







The environment page 30



Industrial construction
page 36



Work page 42



Renovation page 66



Leisure page 81



Parking page 105

Offshore wind farm Egmond aan Zee

The first Dutch offshore wind farm in the North Sea was designed, built and delivered as a turnkey project. The 36 wind turbines provide green power for 100 000 households

Financial agenda

9 May 2007

The Annual General Meeting of Shareholders will be held at the NEMO Science center in Amsterdam at 01.30 p.m.

13 July 2007

Publication half-year results 2007 (before opening Euronext Amsterdam)

This publication is a translation of the official annual report, which was published in the Dutch language. In the event of discrepancies, the version in Dutch shall prevail.

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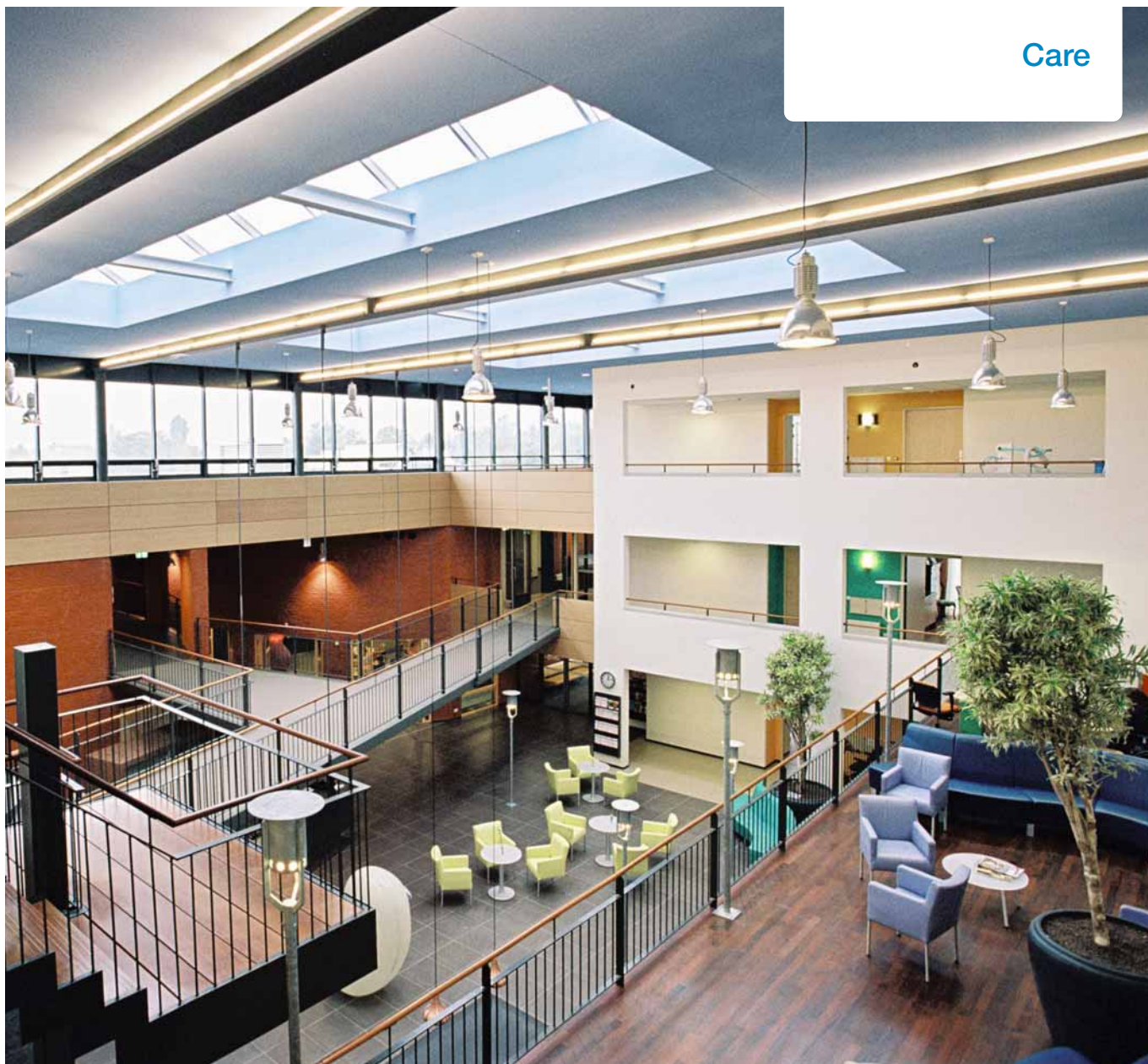
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Financial marker



Ter Valcke nursing home, Goes

The new nursing home has a high-rise section with 75 single rooms plus a day care centre, a central unit with common facilities and a unit with 13 terraced houses for Alzheimer's patients.



Furore Amsterdam



St Antonius Hospital, Nieuwegein



Orbis Medical Park, Sittard

Summary: 2006 was another good year for Ballast Nedam

- Result before tax + 36% (38 million euros; 2005: 28 million euros)
- Net result more than doubles: 44 million euros (2005: 20 million euros)
- Revenue + 9% (1.3 billion euros; 2005: 1.2 billion euros)
- Provision of 5 million euros for European Commission bitumen fine
- Forecast: unchanged operating result in 2007, due to timing effect of major real estate projects, followed by further improvement
- Dividend increased further: € 1.34 (2005: € 1.02)

Significantly improved results

Ballast Nedam had another good year in 2006, with significantly improved results.

The result before tax rose by 10 million euros to 38 million euros (+ 36%). This was 9% more than the expectation announced with the half-year results, which had already been adjusted upwards.

The net result more than doubled, from 20 million euros to 44 million euros. The additional recognition of tax-deductible losses played an important role in this. The net result of 44 million euros is at the upper end of the forecast announced with the half-year results (40 million euros - 45 million euros).

The operating result rose 10%, including a provision of 5 million euros for the fine imposed by the European Commission in 2006 for a breach of competition rules in the procurement of bitumen.

Revenue showed growth of 9% to an amount of 1 310 million euros. 92% of the revenue was earned in the Netherlands and this was the same in 2005.

Infrastructure

The revenue of the Infrastructure division grew by 135 million euros (an increase of some 25%). Demand has shown strong growth in the infrastructure market. Price levels in this segment remain too low, however, particularly in the public procurement market. Since mid-2006, there has been an unmistakable improvement, but as expected, this is only gradual. Developments in the suppliers' market are another sign of this gradual recovery. In Ballast Nedam's raw material activities, there was strong growth in demand for sand, gravel, granite and bottom ash. Ballast Nedam has recently completed the acquisition of a concession for a sand and gravel pit in Germany. Further expansion of these activities is one of the priorities for 2007 and subsequent years.

The prefabricated concrete plants in the Infrastructure division also show signs of a gradual rise in price levels, which are currently still too low. In 2006, this led to a slightly better result.

During the year under review, Ballast Nedam Infra successfully built the first offshore wind farm in the North Sea. Tendering procedures for new orders, in which Ballast Nedam is involved, are in progress in a number of European countries. Together with the E-Concern company Ballast Nedam focusses on the development of offshore wind farms on the Dutch Continental shelf.

The division expects further improvements in the infrastructure market in 2007 and subsequent years. This is expected to lead to gradual growth in both revenue and results.

> Read more about Infrastructure on page 37

Building and Development

The Building and Development division once again achieved excellent results in 2006. Although revenue was 6% lower than in 2005, the revenue in 2005 included the sale of the former Ballast Nedam head office in Nieuwegein.

Ballast Nedam's housing construction activities progressed well in 2006. A total of 1 384 homes were delivered, over 300 more than in 2005. The number of residential properties resulting from in-house development rose by 30%. In view of the order portfolio and further growth in the land bank, Ballast Nedam takes a positive view of housing construction in the coming years.

Owning land is particularly important for further growth. In 2006, the land bank was expanded by 67 hectares (11%) to 654 hectares. The carrying amount rose by 21 million euros to 96 million euros. The development potential of the land bank increased by 21% to 12 700 homes. There is also potential for some 0.5 million square meters of office space and other commercial properties.

The acquisition of land will continue. The potential acquisition of one or more project developer(s) will also be considered.

Ballast Nedam is specialised in large and complex utility construction projects (e.g. high-rise office towers, hospitals, stadiums, theatres, etc.). The order portfolio in this segment is very well filled.

> Read more about Building and Development on page 43

Financial results

EBIT

The operating result rose by 10% to 42 million euros, including a provision formed for the entire European Commission bitumen fine (5 million euros). Without this provision, the operating result would have increased by 24%.

Despite the low price levels in its market, the Infrastructure division was able to improve its result. Through the increase in revenue, the division succeeded in raising the EBIT by 14%, despite a lower margin. This exceeded the expectations announced with the publication of the half-year figures.

The Building and Development division achieved an excellent performance, even exceeding the already very good result for 2005. This, too, was better than expected. As in 2005, this division's results were influenced by the very positive completion of a number of large real estate projects.

