

Interim Report Q3 2008



The Multi Service Group.

BILFINGER | **BERGER**

Group management report

- **Nine-month earnings increased**
- **Very good development of the services business**
- **Full-year earnings to be well above prior-year level**

During the first nine months of the year 2008, Bilfinger Berger continued along its successful path, irrespective of financial market upheavals and the general global economic downturn. The main pillar of our business development was ongoing strong growth in our services business. Earnings rose despite the one-time charge reported by the Civil business segment in the second quarter, and expected full-year earnings will also be well above the prior-year figure.

Further growth in output volume

Output volume in the first nine months of the year increased by 15% to €7,845 million. Orders received were 5% below the prior-year level at €8,160 million as a result of our caution in the construction business. Order backlog increased by 12% to €11,773 million due to the growth of the services business.

Nine-month earnings increased

EBITA for the first nine months of 2008 increased to €160 million (9M 2007: €148 million). Earnings before taxes amounted to €140 million (9M 2007:

€137 million), while net profit after taxes and minority interest increased to €90 million (9M 2007: €80 million).

Outlook: EBITA and net profit well above prior year

For full-year 2008, we anticipate growth in output volume to more than €10 billion and a further significant increase in earnings. The sale of Razel, which is expected to take effect in December, will result in a capital gain of €90 million. As reported, we also intend to establish a risk provision for the construction business. In total, we expect EBITA to surpass the originally projected amount of €260 million and to reach slightly over €300 million (9M 2007: €242 million). In terms of net profit in the full year, we anticipate a rise to more than the €140 million forecast, reaching approximately €185 million (9M 2007: €134 million). The return on capital employed will also be above the prior year figure of 18.7% and will once again significantly exceed the cost of capital of 10.5%.

Solid financial situation and capital structure

Bilfinger Berger's solid financial situation has not been affected by the ongoing crisis in the financial markets. The Group has no short-term refinancing needs. Sufficient sources of financing are available to us for the further development of our business.

Cash and marketable securities recorded an acquisition-related decrease to €607 million at September 30, 2008 (December 31, 2007: €796 million). Cash flow from operating activities of

Key figures for the Group

€ million	9M 2008	9M 2007	Δ in %	FY 2007
Output volume	7,845	6,815	+15	9,222
Orders received	8,160	8,633	-5	11,275
Order backlog	11,773	10,514	+12	10,759
EBITA	+160	+148	+8	+242
Earnings before taxes	+140	+137	+2	+228
Net profit	+90	+80	+13	+134
Earnings per share (in €)	+2.51	+2.15	+17	+3.60
Investments	566	166		268
thereof in P, P, & E	166	121	+37	204
thereof in financial assets	400	45		64
Employees	65,563	52,165	+26	52,723

€144 million (9M 2007: €127 million) surpassed the high figure for the prior-year period. There was a slight decrease in working capital during the year, instead of the increase which is typical for our business. This was due to repeated increases in advance payments, which were at very high levels at Civil and at Power Services.

Investments in financial assets amounted to €400 million (9M 2007: €45 million). Of this total, €343 million was utilized for acquisitions in the Industrial Services and Facility Services divisions. Equity contributions and loans for concession projects totaled €57 million. Capital expenditure on property, plant and equipment amounted to €166 million. These outflows were partially offset by cash inflows of €125 million from disposals, primarily from the sale of owner-occupied office buildings. The share buyback concluded in the first half of 2008 resulted in an outflow of €100 million, while the payment of the dividend for the year 2007 caused a cash outflow of €64 million. The sale of Razel will lead to a cash inflow of approximately €100 million in the fourth quarter of 2008.

Liabilities to banks, excluding project financing on a non-recourse basis, increased to €372 million at September 30, 2008 (December 31, 2007: €111 million). This was caused by a promissory note loan of €250 million that we placed at the beginning of the third quarter in connection with acquisitions and investments in concession projects.

Workforce expansion due to acquisitions in the services business

The Bilfinger Berger Group employed 65,563 persons at the interim balance sheet date (September 30, 2007: 52,165). 23,909 persons were employed in Germany and 41,654 were employed abroad (September 30, 2007: 20,487 and 31,678 respectively). The workforce growth is related to the expansion of the services business.

