

Business developments

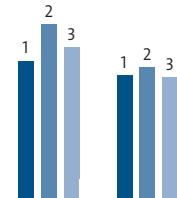
- **Output volume, orders received and order backlog reach record levels**
 - **EBITA and net profit rise faster than volume of business**
 - **Repeated high volume of cash flow from operating activities**
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Bilfinger Berger substantially expanded its business volumes and significantly increased its earnings in the year under review.

Output volume rose to € 7,936 million, which was 12% higher than in 2005. The proportion of output volume generated in international markets was the same as in the prior year at 66%. The domestic construction business accounted for 18% of the Group's output volume (2005: 19%), while the services business in Germany accounted for 16% of the total (2005: 15%).

Orders received increased by 33% to € 10,000 million, primarily due to new major orders in the Civil business segment and the dynamic growth of services activities. The order backlog increased by 25% to € 8,747 million. Output volume, orders received and order backlog thus reached new record levels in the history of our Company in 2006.

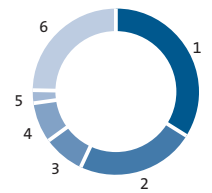
Output volume, orders received, order backlog



€ million	2006	2005	Δ in %
1 Output volume	7,936	7,061	+12
2 Orders received	10,000	7,545	+33
3 Order backlog	8,747	7,001	+25

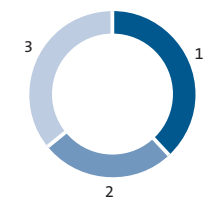
Output volume by region

€ million	2006	2005	%
1 Germany	2,720	2,390	34
2 Rest of Europe	1,828	1,500	23
3 America	633	540	8
4 Africa	587	681	8
5 Asia	183	139	2
6 Australia	1,985	1,811	25
	7,936	7,061	100



Output volume by business segment

€ million	2006	2005	%
1 Civil	2,973	2,747	38
2 Building and Industrial	2,069	2,081	26
3 Services	2,881	2,250	36
Consolidation, other	13	-17	
	7,936	7,061	100



Operating profit / EBITA

€ million	2006	2005
Civil	+ 43	+ 50
Building and Industrial	+ 22	- 14
Services	+ 123	+ 90
Concessions	- 4	+ 4
Consolidation, other	- 4	- 15
Group	+ 180	+ 115

Consolidated income statement (abridged)

€ million	2006	2005	
Total revenues	7,502	6,208	
Costs of materials and personnel	- 6,766	- 5,585	
Depreciation	- 99	- 92	
Other operating expenses/income	- 457	- 416	
EBITA	180	115	
Amortization of goodwill and other intangible assets from acquisitions	- 10	- 6	
EBIT	170	109	
Net interest result	3	6	
Earnings before taxes	173	115	
Taxes on income and earnings	- 77	- 42	
Earnings after taxes	96	73	
Minority interests	- 4	- 7	
Net profit	92	66	
Average number of shares	in thousands	37,196	37,005
Earnings per share	in €	2.48	1.80

EBITA and net profit increase faster than volume of business

Bilfinger Berger increased its EBITA to € 180 million in 2006 (2005: € 115 million). This success was due above all to significantly higher operating profit in the Services and Building and Industrial business segments. The write-off of two toll projects was nearly offset by capital gains on the sale, undertaken on the basis of portfolio policy, of four private-sector concession projects. There was also a gain on the sale of the Ship Technologies unit, which was no longer a part of the core business. Net profit after taxes and minority interest increased to € 92 million (2005: € 66 million).

Total revenues as shown in the income statement increased by € 1,294 million or 20.8 % to € 7,502 million (2005: € 6,208 million). In addition to organic growth, this was also due to acquisitions in the Services business segment. The figure does not include our share of the output volumes generated by joint ventures. This is the main reason for the difference between sales revenues as shown in the income statement and the total output volume of € 7,936 million shown in the Management Report.

The costs of materials, subcontractors and personnel as a proportion of total revenues remained nearly constant at 90.2 % (2005: 90.0 %).

