



Interim Report Q2 2006

Business review

- **Increase in operating profit before exceptional items**
- **Burden from adjustments in concessions portfolio**
- **Ongoing growth in the Services segment**

In the first half of 2006, Bilfinger Berger significantly increased its output volume, orders received, order backlog and operating profit before exceptional items.

In our concessions business, traffic figures for the two toll projects Cross City Tunnel, Sydney and Herren Tunnel, Lübeck are, after ten months of operation, still below expectations. This has led us to make a change in our strategic direction: in the future, we will only participate in privately financed transportation infrastructure projects involving limited risk from traffic volumes. As a result, we have completely written-off or sold our existing interests in toll projects. In total, this resulted in a one-time charge on earnings of €53 million in the period under review. The write-off does not lead to any cash outflow, whereas the disposal leads to a cash inflow after the reporting date.

Following the takeovers of Serimo and Ahr, we continued our acquisition activities in the Services segment as the year progressed. At the beginning of the third quarter, we took over Essener Hochdruck-Rohrleitungsbau (EHR), a leading supplier of high-pressure piping systems for power plants. We also acquired the British Salamis Group, further strengthening our position in the repair and maintenance of North Sea oil rigs.

Our services business is now clearly focused on Industrial Services, Power Services and Facility Services. We intend to continue our growth in these divisions.

Significant increases in output volume, orders received and order backlog

The Group's first-half output volume increased by 9% to €3,636 million. Orders received of €4,675 million were 26% higher than in the first half of last year, and the order backlog rose by 17% to €8,109 million, surpassing the €8 billion mark for the first time.

Improved first-half earnings before exceptional items

Operating profit before exceptional items (EBITA) increased to €38 million for the first half (H1 2005: €28 million); interest income improved to €5 million (H1 2005: €3 million). Earnings before taxes reached €39 million (H1 2005: €29 million). Net profit for the first half increased to €21 million (H1 2005: €16 million).

Earnings burdened by portfolio adjustments

The adjustment of our concessions portfolio led to first-half EBITA falling to minus €15 million. The net result for the first half of the year fell to minus €36 million.

Earnings outlook for the full year

For full-year 2006, Bilfinger Berger plans to achieve a total output volume of more than €7.5 billion. According to our current planning, the charge on earnings from the adjustment of our concessions portfolio will be countered by positive effects in the further course of the year. We anticipate a

Key figures for the Group

€ million	H1 2006	H1 2006 <i>before exceptional items</i>	H1 2005	Δ in %	FY 2005
Output volume	3,636		3,339	+9	7,061
Orders received	4,675		3,700	+26	7,545
Order backlog	8,109		6,915	+17	7,001
EBITA	-15	+38	+28		+115
Earnings before taxes	-14	+39	+29		+115
Net profit	-36	+21	+16		+66
Earnings per share (in €)	-0.97	+0.56	+0.45		+1.80
Capital expenditure	116		200	-42	330
thereof, property, plant, equipment	52		42	+24	102
thereof, financial assets	64		158	-59	228
Employees	55,508		55,071	+1	55,346

Relative performance of our shares



renewed increase in EBITA and net profit for the full year, and a return on capital employed of more than 11%, provided these effects materialize.

Financial situation and capital structure

The sound financial situation and healthy capital structure continue to form a strong basis for the Group's ongoing development. Cash and cash equivalents decreased to €555 million as of June 30, 2006, as expected. This was primarily due to the intra-year increase in working capital that is typical of our business, as well as the investments we made. Liabilities to banks – excluding project financing on a non-recourse basis – amounted to €127 million. The equity ratio amounted to 24%, excluding non-recourse loans about 30%.

Capital expenditure on property, plant and equipment amounted to €52 million. Investments in financial assets during the first six months of the year totaled €64 million. €49 million of this total was for acquisitions, mainly for the purchase of the two services companies Ahr and Serimo. Equity contributions to privately financed concession companies amounted to €15 million. The purchase of EHR and Salamis will take effect in the third quarter of the year.

