

Notes to the consolidated financial statements 2006

Segment reporting	Civil		Building and Industrial	
	2006	2005	2006	2005
€ million				
Output volume (Group)	2,973.0	2,746.6	2,068.6	2,081.1
Segment earnings	2,557.1	2,113.4	1,760.7	1,756.3
(thereof, inter-segment supply of goods and services)	(76.7)	(0.7)	(48.1)	(134.3)
Cost of materials	-1,546.0	-1,235.9	-1,423.0	-1,421.0
Personnel expenses	-645.8	-552.9	-222.1	-262.1
Depreciation and amortization	-51.8	-47.9	-4.6	-3.5
Other operating expenses	-270.8	-226.6	-88.9	-84.1
EBITA¹	42.7	50.1	22.1	-14.4
Amortization of intangible assets from acquisitions	-	-	-	-
EBIT	-	-	-	-
Net interest result	-	-	-	-
Earnings before taxes	-	-	-	-
Income tax expense	-	-	-	-
Earnings after taxes	-	-	-	-
Minority interest	-	-	-	-
Net profit	-	-	-	-
Segment assets at December 31	1,026.2	934.8	383.6	309.1
Segment liabilities at December 31	1,024.7	931.3	608.4	559.9
Investments in property, plant and equipment	73	65	4	8
Employees at December 31	14,628	23,480	3,745	9,629

¹ EBITA includes income from investments in associated companies of € 3.5 million (2005: minus € 1.2 million). Thereof, Civil € 3.4 million (2005: € 2.5 million), Services € 2.7 million (2005: € 1.5 million), Concessions minus € 2.6 million (2005: minus € 2.8 million)

Segment reporting by region	Germany		Europe excluding Germany	
	2006	2005	2006	2005
€ million				
Output volume (Group)	2,719.8	2,389.9	1,827.6	1,500.2
Segment earnings	2,696.2	2,317.4	1,790.8	1,390.5
Segment assets at December 31	2,232.8	2,092.4	1,210.7	755.2
Investments in property, plant and equipment	58	37	36	25

Notes

Segment reporting takes place for the individual business segments in line with our organisational structure. The inter-segment supply of goods and services shows the volumes of goods and services supplied between the business segments, which were billed at normal market prices. The Group's internal expenses and income and intercompany profits were eliminated in the reconciliation to the data of the consolidated financial statements. The expenses and income of the headquarters are also shown here.

	Services		Concessions		Total of segments		Consolidation, Other		Consolidated Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	2,880.8	2,249.9	24.7	13.9	7,947.1	7,091.5	- 10.9	- 30.1	7,936.2	7,061.4
	2,971.9	2,296.7	511.8	231.1	7,801.5	6,397.5	- 100.0	- 60.6	7,701.5	6,336.9
	(34.1)	(21.6)	(0.0)	(0.0)	(158.9)	(156.6)	(- 158.9)	(- 156.6)	(0.0)	(0.0)
	- 1,428.7	- 1,141.5	- 413.2	- 187.0	- 4,810.9	- 3,985.4	72.5	110.4	- 4,738.4	- 3,875.0
	- 1,102.2	- 835.4	- 9.6	- 7.5	- 1,979.7	- 1,657.9	- 47.4	- 52.4	- 2,027.1	- 1,710.3
	- 35.1	- 28.1	- 0.3	- 0.1	- 91.8	- 79.6	- 7.2	- 12.2	- 99.0	- 91.8
	- 282.4	- 201.3	- 93.0	- 33.0	- 735.1	- 545.0	78.1	0.0	- 657.0	- 545.0
	123.5	90.4	- 4.3	3.5	184.0	129.6	- 4.0	- 14.8	180.0	114.8
	-	-	-	-	-	-	-	-	- 10.2	- 5.3
	-	-	-	-	-	-	-	-	169.8	109.5
	-	-	-	-	-	-	-	-	3.4	5.9
	-	-	-	-	-	-	-	-	173.2	115.4
	-	-	-	-	-	-	-	-	- 77.0	- 41.6
	-	-	-	-	-	-	-	-	96.2	73.8
	-	-	-	-	-	-	-	-	- 4.1	- 7.3
	-	-	-	-	-	-	-	-	92.1	66.5
	1,599.1	1,178.7	957.6	672.0	3,966.5	3,094.6	1,162.9	1,262.0	5,129.4	4,356.6
	700.6	521.1	904.8	525.5	3,238.5	2,537.8	684.7	630.0	3,923.2	3,167.8
	52	27	1	0	130	100	6	2	136	102
	30,218	21,709	105	80	48,696	54,898	445	448	49,141	55,346

	America		Africa		Asia		Australia		Consolidated Group	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	633.1	539.7	587.0	681.3	183.3	139.4	1,985.4	1,810.9	7,936.2	7,061.4
	625.9	511.4	482.5	357.8	169.9	125.0	1,936.2	1,634.8	7,701.5	6,336.9
	471.9	254.0	158.8	174.5	55.1	60.0	1,000.1	1,020.5	5,129.4	4,356.6
	8	7	10	6	1	3	23	24	136	102

The reconciliation of the segments' assets primarily applies to securities, cash and cash equivalents, and financial assets not allocated to the business segments, as well as real estate and other assets of the Group's headquarters. The segments' liabilities shown in the reconciliation include the liabilities of the Group headquarters and interest-bearing liabilities such as liabilities to banks and pension provisions. For this reason, corresponding expense and income items are not recorded in the segments' earnings (EBITA).

General explanations

General information

Bilfinger Berger AG is a listed stock corporation located at Carl-Reiß-Platz 1-5, 68165 Mannheim, Germany. The consolidated financial statements of Bilfinger Berger AG have been prepared in accordance with International Financial Reporting Standards (IFRS) as they are to be applied in the European Union and the complementary guidelines that are applicable pursuant to Section 315a, Subsection 1 of the German Commercial Code (HGB). All of the standards that became mandatory on or before the balance-sheet date have been taken into consideration.

To improve the clarity of presentation, we have combined several individual items of the balance sheet and of the income statement under single headings; they are shown separately and explained in these notes. The income statement has been prepared according to the total-cost method. The consolidated financial statements have been prepared in euros. All amounts are shown in millions of euros (€ million), unless otherwise stated.

The consolidated financial statements have been prepared in accordance with the principles of historical costs of acquisition and production, with the exception of individual items such as available-for-sale financial assets and derivative financial instruments, which are shown at fair value. Profit contributions from operating investments are entered under other operating income or other operating expenses.

In addition to the standards and interpretations that are mandatory for the consolidated financial statements as of December 31, 2006, new and revised standards and interpretations have meanwhile been published. No use has been made of the possibility to apply these standards and interpretations ahead of time for the year 2006.

The above paragraph refers to the following standards and interpretations:

IFRS 7 Financial Instruments – Disclosure: This standard supercedes parts of IAS 32, which hitherto regulated the disclosure and presentation of financial instruments. IFRS 7 is effective for annual periods beginning on or after January 1, 2009.

IAS 1 Presentation of Financial Statements: IAS 1 was amended with regard to capital disclosures. This amendment is effective for annual periods beginning on or after January 1, 2007.

IFRS 8 Operating Segments: This new standard supercedes IAS 14 Segment Reporting and follows a “management approach” to segment reporting. IFRS 8 is effective for annual periods beginning on or after January 1, 2009.

IFRIC 7 Applying Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies: This interpretation clarifies additional questions connected with financial reporting in hyperinflationary economies (to be applied for the first time for reporting years which begin on or after March 1, 2006).

IFRIC 8 Scope of IFRS 2: This interpretation clarifies questions of application connected with the provisions of IFRS 2 regarding share-based payment. IFRIC 8 is effective for annual periods beginning on or after May 1, 2006.

IFRIC 9 *Reassessment of Embedded Derivatives*: This interpretation addresses questions regarding the separate accounting of embedded derivatives. IFRIC 9 is effective for annual periods beginning on or after June 1, 2006.

IFRIC 10 *Interim Financial Reporting and Impairment*: This interpretation addresses questions of dealing with impairment losses on certain assets in interim financial statements. IFRIC 10 is effective for annual periods beginning on or after November 1, 2006.

IFRIC 11 *IFRS 2: Group and Treasury Share Transactions*: This interpretation provides guidance on accounting for agreements by which an entity grants rights to equity instruments to employees. IFRIC 11 is effective for annual periods beginning on or after March 1, 2006.

IFRIC 12 *Service Concession Arrangements*: This interpretation deals with accounting for certain contracts (known as service concession arrangements, or concessions) for the supply of public services. IFRIC 12 is effective for annual periods beginning on or after January 1, 2008.