Depreciation of property, plant and equipment increased in absolute terms to € 99 million (2005: € 92 million), but in relation to total revenues it decreased to 1.3 % (2005: 1.5 %).

The balance of other operating expenses and income increased by € 41 million to € 457 million (2005: € 416 million), but as a proportion of sales revenues it decreased to 6.1 % (2005: 6.7 %). The other operating income included in this balance increased significantly by € 71 million to € 200 million (2005: € 129 million). The most important reason for this increase was capital gains from the sale of concession projects and the Ship Technologies unit. Other operating expenses increased to € 657 million (2005: € 545 million), and included the impairments recognized on two toll projects totaling € 63 million.

The overall profit contribution from the construction business showed a strong improvement compared with 2005. The Civil business segment's EBITA of € 43 million (2005: € 50 million) was slightly lower than expected due to additional costs incurred for the completion of the Maumee River Crossing project in the United States. The Building and Industrial business segment delivered a significantly positive EBITA of € 22 million; the result of minus € 14 million in 2005 was due to charges from the business in Australia. The result in 2006 reflects another good contribution from the German Building division, which again improved its profitability in a difficult market environment.

The results of the Services business segment again exceeded its targets. With EBITA of € 123 million (2005: € 90 million), the segment was the Group's most important source of earnings also in 2006. In addition to organic growth of approximately 10 %, the increase was primarily due to the effects of first-time consolidation.

The Concessions business segment almost broke even, contributing EBITA of minus € 4 million (2005: plus € 4 million) despite the write-off of the toll projects Cross City Tunnel in Sydney and Herren Tunnel in Lübeck totaling € 63 million and high expenses for intensive bidding activities. This was mainly the result of capital gains on projects that we sold as part of our portfolio policy and because of the secondary market's extremely lively demand at present. To assess our success in the concessions business, we consider not only the current earnings, but also the annual change in the present value of future cash flows. The development of the value of our BOT portfolio is explained in detail in the section of the Annual Report dealing with the Concessions business.

EBITA not allocated to the business segments (Consolidation/other) improved to minus € 4 million (2005: minus € 15 million) due to the capital gain on the sale of the Ship Technologies unit. This was partially offset by the startup expenses of our Road division, which is now being built up.

Amortization of intangible assets from acquisitions in accordance with IFRS 3 / IAS 36 totaling € 10 million (2005: € 6 million) primarily relates to capitalized items from acquired order backlogs and long-term customer relations from acquisitions in the Services business segment. The impairment tests carried out for goodwill did not result in any write-downs.

The balance of current interest income and interest expenses rose by € 4 million. Gains on sales of securities fell by € 1 million. Current interest income thus increased by € 3 million as compared to the prior year. A counter-effect was brought about by the € 6 million in interest expenses for minority interests, which, in accordance with IAS 32, for the first time are shown as liabilities due to contractual arrangements, in particular put options. Previously, these amounts were included in minority interest, so the reallocation has no effect on net profit after minority interests. In total, net interest income as compared to the previous year fell to € 3 million (2005: € 6 million).

Earnings before taxes amounts to € 173 million (2005: € 115 million). Income taxes increased at a disproportionately high rate to € 77 million (2005: € 42 million). On the one hand, impairments recognized in the concessions business totaling € 63 million are not tax deductible. On the other hand, the capital gains realized on the

sale of concession projects and of the Ship Technologies unit led to a lower effective tax rate. Adjusted for these special items, the effective tax rate was approximately 37%, as in the prior year.

After deducting minority interests of € 4 million (2005: € 7 million), net profit amounts to € 92 million (2005: € 66 million). This represents earnings per share of € 2.48 (2005: € 1.80).

Increased dividend proposal of € 1.25 per share

The net profit for 2006 of Bilfinger Berger AG, whose company financial statements are prepared in accordance with the regulations of the German Commercial Code, amounts to € 51.5 million (2005: € 42.2 million). Of this amount, € 5.0 million was allocated to retained earnings, as in the prior year, resulting in distributable profits of € 46.5 million (2005: € 37.2 million).

