among our business segments. In the Civil segment, for example, business around the world is almost entirely dependent on public-sector regulations governing the awarding of contracts, whereas private customers are dominant in the Building and Industrial and Services segments. Here, the potential of customer communications is consistently utilized as an aid to acquiring business.

A renowned institution has carried out a systematic client survey for the Bilfinger Berger Building division that yielded important information on customer satisfaction and market positioning, and forms the basis for a series of targeted marketing and sales activities: The division intends to enhance customer loyalty and further expand its market share. Moreover, structured interviews will be carried out on customer satisfaction after the completion of all major projects. The results will be continuously evaluated and will flow into the design of appropriate marketing and sales activities.

The subsidiaries concentrated in the Services business segment have their own well-established corporate brands. In the future, however, all companies will also present the newly developed umbrella brand name Bilfinger Berger Services. This uniform market presence will signal to customers that each company belongs to the Bilfinger Berger multi-service group, thereby drawing attention to the great synergy potential within the business segment and with the other companies of the Group.

Coordinated marketing and sales activities are particularly effective at major trade fairs. For example, Bilfinger Berger Building, the services companies and the private-sector concessions business are all present on a shared platform at Expo Real, an important international real estate trade fair.

Personnel

At the end of the year, the Group employed a workforce of 50,460 persons (2002: 50,277). The share of the workforce accounted for by white-collar staff rose slightly to 23.6% (2002: 22.3%).

Total workforce remains constant

There were significant shifts within the workforce – outside of Germany due to major projects coming to an end, and within Germany due to adjustments in the branch network and the sale of subsidiaries. The resulting staff reductions were offset, however, by the addition of the employees of newly acquired companies such as Abigroup and Centennial.

In the Services business segment, the number of employees increased to 15,612 (2002: 14,771), underscoring the increasing importance of these activities. The number of persons employed by the

Civil business segment decreased to 24,854 (2002: 25,959), while in the Building and Industrial business segment the number rose to 8,615 (2002: 7,706). There were 969 persons employed in the Environmental (2002: 1,068) and 92 in the Concessions (2002: 99) business segments.

Adjustment of personnel capacities

In the year under review, the continuing decline in demand in Germany necessitated the reorganization of two business segments: Building and Industrial, and Civil. This was successfully carried out in a cooperative atmosphere with representatives of the workforce. However, despite numerous transfers within companies and units, and the increased application of pre-retirement part-time work, some dismissals could not be avoided.

Wage settlement

Against the background of Germany's currently weak construction industry, an agreement on wage and salary increases was reached between the negotiating parties in 2002 that allowed for a pay increase of 2.4% as of March 1, 2003.

Employee shares and stock options

In order to enhance our employees' loyalty to the Company, employee shares were again issued in the period under review. There was a very positive response to this offer. Altogether, 4,734 employees (2002: 3,758) took advantage of the chance to acquire shares in Bilfinger Berger AG at a preferential price.

The stock-option plans offered in 2000 and 2002 to the members of the Executive Board and other top executives were designed to focus our activities even more on increasing shareholder value. The achievement of the exercise hurdle in 2003 enabled the 78 participants in the 2000 stock-option plan to utilize their 824,900 options to acquire shares: 718,544 options were actually exercised, and the remainder can be exercised until the end of 2005. The participants in the 2002 stock-option plan can exercise their options after the 2004 Annual General Meeting if the hurdles are achieved.

Systematic human-resources development

Bilfinger Berger places a high priority on systematic human-resources development. Once again in 2003, a number of measures were taken to bring about additional improvements in the organization and content of such activities. The responsibility for this lies with the newly formed human resources development unit at headquarters, which is now responsible for the entire process chain, starting with training and university recruiting, to acclimatization programs, further training and executive development.

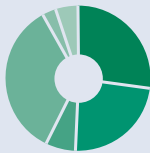
Through our well-established vocational training program, we aim to provide young people with a solid foundation for their career development. Despite the difficult employment situation, we

Employees by business segment

	2002	2003	Δ in %
Civil	25,959	24,854	-4
Building and Industrial	7,706	8,615	+12
Project Development and Concessions	99	92	-7
Services	14,771	15,612	+6
Environmental	1,068	969	-9
Headquarters	674	318	-53
Total	50,277	50,460	0

Employees by region

2003	
Germany	13,700
Rest of Europe	11,800
America	3,350
Africa	17,480
Asia	1,540
Australia	2,590
Total	50,460



have maintained our range of traditional apprenticeships and dual courses of study at the professional academy. On the balance-sheet date, 838 young people were undertaking vocational training inside the Group (2002: 811).

Bilfinger Berger cooperates with selected universities in order to encourage and develop potential high-flyers from within the Group. The goals of these partnerships are to draw attention to the Company as an attractive employer, to identify suitable graduates at an early stage, and to obtain their services for the Company. In addition to our long-standing involvement with leading faculties of civil engineering in Germany, we entered into an agreement in 2003 to cooperate closely with the renowned Faculty of Economics of the University of Mannheim.

Our ambitious technical and commercial orientation programs have proven their value and make our Company attractive for new recruits with high potential. Our program for further training has been extended with regard to the services business and customer orientation; our trainers are primarily internal specialists and executives, which ensures that the training is closely correlated to practical issues. Also, increased importance has been placed on personal development seminars and other means of supporting managers in their role as human resources developers.

For some time now, regularly scheduled events have been organized on an international basis to give managers with the potential for high-level responsibilities a chance to grapple with corporate development and strategy questions. These events also give the members of the Executive Board an opportunity to get some idea of the individual participants' potential. This tried-and-tested instrument of personnel development is soon to be implemented in executive development for other management levels. In order to ensure that the

rising demands placed on executives continue to be fulfilled, we have, together with the St. Gallen Management Center, prepared an executive development program tailored to Bilfinger Berger's specific requirements.

A word of thanks to our employees

Bilfinger Berger operated successfully once again last year, making continued, solid progress in the development of the Company and posting good results despite the pressures faced in very difficult markets. The Executive Board hereby expresses its gratitude to all of the employees for their efforts and commitment in promoting the Company's continuing development.

Risk-management system

We understand effective risk management to be the control process for dealing with risks that arise in connection with Bilfinger Berger's business activities. Risk management includes thorough risk controlling, an early-warning system and an internal monitoring system. At our Company, risk management is one element of a continuous management reporting process. Risks are identified locally within the framework of risk controlling – through monthly profit reports, risk reports and controlling discussions – and are communicated to different levels of management via a management information system. At all levels of this system there is early risk-recognition analysis. With its expert knowledge at the higher organizational level, headquarters fulfills core functions within the early-warning system, while the Executive Board is responsible for the strategic screening of the external environment, i.e.: competitors' activities, prices, the capital markets and political developments.

The processes of the internal monitoring system, which are either regulated by law or specified by the Executive Board and/or the headquarters departments, are set out in manuals. An internal system of control – including the principle of dual

control and the Rules of Procedure – ensures that the stipulated control measures are followed in practice. The internal auditing department is responsible for examining the content of the control instruments and the early warning system, as well as for monitoring the processes and the functionality of the internal controlling system. The Company's organization, budgetary accounting and control systems are checked within the context of project and corporate audits.

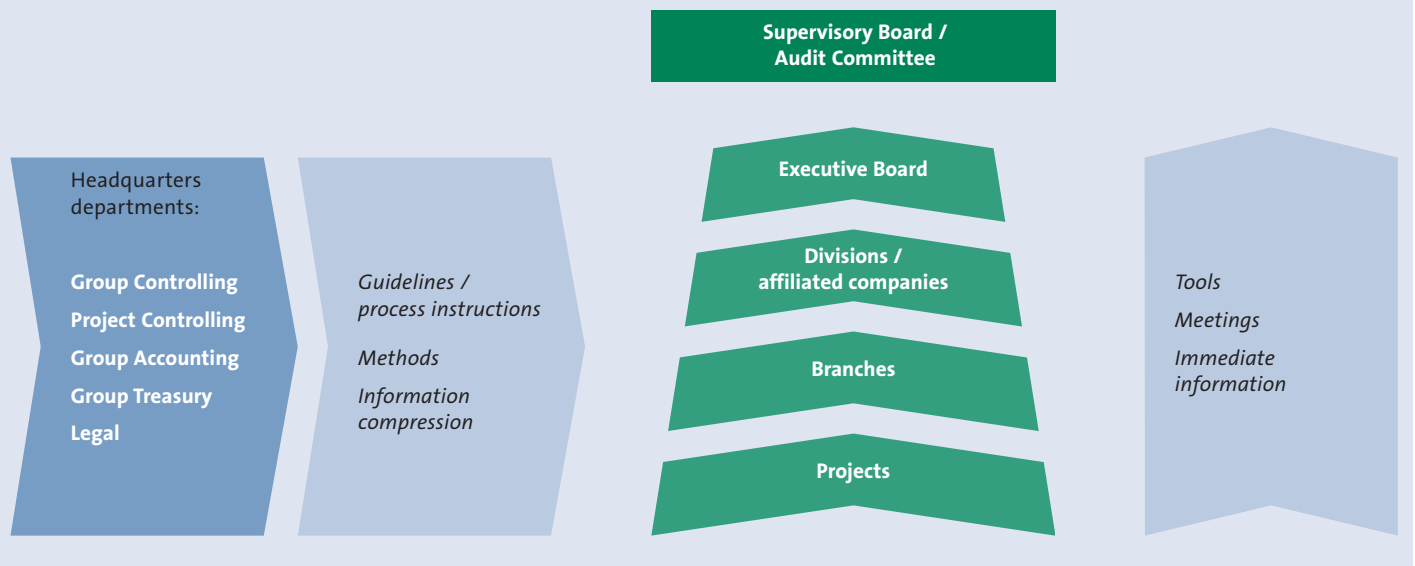
The major risks arising from Bilfinger Berger's business activities are listed as follows:

Market risks

In order to counteract market risks, we constantly analyze economic developments in our markets and review the competitiveness of our organizational structures.

We reacted at an early stage to the ongoing weakness of the German construction industry by introducing a separate divisional organization within the Civil and the Building and Industrial business segments. At the same time, our branch network was continuously rationalized. The central control of the business facilitates the identification, evaluation and monitoring of risks. We are able to cope with the risks inherent in our construction business. For our services business we see no specific market risks at present, though the situation is different in the Project Development business segment: In view of the persistently weak demand in the German real estate market, we have completely withdrawn from the development of projects requiring the use of our own capital. In our concessions business, we concentrate on markets where private-sector solutions are established. At present, we cannot recognize any significant market risks in this area.

Risk-management system



Country risks

We observe economic and political developments very closely in all the regions of the world in which we are active, so that we can react in good time to any significant changes. We have formed a provision in the amount of €45 million as a precaution against possible political and economic risks in developing countries and emerging markets. As we cannot identify any specific country risks at present, this measure is intended to serve as additional protection in case of any such losses that might be conceivable in the future.

Project risks

The risks inherent in the project business – from contract acquisition to bid processing and from execution to warranty processing – are under control as a result of our clearly structured project management. The status of current projects and earnings developments are dealt with in regular management discussions with the operative units. Orders worth more than €50 million and projects with special risks require the approval of the Executive Board. They are supported by the Project Controlling department at headquarters, which also monitors projects with high-risk-potential during the bid, negotiation and execution phases. If necessary, early warning systems for risks are adapted and implemented for specific projects. The involvement of subcontractors and suppliers with the right technical skills and financial resources is supported by standardized purchasing processes, which are described in a set of binding guidelines. Suitable provisions have been formed for all project risks.

Contract and legal risks

We deal with contractual and other legal risks by obtaining sound advice from our own lawyers and from outside specialists. The exercise of great care in the selection of projects before the start of bid processing, combined with the thorough examination of contracts in terms of their technical, commercial and legal content, ensures that we do not accept any unreasonable risks.

Financial risks

All financial risks are monitored with the application of appropriate financial management and control instruments. The risk circle implemented at the Group level guarantees the continuous identification, analysis, evaluation and control of financial risks, and is based on a system of early and detailed reporting with short, clear reporting channels, as well as the use of modern communication and information systems.

Liquidity risks are monitored and controlled centrally at Group headquarters. Simulations are used to analyze the effects of unlikely developments. Liquidity bottlenecks can be ruled out due to the Group's high level of cash and cash equivalents and the credit lines and bank guarantees available to it.

Market-price risks primarily involve exchange rates, interest rates and the market values of financial investments. As a part of the central control of risks, to a large extent our cash flows and financial positions are netted out. We make use of derivative financial instruments in order to limit any residual risks. Our risk policy has the goal of limiting fluctuations in earnings, valuations or cash flows that are caused by changes in exchange rates, interest rates or market values. We do not enter into any financial transactions that involve risks that cannot be calculated or which exceed the existing basic business risk at the time of the transaction.

We use forward contracts and options to hedge against currency risks in connection with cash flows that are contractually fixed or fully expected and with existing or anticipated balance-sheet

values. The hedging of our project business generally covers the entire project period.

To counteract the risk of interest rate movements, we continuously adjust the composition of our fixed-interest and variable-interest assets and liabilities. For this purpose we make use of appropriate derivative financial instruments. We regularly and punctually analyze and evaluate the risks arising from our net interest exposure, and control the success of these measures by constantly measuring their results with proper consideration of income and risks.

Issuer risks might also occasionally arise related to the investment of our liquid funds in interest-bearing securities. These are very limited, however, as, generally, only issuers with an investment-grade rating are chosen. An additional factor is that terms and amounts are always limited.

In order to limit contracting-party risks, financial transactions are carried out solely with banks with first-class ratings on the basis of an internal limit system.

Due to the implementation of this risk policy and the application of appropriate derivative financial instruments, there were no significant effects on the Group's earnings and financial situation in 2003.

Personnel risks

Personnel risks such as the qualifications, motivation and turnover of staff are tackled with modern human resources tools. The introduction throughout the Group of personnel discussions for staff members serves to enhance employee motivation and the recognition of development possibilities, as well as deficits in qualifications or performance. The procedures for assessing employee potential

ensure optimal promotion and appointment decisions. The human resources development unit at headquarters is responsible for promoting high-level specialists and executives. Close contacts with selected universities aid the recruitment of qualified junior managers.

Subsidiaries' risks

The acquisition of companies plays an important role in our corporate strategy. These acquisitions are carefully prepared and must fulfill strict internal criteria in terms of strategic relevance, profitability, management quality and development potential. By means of intensive due-diligence audits, we ensure that any potential risks are recognized and that our high expectations are fulfilled.

IT risks

We limit any potential risks arising from information technology with the aid of internal and external specialists. To support our technical and commercial processes we use only standard products from leading software houses such as IBM, Microsoft, RIB and SAP.