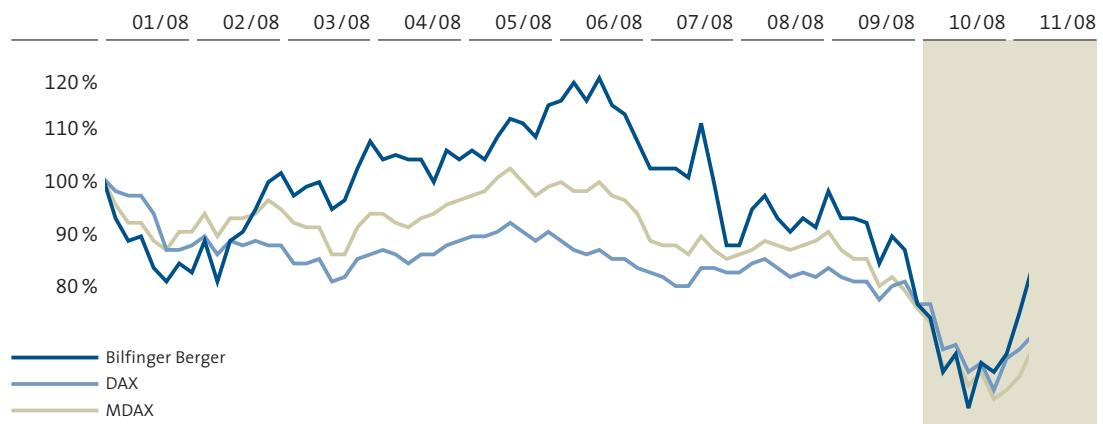
Opportunities and risks

No significant changes occurred with regard to opportunities and risks during the reporting period compared with the situation as described in Annual Report 2007. Provisions have been made for all recognizable risks. In our assessment there are no risks that would jeopardize the continued existence of the Group.

Share price development

In the third quarter of 2008, the development of capital markets was impacted by the worsening global financial market crisis. The economic slowdown intensified the negative stock-market trend. Share prices fell dramatically in September and October, interrupted only by brief phases of recovery. Since the beginning of the year, the DAX fell by 35%, the MDAX by 38% and Bilfinger Berger's share price by 20%.

Relative performance of our shares



Developments in the business segments

Overview of output volume and order situation	Output volume		Orders received		Order backlog		Output volume
	€ million	9M 2008	Δ in %	9M 2008	Δ in %	9M 2008	Δ in %
Civil	3,095	+14	3,084	-10	5,526	+4	3,647
Building and Industrial	1,503	+4	1,244	-36	2,109	-6	1,965
Services	3,274	+24	3,825	+17	4,144	+41	3,606
Consolidation, other	-27		7		-6		4
	7,845	+15	8,160	-5	11,773	+12	9,222

EBITA by business segment

€ million	9M 2008	9M 2007	Δ in %	FY 2007
Civil	-15	+31		+58
Building and Industrial	+2	+9	-78	+24
Services	+172	+124	+39	+180
Concessions	+2	-3		-2
Consolidation, other	-1	-13		-18
	+160	+148	+8	+242

Civil

- **Continued high utilization of capacities**
- **Concentration on selected markets**

The focus of the Civil business segment is on the successful processing of our strong order backlog. We continue to work under full utilization of our capacities. As a result of the one-time charge on earnings of €65 million in the second quarter, the segment posted an EBITA loss of €15 million (9M 2007: EBITA profit of €31 million).

We continue to encounter stable demand in our markets for civil engineering work. However, we will only accept new projects if they meet our risk and return criteria. This is reflected by decreasing levels of orders received.

In October, in view of general conditions on the French market and the corresponding limited development opportunities there, we sold our subsidiary, Razel. The company is active exclusively in France as well as in francophone Africa and is specialized in earthworks as well as road and tunnel construction. The buyer is Fayat S.A., France's fourth-largest construction company, which will further expand its market position with this acquisition.

In the Civil business segment, we anticipate an increase in output volume to €4.0 billion in full-year 2008. Due to the charge in the second quarter, we expect earnings of €15 million.

Building and Industrial

- **After-effects of old projects in Germany**
- **Focus on competing in terms of competence and quality**

The Building and Industrial business segment's output volume developed steadily, while orders received and order backlog were impacted by our highly cautious approach to the acceptance of new projects. Due to the after-effects of old projects in Germany, EBITA fell to €2 million (9M 2007: €9 million).