The Other result was virtually unchanged from 2005. Among others, this result includes the bitumen provision of 5 million euros. This was offset by positive results from the settlement of completed international projects.

Margin

On a group basis, the margin remained unchanged (3.2%). Not including the bitumen provision, this was 3.6%.

The margin of the Infrastructure division decreased from 2.6% to 2.4%, with a sharp increase in revenue.

The margin of the Building and Development division rose from 5.3% to 5.8%.

Net result

In 2006, the group's interest expense was 6 million euros lower than in 2005. The result before tax (38 million euros) was 36% higher than in 2005 (28 million euros).

A income tax benefit of 6 million euros was realised in 2006, compared with an income tax expense of 8 million euros in 2005. The benefit of 6 million euros is the net effect of a tax charge of 3 million euros outside the Dutch fiscal entity, the use of 13 million euros of the deferred tax asset, the reduction of the deferred tax asset by 3 million euros in connection with the lowering of the Dutch corporation tax rate and a tax benefit of 25 million euros as a result of the recognition of the liquidation losses of the former British subsidiary. This contributed to the fact, that the net result more than doubled, from 20 million euros in 2005 to 44 million euros in 2006. This is at the high end of the forecast presented with the half-year figures.

Order book

The order book increased by 3% to 1 093 million euros.

In the first months of 2007 the following large projects were won:

- Amsterdam: development contract for the realisation of the GETZ entertainment centre.
Contract parties are the municipal authority and the OMC combination (Ballast Nedam, ING Bank and BAM). Ballast Nedam's share of the contract amounts to 100 million euros. GETZ will be an entertainment centre with high quality cultural facilities on the Arena Boulevard. In addition to cultural and entertainment functions (including an events hall for 15,000 visitors), the plan will include a hotel, a casino, shops, restaurants and other catering facilities, as well as housing.
- Rotterdam: Medical Centre Rijnmond Zuid (68 million euros)
This new hospital will replace two existing hospitals. It will have 570 beds, 14 operating rooms and a emergency centre for severe burns.
- Den Haag: Haagse Veste office building (23 million euros).

Ballast Nedam has the specific in-house expertise for large projects in the public-private partnership (PPP) contract form. These PPP's are relatively new to the Dutch market and only a limited number of competitors has the necessary expertise. In 2006, our business unit Ballast Nedam Concessions made a flying start. This unit specialises in the acquisition and management of PPP contracts in the public and the private market. Ballast Nedam participates in the remaining consortia in the five current PPP procedures (the Second Coen Tunnel, the Ministry of Defence Kromhout Barracks project in Utrecht, the IBG office in Groningen, the Doetinchem tax office and the Rotterdam Detention Centre).

Other large development projects such as Almere Poort, the Delft station zone, the Spijkenisse housing project, the restructuring of the Laakhaven district in The Hague and a large housing project in Eindhoven will start in the coming years and will be included in the order book in phases.

Equity and financing

Shareholders' equity increased by 34 million euros to 158 million euros. The increase was largely attributable to the net result of 44 million euros less the dividend payment of 10 million euros. Total assets fell by 53 million euros to 794 million euros. The solvency ratio rose from 15% to 20%. The capital employed rose sharply, from 74 million euros in 2005 to 177 million euros, due to the reduction in prepayments for Infrastructure projects. This rise is the result of large governmental institutions having changed their payment policies by shifting prefinancing largely to the contractor.

The negative cash flow amounted to 67 million euros in 2006, compared with 31 million euros in 2005.

The operating cash flow improved in 2006 from a negative total of 26 million euros in 2005 to a positive amount of 17 million euros, mainly being the consequence of the positive operating cash flow of 31 million euros of the Building and Development division.

The cash flow from investment activities amounted to 54 million euros negative, consisting of investments of 67 million euros, disposals of 12 million euros and dividend income of 1 million euros. The investments were mainly in equipment and PPP projects of the Infrastructure division. Net investments in tangible fixed assets of 28 million euros exceeded depreciation of 19 million euros.

Early redemption of long-term loans in December 2006, including the loan from Stichting Pensioenfonds Ballast Nedam and the dividend payment of 10 million euros for 2005 accounted for most of the net cash outflow from financing activities of 30 million euros.

The net financing position fell by 45 million euros to a surplus of 23 million euros, with a reduction in both the net cash assets, by 67 million euros, and in loans, by 22 million euros. The financing requirements in the course of the year were higher than at the year-end. In the coming years, a structural increase in working capital is expected as a result of lower prepayments for projects and investments in land positions.

In 2007, Ballast Nedam contracted a long-term loan of 50 million euros. The loan matures in five years, on 1 April 2012, and bears a fixed interest rate of 4.63%. As security for this loan, mortgages were contracted for a number of properties in use by Ballast Nedam. The terms of the loan do not include any financial covenants.

Guarantee and short-term loan facilities for 260 million euros and 60 million euros, respectively, were also contracted in 2007 with three banks.

> Read more about the financial results on page 50

The Ballast Nedam share

Earnings per share rose from €2.05 in 2005 to €4.44 in 2006.

In March 2007, Navitas Capital B.V. reported the acquisition of 5% of the shares.

Other parties holding 5% or more of the (depository receipts for) Ballast Nedam shares are Delta Lloyd, Henderson, Capital, ING, Driessen Beleggingen and Bibiana Beheer.

The Board of Management also visited a large group of (potential) shareholders in person during 2006. To this end, 15 road shows were organised in different cities in Europe and the U.S.A. Individual presentations were also organised for investors in the Netherlands. In all, personal contacts took place with more than 130 institutional investors.

Higher dividend

The dividend policy approved by the Annual General Meeting of Shareholders is to distribute 50% of the net profit. As announced in the press release on the half-year results, this calculation assumes a standard tax burden of 30%. The expected incidental tax effects in 2006 (including the recognition of the liquidation losses) will therefore not be taken into account in determining the dividend.

On this basis, with the approval of the Supervisory Board, the Board of Management proposes a dividend payout of € 1.34 per share for 2006. This is 31% more than the payout for 2005 (€ 1.02) and 8% higher than the forecast announced on the publication of the half-year figures (€ 1.24).

Distribution will be on 18 May 2007 (the date of the ex-dividend listing will be 11 May 2007).

> Read more about the Ballast Nedam share on page 20

Strategy

Ballast Nedam's activities cover the entire construction chain. Project development, engineering and maintenance and facility management will be further strengthened in the coming years. These are activities with a higher margin than construction activities on their own. The change in the mix of our activities will make possible a structural improvement in Ballast Nedam's margin as a whole.

This strategy will be achieved by the further expansion of the land bank, the acquisition of one or more project development companies and the acquisition of concessions.

At the back end of the value chain (maintenance and facility management) the existing activities will largely be expanded by means of organic growth. The emphasis will be on management and professional high-grade knowledge of these activities rather than on acquiring greater execution capacity.