Overall risks

In 2003, we were unable to identify any individual risks whose occurrence, either alone or in combination with others, would have jeopardized the continued existence of our Company. Neither do we recognize any existence-threatening risks at the present time.

Events after the balance-sheet date

Bilfinger Berger's business has been running to plan in 2004. A detailed overview of the first quarter of the year will be given in our next interim report, which will be published on May 26, the day of the Annual General Meeting.

Forecast

Structure of business segments

Bilfinger Berger modified its business-segment structure at the beginning of 2004. Due to the discontinuation of our real estate project development, the Concessions business segment now consists solely of the activities of Bilfinger Berger BOT GmbH. Due to their low output volume, we no longer report on our environmental activities in a separate segment. The companies previously located in the former Environmental business segment have been reallocated to the Civil segment.

General conditions

Leading economic indicators give reason to hope for an improved global economy. Provided there is no further significant appreciation of the euro and no further worsening of the situation in the Middle East, international economic growth will be more uniform than in 2003. Although growth in the United States and Asia is again likely to be stronger than in the European Union, the difference should be smaller than last year. Demand for construction will increase worldwide, and also in Europe, on the whole, with important stimulus coming from the European Union's enlargement.

Strategic goals

We will continue to consistently pursue our strategic goals in 2004. Expanding the services business remains one of our priorities, and we also intend to strengthen our position in international markets.

New business-segment structure as of January 1, 2004

	Civil	Building and Industrial	Services	Concessions
Full allocation	Bilfinger Berger Civil Razel Hydrobudowa Passavant-Roediger Bilfinger Berger Umwelt	Bilfinger Berger Building	Rheinhold & Mahla HSG Wolfferts bebit GBV	Bilfinger Berger BOT
Proportionate allocation	Bilfinger Berger Nigeria (including JBN)			
	Fru-Con (including Centennial)			
	Bilfinger Berger Australia (Baulderstone Hornibrook, Abigroup)			

This can be achieved through organic growth or through further acquisitions. We are still looking for suitable takeover candidates that meet our strict criteria.

Output volume

After a significant increase in output volume to €5.6 billion in 2003, we plan another substantial rise to more than €6 billion in 2004. Any new acquisitions will add to this figure.

Earnings

We also anticipate a renewed increase in operating profit by all business segments this year.

Capital expenditure

We plan to invest a similar amount in property, plant and equipment in 2004 as we did last year. The level of financial assets will depend on the extent of new acquisitions and our BOT activities.

Capital structure and financial situation

In 2004, we anticipate a continuation of our sound capital structure and financial situation.

Research and development

The further development of our expertise and our technical competence is also an important task for the coming years. The main areas of our research and development work will remain largely unchanged, with the addition of some aspects of process engineering and mechanical engineering.

Procurement

The number of suppliers is to be reduced further. We intend to conclude additional cooperation and framework agreements with Group-wide validity.

In the future, we aim to work particularly intensively with 50 carefully selected premium partners for the benefit of all concerned.

Marketing and sales

We will further intensify our marketing and sales activities, particularly in the building construction and services businesses. In the future, each of our most important customers will be assigned to one of our key account managers. In this respect, we aim to achieve close coordination across the various business segments, with specific marketing activities to be organized in connection with major trade fairs.

Workforce

We will react to changes in our markets quickly and flexibly, and with appropriate restructuring measures. If any acquisitions are made, they may lead to an increase in the number of employees in individual business segments.

Risks

In 2004, we will continue our intensive observation and analysis of internal and external risks with our systematic risk controlling. At present, no risks can be identified that might threaten the continuing existence of Bilfinger Berger.

All of the statements contained in this report that relate to the future have been made in good faith and with the best available knowledge. However, as these statements depend in part on factors beyond our control, actual developments may differ from our forecasts.

Annual Financial Statements 2003

Consolidated income statement

€ million	Notes	2003	2002
1. Sales revenues	(6)	4,560.3	3,957.2
2. Changes in inventories		26.6	-87.8
3. Own work capitalized		5.2	16.3
4. Total revenues		4,592.1	3,885.7
5. Other operating income	(7)	125.5	94.4
6. Cost of materials	(8)	-2,820.8	-2,485.6
7. Personnel expenses	(9)	-1,318.5	-1,019.1
8. Depreciation	(10)	-74.7	-69.8
9. Other operating expenses	(11)	-402.4	-332.0
10. EBITA (earnings before interest, taxes and goodwill amortization)		101.2	73.6
Exceptional income	(12)	237.9	161.3
Exceptional expenses	(12)	-160.0	-125.0
EBITA after exceptional items		179.1	109.9
11. Goodwill amortization (thereof, from exceptional items: €30.0 million (2002: €0))	(13)	-42.4	-4.8
12. EBIT (earnings before interest and taxes)		136.7	105.1
13. Income from investments	(14)	12.9	26.4
14. Net interest income	(15)	-15.7	-9.9
15. EBT (earnings before taxes)		133.9	121.6
16. Taxes on income and earnings (thereof, from exceptional items: +€27.7 million (2002: +€18.1 million))	(16)	-4.0	-4.6
17. Minority interests		-4.0	-2.3
18. Net profit		125.9	114.7
19. Earnings per share undiluted (in €)	(17)	+3.44	+3.16
20. Earnings per share diluted (in €)	(17)	+3.42	+3.14

Consolidated balance sheet

€ million	Notes	Dec. 31, 2003	Dec. 31, 2002
Assets			
A. Fixed assets	(18)		
I. Intangible assets		299.9	212.4
II. Property, plant and equipment		539.7	553.6
III. Shareholdings in associated companies		68.7	331.9
IV. Other financial assets		104.0	87.6
		1,012.3	1,185.5
B. Current assets	(19)		
I. Inventories		370.6	412.0
II. Receivables and other assets		1,094.8	1,190.6
III. Marketable securities		323.4	320.4
IV. Cash and cash equivalents		577.1	452.0
		2,365.9	2,375.0
C. Deferred tax assets	(20)	105.1	72.3
		3,483.3	3,632.8
Liabilities and shareholders' equity			
A. Shareholders' equity	(21)		
I. Subscribed capital		110.2	109.1
II. Reserves		953.3	866.0
III. Unappropriated retained earnings		47.7	36.4
		1,111.2	1,011.5
B. Minority interests		24.9	20.8
C. Provisions			
I. Provisions for pensions and similar obligations	(22)	90.5	187.6
II. Other provisions	(23)	453.6	456.2
		544.1	643.8
D. Liabilities	(24)		
I. Liabilities to banks		343.5	456.2
II. Other liabilities		1,403.2	1,459.3
		1,746.7	1,915.5
E. Deferred tax liabilities	(20)	56.4	41.2
		3,483.3	3,632.8

Changes in shareholders' equity

€ million

	Subscribed capital	Additional paid-in capital	Retained earnings	Other comprehensive income			Unappropriated retained earnings	Total
				Fair valuation of securities reserve	Hedging transactions reserve	Currency translation reserve		
Balance at January 1, 2002	108.9	521.6	287.7	158.3	0.6	12.7	20.0	1,109.8
Contributions to capital	0.2	0.4	0.0	0.0	0.0	0.0	0.0	0.6
Dividend distributions	0.0	0.0	0.0	0.0	0.0	0.0	-20.0	-20.0
Net profit	0.0	0.0	0.0	0.0	0.0	0.0	114.7	114.7
Transfer to retained earnings	0.0	0.0	78.3	0.0	0.0	0.0	-78.3	0.0
Currency adjustments	0.0	0.0	0.0	0.0	0.0	-16.0	0.0	-16.0
Other changes	0.0	0.0	-11.1	-169.9	3.4	0.0	0.0	-177.6
Balance at December 31, 2002	109.1	522.0	354.9	-11.6	4.0	-3.3	36.4	1,011.5
Contributions to capital	1.1	0.6	0.0	0.0	0.0	0.0	0.0	1.7
Dividend distributions	0.0	0.0	0.0	0.0	0.0	0.0	-36.4	-36.4
Net profit	0.0	0.0	0.0	0.0	0.0	0.0	125.9	125.9
Transfer to retained earnings	0.0	0.0	78.2	0.0	0.0	0.0	-78.2	0.0
Currency adjustments	0.0	0.0	0.0	0.0	0.0	-9.4	0.0	-9.4
Other changes	0.0	0.0	11.9	12.5	-6.5	0.0	0.0	17.9
Balance at December 31, 2003	110.2	522.6	445.0	0.9	-2.5	-12.7	47.7	1,111.2

Consolidated statement of cash flows

€ million	2003	2002
Net profit (before exceptional items)	125.9	114.7
Adjustment for exceptional items	-75.7	-54.4
Minority interests	4.0	2.3
Depreciation / write-down of fixed assets	89.6	74.7
Decrease in long-term provisions	-5.8	-1.5
Deferred tax income / expenses	13.5	11.8
Other income and expenses not affecting cash	0.1	-16.3
Cash earnings according to DVFA / SG	151.6	131.3
Decrease in short-term provisions	-61.5	-28.1
Gain / loss on the disposal of fixed assets	-45.8	-2.8
Increase in inventories	-21.6	-3.9
Decrease in receivables	146.1	3.0
Decrease in liabilities (excluding liabilities to banks)	-139.5	-32.8
Other income and expenses not affecting cash	0.8	7.5
Cash flow from operating activities	30.1	74.2
Proceeds from the disposal of property, plant and equipment	31.6	19.9
Proceeds from the disposal of financial assets	589.4	270.1
Capital expenditure on intangible assets	-13.2	-7.5
Capital expenditure on property, plant and equipment	-94.3	-93.8
Investments in financial assets	-185.1	-226.9
Cash flow from investing activities	328.4	-38.2
Proceeds from capital increase	1.6	0.6
Dividend distributed by Bilfinger Berger AG	-36.4	-20.0
Repayment of loans	-129.6	-26.1
Funding of pension provisions	-66.0	0.0
Cash flow from financing activities	-230.4	-45.5
Change in cash and marketable securities	128.1	-9.5
Other adjustments to cash and marketable securities	0.0	-20.2
Cash and marketable securities at January 1	772.4	802.1
Cash and marketable securities at December 31	900.5	772.4

Segment reporting

€ million	2003	2002	2003	2002
		Civil	Building and Industrial	
Output volume (Group) ¹⁾	2,035.7	1,991.9	1,919.9	1,956.6
Segment earnings	1,400.2	1,317.0	1,603.6	1,732.0
Thereof, inter-segment supply of goods and services	(16.8)	(16.0)	(110.2)	(139.1)
Cost of materials	-763.2	-707.5	-1,233.3	-1,309.9
Personnel expenses	-438.0	-385.0	-280.4	-321.3
Depreciation	-43.0	-45.0	-4.3	-4.5
Other operating expenses	-117.1	-136.5	-79.7	-88.7
EBITA (earnings before interest, taxes and goodwill amortization) ²⁾	38.9	43.0	5.9	7.6
Exceptional items	-	-	-	-
EBITA after exceptional items	-	-	-	-
Goodwill amortization	-	-	-	-
EBIT (earnings before interest and taxes)	-	-	-	-
Income from investments ³⁾	-	-	-	-
Net interest income	-	-	-	-
EBT (earnings before taxes)	-	-	-	-
Taxes on income and earnings	-	-	-	-
Minority interests	-	-	-	-
Net profit	-	-	-	-
Segment assets at December 31	654.0	615.2	402.8	440.5
Segment liabilities at December 31	552.2	562.5	600.4	621.1
Capital expenditure on property, plant and equipment	49	47	5	4
Number of employees at December 31	24,854	25,959	8,615	7,706

¹⁾ Output volume by region is shown in the Notes to the Consolidated Financial Statements under Note 6.

²⁾ EBITA includes income from associated companies in an amount of €1.0 million (2002: €2.5 million).

Thereof, Civil €0.6 million (2002: €2.1 million), Project Development and Concessions €0.1 million (2002: -€0.1 million), Services €0.3 million (2002: €0.5 million).

³⁾ Income from investments includes income from shareholdings in associated companies in an amount of €12.9 million (2002: €27.5 million).

	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Project Development and Concessions		Services		Environmental		Total of segments		Consolidation/ Others		Consolidated Group	
	231.1	247.3	1,363.2	696.8	181.3	186.6	5,731.2	5,079.2	-145.7	-166.8	5,585.5	4,912.4
	181.3	190.4	1,383.9	641.5	180.8	180.8	4,749.8	4,061.7	-32.2	-81.6	4,717.6	3,980.1
	(0.7)	(0.1)	(43.6)	(40.1)	(0.9)	(1.4)	(172.2)	(196.7)	(-172.2)	(-196.7)	(0.0)	(0.0)
	-149.6	-168.3	-695.5	-333.2	-86.5	-81.6	-2,928.1	-2,600.5	107.3	114.9	-2,820.8	-2,485.6
	-8.2	-8.9	-495.8	-204.4	-52.6	-55.1	-1,275.0	-974.7	-43.5	-44.4	-1,318.5	-1,019.1
	-2.8	-2.2	-17.1	-6.8	-3.0	-3.0	-70.2	-61.5	-4.5	-8.3	-74.7	-69.8
	-23.1	-12.8	-128.5	-71.5	-32.7	-38.2	-381.1	-347.7	-21.3	15.7	-402.4	-332.0
	-2.4	-1.8	47.0	25.6	6.0	2.9	95.4	77.3	5.8	-3.7	101.2	73.6
	-	-	-	-	-	-	-	-	-	-	77.9	36.3
	-	-	-	-	-	-	-	-	-	-	179.1	109.9
	-	-	-	-	-	-	-	-	-	-	-42.4	-4.8
	-	-	-	-	-	-	-	-	-	-	136.7	105.1
	-	-	-	-	-	-	-	-	-	-	12.9	26.4
	-	-	-	-	-	-	-	-	-	-	-15.7	-9.9
	-	-	-	-	-	-	-	-	-	-	133.9	121.6
	-	-	-	-	-	-	-	-	-	-	-4.0	-4.6
	-	-	-	-	-	-	-	-	-	-	-4.0	-2.3
	-	-	-	-	-	-	-	-	-	-	125.9	114.7
	292.0	370.1	699.0	672.6	114.7	105.6	2,162.5	2,204.0	1,320.8	1,428.8	3,483.3	3,632.8
	56.2	90.6	248.4	249.2	70.0	74.2	1,527.2	1,597.6	820.0	1,002.9	2,347.2	2,600.5
	0	0	31	13	2	2	87	66	1	5	88	71
	92	99	15,612	14,771	969	1,068	50,142	49,603	318	674	50,460	50,277

Notes

Segment reporting takes place according to business segments in line with our organizational structure. The prior year's figures have been adjusted for comparability with the new business-segment structure. The inter-segment supply of goods and services shows the goods and services supplied between the business segments, which were billed at normal market prices. In the reconciliation to the data of the consolidated financial statements, the Group's internal expenses and income and intercompany profits were eliminated; the headquarters expenses and income are also shown here.