With the exception of IFRS 8, IFRIC 10, IFRIC 11 and IFRIC 12, on the balance-sheet date, the standards and interpretations were already recognized by the EU Commission in the context of the endorsement procedure. The future application of the standards and interpretations is unlikely to have any material effect on the asset position, cash flows or profitability of the Bilfinger Berger Group.

1. Consolidated Group

In addition to Bilfinger Berger AG, 5 subgroups and 34 companies in Germany along with 7 subgroups and 31 companies based outside Germany have been included in the consolidated financial statements. Of these, 5 companies in Germany and 8 companies based outside Germany have been consolidated for the first time in the year under review. A further 13 associated companies were accounted for using the equity method.

The following fully consolidated German subsidiaries make use of the exemption regulation of Section 264, Subsection 3 of the German Commercial Code (HGB) for the year 2006:

- Achatz GmbH Bauunternehmung, Mannheim
- bebit Informationstechnik GmbH, Mannheim
- Bilfinger Berger BOT GmbH, Wiesbaden
- Bilfinger Berger Facility Services GmbH, Mannheim
- Bilfinger Berger Nigeria GmbH, Wiesbaden
- Bilfinger Berger Instandsetzung GmbH, Munich
- Bilfinger Berger Real Estate Management GmbH, Mannheim
- Bilfinger Berger Verkehrswegebau GmbH, Bochum
- GBV Versicherungsvermittlung GmbH, Mannheim
- Hüser & Co. GmbH, Mannheim

The most important subgroups and companies included in the consolidated financial statements are shown in the list of principal holdings. Information disclosed pursuant to Section 313, Subsection 2 of the German Commercial Code (HGB) is summarized in a separate list of equity interests. This list is published as a component of the notes to the consolidated financial statements in the German online Federal Gazette (“Bundesanzeiger”).

In the year 2006, in the Industrial Services division, the following companies were acquired for prices totaling € 86 million: Mobuco Steigers B.V., Vlardingem, Netherlands (100%) on May 29, 2006; Salmis Group Ltd., Aberdeen, United Kingdom (100%) on June 20, 2006; ROB Montagebedrijf N.V., Beveren, Belgium (96%) on August 22, 2006; and Techscape Ltd., Auckland, New Zealand (100%) on September 5, 2006.

In the Power Services division, we acquired 100% of the shares in Essener Hochdruck-Rohrleitungsbau GmbH, Essen, Germany for a price of € 52 million on July 1, 2006.

In the Facility Services division, on February 23, 2006 we acquired 80% of the shares in Serimo Holding AG, Binningen, Switzerland, and on April 1, 2006 we acquired 100% of the shares in Ahr Service GmbH & Co. KG, Oberhausen, Germany, for prices totaling € 40 million.

At the respective times of purchase, the acquisitions had the following effects on assets and liabilities:

Effects at the time of acquisition

€ million	
Intangible assets from acquisitions	42.3
Other non-current assets	47.2
Current assets (excluding cash and cash equivalents)	145.0
Cash and cash equivalents	22.8
Total assets	257.3
Provisions for pension obligations	28.2
Other provisions	17.3
Financial liabilities	17.4
Other liabilities	116.6
Total liabilities	179.5

With the exception of capitalized intangible assets from acquisitions, the values correspond for the most part to the book values from the companies acquired.

Since the respective dates of first-time consolidation, the companies acquired during 2006 generated sales revenues of € 316.4 million and EBITA of € 19.3 million.

2. Principles of consolidation

Capital consolidation takes place by offsetting the price of acquisition against the Group's interest in the newly valued equity of the consolidated subsidiaries at the date of acquisition or first-time consolidation. The assets, liabilities and contingent liabilities of the subsidiaries are entered at their full current market values irrespective of the size of the minority interest. Any goodwill ensuing from first-time consolidation is capitalized and subjected to an annual impairment test in accordance with IFRS 3 / IAS 36. Any negative differences are released immediately after acquisition with an effect on net profit. With deconsolidation, the residual book value of the asset differences are taken into consideration in the calculation of income from the disposal. The same principles apply to valuations according to the equity method, whereby any goodwill is reflected in the value of the equity holding.

Receivables, liabilities, income and expenses between consolidated companies have been netted off. Non-current assets and inventories resulting from Group output have been adjusted to exclude any intercompany profits. Deferred taxes from consolidation processes affecting net profit have been charged to subsequent years.

3. Currency translation

In the consolidated financial statements, the assets and liabilities of the accounts prepared in foreign currencies are translated using the exchange rate on the balance-sheet date; expenses and income are translated using the average exchange rate for the year. The aggregate differences compared with translation on the balance-sheet date are entered separately under shareholders' equity.

Currency translation took place using the following key exchange rates:

		Annual average		At December 31	
1 € =		2006	2005	2006	2005
Australia	AUD	1.6673	1.6322	1.6681	1.6145
United Kingdom	GBP	0.6819	0.6839	0.6714	0.6870
Hong Kong	HKD	9.7595	9.6821	10.2484	9.1778
Canada	CAD	1.4302	1.4975	1.5294	1.3769
Nigeria	NGN	162.1750	163.6894	169.7000	153.7000
Norway	NOK	8.0492	8.0152	8.2400	8.0000
Poland	PLN	3.8954	4.0226	3.8413	3.8686
Sweden	SEK	9.2517	9.2838	9.0430	9.3930
Switzerland	CHF	1.5733	1.5484	1.6080	1.5555
South Africa	ZAR	8.5161	7.8632	9.2150	7.4890
Czech Republic	CZK	28.3336	29.7899	27.4350	28.9900
Hungary	HUF	264.1025	248.0523	251.6750	252.6650
United Arab Emirates	AED	4.6138	4.5715	4.8412	4.3472
United States	USD	1.2563	1.2448	1.3181	1.1834
China	CNY	10.0136	10.2026	10.2915	9.5515

4. Significant accounting policies

Intangible assets with a specific lifetime are capitalized at cost of acquisition and amortized over their expected useful lifetimes on a straight-line basis. The expected useful lifetime is generally regarded as being between 3 and 8 years. In accordance with IFRS 3 / IAS 36, goodwill and other intangible assets with a non-specific or unlimited useful lifetime are no longer amortized. Instead, these items are subjected to regular annual impairment tests, which are also carried out during the year if there are indications of a lasting reduction in value.

Property, plant and equipment are valued at the cost of acquisition or production. Their loss in value is accounted for by regular, straight-line depreciation, except in some exceptional cases where a different method of depreciation reflects the use of the asset more adequately. Production costs include all costs that are attributable to the production process, either directly or indirectly. Repair costs are always treated as an incurred expense.

Buildings are depreciated over a useful lifetime of 20 to 50 years using the straight-line method. The useful lifetime of technical equipment and machinery is generally between 3 and 10 years; other equipment including office and factory equipment is usually depreciated over 3 to 12 years.

For intangible assets and property, plant and equipment, an impairment charge is recognized wherever the recoverable amount of an asset has fallen below its carrying value. The recoverable amount represents the higher of the net selling price and the present value of estimated future cash flows. If the reason for an impairment loss recognized in prior years no longer applies, the book value is increased again accordingly, at the most up to the amount of the amortized cost of acquisition. The impairment tests take place at the level of the smallest cash-generating unit.

With leasing contracts where the risks and rewards of ownership of the leased object are allocated to a company of the Bilfinger Berger Group (finance leasing), the item is capitalized at the lower of its fair value or the present value of the leasing payments. Scheduled depreciation takes place over the useful lifetime. The payment obligations resulting from future leasing rates are shown under financial liabilities.

Associated companies included using the equity method are valued with consideration of the prorated earnings of the company, any dividend distributions that have taken place, as well as any goodwill impairments which may have been recognized.

IAS 39 (*Financial Instruments*) divides financial assets into the categories: (1) financial instruments designated at fair value through profit or loss, (2) held-for-trading financial instruments, (3) held-to-maturity investments, (4) loans and receivables, and (5) available-for-sale financial assets.

Financial liabilities are divided into the categories: (1) designated at fair value and (2) financial liabilities valued at amortized cost.

Financial instruments are accounted for either at amortized cost or at fair value. The amortized cost of a financial asset or a financial liability is a result of historical cost minus principal repayments, plus or minus the accumulated amortization of any differences between the original amount and the amount repayable at maturity, and minus any impairment losses.

With current receivables and liabilities, amortized cost is equal to the nominal value or the redemption amount. Fair value is equal to the market or stock-exchange value.

Where no active market exists, the fair value is determined through the application of recognized financial measurements (discounted cash flow procedure and option pricing model).

