

Concessions

- **Brisk new business with good earnings potential**
- **Successful sale of projects to financial investors**
- **Net present value of the portfolio substantially higher than book value**

The Concessions business segment recorded brisk new business over the past year. In Germany, public acceptance of privately-financed solutions in public-sector building construction is growing. Here we received the order to realize the Burg correctional facility near Magdeburg. In Canada, Northern Ireland and Norway we are carrying out three new transportation projects. The investment volume of the new projects totals € 1.4 billion; our equity commitment amounts to € 62 million.

As part of our portfolio policy, we sold the British Embassy in Berlin, schools in the English county of Wiltshire and a hospital in the City of Hull (northern England) to financial investors at attractive conditions. On the secondary market there is currently great interest in the purchase of mature projects which no longer carry the risks of design, construction and commissioning. Along with the long-term expansion of our portfolio, the sale of individual projects remains an alternative by which disproportionately high value increases can be realized in the initial phases of the life cycle of concessions projects.

In the future, the Company will only participate in transport infrastructure models involving limited risk from traffic volumes. For this reason, we sold our participation in the Westlink M7 motorway in Sydney at a profit. Traffic figures for the remaining toll projects, Cross City Tunnel in Sydney and Herren Tunnel in Lübeck, remained

well below expectations during the ramp-up phase, which is why we fully wrote off this investment in mid-2006. The write-off resulted in a one-time burden of € 63 million. As negotiations to work out a new, viable financing concept for the operation of the Cross City Tunnel did not come to fruition, management of the project company was forced to apply for insolvency at the end of 2006. The future development is now in the hands of the administrator and the lending banks. In the case of the Herren Tunnel in Lübeck, we are working together with our partner to bring the project to a successful end in the long term.

At year-end, our project portfolio comprised 15 projects and committed equity came to € 137 million, of which € 56 million was paid into project companies.

Despite write-offs and the high level of expenses for our intensive bidding activities, EBITA stood at minus € 4 million (2005: plus € 4 million), with revenues from the sale of projects-making a substantial contribution.

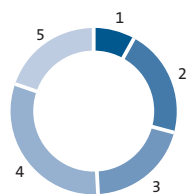
Return on capital employed remains the decisive measure of success in our Concessions business segment. As before, our sights are set on activities in public-sector building and transport infrastructure. We only get involved in markets with stable political and economic conditions, which means in selected European countries, in

Key figures for Concessions

Number / € million	2006	2005	Δ in %
Projects in portfolio	15	17	-12
thereof, under construction	8	8	0
Committed equity	137	177	-23
thereof, paid-in	56	130	-57
EBITA	-4	+4	
Employees (number at December 31)	105	80	+31

Concessions: equity investment by region

€ million	2006	%
1 Germany	10	8
2 United Kingdom	29	21
3 Rest of Europe	28	20
4 Canada	42	31
5 Australia	28	20
	137	100



Australia and North America. We concentrate on our strategic advantage over competitors from the financial sector where we have the cutting edge not only in terms of our competence in design, calculation, management and construction but also in our concessions expertise.

Evaluation of the project portfolio

To measure our success in the concessions business, we consider not only current operating profit, but also the annual change in the net present value of future cash flows which accrue to us as equity investor from the projects. As in previous years, the calculation was carried out using the discounted cash flow (DCF) method. The net present value is the total of future cash flows between the project company and the equity investor discounted to present-day values. To ensure that the valuation adequately reflects the risks involved, we adjust the interest rates in line with the characteristics of the individual projects.

The following valuation principles have been applied, unchanged from previous years:

- Only projects which have reached financial close are included.
- The cash flows accruing from the projects are calculated with the use of financial models that have been approved by the external lenders.
- Future potential refinancing gains are not taken into account in the valuation.

Discount rates

	%
Weighted risk-free basic interest rate	6
Supplement for type of project	2-3
Supplement for construction phase	3
Supplement for going into operation	2
Supplement for full operation	0

The value of a concession project develops over its life cycle. The initial realization phase embodies not only the highest potential for value creation but also the highest risks. These risks decrease as the project matures. The calculation of the discounted cash flows is therefore based on specific interest rates that are the sum of a risk-free basic interest rate and a premium for the type and phase of the project. The weighted risk-free basic interest rate is derived from the long-term interest rates for government bonds in the respective countries of investment (European Monetary Union, the United Kingdom and Northern Ireland, Norway, Australia and Canada).