The reconciliation of the segments' assets also includes securities, cash and cash equivalents, and financial assets not allocated to the business segments, as well as real estate and other Group headquarters assets. The segments' liabilities shown in the reconciliation include the liabilities of the Group headquarters and interest-bearing liabilities such as liabilities to banks and pension provisions. For this reason, corresponding expense and income items are not recorded in the segments' earnings (EBITA).

Notes to the consolidated financial statements of Bilfinger Berger AG

Statement by the Executive Board

The Executive Board of Bilfinger Berger AG is responsible for preparing the consolidated financial statements and the Group's management report. The consolidated financial statements as of December 31, 2003 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC). The Group's management report is prepared in accordance with the regulations of the German Commercial Code (HGB). The conditions set by Section 292a of the HGB for exemption from the obligation to prepare consolidated financial statements in accordance with German law are fulfilled. This assessment is based on German Accounting Standard No. 1 (DRS 1), as published by the German Standardization Council.

The internal controlling systems and the use of uniform guidelines throughout the Group, combined with the measures we take for the training and further training of our employees, ensure the accuracy of the consolidated financial statements and of the Group's management report. Adherence to stipulations of the law and the Group's internal guidelines are continuously checked throughout the Group, as are the reliability and functionality of the monitoring systems.

In conformity with the requirements of the German Law of Corporate Monitoring and Transparency, our risk-management system is designed so that the Executive Board can recognize potential risks at an early stage and take any necessary countermeasures.

Two auditing firms, PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and Ernst&Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, have audited the consolidated financial statements and the Group's management report in accordance with the relevant resolution of the Annual General Meeting, and have issued their auditors' report as shown below without any reservations.

Together with the external auditors, the Supervisory Board's Audit Committee and the Supervisory Board itself will discuss in detail the consolidated financial statements, including the Group's management report and the auditors' report. The results of the audit are stated in the report of the Supervisory Board.

Mannheim, March 23, 2004

The Executive Board

General explanations

The consolidated financial statements of Bilfinger Berger AG have been prepared in accordance with the regulations of the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

All of the standards that became mandatory in 2003 have been taken into consideration.

The following are the main areas of divergence from statutory accounting and valuation methods:

- A regular, straight-line-method depreciation of property, plant and equipment were used instead of depreciation according to the provisions of German tax law
- With long-term construction contracts, profits are shown in accordance with the percentage of completion, instead of waiting until the entire contract is completed
- Pension plan assets and pension obligations have been separated into a pension trust
- The amount determined for pension obligations according to the provisions of German tax law has been replaced with the amount determined by the projected-unit-credit method.
- Provisions are only formed for obligations towards third parties
- Deferred taxes are formed according to the balance-sheet-oriented liabilities method. Deferred tax assets are formed for tax-loss carryovers

1. Consolidated group

In addition to Bilfinger Berger AG, the consolidated group includes five subgroups in Germany, 32 German subsidiaries, six subgroups outside Germany and another 10 companies with their headquarters abroad. In the year under review, one subgroup, one domestic company and two foreign companies were consolidated for the first time. Furthermore, 14 associated companies were accounted for using the equity method (2002: 10).

A total of €161.0 million was paid out for major acquisitions in 2003. On December 31, 2003 the Group purchased 82.3% of the shares of Abigroup Limited, an Australian company listed on the Australian Stock Exchange. The cost of acquiring the shares amounted to €92.0 million at the end of the year. All of Abigroup's shares were purchased by the end of February 2004 at a total cost of €111.2 million. Another important acquisition involved the purchase of all shares in Centennial Contractors Enterprises on November 19, 2003. Also acquired, on October 1, 2003, were all shares in Arnholdt Services GmbH & Co. KG.

The main sale of a subsidiary in the year under review was of Bilfinger Berger Baustoffe GmbH, which took effect as of December 31, 2003. Comparability with the previous year is not affected by the deconsolidation of this company.

At the respective times they were purchased, the acquisitions had the following effects on assets and liabilities:

€ million	
Effects at the time of acquisition	
Fixed assets	103.9
Current assets (excluding cash and cash equivalents)	118.1
Cash and cash equivalents	32.6
Assets	254.6
Provision for pensions	0.2
Other provisions	23.8
Financial liabilities	47.6
Other liabilities	132.5
Liabilities	204.1

As the companies were acquired just before the balance-sheet date, the effects on earnings are negligible in the period under review. For the same reason, there were no significant changes in net assets between the date of acquisition and the balance-sheet date.

Minor subsidiaries are not included in the consolidated financial statements and are valued at cost. They are responsible for less than 1% of the Group's revenues.

2. Principles of consolidation

Capital consolidation takes place by offsetting the price of acquisition against the Group's stake in the newly valued equity of the consolidated subsidiaries at the date of acquisition or the first consolidation. Assets and debts are entered at their current market values. Any goodwill ensuing from the first consolidation is capitalized and amortized over its useful lifetime. With deconsolidation, the residual book value of the asset differences are taken into consideration in the calculation of income from the disposal. The same principles apply to valuation according to the equity method.

Receivables, liabilities, income and expenses between consolidated companies have been netted off. Fixed assets and inventories resulting from Group output have been adjusted to exclude any inter-company profits. Deferred taxes from consolidation processes affecting net profit have been charged to subsequent years.

3. Form of presentation

To improve the clarity of presentation, we have combined several individual items from the balance sheet and from the income statement under single headings; they are shown separately and explained in these notes. The income statement has been prepared according to the total-cost method.

Profit contributions from operative investments are shown under other operating income or other operating expenses, so that income from investments is comprised solely of income and expenses from financial investments.

In order to clarify the effects on the income statement of exceptional income and expenses, these items are shown separately as exceptional items.

4. Currency translation

In the financial statements of the individual companies, receivables and liabilities in foreign currencies are translated at the rate of exchange on the balance-sheet date. Differences arising from the translation of receivables and liabilities are shown in the individual company accounts with an effect on net profit.

In the consolidated financial statements, the assets and liabilities of the accounts prepared in foreign currencies are translated using the exchange rate on the balance-sheet date; expenses and income are translated using the average exchange rate for the year. The aggregate differences compared with translation on the balance-sheet date are entered separately under shareholders' equity.

Currency translation took place using the following key exchange rates:

€1 equals		2003	2002	2003	2002
		Annual average exchange rate		Exchange rate at December 31	
Australia	AUD	1.7270	1.7180	1.6788	1.8556
Great Britain	GPB	0.6906	0.6273	0.7070	0.6505
Hong Kong	HKD	8.8110	7.3212	9.7886	8.1781
Nigeria	NGN	147.3839	115.4601	164.6377	132.1600
Norway	NOK	7.9869	7.4643	8.4150	7.2756
Poland	PLN	4.3924	3.8413	4.7255	4.0210
Sweden	SEK	9.1114	9.1112	9.0710	9.1528
Taiwan	TWD	38.8545	32.5182	42.6268	36.2930
Czech Republic	CZK	31.7970	30.7072	32.5500	31.5770
Hungary	HUF	253.1878	242.2553	262.1150	236.2900
United States	USD	1.1292	0.9422	1.2610	1.0487
China	CNY	9.3231	7.8112	10.4361	8.6237

5. Accounting and valuation methods

Intangible assets are capitalized at the cost of acquisition and amortized over their expected useful lifetimes on a straight-line basis. Goodwill items from consolidation and valuations using the equity-method are systematically amortized over their expected useful lifetimes, i.e., over a period of five to 20 years.

Property, plant and equipment are valued at the cost of acquisition or production. Their loss in value is accounted for by regular, straight-line depreciation, except in some exceptional cases where a different method of depreciation reflects the use of the asset more adequately. Production costs include all costs that can be attributed to the manufacturing process, either directly or indirectly. Repair costs are always treated as an incurred expense.

In the case of private-sector concession projects with projected long-term positive earnings, interest incurred during the period of production has been capitalized. In 2003, this amount was €0.3 million (2002: €2.6 million). In all other cases, particularly in real estate development, no interest expenses are included in the cost of production.

Buildings are depreciated over a useful lifetime of 20 to 50 years using the straight-line method. The useful lifetime of technical equipment and machinery is generally between three and 10 years; other equipment including office and factory equipment is usually depreciated over three to 12 years.

Furthermore, an impairment charge is recognized wherever the recoverable amount of an asset has fallen below its carrying value. The recoverable amount represents the higher of the net selling price and the present value of estimated future cash flows. If the reason for an impairment loss recognized in prior years no longer applies, the book value is increased again accordingly.

With leasing contracts where the risks and rewards of ownership of the leased object are to be allocated to a company of the Bilfinger Berger Group (finance leasing), the item is capitalized at the lower of its fair value or the present value of the leasing payments.

With *financial assets*, shares in non-consolidated affiliated companies, associated companies and subsidiaries, as well as loans, are valued at the cost of acquisition, provided that no impairment charge is to be recognized due to any probable lasting reduction in value. If the reason for an impairment charge no longer applies, an appropriate write-up is undertaken.

Associated companies that are included using the equity method are valued with consideration of the pro-rated earnings of the company, any dividend distributions that have taken place, and the amortization of goodwill. As Buderus AG does not prepare financial statements according to IAS, the equity method is applied on the basis of its HGB financial statements.

Inventories of *merchandise and real estate held for sale, finished goods, raw materials and supplies* are valued at their cost of purchase or production, or at the net realizable value on the balance-sheet date if this is lower. If the net realizable value of inventories that were written down in the past has risen again, their book values are increased accordingly. Production costs include all costs that are attributable to the production process, either directly or indirectly. Financing costs are not taken into consideration.

With construction contracts, profit realization is booked according to the percentage-of-completion method. Revenues are entered proportionate to the percentage of completion of each order.

The percentage of completion is generally determined on the basis of the output that has been produced at the balance-sheet date. If, for construction contracts, output has been produced which exceeds the amount that has been invoiced for progress payments, this excess is shown under *work in progress*. If the amount that has been invoiced is higher than the output produced, this excess is shown under *progress billings in excess of cost and estimated earnings*. Receivables from percentage of completion correspond with the balance-of-progress payments invoiced less progress payments received; they are shown together with trade receivables.

Anticipated contract losses are accounted for in full from the time that they become known.

With *receivables and other assets*, which are generally entered at nominal values, provision has been made for potential risks by means of individual value adjustments.

Securities are entered at their fair value. Unrealized profits and losses from the fair valuation of securities held for sale in the short term (trading papers) are recorded with an effect on net profit. Unrealized profits and losses from other securities that are valued at fair value (available-for-sale papers) are recorded under retained earnings (reserve from the market valuation of securities) without any effect on net profit while taking any deferred taxes into consideration. Other securities (held-to-maturity papers) are valued at their amortized cost. All securities are written down if their value falls other than temporarily.

Deferred taxes are taken into consideration in terms of any deviations between the valuation of assets and liabilities according to IFRS and the tax valuation in the amount of the expected future tax charge or relief. In addition, deferred tax assets are created for future benefits from tax-loss carryovers if their realization can be reasonably expected. Deferred tax assets and liabilities from temporary differences are netted off, provided that offsetting is legally possible.

Due to the existing high trade-tax-loss carryovers for Bilfinger Berger AG and the regularly high proportion of earnings attained outside Germany, no trade-tax charge is to be expected for Bilfinger Berger AG in the near future. For this reason, the rate of deferred taxes of 26.38% is based on corporation tax and the Solidarity tax levied to raise funds for eastern Germany's reconstruction.

Pension provisions and similar obligations are calculated according to the projected-unit-credit method for defined-benefit pension plans, taking into consideration future salary and pension increases. If the actuarial gains and losses are outside the limits of a 10% range of total benefit obligations, they are distributed over the average remaining length of service. As far as possible, the fair value of pension plan assets is set off. The interest component contained in the pension expense is shown as an interest expense under financial income.

Other provisions are accounted for insofar as there is a present liability resulting from a past event, its occurrence is more likely than not, and the level of the liability can be reliably estimated. Provisions are carried at settlement values and are not offset against positive profit contributions. Provisions are only formed for legal or factual obligations to third parties.

Liabilities are shown in the balance sheet at the amounts repayable.

With *financial leasing agreements*, liabilities are entered at the present value of the leasing payments.

Derivative financial instruments (currency futures, currency options, interest-rate swaps and interest-rate options) are only used to hedge against interest-rate and currency risks. Purely speculative transactions without any underlying basic transaction are not undertaken.

Derivative financial instruments are generally entered as assets or liabilities at their fair values.

With a fair-value hedge, gains and losses from the development of the fair value of the hedging transaction are always netted off with the changes in the value of the assets and liabilities that are entered in the balance sheet.

Changes in the fair values of hedging transactions that are used to safeguard cash flows (cash-flow hedges), are entered under retained earnings (reserve from hedging transactions) without any effect on net profit. Reclassification into the income statement takes place when the underlying hedged transaction produces revenues.

Notes on the income statement

6. Sales revenues

Sales revenues primarily comprise output volumes from the Group's construction activities in accordance with the percentage-of-completion method, goods and services supplied to joint ventures and consortiums, as well as shares in the profits of such joint ventures and consortiums. Sales revenues resulting from the percentage-of-completion method amounted to €3,759.9 million in 2003 (2002: €3,120.4 million).

For the representation of the Group's total output volume, particularly when taking into consideration the pro-rated output of joint ventures and consortiums, the output volumes of the individual segments and regions are summarized as follows:

€ million	2003	2002
Business segments		
Civil	2,036	1,991
Building and Industrial	1,920	1,957
Project Development and Concessions	231	247
Services	1,363	697
Environmental	181	187
Consolidation	-145	-167
Total	5,586	4,912
Regions		
Germany	2,458	2,060
Rest of Europe	1,146	801
America	493	586
Africa	613	646
Asia	270	363
Australia	606	456
International (combined)	3,128	2,852
Total	5,586	4,912

These figures also include the output of non-consolidated companies of €38 million (2002: €27 million) in Germany and €75 million (2002: €54 million) abroad, as well as the output of associated companies of €392 million (2002: €396 million). Joint ventures and consortiums with other construction companies generated 21.3% of the Group's output.

7. Other operating income

€ million	2003	2002
Income from the disposal of property, plant and equipment	26.1	6.6
Income from the reversal of impairment charges	5.2	3.9
Exchange-rate gains from currency translations	3.6	7.1
Income from the retransfer of provisions	21.8	20.1
Income from operative investments	13.2	13.5
Other income	55.6	43.2
Total	125.5	94.4

Of the increase in income from the disposal of property, plant and equipment, €10 million is a result of transferring real estate to a pension trust to cover pension liabilities within the framework of a contractual trust arrangement.