Shares in non-consolidated investments are entered under *financial assets* as available-for-sale financial assets. They are recognized at their fair values, provided that such values can be reliably estimated. Initial measurement is on the settlement date. Unrealized gains and losses from changes in fair value are entered under equity without any effect on net profit while taking any deferred taxes into consideration. Borrowings, investment properties and receivables from concession projects are measured at amortized cost. Receivables from concession projects thereby effect all services performed in public-private partnership (PPP) projects for which a fixed – independent of the scope of use – fee is agreed upon. In accordance with IAS 39, in cases where a financial asset is impaired, appropriate impairment losses are recognized.

Inventories of *merchandise and real estate held for sale, finished and unfinished goods, raw materials and supplies* are valued at cost of purchase or production, or at net realizable value on the balance-sheet date if this is lower. If the net realizable value of inventories that were written down in the past has risen again, their carrying values are increased accordingly. Production costs include all costs that are attributable to the production process, either directly or indirectly. Financing costs are not taken into consideration.

With construction contracts, profit recognition is booked according to the percentage-of-completion method. Revenues are entered proportionately to the percentage of completion of each order.

The percentage of completion is generally determined on the basis of the output that has been produced at the balance-sheet date. If, for construction contracts, output has been produced which exceeds the amount that has been invoiced for progress payments, this excess is shown under *work in progress*. If the amount that has been invoiced is higher than the output produced, this excess is shown under *progress billings in excess of cost and estimated earnings*. Receivables from percentage of completion correspond with the balance of progress payments invoiced less progress payments received; they are shown together with trade receivables. Anticipated contract losses are accounted for in full from the time that they become known.

Construction contracts carried out in joint ventures are entered according to the percentage-of-completion method. Receivables and/or liabilities to joint ventures also include proportionate contract earnings, in addition to cash receipts and payments as well as output adjustments.

With *trade and other receivables*, which are generally entered at nominal values, provision has been made for potential risks by means of individual value adjustments.

Securities are entered at their fair values. Unrealized gains and losses from the fair valuation of securities which are held for trading purposes (trading papers) are recorded with an effect on net profit. Unrealized gains and losses from other securities that are valued at fair value (available-for-sale papers) are recorded under retained earnings (reserve from the market valuation of securities) without any effect on net profit while taking any deferred taxes into consideration. All securities are written down if their value falls other than temporarily.

Deferred taxes are taken into consideration in terms of any deviations between the valuation of assets and liabilities according to IFRS/IAS and the tax valuation in the amount of the expected future tax charge or relief. In addition, deferred tax assets are created for future relief from tax-loss carry-overs if their realization can be reasonably expected. Deferred tax assets and liabilities from temporary differences are netted off provided that offsetting is legally possible.

Provisions for pensions and similar obligations are calculated according to the projected-unit-credit method for defined-benefit pension plans, taking into consideration future salary and pension increases. If actuarial gains and losses exceed 10% of the higher of projected benefit obligations and pension plan assets, they are distributed over the average remaining period of service. As far as possible, the fair value of pension plan assets is set off. The interest component contained in the pension expense is shown as an interest expense under financial income.

Other provisions are accounted for if there is a present liability resulting from a past event, its occurrence is more likely than unlikely, and the level of the liability can be reliably estimated. Provisions are carried at settlement values and are not offset against positive profit contributions. Provisions are only formed for legal or factual obligations towards third parties.

Payables are entered at fair value, in accordance with IAS 39. In the following periods, they are shown net of amortization.

Derivative financial instruments are used solely to hedge against interest-rate and currency exchange-rate risks. Purely speculative transactions without any underlying basic transaction are not undertaken. The most important derivative financial instruments are currency futures, currency options and interest-rate swaps.

In accordance with IAS 39, derivative financial instruments are carried as assets or liabilities at their fair values. Initial recognition is on the trading day.

With derivative financial instruments related to hedging transactions, measurement depends on changes in fair value due to the type of hedging transaction.

The goal of hedging with the use of a fair-value hedge is to offset changes in the fair values of balance-sheet assets and liabilities through opposing changes in the market value of the hedging transaction. Gains and losses from the development of the market value of the hedge are set off against the changes in the carrying values of the assets and liabilities with an effect on net profit.

Cash-flow hedges are used to safeguard future cash flows. Changes in the effective part of the fair value of the derivative are at first recognized in equity with no effect on net profit, with deduction of deferred taxes (hedging transaction reserve) and are then recognized in the income statement when the hedged transaction is actually realized. The non-effective part of the hedging transaction is immediately entered in the income statement.

Derivative financial instruments that do not fulfill the IAS 39 criteria for being related to hedging are classified as trading financial instruments, and changes in their fair values are immediately entered in the income statement.

Share-based payment

Share-based payment as defined by IFRS 2 is measured on the basis of the share price on the balance-sheet date with consideration of a discount due to the absence of dividend entitlement. Allocations to provisions are made, and entered in the income statement, for the respective periods of time. Details on the Long-Term Incentive Plan (LTI) for the Executive Board which provides for the granting of Performance Share Units (PSUs) are contained in the Compensation Report, which is part of the Management Report.

Revenue recognition

Revenues from construction contracts are generally booked in accordance with the percentage-of-completion method, as specified by IAS 11 Construction Contracts and IAS 18 Revenue. Profits are only recognized if the result of a construction contract can be reliably estimated. Revenues from the sale of products and materials are recognized when the transfer to the customer of ownership and risks has taken place.

Research and development

Expenditure for research and development such as for the further development of processes and special innovative technical proposals for individual projects are generally recognized in the income statement in their full amounts on a project-related basis.

Assessments and estimates

With the preparation of the consolidated financial statements, to a certain extent it is necessary to make assumptions and estimates that have an effect on the amounts and valuations shown in the Group's balance sheet and income statement as well as on the contingent liabilities for the reporting period. The assumptions and estimates primarily relate to the calculation of project results, the recoverability of receivables, the accounting and valuation of provisions, and the assessment of the realization of deferred tax assets. The assumptions and estimates are the result of premises that are based on currently available knowledge. If future developments differ from these assumptions, the actual amounts may diverge from the originally anticipated estimates.

At the time of preparing the consolidated financial statements, the basic premises and estimates were not subject to any significant risks, so from the present perspective, no significant adjustment of the carrying values of assets and liabilities shown in the consolidated balance sheet is to be anticipated in the following year.

Notes to the income statement *

5. Sales revenues

Sales revenues of € 4,498.8 million (2005: € 4,684.4 million) include sales revenues resulting from the application of the percentage-of-completion method. They also include goods and services supplied to joint ventures and consortiums as well as shares in results of such joint ventures and consortiums.

For the representation of the Group's total output volume, particularly when taking into consideration the pro-rated output of joint ventures and consortiums, the output volumes of the individual segments and regions are summarized as follows:

	2006	2005
Business segments		
Civil	2,973	2,747
Building and Industrial	2,068	2,081
Services	2,881	2,250
Concessions	25	14
Consolidation, other	- 11	- 31
Total	7,936	7,061
Regions		
Germany	2,720	2,390
Europe excluding Germany	1,828	1,500
Africa	587	681
America	633	540
Asia	183	139
Australia	1,985	1,811
International	5,216	4,671
Total	7,936	7,061

* Amounts in
€ million, unless
otherwise stated

6. Other operating income

	2006	2005
Income from the disposal of property, plant and equipment	17.5	14.9
Income from the reversal of impairment charges	6.1	8.7
Gains on currency translation	10.3	3.7
Income from the retransfer of provisions	20.1	12.0
Income from operating investments	96.5	27.8
Other income	49.5	62.0
Total	200.0	129.1

Income from operating investments is comprised as follows:

	2006	2005
Income from equity holdings	4.2	5.8
Income from the equity-method valuation of associated companies	8.7	6.5
Income from the disposal and write-up of equity holdings	83.6	15.5
Total	96.5	27.8

Income from the disposal of investments primarily reflects the sale of shares in the concession projects British Embassy, Berlin; Westlink M7, Sydney; Hull Maternity, Chertsey Surrey; White Horse Education, Chertsey Surrey, as well as the sale of the Ship Technologies unit, which was not part of the core business.

The interest income from concession projects shown under other operating income is comprised as follows:

	2006	2005
Construction phase		
Interest income (non-recourse financing)	- 24.8	- 18.3
Minus interest income from the investment of non-utilized project-financing funds	9.2	7.1
Minus project interest in the construction phase	15.6	11.2
	0.0	0.0
Operation phase		
Interest income on receivables from concession projects	16.5	4.3
Minus interest expenses (non-recourse financing)	- 15.3	- 3.9
	1.2	0.4

7. Cost of materials

	2006	2005
Cost of raw materials, supplies and purchased goods	1,514.4	1,128.6
Cost of purchased services	3,224.0	2,746.4
Total	4,738.4	3,875.0

8. Personnel expenses

	2006	2005
Wages and salaries	1,691.6	1,417.4
Social-security levies and pension contributions	335.5	292.9
Total	2,027.1	1,710.3

9. Depreciation and amortization

Intangible assets (excluding goodwill and other intangible assets from acquisitions) were amortized by € 5.5 million (2005: € 5.8 million), property, plant and equipment were depreciated by € 93.0 million (2005: € 80.7 million) and real-estate properties held as financial investments were amortized by € 0.5 million (2005: € 5.3 million).

