

Risk report

With its risk management system, Bilfinger Berger promotes awareness of risks at all management levels and among all employees. The system is an integral component of the management processes and helps to avoid risks wherever possible, or at least to identify risks at an early stage and to avert any resulting dangers for the Bilfinger Berger Group. We have therefore taken thorough precautions to ensure that the Group achieves its goals.

Risk management at Bilfinger Berger is a continuous and decentralized process, which is monitored and controlled from headquarters. The elements of the system are strategic business planning combined with a detailed and up-to-date reporting system that serves as an internal early-warning and monitoring system.

Each year, the Group sets new targets for the performance measures EBITA and return-on-capital-employed controlling, as well as liquidity targets and limits, for all the units and subsidiaries of the Group. These and other key figures are monitored with the use of monthly reporting. The actual situation and the targets set are analyzed at all operational levels. With the use of marginal values and deviation parameters, relevant risks are identified and monitored, and their effects are limited by taking suitable measures. This provides the Executive Board and management with detailed information on the current financial situation.

In consultation with the Executive Board, the Group Functions perform a specialist monitoring function throughout the Group. They have wide-ranging rights to request and receive information, to issue guidelines, and to be actively involved with their specialist colleagues at the subsidiaries.

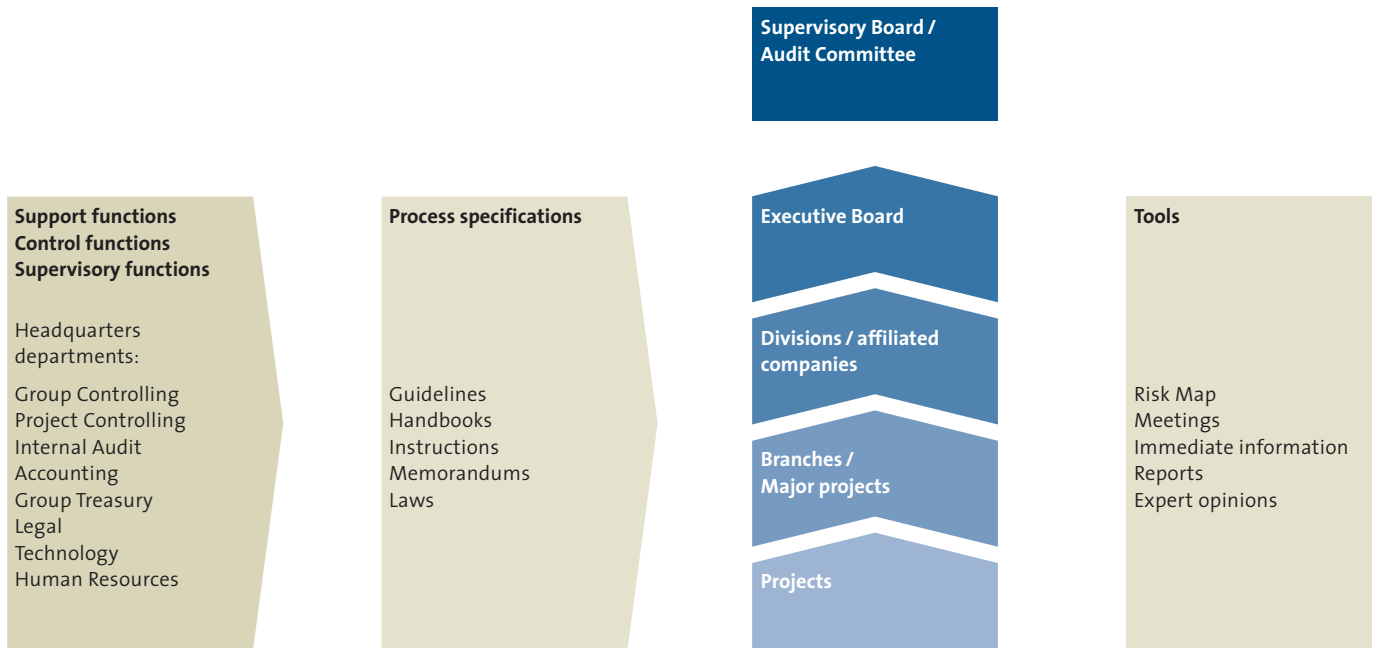
Headquarters are also responsible for controlling tasks of overriding importance. The corporate functions of Group Controlling, Project Controlling, Internal Auditing and Legal Affairs report regularly and comprehensively on possible risks from their respective specialist perspectives directly to the Executive Board. In addition, the Executive Board submits a quarterly risk report to the Audit Committee of the Supervisory Board.