The premium for the type of project differentiates between:

- projects whose revenues depend exclusively on the degree of availability (2%)
- projects that entail limited volume risks (3%)

The premium for the project phase differentiates between:

- projects in the construction phase as investments during this period are exposed to the risk of completion on schedule and within budget (3%)
- projects in the ramp-up phase (2%)

The premium ceases to apply when the revenues and the costs are certain. This is generally the case after one year of operation for straight-forward availability models, and after two years in the case of projects involving demand risks.

The expected future cash flows are therefore discounted at rates of between 8% and 12%. The weighted discount rate for the concession portfolio, which comprised 15 projects at the end of 2006, was 10.5%. On the balance-sheet date, the expected future cash flows from the existing portfolio up until the year 2041 came to € 654 million.

Project portfolio December 2006	Contractually committed equity		Paid-in equity		Future cash flows		Present value of future cash flows	
	2006	2005	2006	2005	2006	2005	2006	2005
€ million								
Transport infrastructure	81.0	119.2	30.1	102.2	423.3	736.5	52.9	125.5
Building construction	56.1	57.3	26.0	27.7	231.0	317.4	38.3	57.4
Total	137.1	176.5	56.1	129.9	654.3	1.053.9	91.2	182.9

Cash flows for Bilfinger Berger 2007-2041 (after taxes)

€ million	2007	2008	2009	2010	2011	2012	2013	2014	2015
Transport infrastructure	5.9	3.1	-0.3	-1.1	-34.3	5.4	5.6	9.0	13.4
Building construction	-1.1	-14.3	6.4	7.3	-1.6	5.6	5.8	6.0	6.0
Total	4.9	-11.1	6.1	6.2	-35.9	11.1	11.4	15.0	19.4
	2016	2017	2018	2019	2020	2021	2022	2023	2024
Transport infrastructure	13.1	13.5	13.4	14.1	13.9	11.6	11.8	12.1	20.9
Building construction	5.7	8.4	6.0	5.8	6.3	6.0	6.0	6.0	6.1
Total	18.8	21.9	19.3	19.9	20.2	17.6	17.8	18.1	27.1
	2025	2026	2027	2028	2029	2030	2031	2032	2033
Transport infrastructure	29.1	27.9	13.9	13.6	13.8	23.2	12.6	5.7	7.5
Building construction	5.9	6.6	4.9	27.0	12.5	6.7	42.8	5.2	17.6
Total	35.1	34.5	18.7	40.7	26.3	29.9	55.4	10.9	25.1
	2034	2035	2036	2037	2038	2039	2040	2041	Total
Transport infrastructure	17.7	13.1	2.5	-3.9	-4.1	-4.6	33.4	90.7	423.3
Building construction	15.6	7.6	1.0	0.6	0.4	0.0	0.0	0.0	231.0
Total	33.3	20.7	3.5	-3.3	-3.7	-4.6	33.4	90.7	654.3

Net present value substantially higher than book value

With the application of our project-specific discount rates, the cash value at December 31, 2006 amounted to €91 million (2005: €183 million), which is substantially higher than the paid-in equity totaling €56 million (2005: €130 million). The overall value added created, however, becomes evident only if projects sold are included in the equation.

The decline in net present value and paid-in capital was the result of portfolio streamlining at mid-year and from the sale of three mature projects in the fourth quarter. The development of net present value is a combination of:

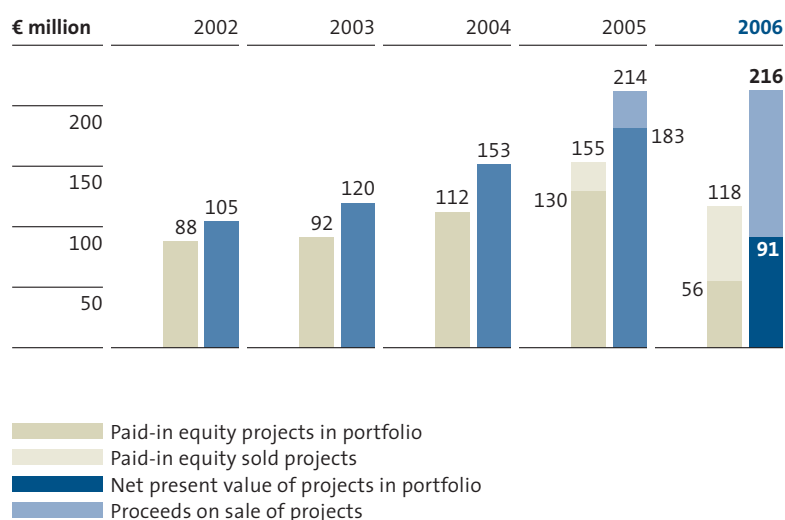
- regular capital contributions to existing projects (€26 million)
- adjustments to the carrying value for projects written off in the amount of €78 million
- the sale of equity interests with a net present value of €63 million. The sale of equity interests reduces the nominal value of expected future cash flows and thus the present value of the concession portfolio at year-end. The sales proceeds for all projects were much higher than the net present values of the valuation. Gains on disposals are included in EBITA in the reporting year, and are thus not part of the increase in intrinsic value.
- exchange rate fluctuations amounting to minus €1 million. Fluctuations in exchange rates affect the amount of future cash flows and thus the total net present value of the Concessions portfolio. Changes in value due to exchange rate fluctuations are eliminated in the calculation of the growth in intrinsic value.