10. Other operating expenses

	2006	2005
Office operating costs, travel expenses, insurance	188.0	164.2
Legal and consulting fees, contributions	100.1	90.8
Rental and leasing payments	108.8	95.9
Expenses from operating investments	64.8	7.9
Miscellaneous expenses	195.3	186.2
Total	657.0	545.0

Other expenses primarily include the costs of order processing, additions to provisions and write-downs of current assets. They also include losses of € 4.9 million on the disposal of non-current assets (2005: € 5.6 million), exchange-rate losses on currency translation of € 12.3 million (2005: € 5.2 million) and other taxes of € 7.7 million (2005: € 9.0 million).

Expenses from operating investments are comprised as follows:

	2006	2005
Expenses from equity holdings	0.0	0.5
Expenses from the equity-method valuation of associated companies	5.3	5.3
Expenses from the disposal and write-down of equity holdings	59.5	2.1
Total	64.8	7.9

Of the expenses from operating investments, € 63.2 million are accounted for by the concession project Cross City Tunnel, Sydney, Australia and Herren Tunnel, Lübeck, Germany.

11. Amortization of goodwill and other intangible assets from acquisitions

In accordance with IFRS 3 / IAS 38, in connection with acquisitions, intangible assets are formed to reflect customer relations (e.g. for order backlogs and framework agreements). These intangible assets were amortized by € 10.2 million in 2006 (2005: € 5.3 million).

12. Financial income

Financial income comprises the following items of the income statement.

	2006	2005
Interest income	29.3	26.7
Interest expense	- 14.5	- 15.8
Interest expense from additions to provisions for pensions	- 12.8	- 12.1
Interest income from pension plan assets	6.1	5.1
Interest expense	- 21.2	- 22.8
Other financial income / expense	- 4.7	2.0
Total	3.4	5.9

The reduction in other financial income/expense is the result of an interest expense for minority interests shown in accordance with IAS 32 as debt due to contractual regulations, in particular put options.

13. Income tax expense

Income tax expense is the taxes on income and earnings paid, owed or deferred in the various countries. The calculations are based on the expected tax rates in those countries at the time of realization. These expected tax rates are derived from the statutory regulations that are in force or planned on the balance-sheet date.

	2006	2005
Actual taxes	58.1	31.0
Deferred taxes	18.9	10.6
Total	77.0	41.6

The actual tax expense of Bilfinger Berger AG is derived from the applicable tax rate as follows:

	2006	2005
Earnings before income taxes	173.2	115.4
Theoretical tax expense at 26.38% (2005: 26.38%)	45.7	30.4
Tax-rate differences	11.7	0.5
Tax effects of non-deductible expenses and tax-free income	14.2	3.2
Tax from other accounting periods	2.9	4.2
Losses for which no deferred-tax assets are capitalized and changes in value adjustments	1.8	2.5
Miscellaneous	0.7	0.8
Income-tax expense	77.0	41.6

14. Earnings per share

Earnings per share are calculated by dividing the Group's net profit by the weighted average number of shares issued.

	2006	2005
Net profit	92.1	66.5
Weighted average number of shares issued	37,196,102	37,005,415
Basic earnings per share	€ 2.48	1.80
Diluted earnings per share	€ 2.48	1.79

Diluted earnings per share are equal to basic earnings per share in the year under review.

Notes to the balance sheet *

15. Non-current assets

Intangible assets

Cost of acquisition or production	Licenses, software and similar rights and values	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
December 31, 2004	25.4	331.2	5.3	0.1	362.0
Changes in the consolidated Group	8.4	0.0	0.0	0.0	8.4
Additions	4.6	215.7	28.8	0.0	249.1
Disposals	1.4	3.0	0.0	0.0	4.4
Reclassifications	5.0	-4.9	0.0	-0.1	0.0
Write-ups	0.0	0.3	0.0	0.0	0.3
Currency adjustments	0.3	7.4	0.0	0.0	7.7
December 31, 2005	42.3	546.7	34.1	0.0	623.1

Accumulated depreciation and amortization	Licenses, software and similar rights and values	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
December 31, 2004	12.4	0.0	0.3	0.0	12.7
Changes in the consolidated Group	7.9	0.0	0.0	0.0	7.9
Additions	5.8	0.0	5.3	0.0	11.1
Disposals	1.2	0.0	0.0	0.0	1.2
Reclassifications	0.0	0.0	0.0	0.0	0.0
Currency adjustments	0.2	0.0	0.0	0.0	0.2
December 31, 2005	25.1	0.0	5.6	0.0	30.7
Balance at December 31, 2005	17.2	546.7	28.5	0.0	592.4

* Amounts in € million, unless otherwise stated

Cost of acquisition or production	Licenses, software and similar rights and values	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
December 31, 2005	42.3	546.7	34.1	0.0	623.1
Changes in the consolidated Group	- 3.9	0.0	0.0	0.0	- 3.9
Additions	6.5	121.7	42.2	0.8	171.2
Disposals	1.2	3.3	0.0	0.0	4.5
Reclassifications	- 0.9	0.0	1.0	- 0.1	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0
Currency adjustments	- 0.2	- 5.2	- 0.1	0.0	- 5.5
December 31, 2006	42.6	659.9	77.2	0.7	780.4

Accumulated depreciation and amortization	Licenses, software and similar rights and values	Goodwill	Intangible assets from acquisitions	Advance payments on intangible assets	Total
December 31, 2005	25.1	0.0	5.6	0.0	30.7
Changes in the consolidated Group	- 2.6	0.0	0.0	0.0	- 2.6
Additions	5.5	0.0	10.2	0.0	15.7
Disposals	1.1	0.0	0.0	0.0	1.1
Reclassifications	- 0.5	0.0	0.2	0.0	- 0.3
Write-ups	0.3	0.0	0.0	0.0	0.3
Currency adjustments	- 0.1	0.0	0.0	0.0	- 0.1
December 31, 2006	26.0	0.0	16.0	0.0	42.0
Balance at December 31, 2006	16.6	659.9	61.2	0.7	738.4

Within the context of carrying out the annual impairment tests in accordance with IFRS 3 / IAS 36, goodwill was allocated to the relevant cash-generating units. This is allocated to the business segments as follows:

	2006	2005
Civil	73	72
Building and Industrial	10	10
Services	577	465
Concessions	0	0
Total	660	547

The fair values allocated to these units as of the balance-sheet date correspond with their values in use, which are derived from their discounted future cash flows. The calculation is based on current planning figures over a three-year period. For the period thereafter, for the sake of a cautious valuation, constant cash flows were assumed, whereby future growth opportunities were not taken into consideration. The discount rate used for the future cash flows is equal to the business segments' cost-of-capital rate, as used in our system of return-on-capital-employed controlling. The discount rate used for the "construction" business units is 13% (2005: 11%) and for the Services business segment it is 9% (2005: 11%).

A comparison of the fair values attributed to the units with their carrying values including goodwill did not result in any need for impairments. Nor would a significant increase in the discount rate or significant negative deviations from the planning premises result in any need to impair goodwill.

The intangible assets from acquisitions reflect the portions of purchase prices attributed to acquired customer relations (e.g. order backlogs and framework agreements) and are amortized over their useful lifetimes using the straight-line method.