> Read more about the strategy on page 29

Outlook for Ballast Nedam in 2007

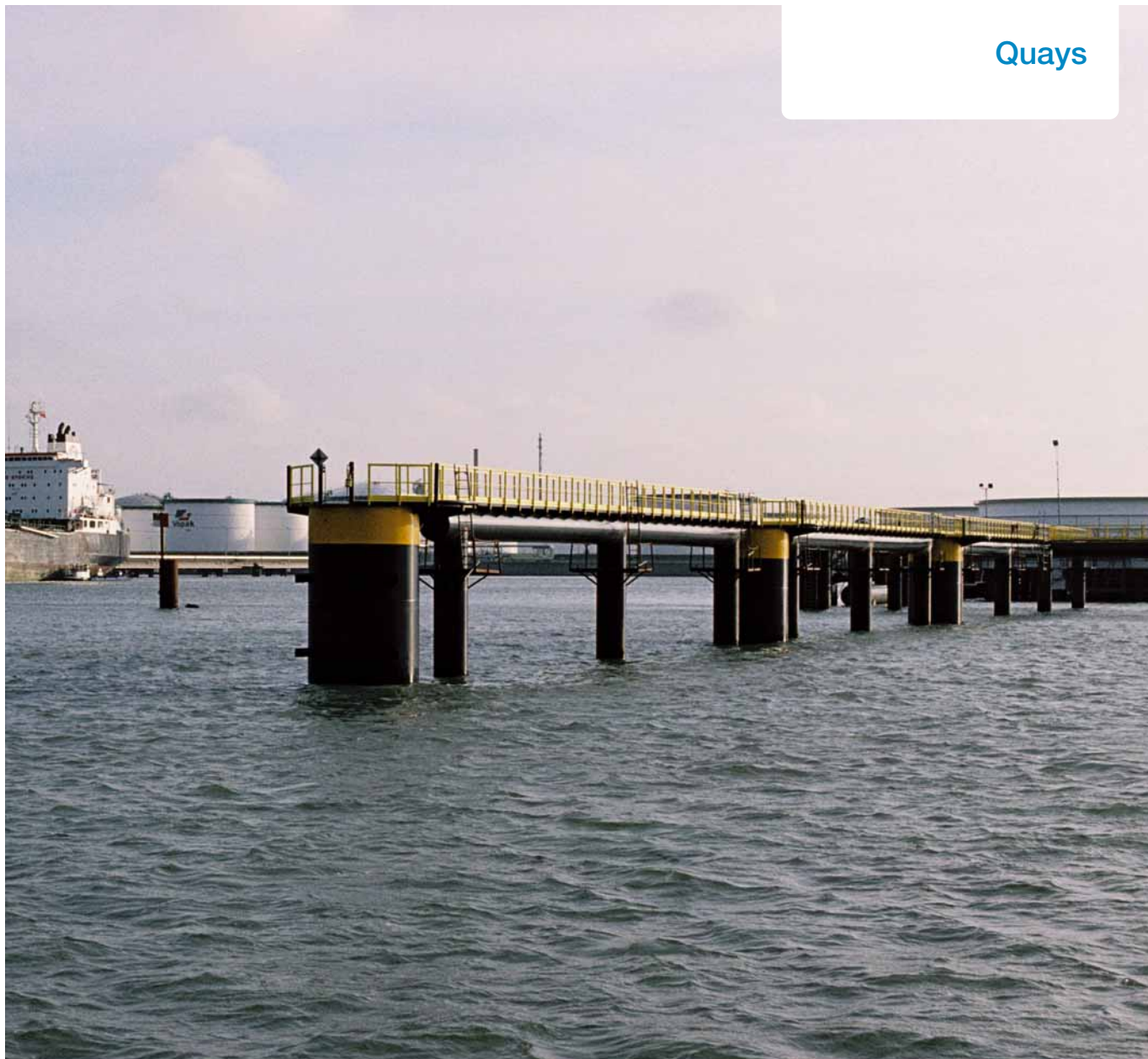
The Board of Management expects the Infrastructure division to translate its good market position in this gradually improving segment into a higher operating result in 2007.

As in 2005, the Building and Development division achieved very positive results in 2006 for a number of large real estate projects. Several new large projects are in the pipeline, but it is not certain how many of these will start in 2007. On the basis of the current planning of development projects, the Board of Management therefore assumes that the Building and Development division will achieve a margin of more than 5% in 2007, but will not entirely match the excellent result of 2006.

The Board of Management consequently expects the operating result for the group as a whole in 2007 to approximately equal the 2006 level.

In subsequent years, further growth of the operating result is expected, on the basis of the underlying quality of the organisation and the projects in preparation.

R.H.P.W. Kottman
Chairman, Board of Management



Fourth quay, Rotterdam

To avoid obstructing the construction of storage tanks at the Vopak location, the quay was built from the water's edge. Prefabricated concrete was the most efficient solution.



The 650-meter pier is the longest in Europe.

Profile, mission and group structure

Ballast Nedam, one of the top five Dutch construction companies, runs appealing and cost-effective building projects. We strive to offer our employees a challenging work environment and to contribute to the quality of the environment in which we operate while, at the same time, optimising the value of the business to our shareholders. The primary divisions of the group are: Infrastructure, Building and Development, Services and Asset Management.

Corporate profile

Ballast Nedam is a listed multi-disciplinary Dutch group of companies offering a wide range of construction-related products and services. Ballast Nedam's core businesses lie in the fields of:

- *Infrastructure*: civil and hydraulic engineering
- *Construction*: development and construction of housing, business premises and other buildings.

We also produce and supply raw materials, products and services directly related to these fields.

Our prime target is the Dutch market. In a number of specific and profitable areas of expertise, we are also active internationally.

Ballast Nedam ranks among the top five construction companies in the Netherlands. Our strength lies in the provision of appealing and cost-effective construction projects, which we can support with the high degree of know-how and expertise available within our organisation.

Ballast Nedam achieved a revenue of € 1.3 billion in 2006, of which 92% was generated in the Netherlands. There was an average of some 3 700 employees working in our various business units this year.

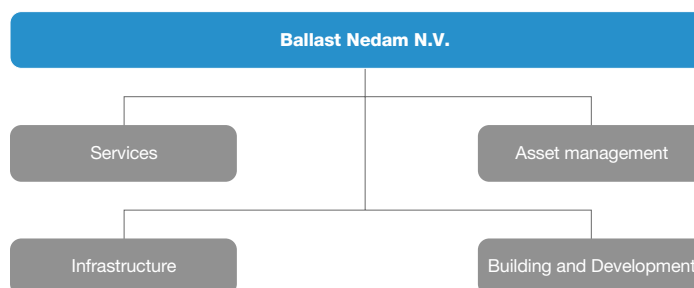
Our mission

We aim to offer customers commitment and quality, as well as expertise, reliability and flexibility at every level of the organisation. We also aim to offer employees a challenging working environment and to contribute to the quality of the environment in which we operate. Our activities and approach are designed to optimise the Group's shareholder value.

Ballast Nedam is convinced that its strength lies in its independence. Our preference is to grow further as an independent company, but a listed company cannot allow itself to become too dogmatic about its independence. In consultation with our shareholders, we will carefully consider any serious alternative that arises.

Group structure

Further details of the group structure in 2006 are set out in the Group Organisation Chart on page 110. In 2006, the management structure was as follows:



As this structure shows, two divisions form the pillars of the group: *Infrastructure* and *Building and Development*. These divisions are approximately the same size. There are also two separate (smaller) business units: *Ballast Nedam Services* and *Ballast Nedam Asset Management*. Ballast Nedam N.V. also has a small head office (18 employees) which supports the Board of Management.

The management structure is as follows: The managing directors of the Infrastructure and the Building and Development divisions report to the Board of Management. Together, the Board of Management and the managing directors of the divisions form the Group Council, which addresses group-wide issues, with the decision-making authority vested in the Board of Management. The Services and Asset Management business units report directly to the Board of Management.

New position of Ballast Nedam Services

As from 1 January 2007, Ballast Nedam Services is now part of the Building and Development division. Ballast Nedam Services focuses on property and facility management, which is consistent with the value chain in which the Building and Development division operates.

International activities

The other division, Ballast Nedam International, was dissolved in 2005. Ballast Nedam Asset Management is managing the wind-down of Ballast Nedam International's ongoing activities. Asset Management also manages the assets of the Kicking Horse Mountain skiing and summer resort in Canada, which was previously part of Ballast Nedam International. New international projects since January 2006 are being managed by Ballast Nedam International Projects B.V., a business unit which falls within the Infrastructure division.



Original Living

The Original Living project 'De Kwekerij' in Hillegom won a commendation in 2006 in the contest for the South Holland Spatial Quality Prize. This prize is awarded every two years by the Province's Building Inspectorate. The selection from 129 entries produced three commendations. The jury appreciated the 'clear design, controlled use of materials and attention to detail'. Ballast Nedam's Original Living scheme offers buyers a wide variety of opportunities to realise their dream home.

Key figures

x € 1 000 000	NL GAAP					
	2006	2005	2004	2004	2003	2002
Revenue and result						
Revenue	1 310	1 206	1 164	1 164	1 619	2 307
the Netherlands	1 206	1 105	1 042	1 042	1 132	1 242
international	104	101	122	122	487	1 065
Order book	1 093	1 064	971	971	1 046	1 833
EBITDA	63	58	63	45	33	(70)
Impairment	-	-	(8)	(7)	(6)	-
Depreciation	(19)	(18)	(19)	(17)	(23)	(46)
EBITA	44	40	36	21	4	(116)
Amortisation	(2)	(2)	(1)	(2)	(4)	(6)
EBIT	42	38	35	19	-	(122)
Profit before taxation	38	28	24	15	(6)	(135)
Net result before amortisation	46	22	14	10	50	(137)
Net result	44	20	13	8	46	(143)
Investments						
Investments	67	32	20	17	19	67
Disposals	12	67	20	20	26	218
Net investments	55	(35)	-	(3)	(7)	(151)
Capital structure						
Capital employed	177	74	78	(11)	(2)	(16)
Shareholders' equity	158	124	101	109	102	56
Interest-bearing long-term loans	36	54	99	39	27	39
Net cash	62	129	160	160	136	116
Ratio's						
EBIT / revenue	3%	3%	3%	2%	0%	- 5%
Net result / revenue	3%	2%	1%	1%	3%	- 6%
Net result / average shareholders' equity	31%	18%	14%	8%	58%	- 106%
Shareholders' equity / assets	20%	15%	12%	20%	18%	9%
Average number of employees	3 701	3 721	4 022	4 022	4 957	6 549
Shares						
Number of ordinary shares (x 1 000)	10 000	10 000	10 000	10 000	10 000	10 000
Market capitalisation at year end	330	333	124	124	48	49
Dividend paid	10	-	-	-	-	11
Per average share in issue of € 6 nominal value						
Shareholders' equity	15.98	12.54	10.26	11.02	10.33	5.62
Dividend paid	1.02	-	-	-	-	1.14
Net result before amortisation	4.62	2.21	1.52	1.05	5.08	(13.91)
Net result	4.44	2.05	1.36	0.80	4.67	(14.46)