- growth in the intrinsic value from operating activities (€24 million), consisting of:
 - growth in value due to the maturing of the portfolio (€12 million)
 - growth in value through new projects (€12 million)

The maturing process – from financial close, through the construction, ramp-up and operating phase, to settlement – constitutes the intrinsic value added of our Concessions business segment. To determine the ROCE within the framework of our return-on-capital-employed controlling, we therefore include the growth in value of the portfolio, in addition to EBITA.

Owing to the conservative valuation of the portfolio which is currently based on an average discount rate of 10.5 %, there is considerable value enhancement given the current market conditions. A discount on the average discount rate would lead to a significantly higher present value on the reporting date.

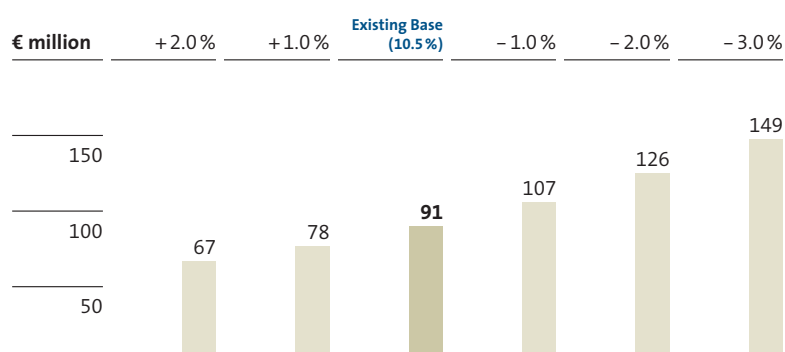
Development of paid-in equity and net present value



Changes in net present value Dec. 2005 - Dec. 2006

	Transport- infrastructure	Building construction	Total
Net present value Dec. 2005	125.5	57.4	182.9
Equity contributions	19.6	6.3	25.9
Project impairments	-78.0	0.0	-78.0
Net present value of sold projects	-32.5	-30.5	-63.0
Exchange-rate changes	-0.2	-0.5	-0.7
Net present value Dec. 2005 updated to Dec. 2006	34.4	32.7	67.1
Increase in value	18.5	5.6	24.1
Net present value Dec. 2006	52.9	38.3	91.2

Valuation of the portfolio with variable discount rates



Transportation infrastructure – new major international projects

We have considerably strengthened our concessions portfolio by securing additional international transportation projects. In terms of new contracts, we look back on our most successful year to date in this business segment.

Near Vancouver, Canada, we are currently financing, designing, building and operating the Golden Ears Crossing road connection. This project involves the construction of a 1,000 meter-long bridge over the Fraser River, three kilometers of highway and nine kilometers of connecting road. The construction volume is € 600 million. The concession company is wholly owned by the Group, and the committed equity comes to € 34 million. A consortium led by Bilfinger Berger's Civil division will be responsible for design and construction work on the project. Upon completion, the concession company will then operate the crossing for a period of 32 years in return for a defined fee paid by the Greater Vancouver Transportation Authority (TransLink).

Having built up a strong position in civil engineering in Scandinavia, we have been able to expand our concessions business there as well. Under the leadership of Bilfinger Berger, a consortium is to finance, design, build and operate a 38-kilometer long section of the E 18 highway in Norway. The investment volume amounts to € 450 billion; our equity commitment comes to

€ 9 million. The section is part of the new highway between Oslo and Kristiansand. Design and construction includes numerous bridges and tunnels and will be executed under the technical leadership of Bilfinger Berger's Civil division. Based on an availability model, the project company, in which we hold a 50 % stake, will take over the operation and maintenance for a period of 25 years. During this period, regular payments will be made to us by the Norwegian government.

Another new project paves the way in the Northern Irish city of Belfast. A consortium led by our Group has undertaken to build city highways and to operate and maintain a total of 60 kilometers of highway. The project volume amounts to € 235 million; our equity commitment is € 11 million. During the thirty-year operating phase, we will ensure the availability of the roads in return for a defined fee from the state.

