



Interim Report Q3 2003

Overview of corporate developments

Key operating figures increased significantly during the first nine months of this year as a result of the refocus of the Bilfinger Berger Group. Compared with the same period of last year, output volume rose by 19% to €4,052 million. Orders received increased by 11% to €4,409 million, while the order backlog again reached an excellent level of €5,547 million. Operating profit (EBITA) amounted to €41 million, which represents an increase of 86% over the prior-year period.

The services activities we established last year are developing as planned into an additional pillar of our business. The goal of achieving more than 40% of our operating profit in this

segment by the year 2004 will already be accomplished this year. Services' proportion of output volume will rise to about a quarter.

In July 2003, we received an amount of €551 million from the sale of our shares in Buderus AG, which we will apply for the further expansion of our services activities and to strengthen our position in international markets. At the end of October, we made a public offer to the shareholders of Abigroup Ltd., Sydney, of AUD 3.90 per share, equivalent to a total volume of AUD 186 million for 100% of the shares (€110 million). With a workforce of 1,500 persons, in its latest financial year Abigroup generated an output volume of €440 million, which will grow

Key figures for the Group

	Q3 2003 € million	Q3 2002 € million pro forma ¹	Change %	Year 2002 € million
Output volume	4,052	3,399	+19	4,912
Orders received	4,409	3,977	+11	5,216
Order backlog	5,547	5,436	+2	5,168
EBITA	+41	+22	+86	+74
EBT before exceptional items	+37	+34	+9	+85
Net profit before exceptional items	+23	+26	-12	+60
Exceptional items	+75 ²	+55 ^{1,3}	+36	+55 ³
Net profit after exceptional items	+98	+81 ¹	+21	+115
Earnings per share before exceptional items (€)	+0.62	+0.72	-14	+1.66
Earnings per share after exceptional items (€)	+2.70	+2.23 ¹	+21	+3.16
Cash earnings according to DVFA/SG	+100	+82	+22	131
Capital expenditure	65	230	-72	324
thereof, property, plant and equipment	55	43	+28	71
thereof, financial assets	10	187	-95	253
Workforce	49,656	52,157	-5	50,277

¹ For comparability reasons, the precautionary provisions set up in the fourth quarter of 2002 have been included in a pro-forma calculation for the third quarter.

² Balance of capital gain in an amount of €238 million from the sale of Buderus shares and precautionary provisions totaling €190 million, plus deferred taxes in an amount of €28 million.

³ Balance of capital gain in an amount of €161 million from the sale of Dresdner Bank shares and precautionary provisions totaling €125 million, plus deferred taxes in an amount of €18 million.

Output volume by business segments

	Q3 2003 € million	Q3 2002 € million	Change %	Year 2002 € million
Civil	1,481	1,445	+2	1,991
Building and Industrial	1,417	1,473	-4	1,957
Project Development and Concessions	148	109	+36	247
Services	967	314	+208	697
Environmental	116	133	-13	187
Consolidation, other	-77	-74		-167
	4,052	3,399	+19	4,912

EBITA by business segments

	Q3 2003 € million	Q3 2002 € million	Change %	Year 2002 € million
Civil	+18	+22	-18	+43
Building and Industrial	+2	+3	-33	+8
Project Development and Concessions	-2	-4		-2
Services	+26	+9	+189	+26
Environmental	+2	+1	+100	+3
Consolidation, other	-5	-9		-4
	+41	+22	+86	+74

significantly due to some major projects. An EBIT margin of at least 3% is expected. Abigroup specializes in civil engineering and would be an ideal complement to Boulderstone Hornibrook, an Australian company that has belonged to Bilfinger Berger since 1993. Through this acquisition, we intend to form the second biggest construction group in the Australian continent.

As we previously announced, we are also expanding our activities in the United States of America. Through our US-subsi-dary, Fru-Con, Bilfinger Berger is acquiring the services company Centennial Contractors Enterprises Inc. This company is based in Vienna, Virginia, and is one of the leading providers of job-order contracting services. These services involve repair, maintenance and extension work on buildings, carried out on the basis of long-term framework agreements. The company has a 15% share of its particular segment and is active all over the United States. With a workforce of 300 persons, Centennial generated an output volume of €150 million in its latest financial year, and will exceed the EBIT margin of 4% which Bilfinger Berger has set itself as a goal for the services business. Fru-Con is already successful in the services business as a service partner for well-known industrial companies. Centennial is an excellent complement to these service activities in the US market.