Summarised balance sheet

x € 1 000 000	NL GAAP					
	2006	2005	2004	2004	2003	2002
Non-current assets	253	211	268	179	213	224
Current assets						
Other current assets	446	461	365	161	183	264
Cash and cash equivalents	95	175	191	191	159	138
	541	636	556	352	342	402
Current liabilities						
Bank loans	(33)	(46)	(31)	(31)	(23)	(22)
Other liabilities	(522)	(598)	(555)	(296)	(339)	(462)
	(555)	(644)	(586)	(327)	(362)	(484)
Working capital	(14)	(8)	(30)	25	(20)	(82)
Total	239	203	238	204	193	142
Non-current liabilities						
Loans	36	54	99	39	27	39
Employee benefits, provisions and deferred tax liabilities	45	23	34	55	59	42
	81	77	133	94	86	81
Total equity						
Minority interest	-	2	4	1	5	5
Equity attributable to equity holders of the parent	158	124	101	109	102	56
	158	126	105	110	107	61
Total	239	203	238	204	193	142

Board of Management and Supervisory Board

Board of Management

R.H.P.W. Kottman (61), Chairman

T.A.C.M. Bruijninckx RC (45)

Mr Kottman is Chief Executive Officer (CEO), with particular responsibility for Strategy, Divisional Operations, Legal Affairs, Investor Relations, Personnel & Organisation, Communications, ICT, Purchasing Services, Central Works Council and any other matters which do not fall within Mr Bruijninckx's areas of responsibility.

Mr Kottman has served as CEO of Ballast Nedam since 1999. Prior to that, he worked for more than 20 years at the Dutch management consultancy firm Berenschot, 11 years of which as Chairman.

Mr Kottman is the Chairman of the Supervisory Boards of Delta Lloyd N.V. and Warmtebedrijf Rotterdam N.V., a supervisory director of Wavin N.V. and of the Netherlands State Lottery, Chairman of the Supervisory Council of the Gemini hospital in Den Helder, and also acts as a consultant and member of the boards of Van Spaendonck-groep B.V., the De Baak management training centre and the Management Studies Foundation.

Mr Bruijninckx is CFO (Chief Financial Officer) and also holds the Investment and Disposals, Risk Management and Pension Fund portfolios.

Mr Bruijninckx has been with Ballast Nedam since 1990. He served in financial positions at Ballast Nedam Engineering, followed by periods at Head Office, Ballast Nedam Projectontwikkeling and Ballast Nedam Woningbouw, before returning to Head Office. He has been CFO since 2002.

Mr Kottman steps down in August 2007, on reaching retirement age. The Supervisory Board has decided to appoint Mr Bruijninckx as the new CEO. The Supervisory Board also proposes to appoint Messrs R.L.M. Jacobs and R. Malizia to the Board of Management. The General Meeting of Shareholders will be notified of this proposal. The Central Works Council of Ballast Nedam has formally confirmed its support for these (proposed) appointments.

The duties and modus operandi of the Board of Management are stipulated in a set of regulations.

Group Council

R.H.P.W. Kottman

T.A.C.M. Bruijninckx RC

R. Malizia

R.L.M. Jacobs

Chairman

CFO

Ballast Nedam Infrastructure

Ballast Nedam Building and Development

Supervisory Board

A.N.A.M. Smits, Chairman

H.C. Broeksma, Vice Chairman

R.M.M. Boelen

J.C. Huis in 't Veld (from 1 November 2006)

The Supervisory Board has a set of regulations which govern its modus operandi.

Company Secretary

A.C. van Haeringen



T.A.C.M. Bruijninckx and R.H.P.W. Kottman



R. Malizia and R.L.M. Jacobs



R.M.M. Boelen, J.C. Huis in 't Veld,
H.C. Broeksma and A.N.A.M. Smits

Personal particulars of the Supervisory Board

A.N.A.M. Smits

(Chairman)

Mr Smits, a Dutch national, was born in 1943. He was a member of the Board of Management of Macintosh N.V. and Wilma International N.V., and has held positions on the Boards of Management and Supervisory Boards of various other companies. Currently, he is a member of the Supervisory Boards of Macintosh Retail N.V., Vebego Holding B.V., Maas International B.V. and Sofinim N.V. He is also Chairman of the Supervisory Boards of CZ-Group and Faber-Halbertsma Group.

Mr Smits was appointed to the Supervisory Board of Ballast Nedam in 2004.

His current term of office ends on 8 September 2008.

H.C. Broeksma

(Vice-Chairman)

Mr Broeksma, a Dutch national, was born in 1945. He was a member of the Group Executive Board of Koninklijke Wessanen N.V.

He is a member of the Supervisory Boards of Delta Lloyd Bank N.V., Blauwhoed Holding B.V. and Flentrop Orgelbouw B.V. He is also a member of the Democracy and Media Foundation (Treasurer) and a member of the Board of Governors of the Postgraduate Controllers Academy of the University of Amsterdam.

Mr Broeksma was appointed to the Supervisory Board of Ballast Nedam in 1994.

His current term of office ends on 1 July 2009.

R.M.M. Boelen

Mr Boelen was born in 1944 and is a Dutch national. Until 1 September 2004 he was a senior partner at Deloitte Accountants. He is a member of the Supervisory Board of the following non-listed companies: Koninklijke Asscher Diamant Mij B.V., AHM Hotel Groep B.V., Golden Tulip Hospitality B.V. (Chairman), Bavaria N.V., Rompetrol Group NV and DarwinD Holding B.V.

He is also Treasurer of the Mandela Children Fund Netherlands and Secretary of the Peace Parcs Netherlands Fund.

Mr Boelen was appointed to the Supervisory Board of Ballast Nedam in 2005.

His current term of office ends on 1 July 2009.

J.C. Huis in 't Veld

Mr Huis in 't Veld was born in 1947 and is a Dutch national. Since 2003, he has served as Chairman of the Board of Management of the Netherlands Association of Applied Scientific Research (TNO). His previous positions included Chairman of the Board of Management of the DHV Group engineering firm and he has worked for the Department of Public Works.

Mr Huis in 't Veld holds various other positions, including the chairmanship of the Civil Engineering (GWW) Working Group of the Construction Steering Council (Regieraad Bouw) and membership of the Department of Transport and Public Works Knowledge and Innovation Council, the Peaks Programme Commission in the Delta South Wing and the Netherlands Technology and Science Forum. He also chairs the Construction Academy of the TSM Business School and is a member of the Advisory Board of Allseas B.V.

Mr Huis in 't Veld was appointed to the Supervisory Board of Ballast Nedam as of 1 November 2006.

His current term of office ends on 1 November 2010.

Report of the Supervisory Board

The Supervisory Board is pleased to report that Ballast Nedam further improved profitability in 2006. The net result increased from €20 million in 2005 to €44 million in 2006, not only because the company's operating profit continued to grow in 2006, but also because tax-deductible losses were recognised, largely attributable to the 2006 liquidation of our former subsidiary Ballast Plc.

Both of Ballast Nedam's two divisions, Building & Development and Infrastructure, performed well in 2006. Building & Development's profit margin, already good in 2005, increased further in 2006, partly due to the results of a number of real estate projects and strong project management. Despite persistently low price levels, Infrastructure's results continued to improve.

The Board is pleased to note that, partly as a result of the improved profitability in 2006, the company was able to agree attractive new financing and guarantee facilities with banks.

Dividend payments resumed in 2006 following a three-year halt. €1.02 per share was paid out for 2005, representing some 50% of the net profit. The Supervisory Board endorses continuation of this dividend policy. As a result, the Board proposes that 50% of the normalised net profit for 2006 (i.e. disregarding the effects of the liquidation of the former British subsidiary) be distributed as dividend. This amounts to €1.34 per share.

Following the sharp increase in the price of Ballast Nedam shares in 2005, particularly after the secondary offering of 48% of the shares in May of that year, the price remained stable in 2006 (year-end 2005: €33.25, year-end 2006: €33.02). This clearly shows that the financial markets recognise that the company is 'back on track'.

The company had regular meetings with shareholders throughout the year, including road shows and one-on-one meetings which were also used to make contact with potential new shareholders. Ballast Nedam gives high priority to maintaining good contacts with shareholders. The spread in the shareholder structure remained broad in 2006, which increases the marketability of the shares.

Management and staff were able to concentrate fully on the business at all levels of the company, in a market that is changing and developing. As we noted in our last report, it is encouraging that the organisation has shown great resilience in recent years, that it is working with enthusiasm on a broad front and that responsible entrepreneurship is embedded in the various levels of the organisation.

