

Building and Industrial

- **Successful business development in Australia**
- **Procurement bottlenecks in the German market under control**
- **Further increase in earnings planned**

In the Building and Industrial business segment, our core markets are Germany, Australia and Nigeria. Cooperation with private clients plays an important role, while the public sector, with its rigid contract award procedures, is less important. We orient ourselves toward the individual requirements of our clients and promote a sustainability-based lifecycle approach. Our range of services in the design and construction of real estate includes a great deal more than simply the execution of building tasks.

Output volume in the Building and Industrial business segment in 2007 was, with €1,965 million, at about the same level as in the prior year. Orders received rose by 26% to €2,596 million, which was primarily attributable to the building construction share of the Barwa City project in Qatar. Order backlog at the end of the year amounted to €2,385 million, equivalent to a growth rate of 36%. Despite the unforeseen development of costs in Germany in 2007, EBITA in the business segment of €24 million (2006: €22 million) was slightly higher than in the prior year.

Capital expenditure on property, plant and equipment rose to €8 million (2006: €4 million). The number of employees fell back slightly to 3,520.

Market success in Germany through i.volution

With the growing demand in the German building construction market, costs for material and subcontractors sometimes rose dramatically. We prepared for this development at an early stage and concentrated on projects with a calculable running time and size. The higher demand, however, led not only to bottlenecks in subcontractor services but also to unforeseeable cost increases. Nevertheless, our German Building division reached the break-even point in terms of earnings. Because appropriate price increases can now be achieved on the market, we anticipate a positive earnings contribution once again from the German building construction business in the future.

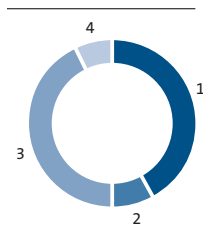
Our Building division is increasingly carrying out discussions with its clients on the basis of a lifecycle approach since the long-term operating costs – primarily those arising from energy consumption, – have a significant influence on a real-estate investment's yield. This approach requires comprehensive expertise in the areas of technology and building operations. Bilfinger Berger bundles competences from specialist disciplines along the entire value chain of a property under the i.volution brand. In this way, interaction between the development, design, construction, operation and revitalization phases can be taken into consideration and optimization potential can be consistently utilized. This broad expertise is being very well-received among our real-estate clients and the share of orders received through cooperative dialogue is rising steadily. Another reason for this is the large number of regular clients, who account for a quarter of our building construction volume in Germany. We are building, for example, one of the largest training and conference centers in Germany for Deutsche Lufthansa near the city of Darmstadt. The opening is planned for the first quarter of 2009. In November 2007, Lufthansa officially opened its new corporate headquarters in

Key figures for Building and Industrial

€ million	2007	2006	Δ in %
Output volume	1,965	2,069	-5
Orders received	2,596	2,053	+26
Order backlog	2,385	1,754	+36
Capital expenditure	8	4	+100
Depreciation	7	5	+40
EBITA	+24	+22	+9
Employees (number at December 31)	3,520	3,745	-6

Building and Industrial: Output volume by region

€ million	2007	2006	%
1 Germany	831	827	42
2 Africa	163	234	8
3 Australia	851	893	43
4 Other regions	120	115	7
	1,965	2,069	100



Cologne, the turnkey construction of which we completed in only 14 months. The building is the new home for 800 of the airline's employees. Since the fall of 2007 we have been building a new administration center for MAN, the commercial vehicles manufacturer. Completion is planned for the end of 2008.

Building redevelopment is increasingly gaining importance since two-thirds of all buildings in Germany are more than 25 years old. We also take a comprehensive approach to revitalization projects, optimizing our clients' plans through the simulation of construction execution and usage variations as early as the design phase.

We are also benefiting from the trend toward once again building shopping centers in downtown core locations. As general contractor, we are currently building, among other centers, the City Gallery in Passau with 90 specialty shops which will be opened in the fall of 2008. On Essen's Limbecker Square we will complete the first phase of construction for the new shopping and entertainment center in the spring of 2008 after only a two-year construction period. The second phase will follow in the fall of 2009. The center will house about 200 retail shops. The CityPalais shopping center, which was built by Bilfinger Berger, was opened for business in Duisburg's downtown core in 2007.