As we previously reported, we have separated from our building-material activities with 380 employees and an output volume of nearly €50 million. The sale of this unit to the British Tarmac Group will take effect after receiving the approval of the anti-trust authorities.

Our operating profit (EBITA) for the first nine months of 2003 nearly doubled compared with the same period of last year. Falling interest rates led to lower net interest income. Goodwill amortization increased as a result of acquisitions in the field of services. Pre-tax income before exceptional items (EBT) rose to €37 million (Jan.-Sep. 2002: €34 million). Net profit before exceptional items amounted to €23 million (Jan.-Sep. 2002: €26 million).

The sale of our Buderus shares gave rise to a tax-free capital gain of €238 million in the third quarter. Like last year, strengthening our balance-sheet by forming additional provisions once again takes priority with the utilization of this income: In view of the continuing weakness of the German real-estate market, Bilfinger Berger is withdrawing from real-estate activities. In the future, we will limit ourselves to packaging projects without putting own capital at risk. In order to reduce capital employed quickly, 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 create the right conditions for the quicker disposal of the properties. Furthermore, in order to protect against the potential political and economic risks connected with our activities in developing countries and emerging markets, we have set up a provision from the capital gain in an amount of €45 million. In addition, a provision of €25 million has been formed for capacity adjustments in the construction business and for adjustments to our portfolio of shareholdings. And to safeguard against the possible negative influences of future impairment tests, as well as current goodwill amortization, we have also carried out a precautionary special write-down of €30 million. When the year-end financial statements are prepared, a decision will be taken

on the use of the remaining capital gain of €75 million after accounting for the aforementioned precautionary provisions and deferred taxes.

The financial position and capital structure of Bilfinger Berger remain sound. The Group's equity-to-total-assets ratio is 30%. At the end of September, cash and marketable securities, including the cash inflow from the sale of the Buderus shares, amounted to €1,057 million. Liabilities to banks – excluding non-recourse financing – amounted to €222 million.

Capital expenditure on property, plant and equipment increased to €55 million. Financial investment was lower than in the prior-year period, in which we acquired Rheinhold & Mahla, HSG and Wolfferts.

Whereas the number of employees in the services segment has risen, we have reduced staffing levels in the other business segments. In total, at September 30, 49,656 persons were employed, a reduction of 5% compared with the prior year.

For full-year 2003, we expect an output volume in the region of €5.5 billion (2002: €4.9 billion). Operating profit will again increase significantly, taking into account the aforementioned exceptional items, net profit will once again exceed the unusually high level achieved in the prior year.

Since the beginning of the year, our share price has shown an above-average performance, and was listed above €25 in the middle of November. Market capitalization amounted to more than €900 million. We are convinced that our share price has further potential due to the consistent implementation of our strategy and continuously rising earnings. This opinion is shared by many institutional investors in Germany and abroad.

Developments in our business segments

At the beginning of the year 2003, we altered our business-segment structure; the comparative figures for 2002 have been adjusted accordingly.

We are faced with difficult economic conditions in the markets of our Civil and Building and Industrial business segments. While demand is generally stagnating outside Germany, orders received by the construction industry in Germany are still declining dramatically. At present, there is nothing to indicate that an upturn will come next year. Bilfinger Berger's dependence on the domestic construction industry continues to decrease, this year its share of our output volume will fall to about 25%. However, we aim to grow in selected international markets. The focus of our private-sector operator activities is currently on the United Kingdom and Australia. In the Services business segment, demand for the repair and maintenance of industrial plants will rise due to the growing trend towards outsourcing such work all over Europe. Our real-estate activi-

ties are also profiting from the fact that specialists are increasingly being contracted to perform demanding services.

Civil

The Civil business segment reports a stable level of output volume. Large infrastructure projects in international markets are typical of the business in this segment, with 80% of output volume generated abroad. Due to the business cycles of major projects, orders received decreased during the period under review, but they exceeded output volume.