Increased number of employees in services business

As of June 30, 2006, the Bilfinger Berger Group employed 55,508 people (June 30, 2005: 55,071). The number of people employed by the Services seg-

ment increased to 25,804 (June 30, 2005: 21,249). The number of persons employed in the construction business decreased to 29,165 (June 30, 2005: 33,146); in Germany the number decreased further to 5,503 (June 30, 2005: 5,683). In total, the Group employed 18,526 people in Germany (June 30, 2005: 15,191) and 36,982 in its other markets (June 30, 2005: 39,880).

Development of our share price

Share-prices were volatile in the first half of 2006. At first, the general trend was clearly upwards – many share prices peaked at the beginning of May. However, most prices have meanwhile fallen back to around the level of the beginning of the year. Markets are sensitive due to speculation about further increases in interest rates, the possibility of weaker economic growth and the crisis in the Middle East.

The price of Bilfinger Berger shares developed significantly better than the market as a whole from January until the end of April, posting a 35% increase. But in the following months our shares were unable to resist the general trend. The share price was also burdened by media coverage of the Cross City Tunnel situation.

A substantial increase in trading volume in our shares is evidence of the stock market's active interest in our stock. It is now quoted at the same level as at the beginning of the year.

Developments in our business segments

Overview of output volume and order situation

€ million	H1 2006	Δ in %	H1 2006	Δ in %	H1 2006	Δ in %	FY 2005
	Output volume		Orders received		Order backlog		Output volume
Civil	1,270	-4	2,287	+63	4,200	+32	2,747
Building and Industrial	1,124	+20	936	-16	1,992	-11	2,081
Services	1,242	+24	1,446	+25	1,918	+30	2,250
Consolidation, other	0		+6		-1		-17
	3,636	+9	4,675	+26	8,109	+17	7,061

EBITA by business segment

€ million	H1 2006	H1 2006 <i>before exceptional items</i>	H1 2005	FY 2005
Civil	+4	+4	+7	+50
Building and Industrial	+5	+5	+2	-14
Services	+42	+42	+30	+90
Concessions	-58	-5	-3	+4
Consolidation, other	-8	-8	-8	-15
	-15	+38	+28	+115

Civil

- **Active demand in international markets**
- **Growing synergies with the concessions business**

Orders received by the Civil business segment were considerably higher than in the first six months of the prior year. Output volume decreased slightly, and EBITA amounted to €4 million (H1 2005: €7 million). The effects of the hard winter were not yet fully compensated for in the second quarter.

In Australia, we profited from the ongoing strong demand for the development of transportation infrastructure. Further orders received in the magnitude of €700 million are from our concessions business. They apply to the Golden Ears Crossing in Vancouver, the Westlink highway project in Belfast and the E18 highway in Norway. We continue to see good prospects in the Gulf region, where we received an order at the beginning of the year to extend the Doha urban highway in the Emirate of Qatar.

The upturn in the construction industry in Germany has not yet led to any perceptible effects on our business due to the continuation of unsatisfactory price levels.

For full-year 2006, we expect the Civil business segment to achieve output volume and earnings at similar levels to the year 2005.

Building and Industrial

- **Significantly positive EBITA planned**
- **Selective bidding approach in Australia**

In the Building and Industrial business segment, output volume increased in all of our core markets. The lower volume of orders received is primarily due to our cautious approach to the selection of new projects in Australia. EBITA increased to €5 million (H1 2005: €2 million).

There was a certain revival in demand for commercial construction in Germany, which is beginning to have a positive impact on the volume of orders received by our building-construction

units. For example, we recently received an order for the turn-key construction of a shopping center in Essen's city core with a project volume of €150 million. Floor space of around 70,000 square meters will accommodate more than 200 retail units.

We completed the modernization and expansion of Schloss Fuschl Hotel near Salzburg on schedule. Together with the client, we had already optimized this complex project in the planning phase. The customer's high demands were fulfilled within a very tight timeframe. Our consulting, construction and services offering bundled under the i.volution brand thus once again demonstrated its high performance.

In full-year 2006, we plan for our Building and Industrial business segment to achieve an output volume at the same magnitude as in 2005 and a significantly positive EBITA.