Income from operative investments of €13.2 million (2002: €13.5 million) comprises income from profit-and-loss-transfer agreements of €0.0 million (2002: €0.6 million), income from investments of €5.0 million (2002: €6.2 million), of which €2.6 million was from subsidiaries (2002: €3.1 million), and income from the equity-method valuation of associated companies of €1.0 million (2002: €2.7 million), as well as income from the disposal (€7.1 million, compared to €1.8 million in 2002) and write-up (€0.1 million, compared to €2.2 million in 2002) of investments.

The increase in other income is primarily a result of first-consolidation effects.

8. Cost of materials

€ million	2003	2002
Cost of raw materials, supplies and purchased goods	751.9	591.4
Cost of purchased services	2,068.9	1,894.2
Total	2,820.8	2,485.6

9. Personnel expenses

€ million	2003	2002
Wages and salaries	1,059.8	839.1
Social-security levies	250.9	171.8
Pension expenses	7.8	8.2
Total	1,318.5	1,019.1

Pension expenses include the cost of pension benefits excluding the interest component of additions to pension provisions, which is shown under the item of interest and other expenses.

10. Depreciation

Intangible assets excluding goodwill were depreciated by €1.8 million (2002: €0.7 million), while property, plant and equipment were depreciated by €72.9 million (2002: €69.1 million). In 2002, there was an additional write-down of €19.4 million on property, plant and equipment in the area of construction materials that was not shown here, but under expenses from exceptional items.

11. Other operating expenses

The increase in other operating expenses to €402.4 million (2002: €332.0 million) is a result of first-consolidation effects. The main items are:

€ million	2003	2002
Office operating costs	67.5	62.3
Rents and leases	47.5	36.4
Insurance	31.4	30.3
Traveling expenses	24.0	21.8
Legal and other advisory fees	20.9	21.6
Other personnel expenses	13.1	11.1

Apart from this, other operating expenses mainly comprise the costs of order processing, additions to provisions, write-downs of current assets and losses from operative investments.

Losses from operative investments totaling €1.2 million (2002: €3.9 million) include charges from the equity-method valuation of associated companies of €0.0 million (2002: €0.2 million) and losses from the disposal (€1.1 million, compared to €2.6 million in 2002) and impairment (€0.1 million, compared to €1.1 million in 2002) of investments.

Losses on the disposal of fixed assets amounted to €1.1 million (2002: €3.0 million), while exchange-rate losses on currency conversion amounted to €2.8 million (2002: €2.7 million). Other taxes of €8.5 million are also included (2002: €6.8 million).

12. Exceptional items

€ million	2003	2002
Income from exceptional items		
Capital gain on sale of Buderus shares (2002: Dresdner Bank shares)	237.9	161.3
Expenses from exceptional items		
Write-down of real estate held for sale	-90.0	-70.0
Country risks	-45.0	0.0
Restructuring of investment portfolio	-25.0	-55.0
	77.9	36.3

In the year under review, Bilfinger Berger AG realized a tax-free capital gain of €237.9 million from the sale of Buderus shares. With the application of this capital gain, as in 2002, the priority was on forming or adding to provisions in order to strengthen the balance sheet.

The write-down of available-for-sale real estate reflects the precautionary impairment charges recognized on Group real estate in connection with the withdrawal from the traditional project-development business and the concentration on contracts not requiring the application of our own capital. The reduced carrying values help to create the right conditions for a quick sale of the properties. The provision for country risks reflects our hedging against possible political or economic risks connected with our involvement in developing countries and emerging markets. In addition, provisions were formed or added to for capacity adjustments in the construction business and for the restructuring of the Group's investment portfolio.

13. Amortization of goodwill

Goodwill amortization of €42.4 million (2002: €4.8 million) includes regular amortization of €12.4 million (2002: €4.8 million). The remaining €30 million is accounted for by impairment charges.

14. Income from investments

This item is comprised solely of the profit contributions from purely financial investments. In 2003, this was the income from the equity-method valuation of Buderus AG of €12.9 million (2002: €27.5 million). The figure for the prior year includes impairments of investments totaling €1.1 million.

15. Net interest income

€ million	2003	2002
Interest and similar income	36.0	35.6
(thereof, from affiliated companies)	(0.5)	(0.7)
Other interest and similar expenses	-30.9	-29.4
(thereof, to affiliated companies)	(-0.2)	(-0.2)
Interest expenses from additions to pension provisions	-10.1	-7.9
	-5.0	-1.7
Others:		
Profit / loss on the disposal of securities	-9.9	0.8
Impairments of securities and lendings	-0.8	-9.0
	-10.7	-8.2
Total	-15.7	-9.9

Profit / loss on the disposal of securities is primarily a reflection of losses made in connection with transferring securities to a pension trust to cover future pension obligations in the framework of a contractual trust arrangement.

Of the impairments, €0.7 million is on available-for-sale papers held by the company (2002: €7.5 million).

16. Taxes on income and earnings

Taxes on income and earnings are the taxes on income and earnings paid or owed as well as deferred taxes in the various countries. The calculations are based on the expected tax rates in those countries at the time of realization. These expected tax rates are derived from the statutory regulations that are in force or planned on the balance-sheet date.

€ million	2003	2002
Actual taxes	18.3	10.9
Deferred taxes	-14.3	-6.3
Total	4.0	4.6

Due to the German Flood Victims Solidarity Law, corporate income tax is temporarily raised to 26.5% for the 2003 fiscal year (plus the Solidarity surcharge of 5.5%), resulting in a theoretical tax rate of 27.96% for 2003. There is only a negligible effect on deferred taxes from the temporary tax increase.

Bilfinger Berger AG's tax expense is derived from the applicable tax rate as follows:

€ million	2003	2002
Earnings before taxes	133.9	121.6
Theoretical tax rate 27.96% (2002: 26.38%)	37.4	32.1
Tax-rate differences	4.5	5.4
Tax effects of non-deductible expenses and tax-free income	-41.7	-29.3
Taxes from other accounting periods	0.4	1.7
Tax effects of the after-tax inclusion of profits/losses of associated companies	-3.8	-6.9
Losses for which no deferred-tax assets are capitalized and changes in value adjustments	6.8	-1.4
Other	0.4	3.0
Taxes on income and earnings	4.0	4.6

17. Earnings per share

Earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares issued.

€ million	2003	2002
Net profit	125.9	114.7
Weighted average number of shares issued	36,574,762	36,310,430
Undiluted earnings per share in €	3.44	3.16

A dilution of earnings per share occurs when the average number of shares is increased by adding the issue of potential shares from option rights. Option rights have the effect of diluting profits if these rights result in shares being issued at a price below the average stock-market price of €23.00 (2002: €21.4). Option rights from the 2002 stock-option plan, which are based on an exercise price of €23.98 per share, are not taken into consideration. The dilution effect of non-exercised option rights from the 2000 stock-option plan is calculated on the basis of an exercise price per share of €15.38.

€ million	2003	2002
Net profit	125.9	114.7
Weighted average number of shares issued, taking dilution effect into consideration	36,756,187	36,542,762
Diluted earnings per share in €	3.42	3.14

Notes on the balance sheet

18. Fixed assets

Intangible assets

€ million				
Cost of acquisition or production	Licenses, software and other rights and values	Goodwill	Advance payments on intangible assets	Total
December 31, 2002	14.5	281.5	0.0	296.0
Changes in the consolidated group	-0.2	-14.7	0.0	-14.9
Additions	6.6	131.1	0.2	137.9
Disposals	0.6	4.4	0.0	5.0
Reclassifications	0.2	0.0	0.0	0.2
Currency adjustments	-0.1	-6.1	0.0	-6.2
December 31, 2003	20.4	387.4	0.2	408.0

€ million				
Accumulated depreciation and amortization	Licenses, software and other rights and values	Goodwill	Advance payments on intangible assets	Total
December 31, 2002	6.8	76.8	0.0	83.6
Changes in the consolidated group	-0.2	-14.8	0.0	-15.0
Additions	1.8	42.4	0.0	44.2
Disposals	0.5	3.6	0.0	4.1
Reclassifications	0.0	0.0	0.0	0.0
Currency adjustments	0.0	-0.6	0.0	-0.6
December 31, 2003	7.9	100.2	0.0	108.1
Balance at December 31, 2003	12.5	287.2	0.2	299.9
Balance at December 31, 2002	7.7	204.7	0.0	212.4

Property, plant and equipment

€ million					
Cost of acquisition or production	Land and buildings	Technical equipment and machinery	Other equipment, office equipment	Advance payments and assets under construction	Total
December 31, 2002	468.5	510.5	212.0	40.2	1,231.2
Changes in the consolidated group	-45.0	-17.8	14.6	-0.5	-48.7
Additions	4.1	47.4	35.7	7.1	94.3
Disposals	43.6	51.7	27.7	0.9	123.9
Reclassifications	35.6	-0.1	3.6	-39.3	-0.2
Currency adjustments	-4.4	-6.8	-2.5	-1.8	-15.5
December 31, 2003	415.2	481.5	235.7	4.8	1,137.2

€ million					
Accumulated depreciation and amortization	Land and buildings	Technical equipment and machinery	Other equipment, office equipment	Advance payments and assets under construction	Total
December 31, 2002	154.2	379.1	144.3	0.0	677.6
Changes in the consolidated group	-32.7	-40.3	8.0	0.0	-65.0
Additions	10.5	38.1	24.3	0.0	72.9
Disposals	11.7	45.5	24.0	0.0	81.2
Reclassifications	0.0	-1.4	1.4	0.0	0.0
Currency adjustments	-1.0	-4.3	-1.5	0.0	-6.8
December 31, 2003	119.3	325.7	152.5	0.0	597.5
Balance at December 31, 2003	295.9	155.8	83.2	4.8	539.7
Balance at December 31, 2002	314.3	131.4	67.7	40.2	553.6

Property, plant and equipment include assets in the amount of €62.2 million (2002: €35.1 million) that are used in connection with finance-leasing contracts.

Financial assets

€ million					
Cost of acquisition or production	Shares in associated companies	Shares in affiliated companies	Participations	Lendings	Total of other financial assets
December 31, 2002	333.7	46.3	91.2	14.0	151.5
Changes in the consolidated group	1.4	-3.1	50.5	0.1	47.5
Additions	4.3	14.7	4.5	1.8	21.0
Disposals	317.0	0.4	0.3	2.2	2.9
Reclassifications	48.0	0.0	-39.1	-8.9	-48.0
Currency adjustments	0.0	0.0	1.8	0.1	1.9
December 31, 2003	70.4	57.5	108.6	4.9	171.0

€ million					
Accumulated depreciation and amortization	Shares in associated companies	Shares in affiliated companies	Participations	Lendings	Total of other financial assets
December 31, 2002	1.8	38.4	23.5	2.0	63.9
Changes in the consolidated group	0.0	-2.0	-0.8	0.0	-2.8
Additions	0.0	2.4	5.0	0.0	7.4
Disposals	0.0	0.2	0.1	1.5	1.8
Reclassifications	0.0	0.0	0.0	0.0	0.0
Currency adjustments	-0.1	0.0	0.3	0.0	0.3
December 31, 2003	1.7	38.6	27.9	0.5	67.0
Balance at December 31, 2003	68.7	18.9	80.7	4.4	104.0
Balance at December 31, 2002	331.9	7.9	67.7	12.0	87.6

The decrease in shareholdings in associated companies results from the sale of shares in Buderus AG. Further information on the associated companies included in the consolidated financial statements is available in the “Principle holdings” overview.

Lendings include loans to companies in which an interest is held in an amount of €0.3 million (2002: €9.1 million).

19. Current assets

Inventories comprise the following items:

€ million	Dec. 31, 2003	Dec. 31, 2002
Work in progress	117.7	128.6
Real estate held for sale	177.1	214.5
Finished and unfinished products and goods	15.5	15.9
Raw materials and supplies	44.3	40.8
Advance payments made	16.0	12.2
Total	370.6	412.0

Construction contracts valued on the balance-sheet date according to the percentage-of-completion method, but not yet finally invoiced, are shown as follows:

€ million	Dec. 31, 2003	Dec. 31, 2002
Costs incurred plus earnings from non-invoiced projects	4,554.8	3,165.3
Minus progress billings	4,683.6	3,297.1
Balance	-128.8	-131.8
thereof, work in progress	117.7	128.6
thereof, progress billings in excess of cost and estimated earnings	246.5	260.4

Advance payments received totaled €4,297.6 million in 2003 (2002: €2,873.5 million).

Receivables and other assets comprise:

€ million	Dec. 31, 2003		Dec. 31, 2002	
		Due after > 1 year		Due after > 1 year
Trade receivables, including receivables from percentage of completion	715.4	4.5	797.8	2.6
Receivables from consortiums and joint ventures	211.1	0.0	215.0	0.0
Receivables from affiliated companies	17.7	0.0	20.0	0.0
Receivables from companies in which shares are held	7.9	0.0	12.9	0.0
Other assets	142.7	2.5	144.9	3.5
Total	1,094.8	7.0	1,190.6	6.1

Other assets are primarily the accrued interest income from fixed-interest securities and fixed-term deposits, as well as other receivables and other assets outside the field of supplying goods and services. Tax rebate claims have been capitalized in an amount of €42.5 million (2002: €25.4 million). This item also includes accruals / deferrals in an amount of €7.4 million (2002: €6.6 million).

Securities include held-to-maturity papers in an amount of €82.0 million (2002: €97.3 million) and available-for-sale papers in an amount of €241.4 million (2002: €223.1 million).

The amount of unrealized profits/losses of €1.2 million (2002: -€11.2 million) resulting from the fair valuation of available-for-sale papers has been entered after the deduction of deferred taxes under reserve from the fair valuation of securities. The fair value of held-to-maturity papers amounts to €82.8 million (2002: €99.0 million).

Cash and cash equivalents comprise cash deposited at banks, including the Bundesbank, Germany's central bank.

Securities and cash are assigned as collateral in an amount of €81.0 million (2002: €133.7 million) for the contractual execution of projects and for loans.

20. Deferred taxes

Deferred tax assets and liabilities are distributed among the following balance-sheet items:

	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
		Deferred tax assets		Deferred tax liabilities
Fixed assets	1.4	1.0	38.2	27.5
Current assets	31.0	15.2	61.6	41.4
Provisions	24.9	28.3	0.6	1.5
Liabilities	14.4	14.0	0.7	0.2
Loss carryovers	78.1	43.2	0.0	0.0
Netting out	-44.7	-29.4	-44.7	-29.4
Total effect on balance sheet	105.1	72.3	56.4	41.2

In 2003, taxes in an amount of €0.7 million (2002: -€1.7 million) were set off against shareholders' equity, with no effect on the income statement.