Property, plant and equipment

Cost of acquisition or production					Total
	Land and buildings	Technical equipment and machinery	Other equipment, office equipment	Advance payments and assets under construction	
December 31, 2004	366.0	480.6	245.1	2.8	1,094.5
Changes in the consolidated Group	21.3	63.0	42.8	0.8	127.9
Additions	7.0	53.8	32.1	8.9	101.8
Disposals	25.1	54.5	25.2	0.3	105.1
Reclassifications	0.1	1.7	1.1	- 2.9	0.0
Currency adjustments	3.8	12.0	3.0	0.0	18.8
December 31, 2005	373.1	556.6	298.9	9.3	1,237.9

Accumulated depreciation and amortization					Total
	Land and buildings	Technical equipment and machinery	Other equipment, office equipment	Advance payments and assets under construction	
December 31, 2004	123.0	334.7	161.5	0.0	619.2
Changes in the consolidated Group	9.5	50.5	37.4	0.0	97.4
Additions	9.9	42.8	28.0	0.0	80.7
Disposals	13.2	44.3	23.1	0.0	80.6
Reclassifications	0.1	- 0.1	0.0	0.0	0.0
Currency adjustments	1.1	6.2	1.9	0.0	9.2
December 31, 2005	130.4	389.8	205.7	0.0	725.9
Balance at December 31, 2005	242.7	166.8	93.2	9.3	512.0
thereof, finance leasing					
Carrying amount at December 31, 2005	10.2	36.9	12.8	0.0	59.9

**Cost of acquisition
or production**

	Land and buildings	Technical equipment and machinery	Other equipment, office equipment	Advance payments and assets under construction	Total
December 31, 2005	373.1	556.6	298.9	9.3	1,237.9
Changes in the consolidated Group	23.6	17.8	45.8	3.8	91.0
Additions	40.3	65.8	49.2	12.7	168.0
Disposals	13.1	47.5	34.8	0.8	96.2
Reclassifications	1.2	9.2	-1.4	-9.0	0.1
Currency adjustments	-1.8	-6.2	-1.3	0.0	-9.3
December 31, 2006	423.3	595.7	356.4	16.0	1,391.4

**Accumulated
depreciation and
amortization**

	Land and buildings	Technical equipment and machinery	Other equipment, office equipment	Advance payments and assets under construction	Total
December 31, 2005	130.4	389.8	205.7	0.0	725.9
Changes in the consolidated Group	8.5	14.8	29.4	0.0	52.7
Additions	10.5	49.4	33.1	0.0	93.0
Disposals	5.0	46.6	31.5	0.0	83.1
Reclassifications	0.2	1.7	-1.6	0.0	0.3
Currency adjustments	-0.6	-3.2	-0.9	0.0	-4.7
December 31, 2006	144.0	405.9	234.2	0.0	784.1
Balance at December 31, 2006	279.3	189.8	122.2	16.0	607.3
thereof, finance leasing					
Carrying amount at December 31, 2006	9.8	46.4	13.9	0.0	70.1

Land charges on land and buildings with a book value of € 7.5 million are registered as security for liabilities (2005: € 10.5 million).

Finance-leasing transactions mainly involve construction machinery with a contract period usually of 4 to 5 years and office buildings with a contract period of up to 30 years.

The payment obligation resulting from the finance leasing is recognized in the amount of the present value of future leasing payments due. The minimum leasing payments consisting of present value and interest portion are shown in the following table:

	< 1 year	1 - 5 years	> 5 years	Total
Leasing payments	19.5	37.4	7.0	63.9
Interest portion	2.9	3.4	2.0	8.3
Carrying amount / present value	16.6	34.0	5.0	55.6

Financial assets

Cost of acquisition or production	Shares in associated companies	Investment properties	Shares in subsidiaries	Equity holdings	Lendings	Receivables from concession projects	Total of financial assets
December 31, 2004	85.6	162.4	43.6	48.0	14.3	139.1	493.0
Changes in the consolidated Group	1.6	0.0	1.8	0.2	0.3	0.0	3.9
Additions	16.0	0.9	4.2	32.3	10.9	375.0	439.3
Disposals	9.4	128.4	4.7	32.3	10.7	0.9	186.4
Reclassifications	- 4.3	0.0	0.0	4.3	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	5.5	0.0	0.0	5.5
Currency adjustments	0.1	0.0	0.0	0.8	0.0	12.1	13.0
December 31, 2005	89.6	34.9	44.9	58.8	14.8	525.3	768.3

Accumulated depreciation and amortization	Shares in associated companies	Investment properties	Shares in subsidiaries	Equity holdings	Lendings	Receivables from concession projects	Total of financial assets
December 31, 2004	4.8	0.0	37.3	22.6	0.5	0.0	65.2
Changes in the consolidated Group	0.0	0.0	2.3	0.0	0.0	0.0	2.3
Additions	0.0	5.3	1.9	0.0	0.0	0.0	7.2
Disposals	0.2	4.4	1.9	9.3	0.5	0.0	16.3
Reclassifications	- 0.3	0.0	0.0	0.3	0.0	0.0	0.0
Write-ups	- 2.7	0.0	0.0	0.0	0.0	0.0	- 2.7
Currency adjustments	0.0	0.0	0.0	0.3	0.0	0.0	0.3
December 31, 2005	1.6	0.9	39.6	13.9	0.0	0.0	56.0
Balance at December 31, 2005	88.0	34.0	5.3	44.9	14.8	525.3	712.3

Cost of acquisition or production	Shares in associated companies	Investment properties	Shares in subsidiaries	Equity holdings	Lendings	Receivables from concession projects	Total of financial assets
December 31, 2005	89.6	34.9	44.9	58.8	14.8	525.3	768.3
Changes in the consolidated Group	0.6	0.0	7.8	0.2	3.6	0.0	12.2
Additions	16.5	0.0	4.9	4.2	11.8	452.9	490.3
Disposals	6.7	34.9	7.8	47.4	6.7	65.7	169.2
Reclassifications	1.9	0.0	-1.8	-0.1	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency adjustments	0.0	0.0	0.0	-1.3	0.0	-19.3	-20.6
December 31, 2006	101.9	0.0	48.0	14.4	23.5	893.2	1,081.0

Accumulated depreciation and amortization	Shares in associated companies	Investment properties	Shares in subsidiaries	Equity holdings	Lendings	Receivables from concession projects	Total of financial assets
December 31, 2005	1.6	0.9	39.6	13.9	0.0	0.0	56.0
Changes in the consolidated Group	0.0	0.0	3.1	0.0	0.0	0.0	3.1
Additions	54.8	0.5	0.8	0.0	3.5	0.0	59.6
Disposals	0.5	1.4	2.0	11.1	0.0	0.0	15.0
Reclassifications	0.4	0.0	-0.4	0.0	0.0	0.0	0.0
Write-ups	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency adjustments	0.0	0.0	0.0	-0.1	0.0	0.0	-0.1
December 31, 2006	56.3	0.0	41.1	2.7	3.5	0.0	103.6
Balance at December 31, 2006	45.6	0.0	6.9	11.7	20.0	893.2	977.4

Disposals of financial assets primarily comprise the sale of Specks Hof, Leipzig as well as shares in four concession projects.

Of the investments in associated companies, during 2006, the investments in the concession projects Cross City Tunnel, Sydney, Australia and Herren Tunnel, Lübeck, Germany were impaired in a total amount of € 54.8 million (2005: 0.0).

Investments in associated companies

Of the consolidated associated companies, the following values are to be allocated to the Group, in line with the respective percentage shareholdings:

	2006	2005
Assets	730.2	608.7
Liabilities	659.8	540.5
Sales revenues	387.1	327.7

Real-estate properties held as financial investments

Rental income from real-estate properties held as financial investments amounted to € 1.3 million in 2006 (2005: € 13.3 million), while expenses of € 0.7 million (2005: € 12.6 million) were incurred, including amortization and interest.

Receivables from concession projects

Receivables due from concession projects represent all services provided in connection with the production of public-private partnership (PPP) projects for which a fixed payment was agreed irrespective of the extent of usage. Due to the length of the payment plans, receivables are entered at their present values. The annual accumulation of interest on these discounted values is entered as interest income under other operating income. Clients' payments are divided into a portion to be deducted from the receivables and a portion for the regular concession services.

Funds received in the context of loan financing but not yet applied are also entered.

The capitalized amounts from concession projects are opposed by the non-recourse financing shown below. These amounts are entered under financial liabilities, thereof € 808.3 million long-term (2005: € 485.1 million) and € 18.9 million short-term (2005: € 10.1 million).

Receivables from concession projects are comprised as follows:

	2006	2005
Receivables from concession projects	666.3	332.4
Receivables from project-financing funds not yet applied	226.9	192.9
	893.2	525.3
Non-recourse financial liabilities	827.2	495.2

16. Deferred taxes

Deferred tax assets and liabilities are distributed among the following balance-sheet items:

	Deferred tax assets		Deferred tax liabilities	
	Dec 31, 06	Dec 31, 05	Dec 31, 06	Dec 31, 05
Non-current assets	2.6	3.6	60.6	35.4
Current assets	32.5	34.4	50.5	57.3
Provisions	49.9	40.8	8.0	3.5
Liabilities	11.8	12.6	1.9	0.0
Loss carryforwards	58.3	65.6	0.0	0.0
Netting out	- 27.0	- 21.8	- 27.0	- 21.8
Carrying amount	128.1	135.2	94.0	74.4

In 2006, taxes in an amount of € 11.0 million (2005: € 3.2 million) were set off against shareholders' equity with no effect on the income statement.