The Board met on six occasions during 2006, with all members in attendance. At these meetings, we discussed the company's strategy, the operational and financial performance (partly on the basis of periodic reporting), the succession of the Board of Management Chairman in August 2007 and separate memoranda from the Board of Management. The Supervisory Board discusses the performance of the divisions at each of its meetings. The managing directors of the divisions join the meetings when this agenda item is discussed, and they provide further information on request. This gives the Supervisory Board a good insight into developments in the markets in which Ballast Nedam operates and keeps it informed as to performance at operating level and as to the performance of the management tier below the Board of Management.

In December, the strategy and long-term plans were discussed in a joint meeting with the Board of Management and the managing directors of the divisions, leading amongst other things to the establishment of the targets for 2007. Board members also made a number of working visits to operating entities during 2006.

The Board of Management periodically presents updates to the risk profile of the company, and the structure and functioning of the internal risk management and control system, and any refinements thereto, are also discussed. Discussions are held periodically on these matters with the company's external auditors. The auditors' report is an important topic of discussion in the Board's consultation with the auditors.

In addition to the structural consultation with the Board of Management described above, the chairmen of the two Boards were also in frequent contact to discuss the course of business and matters arising.

The Supervisory Board does not have individual committees; its limited size would render this impractical. The full Board therefore discussed all the topics that would otherwise be dealt with by an Audit or Remuneration Committee. This was also the case for the discussion of the half-year and annual results in the presence of the external auditors.

As noted in the 2005 report, the number of Supervisory Board members was reduced from four to three during 2006. However, we did intend to increase the number of members back to four. To our satisfaction, we succeeded in this: Mr J.C. Huis in 't Veld was appointed as a new member of the Board at an Extraordinary General Meeting of Shareholders in October 2006. He formally joined the Board on 1 November 2006. In compliance with the Dutch Corporate Governance Code, as a new member of the Board, Mr Huis in 't Veld followed a company introduction programme.

Ballast Nedam has traditionally enjoyed a system of close and good consultation with the staff representation. Partly in view of this, the new member of our Board was formally introduced to the Central Works Council following his appointment in October.

The Extraordinary General Meeting of Shareholders also adopted our proposal for an option scheme for the Board of Management. This brings the interests of individual members into line with the interests of the (other) shareholders, and also serves to secure the loyalty and motivation of individual members.

The Supervisory Board discussed the functioning of its own members prior to the meeting in December. All current members of the Supervisory Board are independent according to the criteria set out in the Dutch Corporate Governance Code.

The Supervisory Board discussed the performance of the members of the Board of Management for the year under review. Looking back over the year, the Supervisory Board would like to express its appreciation of the skilful and effective way in which the Board of Management led the company in 2006. In particular, we wish to highlight the way in which the Board handled the interests of the various stakeholders.

In the management model employed by Ballast Nedam, primary commercial and operational responsibilities lie with the senior management of the divisions. The Supervisory Board noted that they performed their task with great commitment and expertise, and they and their staff again made a direct contribution to the good results in 2006. The Supervisory Board accordingly expresses its thanks for the commitment and dedication shown by all company employees. Whether in line or staff functions, in the field or in the office, they generated the good results of Ballast Nedam – sometimes literally – with their own hands.

We hereby submit the annual report for the financial year 2006, which includes the financial statements drawn up by the Board of Management and approved by the Supervisory Board. The financial statements were audited by KPMG Accountants N.V., Utrecht. The auditors' report appears on page 107 of this Annual Report. We recommend that you adopt the financial statements.

We ask that you discharge the members of the Board of Management and the Supervisory Board in respect of their management and supervision, respectively, over the past financial year.

Nieuwegein, 15 March 2007

Supervisory Board

A.N.A.M. Smits
H.C. Broeksma
R.M.M. Boelen
J.C. Huis in 't Veld

Remuneration Report

The Supervisory Board hereby presents the remuneration report for 2006, a summary account of Ballast Nedam's remuneration policy. Due to its limited size, the Supervisory Board as a whole constitutes the Remuneration Committee.

The remuneration policy for 2006

The remuneration of the members of the Board of Management is determined by the Supervisory Board within the parameters of the policy approved by the General Meeting of Shareholders in 2006.

The remuneration policy for the Board of Management is aimed at motivating and retaining skilled board members who can lead a large Dutch construction group with international activities. The remuneration level of board members of other listed Dutch construction companies serves as a reference for the remuneration of the company's Board of Management, taking account of complexity, scale, risk profile and management model. The specific responsibilities of the individual members of the Board of Management are also taken into account in determining their remuneration level.

The remuneration level of the members of the Board of Management is contractually agreed when they take up their positions. Subsequent increases are limited in principle to percentage adjustments in compliance with the regulations for Ballast Nedam employees covered by the UTA collective labour agreement (CAO).

Under the current remuneration system, a bonus (variable remuneration component) may be paid in addition to the fixed salary, up to a maximum of 1/3 of the fixed salary. Any bonus payable is paid after the end of the financial year to which it relates. A bonus is paid only when certain pre-determined targets have been achieved or exceeded.

The bonus is determined on the basis of the following criteria:

- Two-thirds of the bonus is determined by reference to financial criteria based on the business plan approved by the Supervisory Board (net result and average capital employed).
- One third of the bonus is determined by reference to non-financial criteria, as laid down and assessed by the Supervisory Board. These criteria relate to leadership attributes, quality of relationships with the various stakeholders of the company, and the quality of the management of specific important issues arising (on an ad hoc basis) during the year in question.

For competitive reasons, the financial targets included in the business plan are not publicly disclosed in advance. At the General Meeting of Shareholders, the Supervisory Board reports as to the targets set for the prior financial year, the extent to which they were achieved and its views on the non-financial criteria.

The members of the Board of Management participate in the Ballast Nedam company pension fund on the same terms as the other employees.

The Supervisory Board fixes the number of options for members of the Board of Management annually, on the basis of management's performance measured solely in terms of quantitative criteria.

Evaluation of the remuneration policy

In early 2006, based partly on an internal and an external report, the Supervisory Board discussed the possibility of amending this policy. The conclusion was that the present amount of and criteria for the remuneration package do properly reflect the administrative and managerial priorities.

Ballast Nedam has a relatively low variable remuneration component (33.3%).

The Board is in favour of a limited variable remuneration component linked to achievable and properly focussed targets. It is for this reason that net result for the year and capital employed (rather than revenue) are deliberately used as criteria. As a generality, linking bonus payments to dividends is also undesirable, on the grounds that, even in times of restructuring when there is no scope for dividend payments, effectively functioning management board members can be of extreme importance for the continuity of the company and the interests of the shareholders.

All things considered, therefore, the Board proposed that no changes be made to the present remuneration policy. The General Meeting of Shareholders approved this proposal.

New option scheme approved

The option scheme for members of the Board of Management was approved at the Extraordinary Meeting of Shareholders held on 26 October 2006. Under this scheme, the members may be granted option rights each year up to an aggregate maximum of 2% of the total number of shares in issue. The members may exercise these rights only after three years, as the purpose of the option rights is to increase their loyalty to the organisation and to ensure that the interests of the individual members mirror those of the shareholders.

As a condition of receiving the option rights, the members of the Board of Management must themselves buy depositary receipts for shares equivalent to at least 5% of the options granted. The option scheme has been posted on the company's website.

Remuneration of the members of the Board of Management

The fixed salaries of the members of the Board of Management as at 1 January 2007 were as follows:

- R.H.P.W. Kottman, Chairman, € 416 000 (1 January 2006: € 412 000)
- T.A.C.M. Bruijninckx, € 321 000 (1 January 2006: € 318 500)

In 2006, the members of the Board of Management received a bonus (Mr Kottman € 137 400 and Mr Bruijninckx € 106 200), because the targets set for them for 2005 had been achieved. No options were granted in 2006.

The Supervisory Board decided to grant the maximum permitted bonus also for the financial year 2006, as the members of the Board of Management more than achieved the quantitative criteria set for them. This was examined and confirmed by the external auditors. Moreover, as set out in this Annual Report, important and particular issues for the company were handled skilfully by the Board of Management, which also supports the grant of the maximum bonus for the non-financial criteria. Mr Kottman receives a bonus of € 139 000 and Mr Bruijninckx € 107 000.

The potential severance pay for Mr Kottman amounts to his remaining salary entitlement until reaching the age of 62 (the date of retirement: 1 October 2007). The severance pay for Mr Bruijninckx is 18 months' basic salary. These severance amounts were contractually agreed in 1999 and early 2003, respectively. A notice period of six months applies for both members of the Board of Management. As and when new contracts are drawn up, the severance pay will be set at a maximum of the fixed salary for one year.

Remuneration of the Supervisory Board members

The remuneration of the Supervisory Board members is fixed and is not dependent on the company's results. The remuneration is to be agreed by the General Meeting of Shareholders. The individual remuneration amounts are disclosed in the Notes to the income statement. Supervisory Board members receive an allowance for expenses incurred.