A proposal for the distribution to the shareholders of an increased dividend of € 1.25 will be made. This will amount to a total dividend of € 46.5 million. The pay-out ratio for 2006 will then be approximately 50% of the Group's net profit.

Group cost of capital

%	2006
Risk-free interest rate	5.0
Market-risk premium	4.5
Beta factor	0.9
Cost of equity capital after taxes	9.1
Cost of borrowed capital before taxes	5.5
Tax-reducing effect of interest on borrowed capital (tax shield)	-1.9
Cost of borrowed capital after taxes	3.6
Proportion of equity capital	60.0
Proportion of borrowed capital	40.0
Cost of capital after taxes	6.9
Income tax rate	35.0
Cost of capital before taxes (WACC)	10.5

Weighted average cost of capital in the business segments

%	2006
Civil	13.0
Building and Industrial	13.0
Services	9.0
Concessions	9.8

Improved system of return-on-capital-employed controlling and updated cost-of-capital rate

One of the key financial controlling methods at the Bilfinger Berger Group is our system of return-on-capital-employed controlling. With this method, the value added of our business segments and the Group are measured. Capital is employed where it can create the greatest benefit for the Company.

The basic idea behind this concept is that positive value added is only achieved for the Company when the return on capital employed (ROCE) exceeds the cost of capital.

Capital employed comprises all of the Group's assets, including cash and marketable securities, each calculated as the annual average from the figures used in our year-end and quarterly financial statements.

Return is derived from EBITA. In the Concessions business segment, in addition to current earnings, the increase in the net present value of the concessions portfolio is also taken into consideration in the calculation of return.

The allocation of Group figures and cost of capital to the business segments follows the methodology of our segment reporting.

Cost of capital is calculated as a weighted average of cost of equity and debt according to the WACC method (weighted average cost of capital). Until 2005, for the Bilfinger Berger Group, the WACC amounted to 11.0% before taxes, and this rate was also specified for all of the business segments. For the Bilfinger Berger Group, we now have a WACC of 10.5% before taxes.

In order to more accurately reflect the various risk profiles of the business segments, we have calculated specific cost-of-capital rates for our business segments.

Details and explanation of the calculation are given on pages 146-148 of this Annual Report.

Value added	Capital employed € million		Return € million		ROCE %		Cost of capital %		Value added € million	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Civil	375	390	54	61	14.5	15.7	13.0	11.0	5	18
Building and Industrial	133	160	40	2	29.6	1.3	13.0	11.0	22	-15
Services	783	619	123	90	15.8	14.6	9.0	11.0	53	22
Concessions	85	123	10	14	11.6	11.3	9.8	11.0	2	0
Total of segments	1,376	1,292	227	167	16.5	13.0	10.5	11.0	82	25
Consolidation / other	8	99	-2	-16	-	-	-	-	-2	-27
Consolidated Group	1,384	1,391	225	151	16.3	10.9	10.5	11.0	80	-2

High value added achieved

The value added in absolute terms for the business segments and the Group is not directly comparable with the 2005 values due to the differentiated WACCs for the business segments, now used for the first time, and the reduction to 10.5% of the cost-of-capital rate for the Group as a whole.

The Group's ROCE increased to 16.3% (2005: 10.9%), which led to a significant value added of € 80 million.

The Civil business segment's capital employed decreased slightly, and with lower EBITA than in the prior year, ROCE fell to 14.5% (2005: 15.7%). Value added amounted to € 5 million. We anticipate increasing value added contributions from this segment in the future.

The Building and Industrial business segment contributed significant value added of € 22 million, following a negative contribution in 2005 due to charges from the business in Australia. ROCE of 29.6% was well above the cost of capital. We continue to expect high contributions to value added from this segment.