In the total amount of deferred tax assets of € 128.1 (2005: € 135.2 million), tax-reduction-claim assets are included in an amount of € 58.3 million (2005: € 65.6 million) that arise from the expected utilization in future years of existing tax-loss carryovers. The utilization of these tax-loss carryovers is reasonably certain. Non-capitalized tax-loss carryovers amount to € 139.2 million (2005: € 155.2 million). Thereof, € 133.8 million can be utilized without any time limit (2005: € 149.2 million).

Deferred tax liabilities for tax payments on possible future dividends from undistributed profits from subsidiaries are not formed insofar as these profits are necessary for the long-term financing of the relevant subsidiary.

17. Current assets

Inventories comprise the following items:

	Dec 31, 06	Dec 31, 05
Work in progress	271.8	251.6
Real estate held for sale	30.0	44.5
Finished and unfinished goods and products	15.1	17.6
Raw materials and supplies	56.1	52.5
Advance payments made	20.5	18.3
Total	393.5	384.5

Construction contracts

The construction contracts valued on the balance-sheet date according to the percentage-of-completion method, but not yet finally invoiced, are shown as follows:

	Dec 31, 06	Dec 31, 05
Costs incurred plus earnings from non-invoiced projects	5,334.4	4,866.2
Minus progress billings	5,385.9	4,879.0
Balance	- 51.5	- 12.8
thereof, work in progress	271.8	251.6
thereof, billings in excess of cost and estimated earnings	323.3	264.4

Advance payments received totaled € 4,862.4 million (2005: € 4,503.3 million).

Receivables and other current assets comprise:

	Dec 31, 06	Dec 31, 05
Trade receivables including receivables from percentage of completion	1,118.9	792.2
Receivables from consortiums and joint ventures	176.8	204.5
Receivables from subsidiaries	13.7	16.8
Receivables from companies in which shares are held	7.6	21.1
Tax receivables	31.0	27.2
Other assets	154.0	126.5
Total	1,502.0	1,188.3

The carrying values of receivables and other assets are in most cases equal to their fair values.

Other current assets comprise receivables and other assets outside the field of supplying goods and services. They also include accruals/deferrals of € 12.8 million (2005: € 12.5 million).

Marketable securities

Marketable securities solely comprise available-for-sale papers, which were shares in money-market funds in the year under review. No unrealized gains and losses were to be taken into consideration in 2006.

Cash and cash equivalents comprise cash deposited at banks and cash in hand.

Securities and cash are assigned as collateral – generally redeemable at any time – in an amount of € 77.0 million (2005: € 83,5 million).

Financial instruments shown under marketable securities and cash and cash equivalents are comprised as follows:

	Dividends and miscellaneous		Variable interest rates		Fixed interest rates				Total	
	2006	2005	2006	2005	< 1 year		1 - 5 years		2006	2005
					2006	2005	2006	2005		
Available-for-sale papers	0.0	2.9	0.0	0.0	58.6	140.2	0.0	0.0	58.6	143.1
Cash and cash equivalents	0.0	0.0	699.1	688.8	0.0	0.0	25.0	0.0	724.1	688.8
Total	0.0	2.9	699.1	688.8	58.6	140.2	25.0	0.0	782.7	831.9

The average interest rate for marketable securities and cash and cash equivalents with a fixed interest rate was 3.66% on the balance-sheet date (2005: 4.17%), the average variable interest rate was 3.49% (2005: 2.69%).

Most of the Group's net investment position is subject to variable interest rates, while borrowing is mainly subject to fixed interest rates. With an unchanged investment position, an interest-rate increase will lead to higher interest income.

18. Shareholders' equity

The subscribed capital of € 111.6 million is divided into 37,196,102 bearer shares with an arithmetical value of € 3 per share.

As of the balance sheet date, *approved capital* is comprised as follows:

	Dec 31, 06	Dec 31, 05
Approved Capital I (limited until May 26, 2009) for the issue of new shares against cash contributions	0.0	20.0
Approved Capital I (limited until May 17, 2011) for the issue of new shares against cash or non-cash contributions	34.0	0.0
Approved Capital II (limited until June 28, 2006) for the issue of employee shares against cash contributions, excluding shareholders' subscription rights	0.0	1.5
Approved Capital III (limited until May 26, 2009) for the purpose of acquiring companies or shareholdings in companies, excluding shareholders' subscription rights	0.0	10.0
	34.0	31.5

As of the balance-sheet date, *contingent capital* is comprised as follows:

	Dec 31, 06	Dec 31, 05
Contingent Capital I for the exercise of options from the 2000 stock-option plan (SOP 2000)	0.0	0.1
Contingent Capital II for the exercise of options from the 2002 stock-option plan (SOP 2002)	0.0	2.1
Contingent Capital III for the issue of shares in connection with the exercise of conversion rights or option rights from bonds	11.0	11.0
	11.0	13.2

The Approved Capital I limited until May 26, 2009 and Approved Capital III were rescinded by resolution of the Annual General Meeting of May 18, 2006.

Following the expiry in 2005 of the exercise periods for share options from stock-option plans 2000 and 2002, the terms of the Articles of Incorporation referring to the no longer required Contingent Capital I and II were deleted by resolution of the Annual General Meeting on May 18, 2006.

We refer to the explanation given in the management report with regard to the authorization for the Executive Board to issue shares out of approved capital (Approved Capital I) and out of contingent capital (Contingent Capital III) as well as the possibilities to buy back own shares.

Schroders plc. (parent company) and Schroders Administration Limited (subsidiary) as well as Schroder Investment Management Limited (sub-subsidiary), each domiciled at 31 Gresham Street, London EC2 V7QA, United Kingdom, have notified us that on May 18, 2006 their equity interest in our Company exceeded the threshold of 5% and now amounts to 5.09%. The voting rights are assigned to Schroders plc. and Schroders Administration Limited pursuant to Section 22, Subsection 1, Sentence 1, No. 6, Sentences 2 and 3 of the German Securities Trading Act (WpHG) and Schroder Investment Management Ltd. pursuant to Section 22, Subsection 1, Sentence 1, No. 6 of the German Securities Trading Act (WpHG).

Fidelity Management and Research Corp., 82 Devonshire Street, Boston, Massachusetts 02109, United States, have notified us that on November 30, 2006 their equity interest in our Company dropped below the threshold of 5% and now amounts to 4.99%.

Reserves

	Dec 31, 06	Dec 31, 05
I. Capital reserve	522.6	522.6
II. Retained earnings	538.6	491.7
III. Other comprehensive income	- 29.9	- 2.0
Total	1,031.3	1,012.3

Other comprehensive income comprises the reserve from the fair valuation of securities and hedging transactions and from currency translation.

The *reserve from the fair valuation of securities* shows the development of unrealized profits and losses minus any deferred taxes from available-for-sale papers.

	Before taxes	Tax effect	Net
Balance at December 31, 2004	1.0	- 0.3	0.7
Change during the year			
from additions	5.3	- 0.6	4.7
from fair-value valuations	1.3	- 0.3	1.0
from the realization of price gains or losses and from disposals	- 0.8	0.2	- 0.6
Balance at December 31, 2005	6.8	- 1.0	5.8

	Before taxes	Tax effect	Net
Balance at December 31, 2005	6.8	- 1.0	5.8
Change during the year			
from additions	0.0	0.0	0.0
from fair-value valuations	0.0	0.0	0.0
from the realization of price gains or losses and from disposals	- 6.8	1.0	- 5.8
Balance at December 31, 2006	0.0	0.0	0.0

The *reserve from hedging transactions* includes the unrealized gains and losses from hedging future payments, taking into consideration any deferred-tax effects, and primarily applies to interest-rate derivatives for concession projects.

	Before taxes	Tax effect	Net
Balance at December 31, 2004	- 5.0	1.5	- 3.5
Change during the year			
from additions	- 3.9	1.5	- 2.4
from fair-value valuations	- 2.8	0.7	- 2.1
from the realization of price gains or losses and from disposals	- 1.8	0.5	- 1.3
Balance at December 31, 2005	- 13.5	4.2	- 9.3

	Before taxes	Tax effect	Net
Balance at December 31, 2005	- 13.5	4.2	- 9.3
Change during the year			
from additions	- 28.6	10.9	- 17.7
from fair-value valuations	0.2	- 0.1	0.1
from the realization of price gains or losses and from disposals	13.1	- 4.0	9.1
Balance at December 31, 2006	- 28.8	11.0	- 17.8

19. Provisions for pensions and similar obligations

For the employees of Bilfinger Berger AG, defined-contribution pension commitments exist, which are nonetheless accounted for as defined-benefit plans in accordance with the provisions of IAS 19. There are also defined-contribution pension commitments at other companies of the Group in Germany.