In new business, we are focused on projects in which we can apply our competence as early as the design phase and in which we can avoid pure price competition. The quality of our new orders

in Germany is clearly better, so the German Building division will once again make a positive contribution to segment earnings in the future. In Australia we sense a growing caution in commercial construction and in Germany we are prepared for demand to fall due to the worsening economic situation.

In the Building and Industrial business segment, we plan to achieve output volume totaling €2.0 billion in full-year 2008. Due to the effects of older projects in the German Building division, segment earnings will not reach the prior year level of €24 million.

Key figures for Building and Industrial

€ million	9M 2008	9M 2007	Δ in %	FY 2007
Output volume	1,503	1,448	+4	1,965
Orders received	1,244	1,943	-36	2,596
Order backlog	2,109	2,249	-6	2,385
Capital expenditure on P, P & E	10	5	+100	8
EBITA	+2	+9	-78	+24

Key figures for Civil

€ million	9M 2008	9M 2007	Δ in %	FY 2007
Output volume	3,095	2,725	+14	3,647
Orders received	3,084	3,414	-10	4,528
Order backlog	5,526	5,316	+4	5,507
Capital expenditure on P, P & E	88	67	+31	112
EBITA	-15	+31		+58

Services

- **Strong growth in all three divisions**
- **Above-average increase in earnings**

Our Services business segment continues its very successful development. Our Industrial Services, Power Services and Facility Services divisions have to date been meeting with lively demand in their markets. The high growth rates in output volume, orders received and order backlog are the result of both organic growth and acquisitions. EBITA rose at a disproportionately strong pace to €172 million (9M 2007: €124 million).

During the year to date, we have expanded the segment by acquiring companies with a total value of €500 million.

In Industrial Services, the acquisition of Tepsco in the United States, of the repair and maintenance operations of the Norsk Hydro Group in Norway, and of iPower and Clough Engineering in Australia were important steps in the expansion of the division.

The acquisition of the facility management activities of M+W Zander represents a significant growth boost for Facility Services. In addition, renowned companies have been added to the customer base and the international business has been strengthened. Integration is proceeding according to plan.

Growth at Power Services is based on investment in expansion and modernization within the energy industry in Germany and abroad, resulting in a significant increase in our order backlog.

In the full year, the output volume of the Services business segment will grow to €4.3 billion, and we also expect earnings to increase significantly.

Key figures for Services

€ million	9M 2008	9M 2007	Δ in %	FY 2007
Output volume	3,274	2,643	+24	3,606
Orders received	3,825	3,264	+17	4,125
Order backlog	4,144	2,936	+41	2,844
Capital expenditure on P, P & E	66	46	+43	82
EBITA	+172	+124	+39	+180

Concessions

- **Portfolio significantly expanded**
- **Strong growth in committed equity**

Our concessions portfolio has grown to 24 projects with committed equity of €291 million. The increase compared with a year earlier demonstrates the successful development of the business segment in the first nine months of the year 2008. Equity capital paid into project companies amounted to €100 million at the end of September. EBITA for the nine-month period was positive at €2 million (9M 2007: EBITA loss of €3 million).

In July 2008, we commenced three major transport infrastructure projects in Germany, Hungary and Canada with a total investment volume of approximately €1.9 billion. Our committed equity for these projects totals €103 million. Negotiations are also at an advanced stage for an additional road project in Europe.

In the field of public-sector building construction, we have also expanded our portfolio during the year to date with three new projects: a cancer therapy center in Kiel, educational facilities in Northern Ireland and – a contract signed during the third quarter – our first project in the Canadian health-care sector. Together with a partner, we will finance, design, and build two clinics in Kelowna and Vernon, 400 kilometers east of Vancouver, and then operate them for a period of 30 years. The investment volume amounts to €260 million and Bilfinger Berger's equity commitment is €8 million.

For full-year 2008, we expect the Concessions business segment to post a positive EBITA; the net present value of our portfolio will increase again compared with the end of 2007.

Key figures for Concessions

Number / € million	9M 2008	9M 2007	FY 2007
Projects in portfolio thereof under construction	24 13	18 9	18 9
Committed equity thereof paid-in	291 100	161 70	161 71
EBITA	+ 2	- 3	- 2

Interim financial statements

The interim consolidated financial statements as of September 30, 2008 have been prepared in accordance with the guidelines of the International Accounting Standards Board (IASB), London, as were the consolidated financial statements for the year 2007, and comply with the requirements of IAS 34. The accounting and valuation methods explained in the notes to the consolidated financial statements for the year 2007 have been applied unchanged.