Key figures for Civil

€ million	H1 2006	H1 2005	Δ in %	FY 2005
Output volume	1,270	1,326	- 4	2,747
Orders received	2,287	1,403	+ 63	2,984
Order backlog	4,200	3,183	+ 32	3,344
Capital expenditure on P, P & E	34	25	+ 36	65
EBITA	+ 4	+ 7	- 43	+ 50

Key figures for Building and Industrial

€ million	H1 2006	H1 2005	Δ in %	FY 2005
Output volume	1,124	938	+ 20	2,081
Orders received	936	1,114	- 16	2,122
Order backlog	1,992	2,231	- 11	2,095
Capital expenditure on P, P & E	3	2	+ 50	8
EBITA	+ 5	+ 2	+ 150	- 14

New structures in the services business

The Services business segment has grown fast as a result of acquisitions in recent years; its output volume will increase to €2.7 billion in 2006. The focus of its business on industrial services, power services and facility services creates a platform for further targeted expansion.

Bilfinger Berger Industrial Services offers our customers, primarily those in the process industry (chemicals, petrochemicals, oil and gas), a comprehensive range of services comprising the repair, maintenance and modernization of production plants. In this business, we are profiting from a worldwide trend to outsource technical services to specialized companies. We will generate an output volume of €1.6 billion with Industrial Services this year.

Bilfinger Berger Power Services provides services for power plants, not only repair and maintenance, but also efficiency enhancements and lifetime extension. This unit has excellent prospects due to the rising demand for energy, the growing need for plant rehabilitation and stricter regulations for environmental protection. For this division we plan an output volume of €500 million in full-year 2006.

Bilfinger Berger Facility Services offers all kinds of services for property and real estate, from individual solutions through to integrated services. We provide sophisticated services in the health-care sector as well as the maintenance and operation of complex building equipment and the portfolio and asset management of entire real-estate portfolios. The output volume generated by this division will reach €600 million this year.

Services

- Further growth in volume of business
- Disproportionately high increase in earnings
- Continued targeted expansion

The Services business segment continued to post strong growth rates for output volume, orders received and order backlog. EBITA increased at an even higher rate to €42 million (H1 2005: €30 million). In organic terms, output volume and earnings grew by a good 5%.

Following the acquisition of the company Essener Hochdruck-Rohrleitungsbau, we are now able to offer the entire value chain for complex power-plant piping systems – from design, delivery and installation to repair, maintenance and turnarounds. EHR works on conventional and nuclear power plants, industrial plants and municipal heating networks. In the current financial year, the company will generate an output volume of €160 million.

We also further strengthened our position in the repair and maintenance of North Sea oil rigs. Our subsidiary Rheinhold & Mahla, which is already one of the leading service companies in the Norwegian offshore business, has acquired the Salmis Group, based in Aberdeen. This company has a share of more than 40% of the British market and undertakes work for renowned companies in the oil and gas industry. Salmis reported an output volume of more than €160 million last year.

EHR and Salmis will be consolidated by the Bilfinger Berger Group as of the beginning of the third quarter.

For full-year 2006, we expect the Services business segment to increase its output volume to €2.7 billion and to achieve another significant increase in EBITA.

Concessions

- **Realignment of concessions business**
- **Earnings burdened by portfolio adjustments**

In our Concessions business we will, in the future, participate only in transportation infrastructure projects involving a limited risk from traffic volumes. For this reason, we have sold our interest in the Westlink M7 motorway in Sydney. After ten months in operation, traffic figures for the remaining toll projects, Cross City Tunnel in Sydney and Herren Tunnel in Lübeck, are still below expectations. For the sake of prudence, we completely wrote-off our interests in these projects. Irrespective of these developments, together with our partners we continue to endeavor to lead these projects to long-term success. Net of the capital gain from the disposal, the write-off results in a one-time charge on earnings of €53 million.

Due to intensive bidding activities in the first half of the year, Concessions' operating result amounted to minus €5 million (H1 2005: minus €3 million), so that the business segment posted an EBITA of minus €58 million after exceptional items.

Due to the write-off and disposal, the segment's committed equity decreased to €142 million, with new additions of €57 million in the first half of 2006. Equity paid into project companies amounted to €52 million on the reporting date. After the portfolio adjustments, net present value is approximately €100 million. Bilfinger Berger thus has a valuable concessions portfolio with a positive and secure earnings outlook.

In June, Bilfinger Berger reached the financial close on its first privately financed project in Scandinavia: A consortium under the Group's leadership will finance, design, construct and operate a 38-kilometer section of the E18 highway in Norway. The investment volume totals €450 million, and Bilfinger Berger's equity commitment is approximately €9 million. The project company, in which the Group holds a 50% interest, will take over the operation and maintenance of the section of highway for a period of 25 years in return for a fixed fee paid by the Norwegian government.