Ballast Nedam's shares

Ordinary shares

The number of ordinary shares in issue is 10 000 000. This number has remained unchanged since the flotation in 1994. The number of the company's own shares repurchased is 75 599 (2005: 153 438).

Of the total of Ballast Nedam shares, depositary receipts have been issued for 91.2%.

Depositary receipts for Ballast Nedam N.V. shares are listed on the Euronext Amsterdam stock exchange. These depositary receipts may be exchanged in full and without restriction.

Share price in 2006

Share price movements were as follows:

Closing price on 30 December 2005	€ 33.25
Highest price (1 March 2006)	€ 37.65
Lowest price (4 June 2006)	€ 28.15
Closing price on 29 December 2006	€ 33.02
Closing price on 1 March 2007	€ 36.35

Ballast Nedam N.V. shareholders:

Stichting Administratiekantoor van aandelen Ballast Nedam (which holds the shares for the holders of the depositary receipts for shares)	91.2%
Various ING companies	5.6%
Stichting Werknemersparticipatie	0.9%
Stichting Pensioenfonds Ballast Nedam	2.0%
Various private shareholders	0.3%

The following interests of 5% or more had been notified in relation to the depositary receipts for shares as at 31 December 2006:

- Capital Research & Management
- Henderson Global Investors Ltd
- Delta Lloyd Groep N.V.
- Delta Deelnemingen Fonds N.V.
- Driessen Beleggingen B.V.
- Bibiana Beheer B.V.

Relationship with investors and shareholders

Contact and consultation with current and potential shareholders is a matter-of-course for Ballast Nedam. The Board of Management seeks to maintain dialogue with shareholders not just at shareholders' meetings, but also at other times. Members of the Board of Management periodically visit the larger shareholders to provide background information, discuss the company's direction, etc.

Since the successful secondary offering of 48% of the shares in May 2005, the free float and, consequently, the marketability of the shares have increased considerably. In March 2006, Ballast Nedam shares were included in the AScX-index on the Amsterdam stock exchange.

In 2006, personal visits were made to a large group of potential investors. To this end, a total of 15 road shows were held in various cities in Europe and the United States, and a large number of individual presentations were made in the Netherlands. A total of more than 130 institutional investors and shareholders were contacted personally in 2006.

In view of the growing demand for Ballast Nedam shares among private investors, the company took part in a well-attended symposium for private investors which the symposium evaluation indicated was highly appreciated.

The dates, locations, accompanying banks and the presentations made at these meetings are posted on the company's website.

Dividend policy

The underlying principle of the dividend policy is that 50% of the net profit is placed at the disposal of shareholders for distribution as dividend.

Dividend proposal

The Board of Management proposes, with the approval of the Supervisory Board, to distribute a dividend of € 1.34 per ordinary share in issue. In view of the substantial fiscal effects of the liquidation of the former British subsidiary, this proposal is not based on the net result for 2006. A normal tax burden was assumed for the distribution of the dividend.

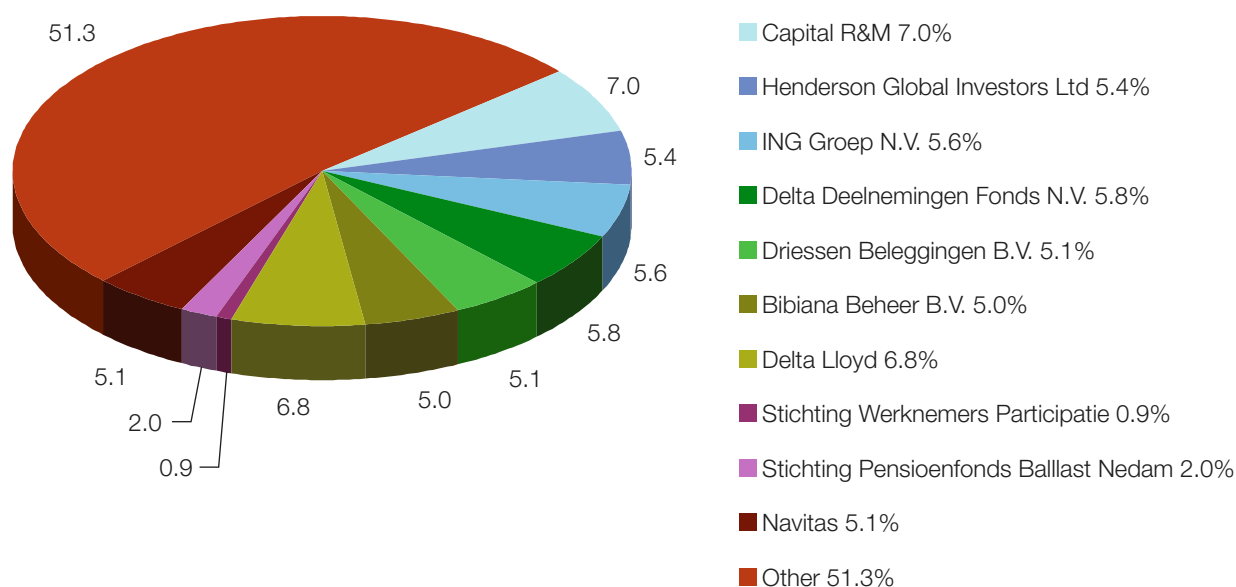
Upcoming dates

9 May 2007	Annual General Meeting of Shareholders
13 July 2007	Publication of half-year results for 2007

Information

Investor Relations:	A.C. van Haeringen	Public Relations:	Ms A.C. van Kessel
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Shareholders' structure as per March 2007



Ballast Nedam Administration Office

Report on 2006

In compliance with the provisions of Article 15 of the Terms of Administration of the Ballast Nedam Administration Office (Stichting Administratiekantoor van aandelen Ballast Nedam, hereafter: the Administration Office) dated 7 June 2005 and best practice provision IV.2.6 of the Dutch Corporate Governance Code ('the Code'), we report as follows to the holders of depositary receipts.

During 2006, the Administration Office performed the customary activities for the administration of the shares referred to above.

The nominal value of registered shares held in administration amounted to €54,716,310 as at 31 December 2006. In return for these shares, 9,119,385 bearer depositary receipts have been issued with the same nominal value.

The members of the Board of the Administration Office during the year were:

M. Ververs (Chairman) (up to 8 April 2006)

W.P.M. van der Schoot (Chairman) (as from 8 April 2006)

S.B. Braaksma

W. van Voorden (as from 10 May 2006)

Other functions of the current members of the Board are reported in a separate annex.

Each member of the Board is paid a fee of €7,000 per year (excluding VAT). All members received this fee, in proportion to the length of their service on the Board.

The total costs of the activities of the Administration Office were €50,733 (including the fees paid to the members of the Board). In accordance with the Terms of Administration of the Administration Office, these costs were borne by Ballast Nedam N.V.

The activities associated with the administration of the shares are performed by the administrator of the Administration Office, which is N.V. Algemeen Nederlands Trustkantoor ANT (P.O. Box 11063, 1001 GB Amsterdam).

In addition to administering the shares, the Board met the Board of Management to be briefed on the company's performance and general progress. Three Board meetings were held in 2006; at the invitation of the Board of the Administration Office, the Board of Management of the company attended two of these meetings. In addition, a Meeting of Holders of Depositary Receipts was held prior to the General Meeting of Shareholders on 10 May 2006.

The first Board meeting took place on 14 March 2006. During this meeting the general business developments at Ballast Nedam N.V. were discussed, as well as the company's financial statements for 2005, following their publication on 10 March 2006. The balance sheet and statement of income and expenditure for the financial year 2005 of the Administration Office were adopted and the composition of the Board of the Administration Office was discussed.

Mr Ververs resigned from the Board on 8 April 2006. Mr van der Schoot was appointed as the new chairman of the Administration Office from that date.

The second Board meeting took place on 10 May 2006, in preparation for the General Meeting of Shareholders and the Meeting of Holders of Depositary Receipts for Shares on the same date.

As indicated above, a Meeting of Holders of Depositary Receipts was held, for the second time, on 10 May 2006, prior to the General Meeting of Shareholders. The substantive agenda items were as follows:

- I. Announcement of a vacancy arising in 2006 on the Board of the Administration Office.
- II. Announcement of the proposed votes of the Board of the Administration Office at the Annual General Meeting of Shareholders of Ballast Nedam N.V.

In connection with a vacancy on the Board of the Administration Office, the Board had allowed holders of depositary receipts ample opportunity to recommend persons for appointment to the Board in the period prior to the Meeting of Holders of Depositary Receipts. The holders of depositary receipts did not avail themselves of that opportunity. The Board therefore decided to appoint Mr Van Voorden to the Board of the Administration Office for a four-year period commencing on 10 May 2006.