The work started at the beginning of the year on the Cross City Tunnel in Sydney is making good progress. This private-sector solution being realized by our consortium has a volume of €520 million. The tunnel is to go into operation in the middle of 2005. In Taiwan, the 80-kilometer stretch of the Taiwan High Speed Railway being constructed by Bilfinger Berger is close to completion. This unusually demanding section of the new route between Taipei and Kaohsiung has a total volume of €1.3 billion and is proving a success in both technical and financial terms. The bridges under construction by our US subsidiary, Fru-Con, such as the cable-stayed bridge over the Maumee River in Ohio or the Four Bears Bridge in North Dakota, are progressing according to schedule. The US government recently increased the funds available for infrastructure expansion by \$17 billion, which will boost demand. The complex foundation works for the waste disposal plant that Bilfinger Berger and its French subsidiary, Razel, are building south of Paris are making good progress. Most of the plant, which has an order volume of €210 million, will be an underground construction with top cover, the containing walls reach to a depth of 70 meters. At the beginning of October 2003, the Magdeburg waterway intersection was opened, one of the most important infrastructure projects resulting from German reunification. Bilfinger Berger played a leading role in the realization of this project. And in November, we received the contract for the key section of the new north-south urban subway in Cologne. A consortium under

Key figures for Civil

	Q3 2003 € million	Q3 2002 € million	Change %	Year 2002 € million
Output volume	1,481	1,445	+2	1,991
Orders received	1,525	1,868	-18	2,237
Order backlog	2,515	2,642	-5	2,471
Capital expenditure	41	39	+5	52
EBITA	+18	+22	-18	+43
Workforce	24,881	25,785	-4	25,959

our leadership is to construct a technically challenging tunnel in a situation offering little space to work in the crowded inner-city. The total volume of this project amounts to €390 million, our share of the contract is €130 million.

In the Civil business segment we anticipate a stable output volume of €2.0 billion for the full year. We again expect a good level of earnings, which will be slightly lower than in the prior year, however, due to sluggish developments in some of our foreign markets.

Building and Industrial

The figures reported by the Building and Industrial business segment are little changed from those for the same period of last year. Output volume is almost equally split between Germany and our international markets.

Demand in Germany continues to decline. In view of the continuing low-price situation, we select our projects according to strict criteria. Recently we received an order from Allianz AG for the first construction phase of the Europa Passages in Hamburg. Consistent contract selection and strong customer relationships guarantee the success of our domestic building-construction units despite the lack of improvement in the general situation.

In Australia, demand is again growing steadily. In the field of building construction, our subsidiary Baulderstone Hornibrook is profiting more than the industry as a whole from this development. Among other contracts, the company has received an order to construct an office complex worth €110 million for ABN Amro Bank in Brisbane.

Fru-Con, our US subsidiary, has been a reliable partner for demanding industrial customers for many years. One of its specialties is the construction of power stations. In August, the company received an order to construct a combined gas and steam-turbine power station in Sacramento, California, with an output of 500 megawatts. The project volume amounts to €100 million. Fru-Con has the benefit of many years' experience in the construction, equipping, startup, maintenance and operation of power stations.

Key figures for Building and Industrial

	Q3 2003 € million	Q3 2002 € million	Change %	Year 2002 € million
Output volume	1,417	1,473	-4	1,957
Orders received	1,508	1,546	-2	1,934
Order backlog	1,740	1,757	-1	1,649
Capital expenditure	7	3	+133	4
EBITA	+2	+3	-33	+8
Workforce	8,001	8,283	-3	7,706

Key figures for Project Development and Concessions

	Q3 2003 € million	Q3 2002 € million	Change %	Year 2002 € million
Output volume	148	109	+36	247
Orders received	163	111	+47	316
Order backlog	241	159	+52	226
Capital expenditure	0	0	0	48
EBITA	-2	-4		-2
Workforce	79	112	-29	99

For full-year 2003 we expect an output volume of €1.9 billion for the Building and Industrial business segment, and positive earnings at a similar level to last year.

Project Development and Concessions

After the termination of project development, from the beginning of next year, this business segment will comprise solely our private-sector concession activities. Our main target markets are the Anglo-Saxon countries and the industrialized countries of continental Europe. These markets offer the best conditions for the successful realization of BOT (build-operate-transfer) projects. We are concentrating on projects in the field of transport infrastructure and public-sector building construction.

In the United Kingdom, the first school and hospital projects realized by Bilfinger Berger have gone into operation and are hitting the required financial targets. We are preferred bidder for two additional school buildings in England and for two prisons in Australia, and expect to conclude the concession agreements by the end of the year.