Acquisitions of companies

In the Industrial Services division, we acquired a 100% equity interest in each of the Australian companies, Clough Engineering & Maintenance Pty. Ltd., Brisbane, (acquired on January 24, 2008) and iPower Solutions Pty. Ltd., Brisbane, (acquired on February 28, 2008) for a total purchase price of €42 million, of which €15 million has been accrued as a purchase-price liability for earn-out agreements.

In addition, with effect as of April 1, 2008, we acquired an 85% equity interest and the right to the transfer of the remaining 15% of the Norwegian companies, Hydro Production Partner Holding AS, Porsgrunn, and Produksjonstjenester AS, Porsgrunn, for a total purchase price of €111 million, of which €24 million has been accrued as a purchase-price liability.

Furthermore, effective July 17, 2008, we acquired Tepsco L.P., a provider of services in the processing industry domiciled in Houston, Texas, for a price of €118 million, of which €38 million has been accrued as a purchase-price liability for earn-out agreements.

In the Facility Services divisions, we acquired a 100% equity interest in M+W Zander Facility Management GmbH, Nuremberg, effective July 1, 2008, for a price of €186 million, of which €9 million has been accrued as a purchase-price liability.

Several smaller companies were also acquired in the Services business segment for a total purchase price of €14 million.

The newly consolidated companies affected the Group's assets and liabilities at the time of acquisition as follows:

Effects at the time of acquisition

€ million	
Goodwill	389
Intangible assets from acquisitions	93
Other non-current assets	54
Current assets (excluding cash and marketable securities)	221
Cash and marketable securities	48
Assets	805
Retirement benefit obligation	85
Provisions	22
Financial debt	10
Other liabilities	217
Liabilities	334
Purchase price	471

With the exception of capitalized intangible assets from acquisitions, the values shown primarily reflect the carrying values in the balance sheets of the acquired companies.

From the time of initial consolidation until the end of the reporting period, the acquired companies generated total revenue of €373 million and EBITA of €22 million.

Sale of companies

After the interim balance sheet date, we sold the 100% equity interest in our French civil-engineering subsidiary, Razel S.A. The sale price of €137 million results in a capital gain of €90 million. The transaction remains subject to the approval of the relevant antitrust authority.

Consolidated income statement	Jan.-Sept.	July-Sept.		
€ million	2008	2007	2008	2007
Output volume (for information only)	7,845	6,815	2,897	2,448
Revenues	7,026	6,205	2,697	2,344
Cost of sales	- 6,272	- 5,474	- 2,399	- 2,082
Gross profit	754	731	298	262
Selling and administrative expenses	- 639	- 605	- 218	- 201
Other operating income and expenses ¹	45	22	20	9
EBITA	160	148	100	70
Amortization of intangible assets from acquisitions	- 14	- 9	- 7	- 3
EBIT	146	139	93	67
Net interest result	- 6	- 2	- 5	- 1
Earnings before taxes	140	137	88	66
Income tax expense	- 46	- 53	- 32	- 25
Earnings after taxes	94	84	56	41
thereof minority interest	4	4	2	2
Net profit	90	80	54	39
Average number of shares (in thousands)	35,900	37,196	35,312	37,196
Earnings per share (in €) ²	2.51	2.15	1.53	1.05

¹ Including a gain of €8.9 million from investments accounted for using the equity method (9M 2007: €6.3 million)

² Basic earnings per share corresponds to diluted earnings per share

Nine-month revenue increased by 13% to €7,026 million. In order to present the Group's entire output volume – in particular with the inclusion of the proportionate output volume generated by joint ventures, which is not included in revenue – we disclose our output volume for information purposes also in the consolidated income statement. In the first nine months of 2008, it increased by 15% to €7,845 million.

Despite the one-time charge on earnings of €65 million in the Civil business segment, gross profit increased to €754 million (9M 2007: €731 million). In relation to output volume, the gross margin therefore fell to 9.6% (9M 2007: 10.7%). Selling and administrative expenses increased to €639 million (9M 2007: €605 million), but in relation to output volume they fell to 8.2% (9M 2007: 8.9%). Due to significant growth in earnings at the Services business segment, EBITA increased to €160 million (9M 2007: €148 million). Depreciation of property, plant and equipment increased to €97 million (9M 2007: €80 million).