A representative of the Dutch Investors' Association (*Vereniging van Effectenbezitters*) asked a number of questions concerning the appointment of Mr Van Voorden to the Board of the Administration Office. There were no further comments with regard to this agenda item. The Meeting of Holders of Depositary Receipts was also informed that Mr Braaksma, following his resignation by rotation, had been reappointed to the Board for a four-year term as from 8 April 2006. It was also announced that Mr van der Schoot will resign from the Board by rotation on 2 April 2007 and is available for reappointment. The Board intends to reappoint Mr van der Schoot.

After the Board had explained its proposed voting behaviour at the Annual General Meeting of Shareholders of Ballast Nedam N.V., the Meeting of Holders of Depositary Receipts had no further questions on this agenda item.

The Board of the Administration Office took part in the discussion of matters raised at the General Meeting of Shareholders on 10 May 2006 and the Extraordinary Meeting of Shareholders on 26 October 2006. During these Meetings the Board posed a number of critical questions. On behalf of the Administration Office, the Board cast its vote on the relevant agenda items and, in accordance with its statutory objectives, based its voting behaviour primarily on the interests of holders of depositary receipts for shares, bearing in mind the interests of the company and its affiliated entities. After careful consideration, the Board decided to support all proposals at both Meetings.

At the General Meeting of Shareholders on 10 May 2006, the Board of the Administration Office granted proxies for 2,371,559 depositary receipts for shares (24.01% of the issued share capital). The Board represented 67.35% of the issued share capital at this meeting.

At the Extraordinary General Meeting of Shareholders on 26 October 2006, the Board of the Administration Office granted proxies for 2,253,669 depositary receipts for shares (22.71% of the issued share capital). The Board represented 68.80% of the issued share capital at this meeting.

The third Board meeting was held on 7 September 2006. During this meeting the half-year results for 2006 of the company were discussed.

The number of registered shares in the capital of Ballast Nedam N.V. held by the Administration Office increased in 2006 from 8,995,056 to 9,119,385, partly because holders of depositary receipts issued by the Ballast Nedam Employee Participation Foundation (*Stichting Werknemersparticipatie Ballast Nedam*) exchanged their depositary receipts for depositary receipts that can be traded on the stock exchange. The increase was also due to the fact that Ballast Nedam N.V. exchanged a package of depositary receipts issued by the Ballast Nedam Employee Participation Foundation for listed depositary receipts, in connection with the expiry of the 2001 option scheme for staff and management.

Although the depositary receipts issued by the Administration Office may be exchanged without restriction and the provisions in Annex X of the Listing and Issuing Rules of Euronext Amsterdam with respect to the conversion of shares into depositary receipts and the independence of management are, therefore, not applicable to the Administration Office, the Board is composed in such a way that it meets the requirements for independence as contained in Annex X of the Listing and Issuing Rules of Euronext Amsterdam.

The offices of the Administration Office are at the address of the company.

As noted above, Mr Ververs stepped down from the Board in 2006, after chairing the Administration Office for 12 years, since the flotation of Ballast Nedam N.V. in 1994. The Board would like to express its gratitude for his contribution to the Administration Office and, consequently, to the company. Mr Ververs has seen Ballast Nedam pass through a complete cycle in the past 12 years, from prosperous years in the mid-1990s to a number of very difficult years between 2001 and 2005. Mr Ververs led the Administration Office and responded to the management of the company with great wisdom.

Nieuwegein, 20 March 2007
The Board

Particulars of Board members

W.P.M. van der Schoot (Chairman)

Mr van der Schoot was born in Breda on 18 June 1946.

He has held various management positions at Twijnstra Gudde N.V., ABN AMRO Bank N.V. and Robeco Groep N.V. and since 2001 has been a member (Chairman since January 2003) of the board of Boer & Croon Strategy and Management Group, Amsterdam.

Mr van der Schoot was first appointed a member of the Board of the Administration Office on 2 April 2001.

His current period of office expires on 2 April 2007.

S.B. Braaksma

Mr Braaksma was born in Winschoten on 25 October 1937.

He has held several management positions at Heidemij, Arnhem, and various management positions in the health care sector (including Chairman of the Board of Management of the Isala clinics, Zwolle, and member of the supervisory body for health care insurance (College van Toezicht Zorgverzekeringen)). He is also Chairman of the Supervisory Board of the Stichting Prismant, the Dokter Wittenbergstichting in Deventer and the Stichting Ronald McDonaldhuis in Zwolle. He is also a member of the Supervisory Board of Woonstichting Triada, Epe.

Mr Braaksma was first appointed a member of the Board of the Administration Office on 18 April 2000.

His current period of office expires on 8 April 2010.

W. van Voorden

Mr Van Voorden was born on 27 October 1942 in The Hague.

He was a Professor of Social Economics in Tilburg and Rotterdam and a chairman of the supervisory body for health care insurance (College van Toezicht Zorgverzekeringen). Mr Van Voorden currently holds a number of supervisory directorships. He chairs the Supervisory Board of Batenburg Beheer N.V., is Vice Chairman of the Supervisory Board of De Telegraaf Media Groep N.V., Chairman of the Supervisory Board of Panteia in Zoetermeer and also holds a number of advisory and management positions.

Mr Van Voorden was first appointed to the Board of the Administration Office on 10 May 2006.

His current term of office expires on 10 May 2010.



Parkrand, Amsterdam

This block of flats in the Geuzenveld district is a real eye-catcher. The striking large openings give this distinctive building views over the nearby Eendrachtspark.



De Hoven, Vleuterweide



Berckelbosch, Eindhoven



Albardakade, Amsterdam

Vision

The company developed the following vision in 2002: Ballast Nedam strives to be a structurally sound, large construction group, concentrating on the Dutch market. The portfolio comprises construction-related products and services. This vision has remained unchanged through 2006: Ballast Nedam concentrates primarily on the Dutch market with core activities in development, construction and infrastructure and in related services and products directly related thereto.

Six objectives were developed in 2006 on the basis of this vision. Targets have been set for each of these objectives, comprising quantitative and qualitative targets linked directly to the company's vision. Priorities were also established within those targets, based on the group's situation and needs.

Objectives

The current position in relation to each of the six objectives for 2006 is set out below: what have we achieved and are we continuing the policy and/or updating it?

1 Ballast Nedam is seeking a structural improvement in profitability and, partly as a result of that, greater shareholder value.

At the heart of Ballast Nedam's strategy is our desire to strengthen the value chain, both in the earlier and later stages (from concept development through design and implementation to maintenance and operation). This means that greater emphasis will be placed on project development, engineering, maintenance and facility management – all activities generating a higher margin. Moving the mix of activities in this direction will bring about a structural improvement in Ballast Nedam's margins across the board.

Targets for 2006

- Further strengthen both ends of the value chain, partially through the acquisition of one or more project development companies and the enlargement of the land bank. By 2008 about half of the revenue must come from the two ends of the value chain.
- Achieve an operating result between 3% and 5% of revenue. The determining factor here is how quickly price levels recover in the infrastructure market.
- Increase net profit by about 20% (in comparison with €20 million in 2005).

Achievements in 2006

The 2006 result before tax turned out at €38 million. This is a 36% increase in comparison with 2005. Net profit amounted to €44 million, more than double the 2005 result (€20 million). The operating result amounted to 3.2% of revenue.

In 2006, with the aid of an external consultant, we defined the project development companies that are potential takeover candidates. Fact-finding talks were conducted with a number of companies, but have not yet led to an acquisition. The main reasons are our selective approach and the lack of agreement on price. Talks are currently still in progress with some companies.

The land bank was increased once again in 2006, from 587 hectares to 654 hectares (up 11%). The potential number of residential properties to be developed is currently 12 700, an increase of 21%.

A specialist business unit (Ballast Nedam Concessions) was formed in 2006 to win and manage public-private partnership (PPP) contracts in the public market. This unit also focuses on concessions in the private market.

The Ballast Nedam Services business unit, which was originally part of the holding company, focuses on property and facility management. Because these services have been extended to the external market, the business unit has been transferred to the Ballast Nedam Building and Development division. Ballast Nedam Services works closely with the regional construction companies and maintenance services. Ballast Nedam currently has more than 20 000 residential properties in daily maintenance.

Finally, price levels in the infrastructure market are recovering slowly, but are still too low.

Targets for 2007

- Acquire one or more project development companies.
- Further increase the land bank.
- Achieve an operating result at least matching 2006. The Board of Management expects higher results in the Infrastructure division, but does not expect the Building and Development division to be able to match the excellent results achieved in 2006. In 2006, this division's results were strongly affected by the outcome of a number of large real estate projects. It is not certain how many of these projects will start in 2007, but the margin is expected to remain well above 5%.

2 Ballast Nedam wishes to enhance the company's reputation, both with customers and in the labour market.

Targets for 2006

- Improve the name recognition of Ballast Nedam.
- Position Ballast Nedam as an attractive construction company in the graduate recruitment market.