The industrial sector is an important client segment for us. At many manufacturing locations in Germany there is a serious backlog in terms of real-estate investments, which means that we can anticipate sustained strong demand. At the end of September 2007, production started on Heidelberger Druckmaschinen's pioneering

new generation of machines in the new assembly facility which we built within a construction period of only 15 months at the company's plant Wiesloch-Walldorf.

Bilfinger Berger has successfully positioned itself on the German PPP market in public-sector building construction. This has provided our Building division with a tangible effect. In this area we deal with carefully selected projects in which we can optimally implement our strengths. In this way, we have been awarded a contract to design, build and, over a 30-year period, operate a justice and civic center in Wiesbaden, Germany. Our services cover the entire lifecycle of the property. Bilfinger Berger's Building division is responsible for design and turnkey construction, Bilfinger Berger Facility Services will operate the complex. In Chemnitz we are building a justice center, in Halle an der Saale we are modernizing and operating eight schools and in Burg near Magdeburg a new correctional facility is currently being built. In these projects we are also making an equity commitment to the financing.

The building-construction business in Germany ideally complements our know-how in the areas of facility services and privately financed concession projects. We deliberately apply these internal synergies in order to promote the partnership-based direct business under the i.volution brand as well as our public private partnerships business. Lifecycle oriented approaches also lead to a more focused consideration of sustainability criteria. This will further reduce the share of classic general contractor business that is primarily driven by pure price competition.

Good order quality in Australia

Our building construction business in Australia is developing successfully. There we are increasingly involved in the new construction and revitalization of buildings the education and health-care sectors. There is ongoing strong demand in these areas among public and semi-public clients. Primarily in the health-care sector we gained several new projects in 2007. In Adelaide, Brisbane and Sydney we are building hospitals and medical research facilities with a volume of more than €300 million. Demanding architecture and the complex building technology present particular challenges for new construction, expansion and revitalization measures. Portions of the work are carried out during ongoing operations and cannot interfere with normal procedures in the hospitals.

In the area of office and commercial real estate we also continue to see good economic conditions. Since the end of 2007 we have been planning and constructing a building complex in South Yarra, Victoria with 22 floors that will house apartments, offices and parking spaces. In Balgowlah, New South Wales, we are also responsible for the design and construction of a mixed-use real-estate project. By 2009, a shopping

center, a residential complex with 250 apartments and space for 1,500 cars will be built. Total order volume for the two projects amounts to €150 million.

In the Australian building construction market, too, we continue to apply strict earnings and risk criteria on the selection of our projects. This allows us to secure a further upgrade in the quality of our order backlog.

Oil & gas industry shapes demand in Nigeria

The Nigerian building and industrial business has traditionally been characterized by heavy fluctuations. The oil & gas industry, for which our Nigerian subsidiary is active at various locations, is currently facing important investment decisions. These primarily apply to the expansion of capacity in the drilling and liquification of natural gas in the Niger Delta.

The state uses its budget leeway, which is derived from the oil & gas business, for investment in public sector buildings. In the reporting year, Julius Berger Nigeria received orders for the construction of a new central bank building in Lagos and for the expansion of the National Assembly in Abuja. In Tinapa, in Cross River State, the company designed and executed the infrastructure for a shopping and entertainment center. The business resort, which was opened in 2007, offers visitors a wide variety of retail shops, entertainment opportunities and hotels spread out over 60,000 square meters of floor space.

Outlook

In view of the good economic situation in the important markets of Germany and Australia, we expect a positive development in our Building and Industrial business segment. In Germany we are counting on the synergies that arise from the joint activities of our construction, services and operating units. We will continue to move forward with the consulting, construction and services concept that is based on this under the i.volution brand. Because the effects of bottlenecks at subcontractor level have now been overcome, our German Building division will again make a positive earnings contribution in 2008. Our Australian building construction business has a solid foundation which ensures that it will be able to work successfully in the future, too.

In full-year 2008, we plan for our Building and Industrial business segment an output volume at the same magnitude as in the prior year and a rising EBITA.