In the past year, the M6 highway south of the Hungarian capital of Budapest went into operation. The 59-kilometer long highway, which we completed in only two years, is one of the country's first concession projects in transport infrastructure. This is also based on an availability model which is financed by contractually defined payment by the state.

In Germany, by contrast, a breakthrough in privately financed transportation projects is still not yet in sight. Isolated toll models with future traffic difficult to estimate have not yet been successful, as shown in the examples of the only two projects of this kind in Rostock and Lübeck. In extending parts of the highway network which is financed by levying tolls on trucks, there is now a sound basis for calculation for the operator. Nonetheless, despite the growing volume of traffic, only a few projects of this type have reached the market.

Public-sector building construction – Germany as a growth market

In the field of public-sector building construction, we continued to reinforce our strong position in the United Kingdom. In the Scottish Borders region, a consortium under our leadership was commissioned in February 2007 to design, finance and build three new schools and to operate them over a period of 32 years. We are currently the preferred bidder for two more projects in the British education sector. In Clackmannanshire, Scotland, three new schools are to be realized and, in the East Down and Lisburn districts in Northern Ireland, the refurbishment and extension of four education facilities are planned. Our portfolio already comprises a number of school projects in Great Britain. The investment volume of projects in the British education sector amounts to € 550 million. There are currently around 25,000 students attending facilities owned by Bilfinger Berger under a long-term concession model.

In Australia, we successfully handed over the € 150 million Victoria Prisons project in 2006 for two prisons west of Melbourne. On behalf of the government of the Federal State of Victoria, we will operate the buildings for more than 25 years.

The interest in public-private partnerships (PPP) in public-sector building construction in Germany has grown. Last year we were given a contract to design, finance and build the correctional facility in Burg, near Magdeburg within the framework of a public-private partnership

Projects of Bilfinger Berger BOT GmbH	Investment volume	Bilfinger Berger's share of project	Bilfinger Berger's share of equity	Method of consolidation	Project status	Period of concession
	€ million	%	€ million			
Transport infrastructure						
M6 Highway, Hungary	482	40	19.2	Equity method	In operation	2006 – 2026
Kicking Horse Pass, Canada	100	100	7.7	Fully consolidated	Under construction	2007 – 2030
M1 Westlink, United Kingdom	235	75	11.4	Fully consolidated	Under construction	2007 – 2036
E18 Highway, Norway	453	50	8.9	Equity method	Under construction	2009 – 2034
Golden Ears Bridge, Canada	600	100	33.8	Fully consolidated	Under construction	2009 – 2041
Building construction						
Liverpool & Sefton Clinics, United Kingdom	20	24	0.4	Equity method	In operation	2004 – 2030
Barnet & Harringey Clinics, United Kingdom	24	24	0.3	Equity method	In operation	2005 – 2031
Gloucester Hospital, United Kingdom	60	50	2.8	Equity method	In operation	2005 – 2034
Administrative Center, Unna, Germany	24	90	2.8	Fully consolidated	In operation	2006 – 2031
Victoria Prisons, Australia	150	100	16.9	Fully consolidated	In operation	2006 – 2031
Bedford Schools, United Kingdom	41	80	3.4	Fully consolidated	In operation	2006 – 2035
Coventry Schools, United Kingdom	36	80	2.9	Fully consolidated	Under construction	2007 – 2035
Kent Schools, United Kingdom	155	60	8.0	Fully consolidated	Under construction	2007 – 2035
Royal Women's Hospital, Australia	198	100	11.0	Fully consolidated	Under construction	2008 – 2033
Burg Prison, Germany	100	90	7.6	Fully consolidated	Under construction	2009 – 2034
			137.1			

(PPP) model and to operate it over a period of 25 years. For the first time in Germany, all non-statutory activities in the construction and operation of a correctional facility will be fully privatized. The facility, which can accommodate 650 prisoners, will go into operation in 2009. The investment volume amounts to € 100 million; the committed equity from Bilfinger Berger comes to € 8 million.

In August 2006, the headquarters of the district administration in Unna was inaugurated. The administrative building was completely refurbished and extended by Bilfinger Berger and will now be operated by the Group for 25 years. The project has an investment volume of € 24 million and also includes the modernization and operation of two more public buildings in the district of this city located in North-Rhine Westphalia. In the past year we received orders for the Justice Center Chemnitz as well as schools in Halle an der Saale, which will be carried out with no equity commitment. Such PPP projects are assumed by our Building division and are not part of our concessions portfolio.