Scheduled amortization of €14 million was carried out on intangible assets from acquisitions (9M 2007: €9 million).

The net interest result was an expense of €6 million (9M 2007: expense of €2 million). The balance of current interest income and expenses decreased by €1 million to income of €10 million (9M 2007: income of €11 million). This was caused by an increase in interest expenses from the placement of a promissory note loan at the beginning of the third quarter. At the same time, the interest expense for the minority interest increased by €2 million to €10 million (9M 2007: €8 million).

The effective tax rate was 35%, after adjusting for a positive one-time income tax effect of €7 million from the sale of buildings to a real-estate investment trust.

After the deduction of income taxes and minority interest, the Group's net profit for the first nine months of the year amounted to €90 million (9M 2007: €80 million).

Consolidated balance sheet

	€ million	Sept. 30 2008	Dec. 31 2007
Assets			
	Non-current assets		
	Intangible assets	1,255	787
	Property, plant and equipment	650	581
	Investments accounted for using the equity method	52	55
	Receivables from concession projects	1,874	1,499
	Other financial assets	98	88
	Deferred tax assets	142	104
		4,071	3,114
	Current assets		
	Inventories	241	154
	Receivables and other financial assets	2,241	1,881
	Non-current assets held for sale	0	96
	Current tax assets	17	10
	Other assets	71	59
	Cash and marketable securities	607	796
		3,177	2,996
	Total	7,248	6,110
Equity and liabilities			
	Equity		
	Equity attributable to shareholders of the parent	1,170	1,289
	Minority interest	21	21
		1,191	1,310
	Non-current liabilities		
	Retirement benefit obligation	236	148
	Provisions	77	89
	Financial debt, recourse	336	70
	Financial debt, non-recourse	1,639	1,314
	Other financial liabilities	159	79
	Deferred tax liabilities	136	121
		2,583	1,821
	Current liabilities		
	Current tax liabilities	122	81
	Provisions	431	435
	Financial debt, recourse	36	41
	Financial debt, non-recourse	36	48
	Other financial liabilities	2,599	2,148
	Other liabilities	250	226
		3,474	2,979
	Total	7,248	6,110

Compared with the annual financial statements for the year 2007, the balance sheet total increased to €7.2 billion (December 31, 2007: €6.1 billion).

The increase in intangible assets relates to goodwill and intangible assets from acquisitions. Property, plant and equipment went up as a result of business expansion in the Civil and Services business segments. The increase in receivables from concession projects corresponds to a rise in non-recourse financial debt.

Inventories and receivables as well as current liabilities rose because of the higher volume of business.

The decrease in the item 'Non-current assets held for sale' reflects the planned sale of office buildings in the first quarter that had previously been primarily used by Bilfinger Berger (€96 million).

On the liabilities side, equity decreased primarily due to the buyback of the Company's own shares.

The increase in retirement benefit obligation resulted from the first-time consolidation of M+W Zander Facility Management GmbH, Nuremberg.

The placement of a promissory note loan in an amount of €250 million led to a corresponding increase in non-current recourse financial debt.

Consolidated statement of changes in equity

€ million	Issued share capital	Share premium	Retained earnings	Other comprehensive income ¹	Treasury shares	Unappropriated retained earnings	Minority interest	Equity
Balance at January 1, 2007	112	523	538	-30	0	46	17	1,206
Capital contributions	0	0	0	0	0	0	0	0
Dividends paid out	0	0	0	0	0	-46	0	-46
Earnings after taxes	0	0	0	0	0	80	4	84
Transfer to retained earnings	0	0	0	0	0	0	0	0
Currency adjustments	0	0	0	-2	0	0	0	-2
Other changes	0	0	4	31	0	0	0	35
Balance at September 30, 2007	112	523	542	-1	0	80	21	1,277
Balance at January 1, 2008	112	523	609	-22	0	67	21	1,310
Capital contributions	0	0	0	0	0	0	0	0
Dividends paid out	0	0	0	0	0	-64	0	-64
Earnings after taxes	0	0	0	0	0	90	4	94
Transfer to retained earnings	0	0	0	0	0	0	0	0
Currency adjustments	0	0	0	-15	0	0	0	-15
Other changes	0	0	-2	-28	-100	0	-4	-134
Balance at September 30, 2008	112	523	607	-65	-100	93	21	1,191

¹ Currency translation and reserves from fair valuation and hedging transactions

Equity decreased by €119 million during the first nine months of 2008. While earnings after taxes of €90 million led to an increase, the payment of the dividend of €1.80 per share for the year 2007 reduced equity by €64 million. The main reason for the reduction in equity was the share buyback (minus €100 million). Additional factors were exchange-rate movements and negative changes in the market value of interest-rate swaps (minus €43 million).