Orders with large volumes or special risks can only be accepted if they are expressly approved by the Executive Board. Risks related to major projects are counteracted by clearly structuring the distribution of tasks within the corporate functions:

- Group Project Controlling supports these projects from the bidding phase until completion. The financial development of each project is analyzed continually and critically.
- Decisions on financing, internal credit lines and guaranties are made at headquarters by the Executive Board with significant support from Group Treasury.
- Internal Auditing reviews the effectiveness of all working routines and processes.
- Group Controlling is responsible for the monthly recording of performance measures as well as for the active controlling of the subsidiaries.
- Internal Auditing carries out audits at the level of the operational units.
- Legal Affairs reviews contractual project risks and takes the lead with any legal disputes.

All of the processes and approval procedures that are stipulated by law, the Executive Board or the corporate functions are documented in manuals and working instructions. The Risk Map available on the Bilfinger Berger intranet since the middle of 2007 offers employees throughout the Group

Interaction of elements in the risk-management process



rapid access to the contents of the Risk Management Manual. Information on certain types of risks is arranged according to corporate processes and can be accessed via various search functions.

Our controlling and monitoring instruments are combined into a holistic system that is subject to continuous development. The risk management system at Bilfinger Berger is appraised by our external auditors, whose suggestions are made use of.

Market risks

Macroeconomic developments in our national and international markets and any special changes in our sectors are taken into consideration under the heading of market risks. We regularly analyze how countries' economies are developing and whether our business segments are competitive. We are actively involved in advisory committees and panels to ensure that the economic effects of new legislation, ordinances and regulations are considered in good time.

Country risks

Country risks include uncertainties arising from political developments in our various markets. In order to minimize such risks, we only operate in certain selected countries. Provisions have been recognized for latent risks. We therefore see no country risks that are relevant to earnings.

Project risks

Risks from our business operations are counteracted with comprehensive and clearly structured project controlling. This includes the selection of projects, the subsequent bid preparation, execution, and the processing of any guarantee claims. All important contracts are subject to detailed commercial and legal scrutiny before being signed. Furthermore, the technical aspects are examined separately by experts. Projects above a certain volume or with a high degree of complexity are additionally monitored by a central unit with clearly defined regulations in each phase of the business, so that any required measures can be taken in good time. More than 60 major projects were under special observation in the year 2007. With complex projects in the build-operate-transfer business, we make use of the expertise available throughout the Group to assess costs and risks reliably.

Litigation risks

We strive to avoid legal disputes wherever possible. This goal cannot always be achieved, however, with the result that German and international companies are sometimes involved in litigation or arbitration. It is naturally impossible to predict the outcome of such cases with certainty. Nonetheless, following careful examinations, we can assume that sufficient provisions have been recognized in the balance sheet for all such disputes.

Procurement risks

We intensively monitor our global procurement markets. The Group-wide monitoring of world market prices for steel, oil and petroleum products facilitates the flexible procurement of raw materials for our major projects at optimal conditions. We counteract regional procurement risks by cooperating with competitive suppliers and subcontractors. We secure quantities, qualities and prices by means of letters of intent and preliminary agreements. And we protect ourselves against inflation by means of sliding-price clauses in our contracts.

Financial risks

We monitor financial risks with proven instruments of supervision and control. The Group's reporting system guarantees the weekly identification, analysis, assessment and management of financial risks by Group Treasury. All of our relevant subsidiaries and associated companies are included in this monitoring.

Liquidity risks are monitored and managed centrally at Group headquarters on the basis of rolling 12-month cash-flow planning. Liquidity bottlenecks can be ruled out due to the Group's high level of cash and available credit lines and sureties. We have a syndicated long-term credit line of €300 million with our main banks. Major parts of our guaranteed credit requirements are secured with a syndicated long-term credit agreement with a volume of €1,600 million.