In Hungary, the 58-kilometer M6 highway south of Budapest has gone into operation. The concession company for this project, in which Bilfinger Berger holds a 40% stake, will secure the availability of this highway for the next 20 years in return for a fixed fee paid by the Hungarian government.

We pursue a long-term growth strategy in the privately financed concessions business. Bilfinger Berger will achieve stable cash flows and an attractive return on equity from its portfolio over the term of the projects. We also intend to realize capital gains from the sale of mature projects.

Key figures for Services

€ million	H1 2006	H1 2005	Δ in %	FY 2005
Output volume	1,242	1,003	+ 24	2,250
Orders received	1,446	1,160	+ 25	2,441
Order backlog	1,918	1,481	+ 30	1,568
Capital expenditure on P, P & E	13	12	+ 8	27
EBITA	+ 42	+ 30	+ 40	+ 90

Key figures for Concessions

€ million	H1 2006	H1 2005	FY 2005
Projects in portfolio	17	17	17
thereof, under construction	8	12	8
Committed equity	142	186	177
thereof, paid-in	52	117	130
EBITA	- 58	- 3	+ 4

Interim financial statements

The interim financial statements as of June 30, 2006 have been prepared in accordance with the guidelines of the International Accounting Standards Board (IASB), London, as were the year-end financial statements for 2005. The accounting and valuation methods explained in the notes to the consolidated financial statements for 2005 have been applied unchanged.

Consolidated income statement

€ million	H1		Q2	
	2006	2005	2006	2005
Sales revenues	3,451	2,870	1,936	1,690
Other operating income	66	55	37	27
Cost of materials	-2,239	-1,786	-1,273	-1,057
Personnel expenses	-898	-807	-469	-452
Depreciation	-46	-43	-24	-22
Other operating expenses	-349	-261	-219	-153
EBITA	-15	28	-12	33
Amortization of intangible assets from acquisitions	-4	-2	-2	-2
EBIT	-19	26	-14	31
Net interest result	5	3	2	2
Earnings before taxes	-14	29	-12	33
Income taxes	-18	-11	-19	-13
Earnings after taxes	-32	18	-31	20
Minority interest	-4	-2	-3	-1
Net profit	-36	16	-34	19
Average number of shares, basic (in thousands)	37,196	36,820	37,196	36,900
Average number of shares, diluted (in thousands)	37,196	37,120	37,196	37,170
Earnings per share, basic (in €)	-0.97	0.45	-0.90	0.53
Earnings per share, diluted (in €)	-0.97	0.45	-0.90	0.53

While output volume increased by 9% to €3,636 million, sales revenues actually rose by 20% to €3,451 million. One reason for this development was the significantly higher proportion of business done in joint ventures in the prior year, which is solely reflected in our output volume and not in our sales revenues. The increase in expense and income items was also due to organic growth and the effects of first-time consolidation.

The charge on earnings of €53 million from the adjustment of our concessions portfolio led to a disproportionately high increase in other operating expenses and to a decrease in EBITA to minus €15 million. Without this exceptional item, EBITA would have amounted to €38 million (H1 2005: €28 million).

It is necessary to take into consideration the fact that the method of calculating EBITA for concession projects was changed at the end of 2005. Interest income and expenses relating to conces-

sion projects are now included in the Concessions business segment's EBITA. In the first half of 2006, this led to a reduction of €3 million in EBITA and an increase in the net interest result of the same amount. The figures for the first half of 2005 have been adjusted for comparability. The change has no impact on earnings before taxes or net profit.

Scheduled amortization of €4 million was carried out on intangible assets from acquisitions (H1 2005: €2 million). The net interest result increased to €5 million (H1 2005: €3 million). Income taxes amounted to €18 million (H1 2005: €11 million), whereby the impairments of our interests in the concession projects Cross City Tunnel and Herren Tunnel are not tax deductible. After taxes and minority interest, there was a net loss of €36 million (H1 2005: net profit of €16 million).

