

Development of the business segments

Civil

- **High growth rates in orders received internationally**
- **Market position in Scandinavia further expanded**
- **Buoyant demand in Australia**

With 80% of its business done outside Germany, the Civil business segment has a particularly strong international alignment. The focus of our activities is on major infrastructure projects which we carry out for public clients within the framework of concession models.

The international alignment in our civil engineering business is accommodated through a flexible and efficient divisional structure. On the one hand, we can apply our expertise in all markets without the need to maintain a presence in each country. On the other hand, we are in a position to offset, to a large extent, any swings in demand in the individual regions. Australia and Europe have now stepped in to replace Asia, which years ago was an important market. We have also once again secured larger projects in the Persian Gulf States.

The basis for the positive developments in this segment is our technical competence and the ability to carry out complex construction tasks. Additionally, in the Civil segment, we benefit from synergies with other business segments. The fact that construction and operating competences complement each other so well is an important strategic advantage in the competition for major infrastructure projects. The demand for privately-financed solutions has increased further in our international markets so that we can now show significant orders received on this basis.

Output volume in the Civil business segment reached €2,973 million in the previous financial year, orders received were up by 53% to €4,580 million. This strong rate of growth can be traced to lively demand for infrastructure projects in our international markets, particularly in Australia. Order backlog at the end of the year, at €4,706 million, exceeded the level of the previous year by 41% – a solid foundation for the future development of our business. EBITA, at €43 million (2005: €50 million), was slightly below expectations due to additional costs incurred during the completion of the Maumee River Crossing project in the United States.

Due to the starting up of several major international projects, capital expenditure on property, plant and equipment rose to €73 million (2005: €65 million). The number of employees in the Civil segment fell to 14,628 as of the reporting date.

Australia – high demand in the expansion of traffic infrastructure

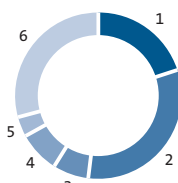
The volume of business in Australia, the Group's largest market for civil engineering activities, expanded further in 2006. There we are profiting from continued high demand in road construction. In Brisbane alone, we obtained orders for major transport projects totaling more than €1 billion over the course of the year: We are involved in realizing the North-South Bypass, a 5.2-kilometer highway connecting suburbs in the

Key figures for Civil

€ million	2006	2005	Δ in %
Output volume	2,973	2,747	+ 8
Orders received	4,580	2,984	+ 53
Order backlog	4,706	3,344	+ 41
Capital expenditure	73	65	+ 12
Depreciation	52	48	+ 8
EBITA	+ 43	+ 50	- 14
Employees (number at December 31)	14,628	23,480	- 38

Civil: Output volume by region

€ million	2006	2005	%
1 Germany	602	551	20
2 Rest of Europe	942	859	32
3 America	211	194	7
4 Africa	255	315	8
5 Asia	112	83	4
6 Australia	851	745	29
	2,973	2,747	100



north and the south of the city. At the heart of the project is the construction of two parallel tunnels, each of which contains two traffic lanes. And, in addition, we received an order to upgrade the Gateway Motorway. This project comprises the construction of a sophisticated new bridge structure, the refurbishment of an existing bridge and the widening of a 20-kilometer section of highway.

As a result of the high demand on the fifth continent, contract forms which are geared toward a partnership between client and contractor have gained in importance. A so-called alliance contract is used for projects in which the scope of the services to be provided is not clear from the very beginning and instead is determined by the client and the contractor over the course of the project. This ensures that decisions are made quickly in the construction phase and eliminates any later legal entanglements. We are now carrying out several major projects on this basis. Of particular note in this regard is the order, received in the reporting period, for the design and construction of the seven-kilometer long Tugun Bypass, a highway section on the Gold Coast in the eastern part of the country. At the center of the project, with a volume of € 200 million, is a technically demanding tunnel structure which is to be built using the top down construction method. After completion, we will also take over the maintenance of the highway section.

The Australian civil engineering market offers good prospects, important new infrastructure projects are about to enter the bidding process. We want to continue to participate in the positive civil engineering demand in Australia to an above-average degree.

North America – technically demanding projects create market opportunities

The North American market is characterized by a stable economic environment, investments in infrastructure remain at a high level. The number of companies bidding for projects with a high degree of technical complexity is relatively low. In addition, the financial strength of our Group makes it easier to receive the surety bonds and bank guarantees necessary to secure orders.

Our new major projects in North America are proceeding successfully. There we work closely with local building contractors. We contribute our leadership expertise and our technical competence and our partners contribute their regional resources. In Portland, Oregon, we are currently building the Big Pipe Tunnel which serves as an overflow reservoir after heavy rainfalls, thus contributing to the floodwater protection of the region. In Vancouver, Canada, work on the Golden Ears Crossing Bridge began in the year under review, a structure we are building as a public private partnership.

North America is an interesting market for civil engineering. Based on our technical competence and our financial strength, we expect a positive development in our business there.