Insofar as foreign companies of the Group have their own pension plans, they are primarily defined-contribution plans. As in this case the obligation is solely to make the contributions, there is no need to enter a pension obligation in the balance sheet.

Pension provisions are valued on the balance-sheet date using actuarial techniques according to the projected-unit-credit method, taking future developments into consideration. In Germany, the calculations are subject to the new biometric accounting principles – Guideline Table 2005 G by Klaus Heubeck – and are primarily based on the following assumptions:

in %	Dec 31, 06	Dec 31, 05
Applicable interest rate	4.50	4.25
Anticipated increase in incomes	2.50	2.00
Anticipated increase in pensions	1.50	1.75

If the basic assumptions were accurate for the past, the balance-sheet valuation of the pension obligation is equal to the value of the projected benefit obligation. Divergences of the actual development from the assumptions made led to actuarial gains. These gains are recorded in line with the so-called corridor approach of IAS 19 over the expected remaining working lives of the plan participants with an effect on the income statement to the extent that the corridor limits are exceeded.

If the claims to pension benefits are covered by the plan assets, the value of the plan assets is deducted from the obligation for the balance-sheet entry. The market value of the plan assets amounted to € 161 million on the balance-sheet date (2005: € 167 million). It mainly comprises cash and cash equivalents, marketable securities and real estate. The office building owned and used by Bilfinger Berger AG that was included in the plan assets in 2005 was replaced with cash and cash equivalents.

The difference between the fair value of the plan assets and the projected benefit obligation is shown in the table as the funded status and is reconciled to the values entered on the balance-sheet date.

Pension plans	2006		2005	
	Funded by plan assets	Funded by provision	Funded by plan assets	Funded by provision
Present value of pension obligations (DBO) on January 1	164.3	140.9	154.0	101.6
Actuarial gains (+) / losses (-) accumulated on January 1	- 3.1	- 10.7	4.3	- 4.4
Provision on January 1 (before deduction of plan assets)	161.2	130.2	158.3	97.2
Service costs	3.1	3.5	3.4	3.2
Subsequently added service costs	0.6	0.0	0.0	0.0
Actuarial gains (+) / losses (-) affecting the income statement	0.0	0.3	0.0	0.0
Interest expense	6.7	6.0	7.4	4.7
Pension payments	- 8.8	- 6.3	- 8.4	- 4.2
Changes in the consolidated Group / miscellaneous	0.3	25.9	0.5	29.3
Currency effects / miscellaneous	0.0	0.6	0.0	0.0
Plan compensation	- 8.6	0.0	0.0	0.0
Miscellaneous / reclassifications	0.0	- 0.4	0.0	0.0
Provision on December 31 (before deduction of plan assets)	154.5	159.8	161.2	130.2
Actuarial gains (-) / losses (+) accumulated on December 31	- 6.8	3.9	3.1	10.7
Service costs to be added in the future	0.0	0.1	0.0	0.0
Present value of pension obligations (DBO) on December 31	147.7	163.7	164.3	140.9
Fair value of plan assets on January 1	167.0		161.4	
Actuarial gains (-) / losses (+) accumulated on January 1	- 0.8		0.0	
Book value of plan assets on January 1	166.2		161.4	
Expected income from plan assets	7.6		6.5	
Pension payments	- 8.8		- 8.4	
Allocation to fund	2.0		7.0	
Plan compensation	- 6.3		0.0	
Changes in the consolidated Group / miscellaneous	0.2		- 0.3	
Book value of plan assets on December 31	160.9		166.2	
Actuarial gains (+) / losses (-) accumulated on December 31	0.1		0.8	
Fair value of plan assets on December 31	161.0		167.0	
Funded status on December 31	13.3	- 163.7	2.7	- 140.9
Actuarial losses (+) / gains (-) accumulated on December 31	- 6.9	3.9	2.3	10.7
Service costs to be added in the future	0.0	0.1	0.0	0.0
Amount capitalized on December 31	6.4		5.0	
Balance-sheet provision on December 31		- 159.7		- 130.2

Pension plans	2004		2003	
	Funded by plan assets	Funded by provision	Funded by plan assets	Funded by provision
Present value of pension obligations (DBO on December 31)	154.0	101.6	155.5	87.2
Fair value of plan assets on December 31	161.4		161.8	
Funding status on December 31	7.4	-101.6	6.3	-87.2
Actuarial losses (+) / gains (-) accumulated on December 31	-4.3	4.4	-0.1	-3.3
Amount capitalized	3.1		6.2	
Balance-sheet provision		-97.2		-90.5

In the income statement, the service costs are entered under personnel expenses and the interest expense from the addition to the provision for pensions are entered under the net interest result. Expected income from plan assets of € 6.1 million was entered under the net interest result (2005: € 5.1 million) and of € 1.5 million resulting from rental income in the pension plan under other operating income (2005: € 1.4 million); this represents a return totaling 4.7% (2005: 4.1%). The income actually achieved from plan assets of € 6.9 million (2005: € 7.2 million) was € 0.7 million lower than the budgeted income. It thus led to actuarial losses, whereas in 2005 actuarial gains of € 0.8 million were achieved.

The defined contribution and other pension expenses amounted to € 19.8 million (2005: € 20.9 million).

20. Other provisions

Development of other provisions

	Provisions for taxes	Other provisions	Total
Balance at January 1, 2005	55.4	451.0	506.4
Utilization	19.7	246.7	266.4
Release	2.2	12.0	14.2
Additions	15.6	250.6	266.2
Reclassifications	0.0	10.8	10.8
Currency differences	0.1	1.7	1.8
Changes in the consolidated Group	1.0	69.8	70.8
Balance at January 1, 2006	50.2	525.2	575.4
Utilization	15.8	283.9	299.7
Release	1.1	20.1	21.2
Additions	38.3	298.2	336.5
Reclassifications	-0.1	0.3	0.2
Currency differences	-0.2	-0.9	-1.1
Changes in the consolidated Group	0.2	5.2	5.4
Balance at December 31, 2006	71.5	524.0	595.5

Maturities of other provisions

	Long-term		Short-term		Total	
	2006	2005	2006	2005	2006	2005
Provisions for taxes	0.0	0.0	71.5	50.2	71.5	50.2
Other provisions	99.5	105.3	424.5	419.9	524.0	525.2
Risks relating to contracts and warranties	77.9	81.7	199.3	208.5	277.3	290.2
Restructuring and other personnel-related obligations	11.7	9.9	77.1	82.3	88.8	92.2
Litigation risks	0.0	0.0	18.9	24.5	18.9	24.5
Other uncertain liabilities	9.9	13.7	129.2	104.6	139.2	118.3
Total	99.5	105.3	496.0	470.1	595.5	575.4

21. Liabilities*Financial liabilities*

	Long-term		Short-term		Total	
	2006	2005	2006	2005	2006	2005
Liabilities from project financing (non-recourse)	401.9	221.2	1.9	5.0	403.8	226.2
Liabilities to banks (non-recourse)	406.4	263.9	17.0	5.1	423.4	269.0
Subtotal, non-recourse	808.3	485.1	18.9	10.1	827.2	495.2
Liabilities to banks (recourse)	51.9	49.4	31.2	22.6	83.1	72.0
Finance leasing	39.0	37.2	16.6	18.3	55.6	55.5
Subtotal, recourse	90.9	86.6	47.8	40.9	138.7	127.5
Total	899.2	571.7	66.7	51.0	965.9	622.7

Project-related non-recourse financing is solely taken out on the financed project without any recourse to Bilfinger Berger. The carrying amounts of financial liabilities are generally equal to their fair values. Exceptions to this are fixed-interest loans of € 46.9 million (2005: € 49.9 million), the fair value of which amounted to € 52.9 million on the balance-sheet date (2005: € 59.3 million).

Classified according to their fixed-interest terms, financial liabilities are comprised as follows:

	Variable interest rate		Fixed interest rate						Total	
	2006	2005	< 1 year		1-5 years		> 5 years		2006	2005
			2006	2005	2006	2005	2006	2005		
Non-recourse financing	0.0	0.0	7.5	0.0	0.0	0.0	819.7	495.2	827.2	495.2
Other financing	36.2	14.4	0.7	8.1	3.2	5.0	43.0	44.5	83.1	72.0
Finance leasing	0.0	0.0	16.6	18.3	34.1	31.6	4.9	5.6	55.6	55.5
Total	36.2	14.4	24.8	26.4	37.3	36.6	867.6	545.3	965.9	622.7

For financial liabilities with fixed interest rates, the average interest rate on the balance-sheet date for non-recourse loans was 5.84% (2005: 6.58%), for other loans it was 6.27% (2005: 5.86%), and for finance leasing it was 6.38% (2005: 6.08%).