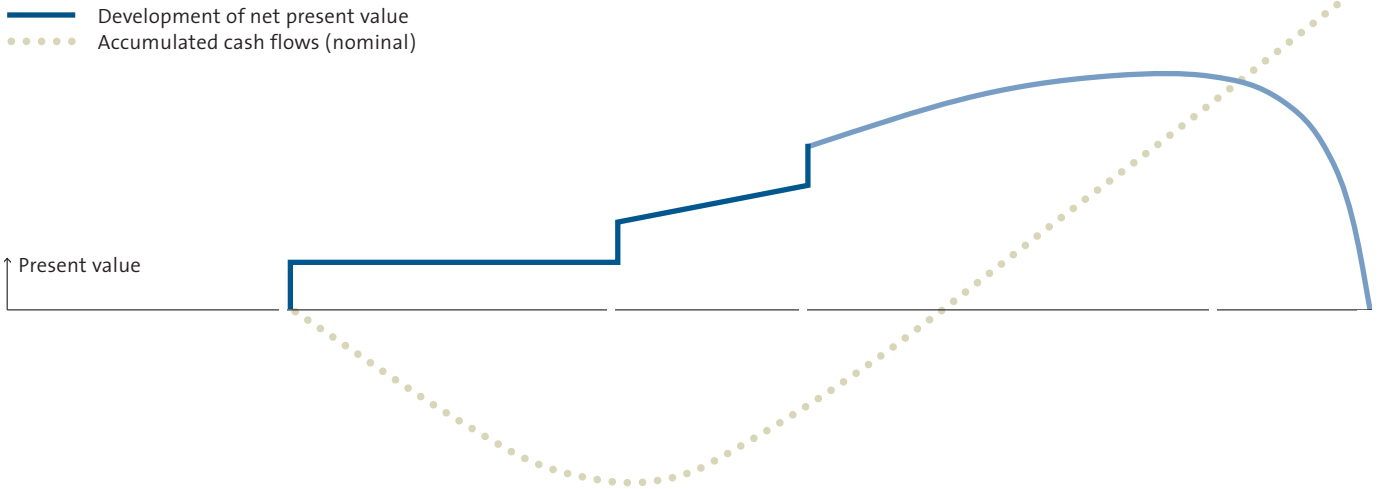
The number and the size of new concession projects in the German market is rising steadily. There are currently around 40 projects with an investment volume of more than € 1 billion under construction or operational, and more than 130 are at the planning stage. Efficiency gains for the public sector over the life cycle of a building can be as high as 20% as compared to conventional approaches. The federal government in Germany has repeatedly stated its goal that, in the future, 15% of investments made by federal, state and local authorities should be carried out using PPP solutions.

Outlook

We anticipate that the Concessions business segment is set to develop well in the future. In transport infrastructure, there are good prospects in the lively market in Canada as well as in selected European countries outside Germany. The still hesitant development in Germany, where the first projects under the A model are to be run as pilot projects, allows only moderate optimism. By contrast, the breakthrough has been made in public-sector building construction. The United Kingdom and Australia remain interesting markets in this sector. In these countries, we expect our Concessions business segment to continue to grow steadily.

We pursue a long-term growth strategy in the Concessions business segment. Our project portfolio has good earnings prospects, its market value is substantially above the book value of paid-in equity. We will generate stable cash flows over the term of the projects and an attractive return on equity. Moreover, the early stage of maturity of our portfolio also gives rise to expectations for a disproportionately high increase in its value. Along with the long-term involvement, the sale of individual projects remains an option for achieving above-average growth in the initial phases of the life cycle of concession projects.

Development of net present value and accumulated cash flows (Dec. 2006)



				Time →
Preferred bidder (3)	Construction (8)	Ramp-up (3)	Yield (4)	Maturity (0)
Borders Schools, United Kingdom	Burg Prison, Germany	Bedford Schools, United Kingdom	Administrative Center, Unna, Germany	
Clackmannanshire Schools, United Kingdom	Coventry Schools, United Kingdom	M6 Highway, Hungary	Barnet & Harringey Clinics, United Kingdom	
East Down & Lisburn Education Institute, United Kingdom	E 18 Highway, Norway	Victoria Prisons, Australia	Gloucester Hospital, United Kingdom	
	Golden Ears Bridge, Canada		Liverpool & Sefton Clinics, United Kingdom	
	Kent Schools, United Kingdom			
	Kicking Horse Pass, Canada			
	M1 Westlink, Northern Ireland			
	Royal Women's Hospital, Australia			