With the approval of the Supervisory Board and on the basis of the authorization granted by the Annual General Meeting of May 23, 2007, the Executive Board of Bilfinger Berger AG resolved in February to buy back the Company's own

shares in a volume of up to €100 million. The buyback was limited to a maximum of 10% of the Company's share capital or 3,719,610 shares. The share buyback took place solely through the stock exchange, and was concluded by the end of April. A total of 1,884,000 no-par shares or 5.1% of the share capital were acquired at an average price of €53.07.

Consolidated statement of cash flows

Jan.-Sept.

€ million	2008	2007
Cash earnings	155	176
Change in working capital	24	-39
Gains on the disposal of non-current assets	-35	-10
Cash flow from operating activities	144	127
Cash flow from investing activities	-416	-153
thereof property, plant and equipment	-41	-108
thereof financial assets	-375	-45
Cash flow from financing activities	95	-28
thereof share buyback	-100	0
thereof dividend payout	-64	-46
thereof borrowing	259	18
Change in cash and marketable securities	-177	-54
Other adjustments to cash and marketable securities	-12	8
Cash and marketable securities at January 1	796	783
Cash and marketable securities at September 30	607	737

The cash flow from operating activities increased to €144 million (9M 2007: €127 million). Working capital was once again positively affected by high advance payments received by the Civil business segment and by the Power Services division.

The balance of investments and proceeds from disposals resulted in a cash outflow of €416 million (9M 2007: €153 million). Capital expenditures of €166 million (9M 2007: €121 million) in property, plant and equipment were more than offset by proceeds of €125 million (9M 2007: €13 million), mainly from the sale of office buildings used by Bilfinger Berger. With financial assets, €343 million (9M 2007: €31 million) was invested in acquisitions in the Services business segment and €28 million (9M 2007: €14 million) was invested in equity payments into concession

companies. In addition, loans totaling €29 million were granted to concession companies during the reporting period. There was a cash inflow of €25 million from the disposal of financial assets.

The cash inflow for financing activities of €95 million (9M 2007: outflow of €28 million) is partially a reflection of net borrowing of €259 million, €250 million of which came from the placement of a promissory note loan. The share buyback resulted in a cash outflow of €100 million and the payment of the dividend for the year 2007 accounts for a cash outflow of €64 million.

Changes in currency exchange rates led to an arithmetical decrease in cash and marketable securities of €12 million.

Segment reporting	Output volume		External revenues		Internal revenues		EBITA	
€ million	9M 2008	9M 2007	9M 2008	9M 2007	9M 2008	9M 2007	9M 2008	9M 2007
Civil	3,095	2,725	1,932	1,868	38	22	-15	31
Building and Industrial	1,503	1,448	1,410	1,235	60	73	2	9
Services	3,274	2,643	3,158	2,539	26	17	172	124
Concessions	32	23	524	548	0	0	2	-3
Total of segments	7,904	6,839	7,024	6,190	124	112	161	161
Consolidation, other	-59	-24	2	15	-124	-112	-1	-13
Consolidated Group	7,845	6,815	7,026	6,205	0	0	160	148

As in the consolidated financial statements for 2007, segment reporting corresponds to our internal reporting by business segment.

The reconciliation of segment earnings (EBITA) to earnings before taxes is derived from the consolidated income statement.

Related-party transactions

Most of the transactions between fully consolidated companies of the Group and related companies or persons involve associated companies and joint ventures.

Any transactions carried out with companies or persons that are in a close relationship with Bilfinger Berger (related-party transactions) take place at arm's length.

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

Financial calendar

2009

February 11	Preliminary figures for the year 2008
March 17	Press Conference on financial statements, Investors' and analysts' conference call
May 7	Annual General Meeting* Interim Report Q1 2009
August 13	Interim Report Q2 2009
November 10	Interim Report Q3 2009

*Congress Centrum Rosengarten
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