Key figures for Services

	Q3 2003 € million	Q3 2002 € million	Change %	Year 2002 € million
Output volume	967	314	+208	697
Orders received	1,236	391	+216	679
Order backlog	1,014	825	+23	745
Capital expenditure	19	178	-89	208
EBITA	+26	+9	+189	+26
Workforce	15,095	14,166	+7	14,771

Key figures for Environmental

	Q3 2003 € million	Q3 2002 € million	Change %	Year 2002 € million
Output volume	116	133	-13	187
Orders received	128	167	-23	229
Order backlog	195	153	+27	161
Capital expenditure	1	2	-50	2
EBITA	+1	+1	0	+3
Workforce	899	1,111	-19	1,068

The significance of public-private partnerships will increase in Germany, not only for infrastructure projects, but also for public-sector building construction. With the reference projects, Herrentunnel in Lübeck and the British Embassy in Berlin, Bilfinger Berger is well positioned to profit from the growing acceptance of private-sector solutions in Germany.

In full-year 2003, we expect an output volume of around €0.2 billion for the Project Development and Concessions business segment. Our private-sector concession activities will make a positive contribution to earnings. We once again anticipate a negative result from our real-estate development, which we are now terminating. For the entire business segment we expect earnings at a similar level to the prior year.

Services

The Services business segment, which was established last year, makes a major contribution to the Group's earnings. In Europe's dynamic market for industrial services, our subsidiary, Rheinhold & Mahla, is one of the leading providers of repair-and-maintenance services for production facilities. After the end of the third quarter, Rheinhold & Mahla was awarded the

contract for the maintenance of five facilities of the Warsaw Electricity and Heating Plants, which belongs to the Vattenfall Group. On the basis of a long-term framework agreement, in the next five years maintenance work worth €80 million will be provided. In addition, we acquired Arnholdt Services, a company providing industrial scaffolding services, in October. This company generated an output volume of €60 million in its last financial year, and extends the range of industrial services provided by Rheinhold & Mahla. In the United States, our subsidiary, Fru-Con, has been successfully active as a service partner for well-known industrial clients for decades now. This position will be further strengthened by our acquisition of Centennial. In Germany, our subsidiary, HSG, is one of the leading companies for integrated real-estate services. This company was recently awarded the contract to take over the facility management for twelve locations of Citibank Privatkunden AG.

Through the first consolidation of Rheinhold & Mahla and HSG for a full financial year, we expect the Services business segment to increase its output volume to around €1.3 billion and to achieve substantial growth in earnings.

Environmental

Our subsidiaries active in the Environmental business segment specialize in the engineering, construction and operation of water-purification and sewage plants as well as the decontamination of soil. Through the systematic internationalization of our activities, the proportion of business done abroad has risen to 50%, thus largely compensating for ongoing weak demand in the domestic market. An additional important factor is the cooperation with other companies of the Group, for example, in building and equipping sewage plants or soil decontamination.

On this basis we expect the Environmental business segment to achieve a constant output volume of €0.2 billion for full-year 2003, with increasing positive earnings.

Interim financial statements

The interim consolidated financial statements as of September 30, 2003 have been prepared in accordance with the regulations of the International Accounting Standards Board (IASB), London, as were the consolidated financial state-

ments for 2002. The details given in the notes to the 2002 consolidated financial statements of our accounting and valuation methods, which have been applied without any changes, therefore still apply.

Consolidated income statement

€ million	Jan. 1 - Sept. 30		July 1 - Sept. 30	
	2003	2002	2003	2002
Sales revenues / Changes in inventories	3,418	2,667	1,262	1,037
Other operating income	69	51	33	32
Cost of materials	-2,077	-1,696	-764	-663
Personnel expenses	-962	-710	-330	-269
Depreciation	-59	-50	-20	-17
Other operating expenses	-348	-240	-150	-103
EBITA (Earnings before interest, taxes and goodwill amortization)	41	22	31	17
Exceptional gains	238	161	238	0
Exceptional expenses	-160	0	-160	0
EBITA after exceptional items	119	183	109	17
Goodwill amortization (thereof, from exceptional items: 30. prior year: 0)	-39	-2	-33	-1
EBIT (Earnings before interest and taxes)	80	181	76	16
Income from investments	13	15	2	7
Net interest income	-8	-1	-2	-4
EBT (Earnings before taxes)	85	195	76	19
Taxes on income and earnings	16	-7	17	-5
Minority interests	-3	-1	-3	-1
Net profit	98	187	90	13
Average number of shares in thousands	36,444	36,362	36,554	36,362
Earnings per share, basic (€)	2.70	5.14	2.46	0.36
Earnings per share, diluted (€)	2.69	5.12	2.45	0.36
Earnings adjusted to exclude exceptional items				
EBIT	32	20	28	16
EBT	37	34	28	19
Net profit	23	26	15	13
Earnings per share, basic (€)	0.62	0.72	0.41	0.36
Earnings per share, diluted (€)	0.62	0.71	0.41	0.36