Consolidated balance sheet

€ million	June 30, 2006	Dec. 31, 2005
Assets		
Non-current assets		
Intangible assets	624	593
Property, plant and equipment	516	512
Financial assets	951	712)
thereof, receivables from concession projects	(835)	(525)
thereof, shares in associated companies	(40)	(88)
thereof, investment properties	(34)	(34)
Fixed assets	2,091	1,817
Deferred tax assets	133	135
	2,224	1,952
Current assets		
Inventories	460	385
Receivables and other assets	1,307	1,188
Cash and marketable securities	555	832
	2,322	2,405
	4,546	4,357
Shareholders' equity and liabilities		
Shareholders' equity		
Shareholders' equity before minority interest	1,073	1,162
Minority interest	29	27
	1,102	1,189
Non-current liabilities		
Pension provisions	131	130
Other provisions	107	105
Financial liabilities, recourse	90	87
Financial liabilities, non-recourse	787	485
Other liabilities	17	17
Deferred tax liabilities	83	75
	1,215	899
Current liabilities		
Accruals	454	470
Financial liabilities, recourse	37	41
Financial liabilities, non-recourse	20	10
Other liabilities	1,718	1,748
	2,229	2,269
	4,546	4,357

The increase in financial assets and the resulting increase in the balance-sheet total were caused by the ongoing growth of receivables from concession projects due to the expansion of our PPP business.

On the liabilities side, there was a corresponding increase in non-recourse debt

Consolidated statement of cash flows

€ million	H1 2006	H1 2005
Cash earnings	78	61
Changes in working capital	-218	-317
Cash flow from operating activities	-140	-256
Cash flow from investing activities	-92	-192
thereof, property, plant and equipment	-45	-36
thereof, financial assets	-47	-156
Cash flow from financing activities	-37	-49
Change in cash and marketable securities	-269	-497
Other adjustments to cash and marketable securities	-8	8
Cash and marketable securities at January 1	832	914
Cash and marketable securities at June 30	555	425

The cash flow from operating activities is generally negative in the first half of the year as a result of a seasonal increase in net current assets. Compared with the first half of last year, it improved to an outflow of €140 million (H1 2005: outflow of €256 million). This was due to a significantly lower increase in working capital.

The cash outflow for investing activities, net of proceeds from disposals of €24 million (H1 2005: €8 million), amounted to €92 million (H1 2005: €192 million). With property, plant and equipment,

capital expenditures of €52 million were partially offset by proceeds from disposals of €7 million. With financial assets, €49 million was applied for acquisitions in the field of services and €15 million for capital contributions in concession companies. Proceeds of €17 million were realized from disposals.

The cash outflow for financing activities of €37 million (H1 2005: €49 million) reflects the distribution of the dividend for the year 2005.

Currency-translation effects led to a reduction in cash and marketable securities of €8 million.

Statement of changes in shareholders' equity

€ million	Subscribed capital	Additional paid-in capital	Retained earnings	Other comprehensive income ¹	Unappropriated retained earnings	Minority interests	Total equity
Balance at January 1, 2005	110	523	461	-21	37	21	1,131
Contributions to capital	1	0	0	0	0	0	1
Dividend distributions	0	0	0	0	-37	0	-37
Earnings after taxes	0	0	0	0	16	2	18
Transfer to retained earnings	0	0	0	0	0	0	0
Currency adjustments	0	0	0	18	0	0	18
Other changes	0	0	0	-7	0	-5	-12
Balance at June 30, 2005	111	523	461	-10	16	18	1,119
Balance at January 1, 2006	112	523	492	-2	37	27	1,189
Contributions to capital	0	0	0	0	0	0	0
Dividend distributions	0	0	0	0	-37	0	-37
Earnings after taxes	0	0	0	0	-36	4	-32
Transfer to retained earnings	0	0	0	0	0	0	0
Currency adjustments	0	0	0	-14	0	0	-14
Other changes	0	0	0	-2	0	-2	-4
Balance at June 30, 2006	112	523	492	-18	-36	29	1,102

¹ Currency translation and reserves from fair valuation and hedging transactions



Financial calendar

2006

November 13 Interim Report Q3 2006

2007

March 21 Press conference on financial statements
Investors' and analysts' conference

May 14 Interim Report Q1 2007

May 23 Annual General Meeting*

August 9 Interim Report Q2 2007

November 13 Interim Report Q3 2007

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

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