In the total amount of deferred-tax assets of €105.1 million (2002: €72.3 million), tax-reduction-claim assets are included in an amount of €78.1 million (2002: €43.2 million), which arise from the expected utilization in future years of existing tax-loss carryovers. The realization of these tax-loss carryovers is reasonably certain. Non-capitalized tax-loss carryovers amount to €147.9 million (2002: €189.7 million). Thereof, €146.3 million (2002: €186.6 million) can be utilized without any time limit, and €1.6 million (2002: €3.1 million) is to be utilized within the next five years.

21. Shareholders' equity

Subscribed capital, amounting to €110.2 million, is divided into 36,719,634 unitary shares with an arithmetical value of €3 per share. Due to the exercise of options from the 2000 stock-option plan, 291,607 shares were created from contingent capital in 2003. In addition, 66,113 employee shares were issued to the workforce from authorized capital.

€ million	2003	2002
Authorized capital I (limited until June 23, 2004) for the issue of new shares against cash contributions	20.0	20.0
Authorized capital II (limited until June 28, 2006) for the issue of employee shares against cash contributions, excluding shareholders' subscription rights	1.5	1.7
Authorized capital III (limited until June 23, 2004) for the purpose of acquiring companies or shareholdings in companies, excluding shareholders' subscription rights	10.0	10.0
Authorized capital	31.5	31.7

The Executive Board, with the consent of the Supervisory Board, utilized €0.2 million of authorized capital II for the issue of employee shares with effect from November 5, 2003.

€ million	2003	2002
Contingent capital I for the exercise of options from the 2000 stock-option plan (SOP 2000)	2.4	3.3
Contingent capital II for the exercise of options from the 2002 stock-option plan (SOP 2002)	3.3	3.3
Contingent capital	5.7	6.6

The *contingent capital I* serves to issue new shares for the purpose of granting non-transferable subscription rights (options) under the 2000 stock-option plan to the members of the Executive Board of Bilfinger Berger AG and to the senior managers of Bilfinger Berger AG and its affiliated companies. Due to the exercise of options after the exercise hurdle was achieved in May 2003, the issue of 291,607 shares diminished contingent capital by €0.9 million to €2.4 million

A precondition for the acquisition of each 10 options was an own investment by each participant in the program of one share in Bilfinger Berger AG until the exercise hurdle is achieved.

The exercise of the stock options was also subject to a lockup period of three years, ending at midnight on May 29, 2003.

The exercise hurdle was an annual increase in the price of Bilfinger Berger's shares of at least 6% (total shareholder return). An additional condition for the complete exercise of all options was that the performance of Bilfinger Berger's shares had to at least equal the development of the CDAX construction reference index.

After the expiry of the lockup period and the achievement of the exercise hurdle, the options can be exercised within the specified timeframe until the end of 2005.

One option represents the entitlement to one share in the company in return for payment of the base price of €15.38. However, the exercise conditions of the stock-option plan as stipulated by the Executive Board or the Supervisory Board state that instead of supplying a number of shares at the base price (€15.38) corresponding with the number of exercised options, the company can supply a correspondingly smaller number of shares at the lowest issue price (€3.00). The aim of this regulation is that the number of shares to be issued is kept as low as possible.

€ million			2003	2002
	Executive Board	Management	Total	Total
Remaining options from SOP 2000 on January 1	310,000	515,900	825,900	840,400
Expired	0	1,000	1,000	14,500
Exercised	229,994	488,550	718,544	0
Remaining options from SOP 2000 on December 31	80,006	26,350	106,356	825,900

Due to the fact that one senior manager joined the Executive Board, the number of Executive Board options increased from 300,000 to 310,000 as of January 1, 2003. This number also includes the options of one person who has since resigned from the Executive Board.

There is also a *contingent capital II* in an amount of €3.3 million for the issue of up to 1,100,000 new shares. This serves to grant non-transferable subscription rights (options) within the framework of the 2002 stock-option plan to the members of the Executive Board of Bilfinger Berger AG and to the senior managers of Bilfinger Berger AG and its affiliated companies.

One option represents the entitlement to one share in the company in return for payment of the base price of €23.98. In order to keep the number of shares to be issued as low as possible, the exercise conditions, which are to be determined by the Executive Board or the Supervisory Board, can stipulate in the same way as with the 2000 stock-option plan did that the Company can supply a correspondingly lower number of shares at the lowest issue price (€3.00).

The exercise of the stock options is subject to a lockup period of three years, ending at midnight on July 17, 2004. After that – except for the blocked periods – the options can be exercised a maximum of two weeks before the publication of the interim report on the third quarter of 2005, if the price of Bilfinger Berger's shares reaches a certain performance hurdle. A condition for this is that the average of the closing price on 10 consecutive trading days is at least 25% above the base price in 2004 or at least 37.5% above the base price in 2005. The relevant time periods begin on the second day after the Annual General Meetings in 2004 and 2005.

€ million			2003	2002
	Executive Board	Management	Total	Total
Remaining options from SOP 2002 on January 1	248,000	844,000	1,092,000	0
Granted	0	0	0	1,100,000
Expired	0	26,000	26,000	8,000
Remaining options from SOP 2002 on December 31	248,000	818,000	1,066,000	1,092,000

Due to the fact that one senior manager joined the Executive Board, The number of Executive Board options increased from 240,000 to 248,000 as of January 1, 2003.

The 2000 and 2002 stock-option plans did not cause a charge on the income statement in 2003.

Allianz AG, of Munich, indirectly holds more than one quarter of the Company's shares via Dresdner Bank AG. Pursuant to Section 25, Subsection 1 of the German Securities Trading Law, we published the notification from Allianz AG in the stock exchange newspaper *Börsenzeitung* as follows:

Pursuant to Section 41, Subsection 2, Sentence 1 of the German Securities Trading Law, Allianz AG, of Königinstrasse 28, 80802 Munich, notified us as follows in its letter of April 5, 2002:

"Herewith, we inform you, pursuant to Section 41, Subsection 2, Sentence 1 of the German Securities Trading Law, that as of April 1, 2002 we are entitled to 25.63% of the voting rights in your company. Thereof, 25.62% of the company's voting rights are assigned to us pursuant to Section 22, Subsection 1, Sentence 1, No. 1 of the German Securities Trading Law, and 0.01% of its voting rights are assigned to us pursuant to Section 22, Subsection 1, Sentence 1, No. 6 of the German Securities Trading Law.

“We also inform you, pursuant to Section 41, Subsection 2, Sentence 1 in conjunction with Section 24 of the German Securities Trading Law: “The company, FGI Frankfurter Gesellschaft für Industriewerte mbH, of Jürgen-Ponto-Platz 1, 60301 Frankfurt am Main, is entitled to 25.001% of the voting rights in your company as of April 1, 2002. Dresdner Bank Aktiengesellschaft, of Jürgen-Ponto-Platz 1, 60301 Frankfurt am Main, is entitled to 25.001% of the voting rights in your company as of April 1, 2002. These voting rights are assigned to Dresdner Bank Aktiengesellschaft pursuant to Section 22, Subsection 1, Sentence 1, No. 1 of the German Securities Trading Law. Allianz Finanzbeteiligungs GmbH, of Königinstrasse 28, 80802 Munich, is entitled to 25.001% of the voting rights in your company as of April 1, 2002. These rights are assigned to Allianz Finanzbeteiligungs GmbH pursuant to Section 22, Subsection 1, Sentence 1, No. 1 of the German Securities Trading Law.”

Morgan Stanley & Co International Limited, of London, notified us that on August 29, 2003, it exceeded the 5% limit and as of that date it is entitled to 6.74% of the voting rights.

Reserves

€ million	Dec. 31, 2003	Dec. 31, 2002
I. Capital reserve	522.6	522.0
II. Retained earnings	445.0	354.9
III. Other comprehensive income	-14.3	-10.9
Total	953.3	866.0

The share premium of €0.6 million arising from the capital increase was transferred to the *capital reserve*. *Other comprehensive income* comprises the reserve from the fair valuation of securities and hedging transactions and from currency translation.

The *reserve from the fair valuation of securities* shows the development of unrealized profits and losses minus any deferred taxes from available-for-sale papers.

€ million	Before taxes	Tax effects	Net
Balance at December 31, 2002	-11.2	-0.4	-11.6
Changes during the year			
from fair-value valuations	2.1	0.1	2.2
from the realization of price gains or losses	10.3	0.0	10.3
from impairment charges	0.0	0.0	0.0
Balance at December 31, 2003	1.2	-0.3	0.9

The *reserve from hedging transactions* contains unrealized profits and losses from hedging future payments, taking into consideration any deferred-tax effects.

€ million	Before taxes	Tax effects	Net
Balance at December 31, 2002	5.3	-1.3	4.0
Changes during the year			
from additions	0.4	-0.1	0.3
from fair-value valuations	0.9	-0.3	0.6
from the realization of price gains or losses	-10.1	2.7	-7.4
Balance at December 31, 2003	-3.5	1.0	-2.5

22. Provisions for pensions and similar obligations

Particularly for employees of the German companies of the Group, there is a company retirement pension on the basis of direct or indirect defined-benefit obligations. These are generally based on the employees' period of employment and salary, or on fixed, salary-independent pension obligations. If companies outside Germany have company pension plans, they are generally defined-contribution plans.

At the end of 2003, Bilfinger Berger AG created plan assets for its pension obligations in the form of a contractual trust arrangement. In this context, assets in the form of office buildings worth €35 million and securities worth €66 million were transferred to a pension trust.

Pension provisions are valued using actuarial techniques according to the projected-unit-credit method, taking future developments into consideration. The calculations are based on the following assumptions.

	Dec. 31, 2003	Dec. 31, 2002
Applicable interest rate	5.25 %	5.75 %
Expected income increase	2.00 %	2.00 %
Expected pension increase	1.75 %	2.00 %

Calculation of provisions for pensions and similar obligations:

€ million	Dec. 31, 2003	Dec. 31, 2002
Present value of unfunded benefit obligations	204.0	194.2
Adjustment amount due to (unrecognized) actuarial gains / losses	3.3	8.3
	207.3	202.5
Minus asset values of		
reinsurance cover	15.8	14.9
pension trust	101.0	0.0
Provisions for pensions and similar obligations	90.5	187.6

The projected benefit obligation shows the pension claims of the employees according to the situation on the balance-sheet date. On the other hand, the provision is formed on the basis of actuarial assumptions, which do not take into consideration fluctuations related to the balance-sheet date within the limits determined by IAS 19 (+/-10% of the projected benefit obligation). For this reason, the provision is €3.3 million higher on December 31, 2003 (2002: €8.3 million) than the projected benefit obligation.

Of the provision for pensions and similar obligations, €4.7 million (2002: €10.2 million) is due within one year. The reduction is a result of the decrease in the provision caused by netting out against the assets of the pension trust.

Calculation of the excess cover of the funded benefit obligations, which the relief fund of Bilfinger Berger AG e.V. has committed and which is already entirely covered by existing assets:

€ million	2003	2002
Present value of funded benefit obligations at beginning of year	36.3	35.1
Changes during the year	2.4	1.2
Present value of funded benefit obligations at end of year	38.7	36.3
Fair value of assets at end of year	42.5	42.5
Surplus cover from the fund not entered in the balance sheet	3.8	6.2

Development of the assets deposited in the fund:

€ million	2003	2002
Fair value of fund assets at beginning of year	42.5	42.4
Changes during the year	0.0	0.1
Fair value of assets at end of year	42.5	42.5

Pension expenses:

€ million	2003	2002
Service costs	4.1	3.7
Interest costs	10.1	7.9
Pension expense from defined-benefit pension plans	14.2	11.6
Pension expense from defined-contribution plans and other pension expenses	3.7	4.5
Pension expenses	17.9	16.1

23. Other provisions

€ million	Jan. 1, 2003	Utilization	Reversals	Additions	Other changes	Dec. 31, 2003
Tax provisions	47.3	7.1	0.6	6.7	-1.5	44.8
Other provisions	408.9	196.6	21.8	221.0	-2.7	408.8
Total	456.2	203.7	22.4	227.7	-4.2	453.6

Of the tax provisions, €12.6 million (2002: €14.4 million), and of the other provisions €272.7 million (2002: €302.7 million), are due within one year.

Other provisions

Summary of main individual items:

€ million	2003	2002
Risks related to contracts and warranties	234.0	234.4
Restructuring and other personnel-related obligations	66.9	58.8
Legal risks	25.9	30.7
Other uncertain liabilities	82.0	85.0
Total	408.8	408.9

24. Liabilities

	Dec. 31, 2003			Dec. 31, 2002		
		< 1 year	Due in > 5 years	< 1 year	Due in > 5 years	
Liabilities to banks	343.5	164.9	129.1	456.2	255.7	155.1
Progress billings in excess of cost and estimated earnings	246.5	246.5	0.0	260.4	260.4	0.0
Trade liabilities	706.1	701.7	0.4	712.5	706.9	0.0
Liabilities to joint ventures and consortiums	122.4	122.4	0.0	137.3	137.3	0.0
Liabilities to affiliated companies	7.3	7.3	0.0	8.6	8.6	0.0
Liabilities to companies in which shares are held	0.5	0.5	0.0	1.0	1.0	0.0
Other liabilities	320.4	320.2	0.0	339.5	338.8	0.2
(from taxes)	(69.5)			(75.8)		
(from social-security contributions)	(65.2)			(57.4)		
Total	1,746.7	1,563.5	129.5	1,915.5	1,708.7	155.3

Liabilities to banks include project-related non-recourse financing of €161.6 million (2002: €143.6 million), which is solely taken out on the financed project without any recourse to Bilfinger Berger.

Liabilities to banks also include liabilities from finance leasing with a present value of €56.0 million. Of the minimum leasing payments of €62.1 million, €14.6 million is due within one year, and €7.2 million is not due for at least five years.

25. Financial instruments

The financial instruments on the assets side consist mainly of lendings, receivables, securities and liquid funds. The amount of the financial assets represents the maximum risk of default. Recognizable risks of default are recorded by means of impairment charges.

The financial instruments in the items of securities and liquid funds break down as follows:

€ million						
	Dividends and others	Variable interest rates	Fixed interest rates			Total
			< 1 year	1-5 years	>5 years	
Held-to-maturity papers	0.0	0.0	82.0	0.0	0.0	82.0
Available-for-sale papers	0.8	0.0	122.1	98.1	20.4	241.4
Cash and cash equivalents	0.0	230.6	131.5	215.0	0.0	577.1
Total	0.8	230.6	335.6	313.1	20.4	900.5

The average interest rate for securities with fixed rates of interest was 4.00% on the balance-sheet date (2002: 4.61%), while the average variable interest rate was 2.60% (2002: 2.54%).