The Services business segment continues to account for the largest share of capital employed

at the Group. In the year under review, it increased again to € 783 million (2005: € 619 million), mainly due to acquisitions. This figure includes goodwill of approximately € 550 million (2005: € 395 million). ROCE increased to 15.8% (2005: 14.6%). The segment delivered the highest value added in the Group of € 53 million.

In the Concessions business segment, despite new investment, capital employed decreased to € 85 million (2005: € 123 million) as a result of writing off two toll projects and selling four concession projects. In order to calculate value added, we calculate the return with the inclusion of the portfolio's increase in value compared with a year earlier. The calculation of the increase in value, which amounted to € 24 million in 2006 (2005: € 10 million), is explained in detail in the section of this Annual Report on concession projects. Due to disposals and impairments, the increase in value taken into consideration for the calculation of return in the prior years had to be corrected by minus € 10 million. The business segment generated a ROCE of 11.6% in 2006 (2005: 11.3%).

The total value added of the business segments amounts to € 82 million. The negative contribution to value added from the headquarters and from consolidation effects was reduced in 2006 due to the sale of the Ship Technologies unit.

Structure of consolidated balance sheet

Assets	2005	2006	2006	2005	Equity and liabilities
€ million					€ million
		5,129	5,129		
	4,357	783	2,584	4,357	
Cash and marketable securities	832	1,502		2,259	Current liabilities ¹
Other current assets	1,188				
		393			
Inventories	385	2,451	827		Non-recourse debt
Non-current assets	1,952			495	Non-current liabilities ²
			352	284	Provisions for pensions
			160	130	Shareholders' equity
			1,206	1,189	

¹ Thereof, financial liabilities € 48 million (2005: € 41 million)

² Thereof, financial liabilities € 91 million (2005: € 87 million)

Unchanged good financial situation and sound capital structure

Compared with the prior year, the balance-sheet total increased by € 772 million to € 5.1 billion (2005: € 4.4 billion). Approximately € 320 million of this increase was caused by the organic growth of the concessions business and € 180 million by the targeted expansion of our services business through acquisitions.

On the assets side, the increase in intangible assets by € 146 million was mainly due to goodwill from new acquisitions.

Due to the general expansion of our business, property, plant and equipment increased by € 95 million to € 607 million (2005: € 512 million).

The increase in financial assets by € 265 million to € 977 million (2005: € 712 million) reflects the expansion of our concessions business (plus € 284 million). Of the € 977 million total, € 929 million (2005: € 645 million) is accounted for by this business segment. This breaks down into € 893 million (2005: € 525 million) of receivables from concession projects and € 36 million (2005: € 120 million) of other financial assets.

The decrease of € 34 million in investment properties due to the sale of the Specks Hof real estate property in Leipzig had an opposing effect on financial assets.

In total, non-current assets including deferred tax assets increased by € 499 million to € 2.451 (2005: € 1.952 million).

Structure of Concessions balance sheet

Assets	2005	2006	2006	2005	Equity and liabilities
€ million					€ million
		1,026	1,026		
	702	97	102	702	Other liabilities
Other assets		36	820		
	57	893		32	Non-recourse debt
Other financial assets	120			495	Financed by Bilfinger Berger AG
	525				
Receivables from concession projects			104	175	

The structure of the balance sheet in the Concessions business segment clearly shows the increasing influence of the segment on our consolidated balance sheet.

Under current assets, inventories remained nearly unchanged at € 393 million (2005: € 385 million), despite the increased volume of business. However, receivables and other current assets increased by € 314 million to € 1,502 million (2005: € 1,188 million).

Despite substantial investment, cash and marketable securities once again reached a high level of € 783 million (2005: € 832 million). Financial liabilities – excluding project financing on a non-recourse basis – amounted to € 139 million (2005: € 127 million). Non-recourse debt, for which the Group is not liable, increased in line with receivables from concession projects to € 827 million (2005: € 495 million). Of the € 827 million, € 820 million is accounted for by the financing of concession projects.