Nigeria – pent-up demand in infrastructure expansion

In Nigeria, rising oil prices have allowed for a significant drop in the national debt, improving the government's budget situation. The country will use a part of the funds to reduce pent-up demand in the infrastructure. The focus in this, the most populous country in Africa will be on road and railroad construction, water supply and disposal as well as the expansion and new construction of power plants.

Among our current projects is the four-lane expansion of the East-West Highway near Port Harcourt to a length of 80 kilometers. More than 20 new bridges will be built along the route. We are also playing a leading role in the construction and expansion of highway sections.

Persian Gulf States and Middle East – intensive competition in a booming market

The construction markets in the States surrounding the Persian Gulf are profiting from increasing worldwide demand for energy and high oil prices. The boom will lead to sustained growth in the region. Large investments will be made in improving transport infrastructure and amenity networks. There is, however, a large number of international market participants in competition with one-another.

At the beginning of 2006 we received an order to build a 10-kilometer long section of the city highway in Doha, Qatar. The work is proceeding according to plan. In Fujairah in the United Arab Emirates, Bilfinger Berger is building a sewage treatment plant for 80,000 inhabitants along with the required 200-kilometer long sewer network and house connections.

In Egypt, work on the new weir in the Nile near Naga Hammadi is well advanced. The facility, located 140 kilometers north of Luxor, replaces an 80-year old dam and will provide a secure supply of water and electricity in the future.

Major infrastructure projects will continue to be carried out in the Persian Gulf region, in light of the intensive competition we will move forward selectively there.

Europe – strong dynamic, primarily in Scandinavia

Our civil engineering markets in Europe outside Germany are characterized by an ongoing strong dynamic. Our business volume increased once again in the previous year.

A particular highlight has been Scandinavia. There we have established a good market position in a short period of time. In the expansion of traffic infrastructure in Sweden and Norway, road and rail networks are the primary focus. Our technical expertise has proven to be an important success factor in competition. In the past year we have secured several new orders in Scandinavia, including the design and construction of the Skansenløpet Tunnel in Trondheim. The road tunnel is being built very close to the water using the cut and cover method and runs up to 13 meters below sea level. Below the city center of Malmö we are currently building a 4.6-kilometer long railway tunnel with two tubes. In Norway, in a concessions project based on an availability model, we are carrying out a 38-kilometer long section of the E18 highway between Oslo and Kristiansand, one of the country's main traffic arteries. Construction is being carried out under the auspices of Bilfinger Berger's Civil division and includes numerous bridge and tunnel structures. In July 2006, the opening of the Göta Tunnel was celebrated in Göteborg. We built the main section as technical leader in a joint venture. Spread out over six lanes about 65,000 vehicles travel through the 1.5-kilometer long inner-city tunnel structure on a daily basis. In Scandinavia, continued high investments in transport infrastructure offer us very good prospects, both today and in the future.

In France, demand in civil engineering is showing initial downward tendencies following a period of stable development in recent years. Razel, our subsidiary specialized in earthworks as well as tunneling and bridge construction projects, is playing a leading role in the construction

of the Tamarins highway in the French overseas département of La Réunion. The route of the four-lane highway along the jagged coastal areas of the island requires numerous civil engineering structures. Razel has been awarded, among other things, the order for the construction of a 350-meter long tunnel with two tubes and a 750-meter long bridge, the Viaduc Saint-Paul. Experts from Bilfinger Berger Foundation Engineering are also involved in the execution of the project. In another major project on La Réunion, Razel is working on a water supply system. One focus of the international business in French-speaking Africa is currently Algeria, where the Koudiat Acerdoune Dam is being built. In the future, Razel will further intensify its cooperation with the Bilfinger Berger Civil division in order to play an even bigger role on the French market. At the same time we want to apply the company's proven competence in earthworks more forcefully on the international stage.

In Poland, the economic boom is continuing following the country's entry into the European Union. Numerous infrastructure projects, supported by EU funds, are being planned, especially in road construction and in water supply and sewage systems. These plans, however, are being carried out at a much slower pace than expected. In financial year 2006, we received an order for a section of the N 25 national highway including a bridge over the River Warta near Konin. In light of the strong need, we expect a positive development in our Polish civil engineering business in the future. We have focused on civil engineering, roads and bridge construction in Poland. With the Group's own capacity in these areas we are well-aligned for success against competition from the numerous international construction companies represented in this market.

In Hungary, the 58-kilometer long M6 highway south of Budapest, which we carried out as a concessions project, was completed in record time. With this well-received project we have established a foothold in the country and are now involved in the expansion of the subway system in Budapest with initial orders.

In the Alpine countries we concentrate on the execution of major projects, preferably in tunnel construction. Work on our section of the Gotthard Basis Tunnel in Switzerland and on the Wienerwald Tunnel in Austria are proceeding successfully. The upcoming construction of further Alpine routes for road and rail traffic offers us new order opportunities.