Liabilities to banks and liabilities from finance leasing breakdown as follows:

€ million						
	Variable interest rates	Fixed interest rates			Total	
		< 1 year	1-5 years	>5 years		
Non-recourse loans	0.0	87.0	0.0	74.6	161.6	
Other loans	56.6	8.6	13.3	47.4	125.9	
Finance leasing	0.0	12.7	36.2	7.1	56.0	
Total	56.6	108.3	49.5	129.1	343.5	

For financial debts with fixed interest rates, the average interest rate on the balance-sheet date for non-recourse loans was 5.19% (2002: 5.31%), for other loans it was 4.88% (2002: 4.85%), and for finance leasing it was 6.25% (2002: 5.52%).

Derivative financial instruments are used to control risks arising from interest-rate and exchange-rate fluctuations and serve exclusively for hedging purposes. Pure trading positions without any underlying business transaction are not held.

At present, mainly non-stock-exchange instruments are used, such as currency futures, currency options, interest rate swaps and interest rate options.

The derivative financial instruments for hedging balance-sheet assets or debts (fair value hedges) are only used for currency hedging. The nominal volume on the balance-sheet date was €78.0 million (2002: €17.6 million); the fair value on the balance-sheet date was €14.3 million (2002: €1.7 million).

To protect future cash flows, the following derivative financial instruments (cash flow hedges) were concluded:

€ million	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
	Nominal volume		Market volume	
Currency futures	45.5	95.8	1.0	10.1
Currency options	9.3	30.7	0.4	0.6
Interest rate swaps	312.9	64.2	-4.9	-5.4

26. Asset-backed liabilities

The total amount of asset-backed liabilities amounted to €66.9 million on December 31, 2003 (2002: €140.0 million). These liabilities to banks are secured by mortgages and liens.

27. Contingent liabilities

€ million	Dec. 31, 2003	Dec. 31, 2002
Liabilities from guaranties	241.0	215.1

Contingent liabilities were primarily for performance of contracts, warranties and advance payments. On the balance-sheet date, our guaranties were mainly for associated companies and joint ventures. In addition, we are jointly and severally liable as partners in companies constituted under the German Civil Code and in connection with joint ventures.

28. Other financial commitments

€ million	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
	Operating leases, minimum leasing payments		Other financial commitments (rent)	
< 1 year	23.5	20.0	26.4	21.0
1-5 years	18.9	23.9	48.9	28.3
>5 years	0.7	7.7	26.9	22.9

29. Events after the balance-sheet date

There have been no significant events since the balance-sheet date.

Other notes

30. Boards of the Company

The members of the Supervisory Board and the Executive Board are listed in the chapter, "Boards of the Company."

The total compensation paid to the members of the Executive Board for the 2003 business year amounted to €3,936,000 (2002: €3,483,000), including compensation paid by subsidiaries of €5,000 (2002: €5,000). Included are a fixed element of compensation totaling €2,265,000 (2002: €1,994,000) and performance-related elements in an amount of €1,671,000 (2002: €1,489,000).

Former members of the Executive Board or their dependants received a total of €2,361,000 (2002: €2,171,000). A provision for the projected benefit obligation of future pensions for this group of persons was calculated in accordance with IAS 19 and formed in an amount of €29,053,000.

The compensation for the members of the Supervisory Board for 2003 comprises a fixed element of compensation in an amount of €187,000 (2002: €36,000) and a variable element of compensation related to the proposed dividend of €1.30 per share in an amount of €1,122,000 (2002: €648,000). A provision of €1,309,000 has been formed for the probable total amount.

31. Related-party shareholders

Allianz AG is – through Dresdner Bank AG – a shareholder that is to be qualified as a related party pursuant to applicable accounting principles (Clause 7.1.5 of the German Corporate Governance Code). Business relations exist with Allianz and Dresdner Bank in the field of insurance and banking with the usual standards of those sectors. Bilfinger Berger executes construction contracts for the Allianz Group at the usual market prices.

32. Declaration of compliance

Bilfinger Berger AG is included in the consolidated financial statements as a listed company.

The Executive Board and the Supervisory Board of Bilfinger Berger AG issued a declaration of compliance as stipulated by Section 161 of the German Stock Corporation Law on December 17, 2003, and made it permanently available to the shareholders on the Company's Internet site.

33. Average number of employees

	2003	2002
Office staff		
Germany	5,798	4,842
Abroad	5,187	4,230
Manual workers		
Germany	6,514	5,388
Abroad	31,575	28,626
Total workforce	49,074	43,086

The workforce of the consolidated Group also includes 15,335 employees of associated and non-consolidated companies (2002: 18,627).

34. Proposal on the appropriation of earnings

We propose to the Annual General Meeting that the unappropriated retained earnings in the amount of €47,735,524.20 as shown in the financial statements for 2003 are used to distribute a dividend of €0.65 plus a bonus of €0.65, totaling €1.30 per share, among the dividend-entitled equity capital of €110,158,902 (divided into 36,719,634 shares).

Mannheim, March 23, 2004

The Executive Board



Herbert Bodner



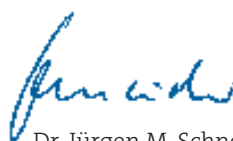
Dr. Klaus-Dieter Ehlers



Carlos Möller



Hans Helmut Schetter



Dr. Jürgen M. Schneider



Dr. Joachim Ott

Auditors' report

We have audited the consolidated financial statements of Bilfinger Berger AG, of Mannheim, comprising income statement, balance sheet, statement of changes in shareholders' equity and statement of cash flows, segment reporting, and the notes to the consolidated financial statements for the financial year of January 1 to December 31, 2003. The preparation and contents of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) of the IASB are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion, based on our audit, as to whether the consolidated financial statements comply with the IFRS.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and the generally accepted standards for the audit of financial statements as promulgated by the German Institute of Auditors (IDW). Those standards require that we plan and conduct the audit so that it is possible to assess with reasonable assurance whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements was examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles applied and the significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations, and cash flows of the Group for the financial year, in accordance with IFRS. Our audit, which in accordance with German auditing regulations extends to the management report for Bilfinger Berger AG prepared by the Executive Board for the financial year of January 1 to December 31, 2003, has not led to any reservations. In our opinion, the Group's management report, together with the other disclosures in the consolidated financial statements, give a suitable understanding of the situation of the Company and the Group, and fairly present the risks of future developments. We also confirm that the consolidated financial statements and the Group's management report for the financial year of January 1 to December 31, 2003 satisfy the requirements for the Company's exemption from the obligation to prepare consolidated financial statements and a Group management report in accordance with German law.

Mannheim, March 24, 2004

PwC Deutsche Revision
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft



Franz-Josef Schwarzzhof
Auditor

Dr. Martin Nicklis
Auditor

Gunther Ruppel
Auditor

Holger Herrwerth
Auditor

Return-on-capital-employed controlling

€ million	2003	2002	2003	2002
		Civil	Building and Industrial	
Segment assets excluding financial assets	617.0	635.7	433.3	475.1
Share holdings in associated companies	8.2	5.3	0.0	0.0
Other financial assets	5.1	5.2	1.6	2.2
Segment assets	630.3	646.2	434.9	477.3
Segment liabilities	558.6	546.4	609.3	561.0
Non-recourse financing / interest-bearing liabilities, headquarters	0.0	0.0	0.0	0.0
Non-interest-bearing liabilities	558.6	546.4	609.3	561.0
Balance	71.7	99.8	-174.4	-83.7
Project-related financial assets	0.0	0.0	174.4	83.7
Business-unit-related financial assets	197.2	197.2	185.5	219.3
Operative financial assets	197.2	197.2	359.9	303.0
Capital employed	268.9	297.0	185.5	219.3
EBITA (earnings before interest, taxes and goodwill amortization)	38.9	43.0	5.9	7.6
Income from investments	0.0	0.0	0.0	0.0
Net interest income	0.0	0.0	0.0	0.0
Interest expense for non-recourse financing	0.0	0.0	0.0	0.0
Project-related interest income (4.5% p.a.)	0.0	0.0	7.9	3.7
Business-unit-related income (4.5% p.a.)	8.9	8.9	8.3	9.9
Financial income / expense	8.9	8.9	16.2	13.6
Return	47.8	51.9	22.1	21.2
ROCE (Return on capital employed)	17.8%	17.5%	11.9%	9.7%
WACC (weighted average cost of capital)	11.0%	11.0%	11.0%	11.0%
Relative value added	6.8%	6.5%	0.9%	-1.3%
Absolute value added	18.3	19.3	1.7	-2.9

	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	Project Development and Concessions		Services		Environmental		Total of segments		Consolidation/ Others		Consolidated Group	
	244.6	306.5	623.8	325.6	100.7	115.7	2,019.4	1,858.6	1,180.3	1,119.0	3,199.7	2,977.6
	54.4	15.7	3.9	1.0	0.0	0.0	66.5	22.0	151.1	290.9	217.6	312.9
	23.0	20.9	8.0	2.2	1.0	0.4	38.7	30.9	53.6	14.7	92.3	45.6
	322.0	343.1	635.7	328.8	101.7	116.1	2,124.6	1,911.5	1,385.0	1,424.6	3,509.6	3,336.1
	67.6	81.6	237.1	122.7	65.9	79.0	1,538.5	1,390.7	916.1	855.4	2,454.6	2,246.1
	143.8	110.7	0.0	0.0	0.0	0.0	143.8	110.7	-585.9	-553.7	-442.1	-443.0
	211.4	192.3	237.1	122.7	65.9	79.0	1,682.3	1,501.4	330.2	301.7	2,012.5	1,803.1
	110.6	150.8	398.6	206.1	35.8	37.1	442.3	410.1	1,054.8	1,122.9	1,497.1	1,533.0
	0.0	0.0	0.0	0.0	0.0	0.0	174.4	83.7	-174.4	-83.7	0.0	0.0
	26.8	6.8	0.0	0.0	7.5	16.2	417.0	439.5	-417.0	-439.5	0.0	0.0
	26.8	6.8	0.0	0.0	7.5	16.2	591.4	523.2	-591.4	-523.2	0.0	0.0
	137.4	157.6	398.6	206.1	43.3	53.3	1,033.7	933.3	463.4	599.7	1,497.1	1,533.0
	-2.4	-1.8	47.0	25.6	6.0	2.9	95.4	77.3	5.8	-3.7	101.2	73.6
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.9	26.4	12.9	26.4
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.3	27.4	25.3	27.4
	-7.1	-6.0	0.0	0.0	0.0	0.0	-7.1	-6.0	0.0	0.0	-7.1	-6.0
	0.0	0.0	0.0	0.0	0.0	0.0	7.9	3.7	-7.9	-3.7	0.0	0.0
	1.2	0.3	0.0	0.0	0.3	0.7	18.7	19.8	-18.7	-19.8	0.0	0.0
	-5.9	-5.7	0.0	0.0	0.3	0.7	19.5	17.5	11.6	30.3	31.1	47.8
	-8.3	-7.5	47.0	25.6	6.3	3.6	114.9	94.8	17.4	26.6	132.3	121.4
	-6.1%	-4.7%	11.8%	12.4%	14.6%	6.8%	11.1%	10.2%	3.7%	4.4%	8.8%	7.9%
	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
	-17.1%	-15.7%	0.8%	1.4%	3.6%	-4.2%	0.1%	-0.8%	-7.3%	-6.6%	-2.2%	-3.1%
	-23.5	-24.7	3.2	2.9	1.6	-2.2	1.3	-7.6	-33.8	39.6	-32.5	-47.2

Explanation of return-on-capital-employed controlling

Our return-on-capital-employed controlling is based on the segment reporting, which takes place in accordance with the organizational structure of our business segments. The prior year's figures have been adjusted to make them comparable with the new business-segment structure.

The *segment assets* of the business segments include property, plant and equipment, inventories and receivables. *Shares in associated companies* and *other financial assets* are also included here, insofar as they are an element of the respective segment's operative activities. The segment assets shown under Consolidation / Others include securities, cash and cash equivalents, financial assets not allocated to the business units, as well as real estate and other assets of the Group's headquarters.

The *segment liabilities* are deducted from the segment assets. They include liabilities and provisions that are available to the Company free of interest; liabilities to banks and pension provisions are not included, for example.

So-called *non-recourse project financing* in the Concessions business segment is also deducted, although it is interest bearing. This consists of credit granted to project companies solely on the basis of the project's cash flow, and not on the basis of the Group's creditworthiness. The reduction of this credit from the interest-bearing segment assets is taken into account by entering appropriate interest expenses in the business segment's return.

Segment liabilities and the so-called non-recourse financing are termed *non-interest-bearing liabilities*. The balance of segment assets and non-interest-bearing liabilities represents the capital directly employed in the business segment.

Project-related and business-unit-related financial assets are allocated to the business segments in the context of the return-on-capital-employed controlling so that adequate capital resources are taken into consideration. As so-called *operative financial assets*, they adjust the balance, which results in the average tied-up interest-bearing net assets. This item is termed *capital employed*.

The definition of return as used in the return-on-capital-employed concept is derived from *EBITA* as shown in the income statement.

Investment income comprises non-operative income and expenses from non-consolidated subsidiaries and from associated companies accounted for with the equity method.

Net interest income includes not only the balance of the Group's interest income and interest expense, but also income from the sale of securities as well as write-downs on securities and loans. In order to determine a measure of earnings not affected by the form of financing, *interest expenses* are fundamentally not taken into consideration in the context of return-on-capital-employed controlling.

On the other hand, the *interest expenses of non-recourse financing* for projects in the Concessions business segment are taken into consideration. The appropriate correcting entries are to be found in non-interest-bearing liabilities.

The *project-related and business-unit-related interest expenses* relate to credit entries on operative financial assets by the headquarters to the benefit of the business segments.

Return in the sense of our return-on-capital-employed controlling is the sum of *EBITA* and the profits from finance components.

ROCE stands for return on capital employed. Expressed as a percentage, it is compared with the *weighted average cost of capital (WACC)* of 11% for the interest-bearing capital employed.

The difference between *ROCE* and *WACC* is the *relative value added*. The *absolute value added* is the difference between return and the cost of capital employed, and is equal to the amount of capital employed multiplied by the relative value added.