The increase in the income and expense items was a result of consolidating the service companies, Rheinhold & Mahla and HSG, which were acquired in August 2002. Income from investments includes for the last time earnings from the at-equity consolidation of our shareholding in Buderus. The interim financial statements as of September 30, 2003 are affected, as in the prior year, by exceptional items, which are described

in the *Corporate Developments* section of this interim report. It is necessary to consider the fact that last year's charges for exceptional items of €125 million and deferred taxes assets of €18 million only took effect in the fourth quarter. For this reason the third-quarter results are not comparable. We have therefore decided to show an adjusted pro-forma calculation in the table *Key figures for the Group*.

Consolidated balance sheet

€ million

Sept. 30, 2003

Dec. 31, 2002

	Sept. 30, 2003	Dec. 31, 2002
Assets		
Fixed assets		
Intangible assets	177	212
Property, plant and equipment	530	554
Financial assets	108	420
	815	1,186
Current assets		
Inventories	384	412
Receivables and other assets	1,193	1,191
Cash and marketable securities	1,057	772
	2,634	2,375
Deferred tax assets	80	72
	3,529	3,633
Liabilities and shareholders' equity		
Shareholders' equity	1,071	1,012
Minority interests	18	21
Provisions		
Provisions for pensions and similar obligations	191	188
Other provisions	489	456
	680	644
Liabilities		
Liabilities to banks ¹	372	456
Other liabilities	1,361	1,459
	1,733	1,915
Deferred tax liabilities	27	41
	3,529	3,633

¹ Thereof, non-recourse financing of €150 million
(December 31, 2002: €144 million)

Consolidated statement of cash flows

€ million	Jan. 1 - Sept. 30, 2003	Jan. 1 - Sept. 30, 2002
Cash earnings according to DVFA/SG	100	82
Change in working capital	-208	-161
Cash flow from operating activities	-108	-79
Cash flow from investing activities	504	49
Cash flow from financing activities	-115	-162
Change in cash and marketable securities	281	-192
Other adjustments to cash and marketable securities	4	-15
Cash and marketable securities at January 1	772	802
Cash and marketable securities at September 30	1,057	595

With positive cash earnings of €100 million, the cash flow from operating activities was still negative at -€108 million (prior year: -€79 million) due to a typical seasonal increase in net current assets. This is caused not only by an increase in inventories and receivables, but mainly by reductions in liabilities and provisions. The cash inflow from investing activities of +€504 million (prior year: +€49 million) includes proceeds of €551 million from the sale of our shareholding in Buderus

AG. The prior-year figure was affected by a cash inflow from the sale of our Dresdner Bank shares in an amount of €262 million and by investments in financial assets for the acquisition of the companies, Rheinhold & Mahla, HSG and Wolfferts. The cash outflow from financing activities was partly a result of the dividend distribution, but mainly of capital repayments on loans.

Statement of changes in shareholders' equity

€ million	Subscribed capital	Additional paid-in capital	Retained earnings	Other comprehensive income ¹	Unappropriated retained earnings	Total
Balance at January 1, 2002	109	522	288	171	20	1,110
Contributions to capital	0	0	0	0	0	0
Dividend distributions	0	0	0	0	-20	-20
Net profit	0	0	0	0	187	187
Other changes	0	0	-2	-187	0	-189
Balance at September 30, 2002	109	522	286	-16	187	1,088
Balance at January 1, 2003	109	522	355	-11	36	1,011
Contributions to capital	1	0	0	0	0	1
Dividend distributions	0	0	0	0	-36	-36
Net profit	0	0	0	0	98	98
Other changes	0	0	0	-3	0	-3
Balance at September 30, 2003	110	522	355	-14	98	1,071

¹ Reserves from the fair valuation of securities, hedging transactions and currency translation.



Financial calendar

2004

February 19	Preliminary Figures for the year 2003
April 22	Financial statements press conference
April 22	Analyst conference
May 26	Annual General Meeting*

* Congress Center
Rosengarten,
Mannheim, 10 a.m.

Investor Relations

Andreas Müller
Phone +49-621-4 59-23 12
Fax +49-621-4 59-27 61
e-mail: skle@bilfinger.de

Corporate Communications

Michael Weber
Phone +49-621-4 59-24 64
Fax +49-621-4 59-25 00
e-mail: mweb@bilfinger.de