The United Kingdom is also an interesting market for technically demanding civil engineering services. In Belfast, we are currently building the Westlink M1 city highway on the basis of a public-private partnership solution.

Germany – unsatisfactory price levels despite positive economic situation

In Germany, economic data in public-sector building are once again showing growth rates, but on the basis of very low starting values. Despite the positive economic situation, the price levels continue to be unsatisfactory, leading us to continue to acquire selectively.

Our major projects – principal among them the north-south subway in Cologne which is being built in a demanding inner-city location – are proceeding according to plan. In the year under review we completed significant infrastructure measures. One example is the new high-speed ICE rail line between Nuremberg and Ingolstadt which went into operation before the beginning of the football World Cup. Our consortium built the longest section – 35 kilometers – of the rail connection. The order included two large tunnel structures, four major bridges, eleven road bridges and a further 24 smaller railroad bridges.

For the first time, a pre-fabricated solution was used for the superstructure of the hard-surfaced roadway. The extreme precision of the track system makes it possible for trains to reach speeds of up to 350 kilometers per hour. In Mangfalltal near Munich we completed the last 17-kilometer long section of the drinking water gallery six months before the originally scheduled completion date. The structure opens up the wellspring area there, from which the city of Munich public works department obtains about 70% of its drinking water. In the course of the entire project, our Tunneling division successfully drove a 30-kilometer section of tunnel since 1993.

The investment needs for the maintenance and expansion of infrastructure in Germany have grown further. The increase in demand should have a positive effect on the price situation, leading us to expect a revival in our German civil engineering business in the middle term.

Road division – good order backlog in Germany and internationally

Our still young Road division has a good order backlog both in Germany and internationally. In Germany, the unit is represented by three regional branch offices and concentrates on the execution of larger projects. In highway construction we are currently building several highway sections and parts of national roads. In the expansion of airports, we are taking over significant services in the renewal of runways in places such as the American military airbase in Ramstein and the commercial airports in Leipzig and Dresden. Here, our expertise in the area of concrete slab construction provides us with a decisive competitive advantage. The particular challenge in projects such as these lies in the construction process because interruptions in flight operations must be avoided as far as possible.

Furthermore, the Road division accompanies Bilfinger Berger Civil overseas as a specialist. The two units are cooperating successfully on the extension of the city highway in Doha. In the future, the Road division's business should grow on this basis, above all internationally. So that we can secure further capacity for major infrastructure projects, we acquired a 25% stake in Reinhold Meister GmbH in Hengersberg, Germany in November 2006. The company is specialized in heavy earthworks.

Environmental Technology

Bilfinger Berger Environmental Technology is specialized in water and sewage technology, reclamation of contaminated sites, landfill and vacuum technology. It offers innovative products, complete turn-key facilities and customer-oriented services from a single source.

At over 70%, the share of international business for water and sewage technology is particularly high. Europe, the African countries bordering the Mediterranean, the Persian Gulf States and China all show high levels of demand for the equipping of sewage treatment plants. In the financial year just ended we completed a larger project in the Chinese metropolis of Shijiazhuang. Following the completion of the sewage treatment plant in the Emirate of Fujairah, which was built together with Bilfinger Berger Civil, the company will take over technical operation for a period of 15 years. In the United States, too, the construction and modernization of sewage treatment plants offers good prospects since in many locations the treatment of sewage no longer complies with environmental standards. Last year, our Fru-Con subsidiary received the order to expand the major sewage treatment plant in Arlington, Virginia and to update the existing technical equipment.

In the clean-up of contaminated sites, in addition to the cleaning of contaminated soil, the treatment of industrial waste is gaining in importance. In the niche market for vacuum

sewage system, we occupy a leading global market position. In the Persian Gulf States, where we have, among other things, supplied the vacuum technology for the artificial island group 'The Palm', we are seeing continued high demand.

Outlook

In civil engineering, our outstanding technical expertise and the ability to responsibly manage major infrastructure projects are key factors for our success. Our flexible divisional organization provides all the necessary pre-requisites for efficient cooperation within the Group and promotes the trouble-free transfer of knowledge to our international markets. In the future, we will continue to pursue this successful strategy.

Business prospects in our core markets are pleasing: In Australia we intend to participate to a disproportionately high degree in the continued positive development in the civil engineering market. On the North-American market, our technical competence offers us the opportunity to expand further. In the Persian Gulf region we are involved in the execution of important infrastructure projects. In Scandinavia, in light of the sustained high investment level in transport infrastructure, we will further expand our market position. We would like to strengthen the clout of Razel on the French market by closely connecting it to Bilfinger Berger Civil and to put the competence of the company in heavy earthworks to greater use internationally. In Germany, increasing demand in public-sector building will tend to lead to a revival in civil engineering markets.

Overall, for the year 2007, we are planning a rise in output volume and an increase in earnings in the Civil business segment.