Other liabilities

	2006	2005
Progress billing in excess of cost and estimated earnings	323.3	264.4
Trade payables	969.0	892.0
Liabilities to joint ventures and consortiums	271.0	233.7
Liabilities to subsidiaries	6.4	5.3
Liabilities to companies in which shares are held	2.8	1.2
Miscellaneous liabilities	468.3	351.3
from taxes	106.3	78.6
from social-security contributions	42.5	53.8
Total of short-term other liabilities	2,040.8	1,747.9
Total of long-term other liabilities	67.3	17.2

Other non-current liabilities are solely miscellaneous liabilities. They include liabilities from put options of minority shareholders as well as long-term items from derivative financial instruments. The carrying amounts of other liabilities are generally equal to their fair values.

22. Financial instruments With its international operations, the Bilfinger Berger Group is subject to various market-price risks, relating in particular to currency exchange rates, interest rates and the market values of investments. As a result of our central risk management, to a large extent our cash flows and financial positions are netted out. We make use of derivative financial instruments in order to minimize residual risks and the resulting fluctuations in earnings, valuations or cash flows. The use of financial derivatives is regulated by Group guidelines that have been approved by the Executive Board. We do not undertake any financial transactions beyond the underlying business risk. We use currency futures or currency options to hedge foreign-currency cash flows and balance-sheet values in foreign currencies. We hedge project business in this way for the entire project period on the basis of cash-flow planning differentiated by currency.

We counteract the risks of interest-rate changes by continually reviewing and adjusting the composition of assets and liabilities subject to fixed and variable interest rates. In order to react flexibly and economically, we primarily make use of derivative financial instruments. We analyze and evaluate risks from our net interest exposure regularly and in a timely manner.

The fair values of the exchange-rate and interest-rate derivatives in use are calculated on the basis of recognized financial methods (discounted cash-flow method and option-pricing model).

Currency risks affect all future cash flows that are not dealt with in the balance-sheet currency of the respective company of the Group. In order to limit these currency risks, primarily currency futures and currency options are used. Exchange-rate hedging in 2006 was primarily undertaken for the US dollar, the Norwegian krone and the Swedish krona.

	Nominal volumes			Market values		
	< 1 year	> 1 year	Total	Total		
			Dec 31, 06	Dec 31, 05	Dec 31, 06	Dec 31, 05
Currency futures bought	176.0	2.8	178.8	95.0	1.8	1.9
Currency futures sold	274.2	17.6	291.8	224.5	2.0	-3.8
Currency options bought	88.0	0.0	88.0	44.5	-0.1	-0.1
Currency options sold	12.3	0.0	12.3	0.0	0.0	0.0

Interest-rate swaps are used to limit the risk (*risk of interest-rate changes*) resulting from changes in market interest rates for investments and borrowing with variable interest rates. Interest-rate swaps are primarily used in connection with financing private-sector concession projects.

With payer interest-rate swaps, interest is received on a variable basis and interest is paid with a fixed interest rate. On the other hand, with receiver interest-rate swaps, interest is paid on a variable basis and interest is received with a fixed interest rate.

	Nominal volumes		Market values	
	Dec 31, 06	Dec 31, 05	Dec 31, 06	Dec 31, 05
Receiver interest-rate swaps	25.0	0.0	-0.2	0.0
Payer interest-rate swaps	581.5	62.7	-31.0	-8.3

The maturities of interest-rate swaps are distributed with approximately € 27.9 million (2005: 0.0) in a period of up to 5 years and € 578.6 million in a period of more than 10 years (2005: € 56.3 million).

The maximum *default risk* of derivative financial instruments is equal to the total of the positive market values. This applies to possible financial losses arising from non-fulfillment of contractual obligations by individual trading partners. In order to limit contracting-party risks, we undertake transactions on the basis of an internal limit system solely with banks that have a very good rating of at least A-.

23. Secured liabilities

The total of secured liabilities amounted to € 47.3 million on December 31, 2006 (2005: € 48.8 million). These are liabilities to banks and other commitments that are secured by land charges and fixed-term deposits.

24. Contingent liabilities

	Dec 31, 06	Dec 31, 05
Liabilities from guaranties	204.4	213.8

Contingent liabilities were primarily for the performance of contracts, warranties and advance payments. On the balance-sheet date, our guaranties were mainly for associated companies and consortiums and joint ventures. In addition, we are jointly and severally liable as partners in companies constituted under the German Civil Code and in connection with consortiums and joint ventures.

25. Other financial commitments

	Operating lease contracts minimum leasing payments		Other financial liabilities (rents)	
	Dec 31, 06	Dec 31, 05	Dec 31, 06	Dec 31, 05
< 1 year	24.9	23.4	34.1	32.9
1- 5 years	41.7	26.2	58.8	57.0
> 5 years	1.3	4.8	5.0	20.6

26. Events after the balance-sheet date

There have been no significant events since the balance-sheet date.

Other disclosures

27. Supervisory Board and Executive Board

The members of the Supervisory Board and the Executive Board are listed in the chapter Boards of the Company.

The compensation of the members of the Executive Board comprises the following components:

- A fixed salary of € 1,831,000 (2005: € 2,118,000)
- Bonuses of € 2,390,000 (2005: € 1,266,000)
- Compensation with a long-term incentive effect in a prorated amount for the year 2006 of € 1,044,000 (2005: € 288,000)
- Non-cash compensation of € 110,000 (2005: € 124,000)
- Pension commitments; for 2006, payments of € 839,000 were made to external institutions and € 147,000 was allocated to provisions.

More details, including the individualized payments, can be found in the compensation report on page 32, which is a component of the Group management report.

The total compensation paid to former members of the Executive Board or their surviving dependents amounted to € 2,455,000 (2005: € 3,990,000). In the prior year, severance compensation of € 1,452,000 was paid. The present value of future pension obligations calculated according to IAS 19 for this group of persons amounted to € 32,161,000 (2005: € 33,545,000).

The total compensation paid to members of the Supervisory Board amounted to € 1,270,000 (2005: € 1,035,000), including reimbursement of expenses of € 16,000 (2005: € 17,000). These payments are shown in individualized form in the compensation report.

28. Related-party disclosures

Related parties as defined by IAS 24 are persons or companies that can be significantly influenced by the reporting company or that have a significant influence on the reporting company.

The significant transactions between fully consolidated companies of the Group and related parties involve for the most part associated companies. They are shown in the following table:

€ million	2006	2005
Revenues	216	255
Services received	30	18
Receivables	17	34
Liabilities	2	1

Business relations to related parties are carried out under the same conditions as to unrelated parties.

29. Auditors' fees

The amounts listed below cover all of the services provided to the companies of the Bilfinger Berger Group by our external auditors, PricewaterhouseCoopers (PwC) and Ernst & Young (E&Y). The amounts of these services provided in Germany are shown as such in the table.

€ thousand	PwC		E&Y		Total	
	2006	2005	2006	2005	2006	2005
Audit fees	2,379	2,199	1,995	1,854	4,374	4,053
thereof, in Germany	1,163	1,115	1,154	1,075	2,317	2,190
Other certification or valuation services	1,077	549	1,191	749	2,268	1,298
thereof, in Germany	534	369	756	518	1,290	887
Tax-consulting services	727	719	222	267	949	986
thereof, in Germany	27	43	72	211	99	254
Other services	2,666	658	83	329	2,749	987
thereof, in Germany	643	182	29	45	672	227
Total	6,849	4,125	3,491	3,199	10,340	7,324

The increase in other services is primarily due to consulting services related to the acquisition of concession projects.

30. Average number of employees

	2006	2005
Office staff		
Germany	7,534	6,796
International	7,272	6,588
Manual workers		
Germany	9,925	7,467
International	19,376	32,600
Total workforce	44,107	53,451

The workforce figure for the prior year includes 16,420 employees of associated and non-consolidated companies.

**31. Declaration of
Compliance**

Bilfinger Berger AG is included in the consolidated financial statements as a listed company.

As stipulated by Section 161 of the German Stock Corporation Act, an annual Declaration of Compliance was issued by the Executive Board and the Supervisory Board on December 7, 2006, and on that date was made permanently available to the shareholders on the Company's website.

**32. Proposal on
the appropriation
of earnings**

It is proposed that the unappropriated retained earnings in the amount € 46,495,127.50 as shown in the financial statements of Bilfinger Berger AG for the year 2006 be used to distribute a dividend of € 1.25 per share among the dividend-entitled equity capital of € 111,588,306 (divided into 37,196,102 shares).