Principle holdings

At December 31, 2003

	Equity holding %	Equity capital € thousand	Earnings for the year € thousand	Output volume for the year € thousand	Workforce at year-end
I. Subsidiaries					
Bilfinger Berger AG		835,917 ¹⁾	62,736 ¹⁾	1,815,188	8,937
A. Germany					
Achatz GmbH Bauunternehmung, Mannheim	100	3,505	- ²⁾	20,400	146
BBV Vorspanntechnik GmbH, Bobenheim-Roxheim	100	934	198	11,500	65
bebit Informationstechnik GmbH, Mannheim	100	2,687	- ²⁾	16,170	81
Bilfinger Berger BOT GmbH, Wiesbaden	100	3,569	- ²⁾	4,884	24
- Arteos GmbH, Wiesbaden	100	873	- ²⁾	6,621	-
Bilfinger Berger Freiburg GmbH, Freiburg	100	2,101	194	31,171	142
Bilfinger Berger Parking GmbH, Frankfurt	100	1,110	34	3,061	5
Bilfinger Berger Real Estate Management GmbH, Mannheim	100	9,139	- ²⁾	21,858	55
Bilfinger Berger Schalungsbau GmbH, Bobenheim-Roxheim	100	265	92	9,109	46
Bilfinger Berger Umwelt GmbH, Starnberg	100	6,114	198	54,957 ³⁾	105 ³⁾
Franz Kassecker GmbH, Waldsassen	60	7,682	884	73,102	364
GBV Versicherungsvermittlung GmbH, Mannheim	100	102	- ²⁾	3,094	14
GKW Plan Ingenieurbüro für Infrastruktur und Umwelttechnik GmbH, Mannheim (subgroup accounts)	51	2,846	259	27,905	281
Heinrich Scheven Anlagen- und Leitungsbau GmbH, Erkrath	100	1,425	231	18,462	198
HSG Technischer Service GmbH, Neu-Isenburg (subgroup accounts)	100	12,114	1,796	226,266	2,044
J. Wolfferts GmbH, Köln (Teilkonzernabschluss)	100	9,670	- ²⁾	138,987	688
Modernbau GmbH, Saarbrücken	100	5,070	- ²⁾	23,101 ³⁾	179 ³⁾
Passavant-Roediger Umwelttechnik GmbH, Aarbergen (subgroup accounts)	100	9,060	289	83,577	484
Rheinhold & Mahla AG, München (subgroup accounts)	100	23,886	8,959	812,870	10,495
Roediger Vakuum- und Haustechnik GmbH, Hanau	100	1,914	- ²⁾	15,080	72
Tesch Industrie- und Rohrleitungsbau GmbH, Essen	100	714	67	13,402	116
B. Rest of Europe					
Bilfinger Berger Baugesellschaft m.b.H., Vienna, Austria	100	5,653	85	126,286	387
Bilfinger Berger U.K. Limited, Chertsey, Surrey, Great Britain	100	173	-1,181	52,719	102
Hull Maternity Development Limited, Chertsey, Surrey, Great Britain	100	222	194	5,189	-
Hydrobudowa-6 S.A., Warsaw, Poland (subgroup accounts)	100	6,977	26	36,426	578
Razel S.A., Saclay, France (subgroup accounts)	100	25,663	3,227	356,221	3,273
C. America					
Fru-Con Holding Corporation, Ballwin, Missouri, USA (subgroup accounts, including Centennial Contractors Enterprises, Inc., Vienna, Virginia, USA)	100	41,522	616	427,433	2,526
D. Australia					
Bilfinger Berger Australia Pty. Limited, Sydney, Australia	100	160,583	-102	-	-
- Abigroup Limited, Sydney, Australia (subgroup accounts)	82.3	33,676	- ⁴⁾	- ⁴⁾	1,486
- A.W. Baulderstone Holdings Pty. Limited, Sydney, Australia (subgroup accounts)	100	28,912	2,028	553,015	1,086

At December 31, 2003

II. Associated companies	Equity holding %	Equity capital € thousand	Earnings for the year € thousand	Output volume for the year € thousand	Workforce at year-end
Beijing Chang Cheng Bilfinger + Berger Construction Engineering Co., Ltd., Peking, China	50	10,502	226	19,274	–
Bilfinger Berger (Thai) Construction Co., Ltd., Bangkok, Thailand	49	2,540	575	12,878	534
CrossCity Motorway Pty Ltd., Sydney, Australia	20	95,111	628	113,405	–
Gloucester Healthcare Partnership Limited, London, Great Britain	50	54	0	2,660	–
Herrentunnel Lübeck GmbH & Co. KG, Lübeck	50	12,744	60	2,634	–
Julius Berger Nigeria PLC., Abuja, Nigeria	48	14,510 ⁵⁾	2,870 ⁵⁾	264,784 ⁵⁾	13,308
White Horse Education Partnership Limited, Chertsey, Surrey, Great Britain	50	754	245	6,962	–

The figures correspond with the regulations of IFRS.

¹⁾ Year-end financial statements according to the German Commercial Code (HGB)

²⁾ We have profit-and-loss-transfer agreements with these companies

³⁾ Group

⁴⁾ First consolidated as of December 31, 2003

⁵⁾ 2002 financial year

Boards of the Company

Supervisory Board

Supervisory Committee

Gert Becker, Chairman
Bernhard Walter
Maria Schmitt

Audit Committee

Bernhard Walter, Chairman
Gert Becker
Friedrich Rosner

Committee

(to be formed pursuant to
Section 31, Subsection 3
of the German Law of
Industrial Codetermination)
Gert Becker
Bernhard Walter
Maria Schmitt
Wolfgang Erdner

Gert Becker, Chairman

Formerly Chairman of the Executive Board of
Degussa AG, Frankfurt am Main

*Membership of statutory supervisory boards of
other German companies: Bankhaus Metzler KGaA,
Frankfurt am Main (Chairman)*

Dieter Schmidt, Deputy Chairman

(until May 28, 2003)
Employee of Bilfinger Berger AG, Wiesbaden

Maria Schmitt, Deputy Chairwoman

(as of May 28, 2003)
Employee of Bilfinger Berger AG,
Mannheim

Hans Bauer

Chairman of the Executive Board of
HeidelbergCement AG, Heidelberg

*Membership of comparable monitoring boards of
other German and foreign companies: S.A.
Cimenteries CBR, Brussels* | ENCI N.V., 's-Hertogen-
bosch (Deputy Chairman)* | HeidelbergCement
Northern Europe AB, Malmö (Chairman)* | Lehigh
Cement Co., Allentown* | Lehigh Cement Limited,
Calgary* | Nederlandse Cement Deelnemings-
maatschappij B.V., Nieuwegein | PT Indocement
Tunggal Prakarsa Tbk., Jakarta | Südbayer. Portland-
Zementwerk Gebr. Wiesböck & Co. GmbH,
Rohrdorf/Oberbayern (Deputy Chairman) | Vicat
S.A., Paris*

Unless otherwise
indicated, all details correct
at December 31, 2003.

* Group mandate

Frank Brose (until May 28, 2003)
Employee of Bilfinger Berger AG, Berlin

Herbert Kotsch (until May 28, 2003)
Employee of Bilfinger Berger AG, Mannheim

Dr. Horst Dietz
Chairman of the Executive Board, Industrial
Investment Council, Berlin

Harald Möller (as of May 28, 2003)
Employee of Bilfinger Berger AG, Hamburg

*Membership of statutory supervisory boards of
other German companies: ABB AG, Mannheim |
mobilcom AG, Büdelsdorf*

Klaus Obermierbach (ab 28. Mai 2003)
Employee of J. Wolfferts GmbH, Cologne

Wolfgang Erdner
Employee of Bilfinger Berger AG, Cologne

Thomas Pleines
Chairman of the Executive Board
of Allianz Suisse, Zurich

Dr. Jürgen Hambrecht
Chairman of the Executive Board of
BASF Aktiengesellschaft, Ludwigshafen am Rhein

*Membership of comparable monitoring boards of
other German and foreign companies: DEKRA Auto-
mobil GmbH, Stuttgart | Rehabilitationsklinik Bad
Wurzach GmbH, Bad Wurzach | Allianz Suisse Ver-
sicherungen AG, Zurich* | Allianz Suisse Leben AG,
Zurich* | Allianz Suisse Personal Financial Services
AG, Zurich (Chairman)* | Allianz Suisse Immobilien
AG, Volketswil (Chairman)* | Allianz Asset Manage-
ment AG, Zurich (Chairman)* | CAP Rechtsschutz
AG, Zug (Chairman)* | Alba Versicherung AG, Basel
(Chairman)* | Phenix Versicherungsgesellschaft
AG, Lausanne* | Phenix Lebensversicherungsgesellschaft AG, Lausanne* | ELMONDA AG, Zurich**

Wolfgang Hilgendorf (until May 28, 2003)
Employee of Bilfinger Berger AG, Mannheim

Reiner Jäger (as of May 28, 2003)
Employee of Modernbau GmbH, Saarbrücken

Rainer Knerler
Chief Executive of the Berlin branch of IG Bauern-
Agrar-Umwelt (Construction, Agriculture and
Environment Trade Union), Berlin

Friedrich Rosner (as of May 28, 2003)
Employee of Bilfinger Berger AG, Mannheim

Dr. Christian Roth (until May 28, 2003)
Formerly Chairman of the Executive Board of
Bilfinger Berger AG, Mannheim

Udo G. Stark (as of May 28, 2003)
Chairman of the Executive Board
of mg technologies AG, Frankfurt am Main

Membership of statutory supervisory boards of other German companies: Messer Griesheim GmbH, Krefeld

Rolf Steinmann
Member of National Executive Board of IG Bauen-Agrar-Umwelt (Construction, Agriculture and Environment Trade Union), Frankfurt am Main

Dr. Klaus Trützscher
Member of the Executive Board of Franz Haniel & Cie GmbH, Duisburg

Membership of statutory supervisory boards of other German companies: Heitkamp-Deilmann-Haniel GmbH, Herne | Readymix AG, Ratingen | TAKKT AG, Stuttgart*

Bernhard Walter
Formerly Speaker of the Executive Board of Dresdner Bank AG, Frankfurt am Main

Membership of statutory supervisory boards of other German companies: DaimlerChrysler AG, Stuttgart | Deutsche Telekom AG, Bonn | Henkel KGaA, Düsseldorf | mg technologies AG, Frankfurt am Main | Staatliche Porzellan-Manufaktur Meissen GmbH, Meissen | Thyssen Krupp AG, Düsseldorf | Wintershall AG, Kassel (Deputy Chairman)

Membership of comparable monitoring boards of other German and foreign companies: KG Allgemeine Leasing GmbH & Co., Grünwald (Chairman)

Executive Board

Herbert Bodner, Chairman

Corporate development, communications, legal affairs, concessions, civil engineering activities within Germany

Dr. Klaus-Dieter Ehlers

Technology

Membership of statutory supervisory boards of other German companies: Rheinhold & Mahla AG, Munich*

Carlos Möller

International civil engineering activities, affiliates outside Europe

Membership of comparable monitoring boards of other German and foreign companies: A.W. Baulderstone Holdings Pty. Ltd., Sydney (Chairman)* | Bilfinger Berger Australia Pty. Limited, Sydney (Deputy Chairman)* | BuildOnline (Holdings) Ltd., London* | Fru-Con Holding Corporation, Ballwin / Missouri (Chairman)*

Dr. Joachim Ott (Deputy Member)

Procurement, environmental, real estate services

Membership of statutory supervisory boards of other German companies: Rheinhold & Mahla AG, Munich*

Membership of comparable monitoring boards of other German and foreign companies: Hydrobudowa-6 S.A., Warsaw*

Hans Helmut Schetter

Human resources, building construction, European affiliates

Membership of comparable monitoring boards of other German and foreign companies: Razel S.A., Saclay (Chairman)* | Hydrobudowa-6 S.A., Warsaw (Deputy Chairman)*

Dr. Jürgen M. Schneider

Accounting, finance, controlling, industrial services

Membership of statutory supervisory boards of other German companies: Rheinhold & Mahla AG, Munich (Chairman)*

Membership of comparable monitoring boards of other German and foreign companies: Abigroup Ltd., Gordon (Chairman)* | Bilfinger Berger Australia Pty. Limited, Sydney* | Dachser GmbH & Co., Kempten | Razel S.A., Saclay* | Fru-Con Holding Corporation, Ballwin/Missouri (President)*

Unless otherwise indicated, all details correct at April 14, 2004

* Group mandate

Corporate Governance

Corporate Governance is concerned with the structures and processes of good business management, monitoring and transparency.

Bilfinger Berger AG is a stock corporation under German law. The bodies of the Company are the Executive Board, the Supervisory Board and the Annual General Meeting. Bilfinger Berger's management is oriented towards national and international standards.

Corporate Governance Code

Bilfinger Berger supports the goal of promoting trust – by means of the Corporate Governance Code for companies listed on German stock exchanges – in the management and supervision of stock corporations on the part of domestic and international investors, customers, employees and the public. The management of Bilfinger Berger AG fulfills the criteria of the German Corporate Governance Code as set out in the version of May 21, 2003. The details are given in the Declaration of Compliance issued pursuant to Section 161 of the German Stock Corporation Law by the Executive Board and the Supervisory Board on December 17, 2003. It states:

“Bilfinger Berger AG complies with the recommendations of the German Corporate Governance Code in the version of May 21, 2003, with the following exceptions:

“The compensation of the members of the Executive Board (Code Clause 4.2.4, sentence 2) is not reported in individualized form, but in total, and divided into its individual components. In the same way, the compensation of the members of the Supervisory Board (Code Clause 5.4.5, paragraph 3, sentence 1) is not shown in the Notes to the Consolidated Financial Statements in individualized form, but in total, and divided into its individual components.

“In order to comply with the periods set for the publication of consolidated financial statements (90 days after the end of the financial year) and interim reports (45 days after the end of the financial year) pursuant to the Code Clause 7.1.2, Bilfinger Berger requires a transitional period in order to make the necessary modifications to the

Company's IT systems. There will be compliance with the publication deadlines starting with the year-end financial statements for 2004, i.e. starting with reporting in the year 2005.

“After issuing the Declaration of Compliance in December 2002, Bilfinger Berger complied with the recommendations of the German Corporate Governance Code in the version of November 6, 2002, with the exception that the Code's recommendation in Clause 7.1.2 for publication periods for the consolidated financial statements and the interim reports will not be fulfilled until after the aforementioned transitional period.”

Executive Board

The Executive Board is responsible for managing the Company and is composed of six members appointed by the Supervisory Board. The Chairman of the Executive Board is Herbert Bodner.

The compensation of the members of the Executive Board consists of a fixed annual basic salary and a performance-related component, the level of which depends on the achievement of certain goals. These are related to the Company's success and are agreed between the Supervisory Board and the Executive Board at the beginning of each financial year. If these goals are accomplished, the performance-related payment is equal to two-thirds of the annual basic salary.

The total compensation of the Executive Board members is listed in the Notes to the Consolidated Financial Statements.