Provisions for pensions increased by € 30 million to € 160 million (2005: € 130 million), mainly due to first-time consolidation effects. The pension provisions of Bilfinger Berger AG are not included in this amount, as they are netted off with the plan assets of the contractual trust arrangement and the provident fund.

Other non-current liabilities increased by € 50 million to € 67 million (2005: € 17 million). They primarily comprise liabilities relating to put options of minority interests as well as the market valuation of derivatives.

Deferred tax liabilities increased to € 94 million (2005: € 74 million).

The increase in short-term accruals to € 496 million (2005: € 470 million) was mainly a result of provisions for taxes.

Other current liabilities rose in line with the increase in current receivables and other assets to € 2,041 million (2005: € 1,748 million).

Shareholders' equity increased to € 1,206 (2005: € 1,189 million). The equity ratio amounted to 24% (2005: 27%). The elimination of non-recourse debt, which has the effect of extending the balance sheet, would result in an equity ratio of 28%.

Repeated high volume of cash flow from operating activities

Cash earnings rose to € 280 million in 2006 (2005: € 183 million). After deducting gains on the disposal of non-current assets and considering changes in working capital, the cash flow from operating activities increased to € 207 million (2005: € 188 million). The increase compared with the prior year was the result of repeated high advance payments in the fourth quarter of 2006.

€ 136 million (2005: € 106 million) was invested in property, plant and equipment. The disposal of property, plant and equipment yielded proceeds of € 23 million (2005: € 32 million), resulting in a net cash outflow of € 113 million (2005: € 74 million).

Proceeds from the disposal of financial assets increased sharply to € 177 million (2005: € 66 million). There was a cash inflow of € 33 million from the sale of the investment property Specks Hof, Leipzig. A total of € 95 million resulted from the sale of four concession projects: The Westlink M7 in Sydney, the British Embassy in Berlin, and Hull Maternity Hospital and North Wiltshire Schools in the United Kingdom. There were proceeds of

Statement of cash flows

€ million	2006	2005
Cash earnings	280	183
Changes in working capital	22	31
Gains on disposals of non-current assets	-95	-26
Cash flow from operating activities	207	188
Investments in tangible and intangible assets	-136	-106
Proceeds from the disposal of property, plant and equipment	23	32
Net payments for tangible and intangible assets	-113	-74
Proceeds from the disposal of financial assets	177	66
Free cash flow	271	180
Investments in financial assets	-234	-228
Cash flow from financing activities		
Dividend distribution	-37	-37
Borrowing (+) / repayment of loans (-)	-8	4
Special contribution to plan assets	-35	-17
Proceeds from capital increase	0	1
	-80	-49
Other adjustments	-6	15
Changes in cash and marketable securities	-49	-82
Cash and marketable securities at January 1	832	914
Cash and marketable securities at December 31	783	832

€ 30 million from the sale of Ship Technologies, and an additional € 19 million primarily due to payments received for disposals in the prior year. This results in a free cash flow of € 271 million (2005: € 180 million).

The volume of investment in financial assets of € 234 million was similar to the prior year (€ 228 million); € 182 million of the total was accounted for by acquisitions. The major acquisitions in 2006 were Essener Hochdruck-Rohrleitungsbau GmbH in Essen, Germany, Salamis Group Limited in the United Kingdom and the Ahr Group in Oberhausen, Germany. We paid capital of € 18 million into concession companies. In addition, loans of € 34 million were granted to concession companies.

The cash outflow for financing activities amounted to € 80 million (2005: € 49 million), of which the dividend distribution accounts for € 37 million, as in the prior year. € 8 million was for the repayment of debt. A further € 35 million was applied for a special contribution to plan assets to fund pension obligations. This amount replaces real-estate properties originally placed into the contractual trust arrangement, which were transferred to Bilfinger Berger Real Estate GmbH & Co. KG.

Exchange-rate changes led to a nominal increase in cash and marketable securities of € 6 million (2005: increase of € 15 million).

Financial resources, comprising cash and marketable securities, amounted to € 783 million (2005: € 832 million) at the end of the year.