We regularly check the effects of possible changes in our financial risk exposure; the key figures in this respect are the dynamic debt/equity ratio, cash-flow protection and gearing. Our goal is that the ratios should reflect a financial standing comparable with a rating at the lower end of investment grade. The increasing long-term debt resulting from the expansion of our concessions business is solely on a non-recourse basis; the lenders have no access to Bilfinger Berger's assets beyond the respective project companies.

Market-price risks in the finance sector primarily involve exchange rates, interest rates and the market values of financial instruments. As a result of our central risk management, our cash flows and financial positions are netted out to a large extent. We make use of derivative financial instruments to minimize residual risks and the resulting fluctuations in earnings, valuations and cash flows. We do not undertake any financial transactions beyond the underlying business risk.

We use forward-exchange contracts or currency options to hedge risks relating to cash flows and balance-sheet items in foreign currencies. We generally hedge our project business for the entire project period immediately after contracts are awarded, in some cases as early as the bidding phase. Risk management takes place with the use of explicit risk limits for outstanding foreign-exchange items, their value-at-risk and marked-to-market results.

We counteract the risk 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 the risks arising from our net interest exposure in good time and at regular intervals with the use of the value-at-risk method. Interest-rate derivatives are an exception; they are used in the concessions business for the long-term financing of project companies. The non-recourse character of this project financing requires predictable interest cash flows and thus relies on the long-term static hedging of interest-rate risks. Changes in market values occurring in this context must be reflected in the balance sheet, but they have no impact on the Group's cash flow due to the closed project structure.

Issuer risks can occasionally arise in connection with the investment of liquid funds and the application of derivative financial instruments. We counteract such risks by selecting solely issuers with investment-grade ratings; we also limit the periods and amounts of such transactions.

In order to limit contracting-party risks, we undertake financial transactions on the basis of an internal limit system solely with banks that have a very good rating of at least A-

Due to the consistent application of this risk policy, there were no negative effects on the Group's earnings or financial situation in 2007.

Human-resources risks

We carefully counteract the human-resources risks that might arise due to a shortage of junior managers, high staff turnover, lack of qualifications, low motivation or an excessively old workforce. In this way, we ensure that highly qualified employees are recruited and retained by the Group over the long term. We therefore maintain close contacts with selected universities, organize internships for students and graduates, and organize specially designed familiarization pro-

grams at the beginning of new graduates' careers at Bilfinger Berger. An extensive range of courses and further training is available to our workforce. Career prospects are discussed systematically and individually with our employees. Management positions are mainly filled from within the Group. By means of our human-resources controlling, we analyze structural changes within the workforce. Our forward-looking personnel development is one of the main reasons why no specific risks are apparent in the human-resources sector, despite an upturn in the construction industry in some markets and ongoing growth in the services business.

Subsidiaries' risks

We have a clear strategy to counteract risks from subsidiaries and acquisitions. We generally acquire either a majority interest or 100% ownership of suitable companies. Candidate companies are evaluated by our experts with the help of comprehensive due-diligence audits. The decisive criteria for assessment are strategic relevance, profitability, management quality and good prospects for the future. We only acquire companies that are active and successful in the market and which can make positive contributions to the Group's earnings from the start. Our recent acquisitions have fulfilled our high expectations for return on capital and profits. New companies are integrated into the Group and its risk-management system without delay.

All the companies of the Group are subject to the regular financial controlling of subsidiaries and associated companies. This controlling function is carried out from headquarters as directed by the Executive Board and is outside the reporting hierarchy. By permanently monitoring busi-

ness developments, especially by means of local reviews, it creates a complete picture and an independent opinion on the companies' financial situations.

The subsidiary controllers report to the Executive Board once a month and inform it of any unusual developments without delay.

IT risks

In order to prevent unauthorized access and data loss and to guarantee the permanent availability of our systems, we protect our information technology with numerous technical installations. Our IT structures are largely standardized. We use software products from leading producers such as SAP, IBM, RIB and Microsoft. Applicable security guidelines are regularly adapted to the latest technical developments.

Overall risk

In 2007, we did not identify any individual risks whose occurrence, either alone or in combination, would have jeopardized the continuing existence of the Group. If unpredictable, exceptional risks should occur, the possibility that they would have an impact on the development of our output volume or earnings cannot be ruled out. However, no risks can be identified that could threaten the existence of the Group.