An additional component of the Executive Board members' compensation is the issuance of stock options in accordance with the stock option plans for the Executive Board members and other top executives of Bilfinger Berger AG and related companies in Germany and abroad, as approved by the Annual General Meetings held on June 29, 2000 and June 6, 2002. These stock option plans run until 2005.

The current members of the Executive Board were granted 260,000 options out of the stock option plan approved in 2000. After the hurdle was achieved, the options, with a base price of €15.38 per share, could be exercised starting on May 30, 2003. As the stock exchange price was €22.78 at that time, the intrinsic value of these options turned out to be €7.40.

In the framework of the 2002 stock option plan, the members of the Executive Board were granted 248,000 options. Each of these options gives its recipient the right to purchase a share in the Company at the base price of €23.98. These options can be exercised on July 19, 2004 at the earliest, provided that the development of Bilfinger Berger's share price fulfills certain requirements. The average closing price on each of 10 consecutive trading days after the Annual General Meeting must be at least 25% above the base price in the year 2004 and at least 37.5% above it in 2005. This year, the hurdle will be reached with an average closing price of €29.98, the intrinsic value of each option then being €6.00. When exercising the options, instead of being given a number of shares for the base price corresponding with the number of options exercised, the owners can be given – of the same value – a correspondingly lower number of shares at the lowest issue price (Section 9, Subsection 1 of the German Stock Corporation Law) in order to compensate for the difference between the base price and the exercise price. Further information on the 2000 and 2002 stock-option plans is available in the notes to the consolidated financial statements.

The ownership of shares, including share options, by the members of the Supervisory and Executive Boards is also listed in the Notes to the Consolidated Financial Statements if it exceeds the materiality threshold of 1% of the shares issued by the Company.

Supervisory Board

The Company's Supervisory Board has 16 members. The shareholders' representatives on the board are elected by the Annual General Meeting. In accordance with the German Law of Industrial Code-

termination, the employees' representatives are elected by the workforce. The Chairman of the Supervisory Board is Gert Becker. The Supervisory Board advises and monitors the management of the Company and, in connection with the year-end financial statements, reports to the shareholders on its activities. The compensation of the members of the Supervisory Board is specified in Article 14 of our Articles of Incorporation as shown on our website.

The compensation of the Supervisory Board members for the 2003 financial year and details of compensation for services provided personally are listed in the Notes to the Consolidated Financial Statements.

Securities transactions subject to disclosure

Since the coming into effect of the Fourth Finance Market Promotion Law, the members of the Executive and Supervisory Boards of Bilfinger Berger AG must, pursuant to Section 15a of the German Securities Trading Law, report the acquisition or sale of shares in the Company. In addition, securities transactions related to Bilfinger Berger's shares – such as the acquisition or disposal of share options – must also be reported. The reporting of securities transactions by spouses, registered life-partners and immediate family members is also compulsory. Reported securities transactions are published for a period of at least one month on Bilfinger Berger's website.

Related-party shareholders

Related-party shareholders are listed in the Notes to the Consolidated Financial Statements.

External auditors

On May 28, 2003, the Annual General Meeting elected PwC Deutsche Revision Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, of Karlsruhe, and Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, of Mannheim, as external auditors for the 2003 financial year.

Glossary

Associated companies

Companies upon which a significant influence can be exercised but in which there is no majority holding or controlling interest. The holding is usually between 20% and 50%.

BOT

Abbreviation for build-operate-transfer. BOT projects, also known as public-private partnerships, are completely private-sector solutions to real estate or infrastructure tasks in the public sector, with planning, construction and long-term operation from one source. The financing of the entire investment takes place during the operational phase by means of user fees.

Business-unit-related financial assets / interest income

Accounting category in Bilfinger Berger's return-on-capital-employed controlling for the assessment of appropriate capital resources of the respective unit of the Group.

Capital employed

The average capital tied up in operative assets, which, in the context of return-on-capital-employed controlling, is expected to yield a return at least as high as the weighted average cost of capital (WACC).

Cash earnings

Financial performance measure for the ability of a company to provide its own funds. Measures the financial surplus earned in a certain period from current, profit-relevant activities, but without taking into consideration the change in working capital.

Cash flow

Figure for the assessment of the financial strength and profitability of a company in terms of the flow of funds. *The statement of cash flows* shows the changes in marketable securities and cash during an accounting period in terms of the cash flows from, or into, operating, investing and financing activities.

CTA

Abbreviation for "contractual trust arrangement," a form of financing pension obligations whereby pension plan assets covering the Company's pension obligations are transferred to a trust fund. In consolidated financial statements prepared according to IFRS, this has the effect of reducing the balance-sheet total, as the plan assets are netted out against the corresponding pension provisions. The effect is to improve the international comparability of the consolidated financial statements.

Deferred taxes

Asset or liability items that compensate for different accounting periods compared with earnings according to the tax financial statements. Deferred tax expenses / income are corrections to the actual tax expense derived from the tax financial statements for the period. The primary aim is to show an income-tax expense in a proper relation to the reported earnings before taxes.

EBIT

Abbreviation for “earnings before interest and taxes.”

EBITA

Abbreviation for “earnings before interest, taxes and goodwill amortization.” In Bilfinger Berger’s accounting, EBITA is used as a performance measure for the profits from operating activities.

EBT

Abbreviation for “earnings before taxes.”

Equity consolidation

Minority holdings in companies of between 20% and 50% are included in the consolidated financial statements as *associated companies* by means of equity-method consolidation. In the consolidated income statement, the pro-rated net profit of the associated companies – reduced by goodwill amortization if necessary – is shown under income from investments.

Equity ratio

Key figure for a company’s financing structure, stating the ratio between equity and total assets.

Goodwill

The difference between the amount paid for a company and the market value of its net assets. It arises as a result of taking into consideration a company’s expected future earnings when deciding on a suitable price for it. Goodwill is capitalized under fixed assets and is subject to scheduled amortization.

IAS

Abbreviation for “International Accounting Standards,” based on Anglo-American accounting principles. Against a background of harmonization of international accounting, these standards are becoming increasingly important for German accounting. The individual standards of the IAS set rules for accounting and valuation: For example, IAS 19 for the valuation of pension provisions.

IASB

Abbreviation for “International Accounting Standards Board,” based in London. An institution founded in 1973 for the formulation of International Accounting Standards (IAS).

IFRIC

Abbreviation for the London-based “Financial Reporting Interpretations Committee.” IFRIC determines the details of the interpretation of the IAS.

ISIN code

Abbreviation for “International Securities Identification Number.” Internationally valid identification number for securities. Uniform system for the simplification of cross-border transactions.

Joint venture

A company, keeping its own accounts, that is established by two or more construction companies for the period of executing a construction contract. Profits and losses are entered in the income statements of the partner companies according to their percentage of participation and shown under sales revenues. The respective shares of joint-venture revenues are not shown in the financial statements of the partner companies.

Non-recourse financing

Borrowing which is secured solely against the financed project, without the possibility of any recourse liability for Bilfinger Berger.

Output volume

This comprises the supply of goods and services by the Group and the pro-rated supply of goods and services by *joint ventures* in which the Group participates.

Packaging

Special form of real estate development, which can range from financing to planning to the turnkey construction of a building. The project development company combines the interests of the real estate owners, banks, investors, users and operators, without taking the traditional project development risks involved in tying up capital.

Percentage-of-completion method (POC)

Accounting method according to IAS 11 for long-term construction contracts. Contract costs and revenues are accounted for in accordance with the percentage of completion of the contract, so that the realization of profits is shown in the income statement in line with the progress made by the project.

Plan assets

Assets that serve to cover pension obligations and fulfill the conditions of IAS 19. In accordance with IFRS, plan assets are netted out against pension provisions, which reduces the balance-sheet total. See CTA.

**Project-related financial assets /
project-related interest income**

Accounting category in Bilfinger Berger's return-on-capital-employed controlling for the assessment of appropriate capital resources of the respective units of the Group.

Public-private partnership (PPP)

See BOT

Return

The measure of earnings in return-on-capital-employed controlling at Bilfinger Berger, derived from EBITA.

Return on equity

Measure of earnings, which states the ratio between net profit and shareholders' equity.

Return on output volume

Measure of profitability showing the ratio of EBITA to output volume.

ROCE

Abbreviation for "return on capital employed." Ratio between the earnings of a reporting period (return) and the average operative assets (capital employed).

Statement of cash flows

Presentation of liquidity developments / flows of funds taking into consideration the sources and applications of funds within a certain period. The statement of cash flows shows the separate cash flows from, or into, operating, investing and financing activities.

Stock-option plan

Internationally common compensation system for management for increasing corporate value. The participants in the program are granted subscription rights (options) to shares in the company. The exercise of the options is usually dependent on a minimum performance of the shares. If this hurdle is achieved, the beneficiaries receive the shares at the original market price.

Value added

Difference between ROCE and the weighted average cost of capital multiplied by capital employed. If value added is positive, this means that the return on capital employed is higher than the weighted average cost of capital.

WACC

Abbreviation for "weighted average cost of capital." Serves as a measurement of the financing of the operative assets in return-on-capital-employed controlling at Bilfinger Berger. It reflects the minimum required rate of return of the shareholders and the creditors.

Working capital

Factor for observing changes in liquidity. It shows the difference between current assets and short-term liabilities.

Ten-year overview

Group

€ million	1994*	1995*	1996*	1997*	1998*	1999*	2000	2001	2002	2003	
Fixed assets	591.5	598.6	582.1	576.6	576.7	713.9	791.8	846.4	1,185.5	1,012.3	
Intangible assets	0.6	0.8	1.1	0.8	1.2	1.2	8.0	8.4	212.4	299.9	
Property, plant and equipment	382.4	410.1	391.8	389.7	388.8	412.6	475.4	502.4	553.6	539.7	
Financial assets	208.5	187.7	189.2	186.1	186.7	300.1	308.4	335.6	419.5	172.7	
Current assets	2,279.9	2,480.8	2,653.3	2,477.8	2,287.0	2,361.1	2,230.1	2,411.8	2,375.0	2,365.9	
Inventories	406.0	506.2	526.3	463.2	380.8	524.4	408.3	405.4	412.0	370.6	
Receivables and other assets	749.3	862.5	917.2	867.3	909.8	934.6	944.7	1,204.3	1,190.6	1,094.8	
Cash and marketable securities	1,124.6	1,112.1	1,209.8	1,147.3	996.4	902.1	877.1	802.1	772.4	900.5	
Deferred tax assets	0.0	0.0	0.0	0.0	0.0	0.3	54.6	52.4	72.3	105.1	
Shareholders' equity	693.2	685.0	711.5	708.7	638.7	634.4	900.4	1,109.8	1,011.5	1,111.2	
Subscribed capital	92.0	92.0	92.2	92.3	92.4	108.6	108.8	108.9	109.1	110.2	
Reserves	576.4	568.2	597.2	597.9	531.5	511.0	776.8	980.9	866.0	953.3	
Unappropriated retained earnings	24.8	24.8	22.1	18.5	14.8	14.8	14.8	20.0	36.4	47.7	
Minority interests	13.0	1.1	-0.4	-0.3	-0.6	-0.9	3.0	3.2	20.8	24.9	
Liabilities	2,164.7	2,392.5	2,524.3	2,344.4	2,225.0	2,441.8	2,146.4	2,152.6	2,559.3	2,290.8	
Pension provisions	82.9	85.7	89.8	92.0	98.6	100.3	129.4	119.9	187.6	90.5	
Other provisions	768.6	797.4	850.0	778.9	714.3	685.0	459.9	416.1	456.2	453.6	
Liabilities due to banks	111.6	204.1	170.2	166.3	175.3	301.8	322.4	351.3	456.2	343.5	
Other liabilities	1,201.6	1,305.3	1,414.3	1,307.2	1,236.8	1,354.7	1,234.7	1,265.3	1,459.3	1,403.2	
Deferred tax liabilities	0.5	0.8	0.0	1.6	0.6	0.0	26.7	45.0	41.2	56.4	
Balance-sheet total	2,871.4	3,079.4	3,235.4	3,054.4	2,863.7	3,075.3	3,076.5	3,310.6	3,632.8	3,483.3	
Proportion of balance-sheet total											
Fixed assets	in %	21	19	18	19	20	23	26	26	33	29
Current assets**	in %	79	81	82	81	80	77	74	74	67	71
Shareholders' equity	in %	24	22	22	23	22	21	29	34	28	32
Liabilities***	in %	76	78	78	77	78	79	71	66	72	68

* These figures according to German Commercial Code (HGB) financial statements

** including deferred taxes

*** including minority interests and deferred taxes

Business developments

€ million	1994*	1995*	1996*	1997*	1998*	1999*	2000	2001	2002**	2003**	
Output volume	3,906	4,383	4,728	4,919	4,756	4,586	4,437	4,607	4,912	5,586	
Orders received	4,432	4,898	5,083	4,303	4,582	4,320	4,591	4,680	5,216	5,605	
Order backlog	4,232	4,747	5,102	4,486	4,312	4,046	4,200	4,272	5,168	6,277	
Capital expenditure	349	170	106	116	85	217	80	111	324	271	
Property, plant and equipment	137	135	94	107	72	82	66	73	71	88	
Financial assets	212	35	12	9	13	135	14	38	253	183	
Employees (at year end)	47,071	49,747	51,171	57,662	55,171	41,641	40,653	43,471	50,277	50,460	
Group earnings											
EBITA	36	17	7	-20	-90	8	10	36	74	101	
Earnings before income taxes (EBT)	94	86	75	34	-42	30	62	71	122	134	
Net profit	66	53	47	20	-46	22	43	52	115	126	
Earnings per share	in €	2.27	2.02	1.74	0.54	-0.77	0.62	1.20	1.44	3.16	3.44
Cash earnings according to DVFA/SG	175	178	167	108	29	83	107	133	131	152	
Cash earnings per share	in €	4.85	4.94	4.66	3.00	0.80	2.28	2.94	3.67	4.14	
Bilfinger Berger AG (the Company)											
Dividend distribution	24.8	24.8	22.1	18.5	14.8	14.8	14.8	20.0	36.4	47.7	
Dividend per share	in €	0.69	0.69	0.61	0.51	0.41	0.41	0.41	0.55	0.65	
Bonus	in €								0.45	0.65	
Share price at end of year	in €	40.39	27.76	28.89	28.53	21.73	21.60	12.99	25.00	14.60	27.00

* These figures according to German Commercial Code (HGB) financial statements

** Including the exceptional items shown in the income statement

Financial calendar

2004

May 26	Annual General Meeting*
May 26	Interim Report Q1 2004
August 18	Interim Report Q2 2004
November 18	Interim Report Q3 2004

2005

March 31	Press conference on financial statements
March 31	Analysts' conference
May 19	Annual General Meeting*

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