Achievements in 2006

The outside world has also taken note of Ballast Nedam's recovery in recent years. Confidence in the company is expressed in, amongst other things, the renewed interest among investors, in analysts' reports, in positive press coverage and in reactions from market players. The Ballast Nedam share (and therefore the company itself) now has a higher profile. In March 2006, Ballast Nedam was included in the AScX-index on the Amsterdam stock exchange.

The (positive) name recognition increased further in 2006, a fact also reflected in the sharp increase in the number of requests for Ballast Nedam management to hold presentations and deliver guest lectures at universities and professional education colleges. Market research (Universum Communications: Graduate Survey 2006) has shown that 63% of students following technical courses are familiar with Ballast Nedam as a company. More than 26% of all students on technical courses are considering employment at Ballast Nedam. The main associations with Ballast Nedam are: financial strength, market success and good and inspiring management. Finally, Ballast Nedam Ontwikkelingsmaatschappij is the main sponsor of Fresh, a national student organisation in the property field. In this connection, Ballast Nedam organises events including a 'Fresh In-house day'.

Targets for 2007

- The same targets apply for 2007 as for 2006.

3 Ballast Nedam needs to have the necessary in-house disciplines, skills and know-how to be able to offer integrated solutions to often complex spatial planning problems.

In order to achieve these objectives, Ballast Nedam invests a great deal of time, money and effort in securing structural improvement in its competencies. We do so not only by broadening and deepening our internal know how and expertise but also by entering into strategic alliances with other specialist companies.

Targets for 2006

- Bring a number of new methods and applications to the market each year, as currently planned in the company's innovation programme. We wish to maintain at least the present high level.
- Enter into at least two new strategic alliances with specialist companies.

Achievements in 2006

Our innovation efforts again resulted in a number of successful new innovations during 2006. Further information on this is included in the 'Innovation' section. Ballast Nedam Infra acquired Gebr. Van Leeuwen Harmelen B.V. during the year under review. This company specialises in the production of pile foundations, anchorage, drilling, push-throughs and micro-tunnels. This acquisition strengthens Ballast Nedam Infra's technical know-how and experience in the field of anchorage and drilling, as a result of which Ballast Nedam Infra is able to deliver its underground construction specialism as a complete integrated product.

Ballast Nedam began an alliance with the Evelop company for the development of offshore windmill farms in the North Sea. Evelop is a subsidiary of E-Concern, a supplier of renewable energy.

Targets for 2007

The same targets apply for 2007 as for 2006.

- 4 Ballast Nedam must continue to maintain its ranking among the leading Dutch construction groups. An organisation's size is a significant strategic factor in this industry.**

Achievements in 2006

Ballast Nedam was once again ranked among the top five Dutch construction groups in 2006.

Target 2007

This target remains unchanged. However, company management's focus is not on revenue, but on margins and net results.

- 5 The liquidation of the former British subsidiary.**

Achievements in 2006

The liquidation of the British subsidiary Ballast Plc was completed in 2006. This led to an additional tax-deductible loss.

- 6 Ballast Nedam is aware of its social responsibility to the environment in which the group operates. It is impressed on employees at all levels that they need to be aware of the effect of their actions on themselves, on the company and on the environment in which they are working.**

Targets for 2006

- In the Annual Report 2005 a separate section on corporate social responsibility (CSR) was included. This policy will be pursued with continued vigour.
- Comply with the Dutch Corporate Governance Code ('Tabaksblat' Code).

Achievements in 2006

As set out in the section on corporate social responsibility on page 31 of this report, we translate the targets formulated into concrete action. We work on sustainability on a broad front and conduct an intensive dialogue with stakeholders:

- The Ballast Nedam Administration office held a meeting of holders of depositary receipts for shares, at which confidence was expressed in its Board.
- Ballast Nedam complies fully with the Corporate Governance Code. The number of material exceptions to the best-practice provisions has been reduced to two (the length of the employment contract and the severance pay for the present members of the Board of Management). These best practice provisions will be applied as and when new appointments are made to the Board of Management.

Targets for 2007

The above two targets remain unchanged for 2007.

Key aspects of the strategy for 2007

Ballast Nedam's objectives have been set out above. These objectives lead to the following three key aspects and challenges for Ballast Nedam's strategy in 2007:

1 Chain management: strengthening the earlier and later stages of the value chain

This means:

- Acquiring land positions and strengthening activities in the field of project development, maintenance, facility management and property management
- Capturing a leading position in the public-private partnership (PPP) market.

2 Increasing the underlying value of the business

This means:

- Further improving the company's operational performance ('operational excellence')
- Improving the structural margin by changing the mix of activities.

3 Active portfolio management

This involves activities that need to be removed from or added to the present portfolio. The relevant criteria include:

- Synergy with the core business
- Future return
- Distinctive profile
- The need for investment
- Risk profile
- Timing.

Together, the objectives and key issues described above constitute the strategy at group level. Each division's strategy is set out elsewhere in this Annual Report, together with the strengths and (remaining) weaknesses of these units and their consequences for operations.



www.ballast-nedam.com

At our new web portal, visitors can find their way around Ballast Nedam quickly and efficiently. The product and service package, the 'backbone' of the site, is illustrated by relevant projects and specific descriptions by staff. Clients can also easily locate the right account managers, while students and job applicants quickly form a picture of Ballast Nedam as an employer. The media, investors and analysts will find information clearly set out in the Investor Relations and Press Releases columns.

The environment



CNG petrol station, Haarlem

Connexxion provides public transport in the Haarlem region, with buses running on compressed natural gas, a cleaner fuel with lower emissions.



De Sniep, Diemen The mobile unit treats contaminated soil.



Domestic refuse plant, Alkmaar The residual product is recycled into MSWI bottom ash.



Fonejacht bridge, N31 The access ways have an MSWI bottom ash foundation.

Social responsibility

Business activities affect the world we live in. This rightly imposes obligations, sets limits and requires certain standards and values. As a company, Ballast Nedam is well aware of this. Consequently, we subscribe to international rules and agreements as set by the International Labour Organisation (ILO) and the Organisation for Economic Co-operation and Development (OECD).

The International Labour Organisation requires:

- Free choice of work and no forced labour
- Contract for individual and/or collective employment terms and conditions
- No discrimination in recruitment
- No child labour
- Right of free association
- Right to free unions and the right of unions to negotiate on behalf of employees
- Payment of a living wage
- No excessive overtime.

The Organisation for Economic Co-operation and Development requires:

- Respect for human rights
- Regular, reliable and relevant reporting on financial and social policy
- Rejection of forced and child labour
- Concern for health and safety at work
- Encouragement and facilitation of trade unions and their work
- Investment in local communities, including creation of employment
- Contribution to sustainable development, going beyond statutory environmental protection requirements
- Rejection of corruption
- Maintenance of consumer interests such as product safety, quality and balanced provision of information
- Support for (or partnership with) local universities wherever possible
- Avoidance of unfair competition.

International covenant on employee rights

Ballast Nedam recognises that currently there are still many countries where deeply entrenched social and cultural situations exist that are at variance with the above requirements, but this does not mean that we should not do everything we can to develop a suitable and practical code of conduct. Ballast Nedam is the first Dutch construction company to have signed an international covenant with the International Federation of Building and Wood Workers (IFBWW) and the FNV Bouw trade union on employee rights, and in doing so Ballast Nedam has subscribed to the ILO conventions. This covenant has been evaluated and continued by the parties involved.

Reporting

The Dutch Ministry of Economic Affairs again commissioned a study in 2006 into corporate social reporting. Ballast Nedam was among the better of the 174 largest companies in the Netherlands, and was the highest scoring construction company. The company's score, which was already high in 2005, improved further in 2006.

Ballast Nedam also performed extremely well in the Scenter Annual Report Survey, again achieving the highest score for a construction company, as a result of our transparent policy and business operations.

Competition rules

Ballast Nedam adheres strictly to the competition laws and regulations. Infringements of these rules attract sanctions. Ballast Nedam has also drawn up an internal code of conduct, which sets out ethical standards for the conduct of Ballast Nedam employees and rules covering areas such as gifts and the performance of secondary activities. The code also lays down the internal procedure for reporting infringements (including a whistleblowers' scheme) and sets out the disciplinary and labour law sanctions which may follow infringements.

A special body, under the name Stichting Beoordeling Integriteit Bouwnijverheid (SBIB), has been set up in the Netherlands, tasked with the implementation of this code of conduct throughout the construction industry. Ballast Nedam is registered with this body and thereby undertakes to follow the rules.

Ballast Nedam has established internal procedures for contracting processes and the formation of construction consortia. Management is responsible for ensuring that these procedures are followed to the letter.

Environment

The construction industry makes a major contribution to sustainable development, but also has an impact on the environment through its own activities. This makes it incumbent on all parts of Ballast Nedam to ensure that their activities are carried out with due respect for people and the environment. This is achieved in the design and realisation phase by selecting sustainable materials and resources wherever possible. Our policy also covers the application of sustainable raw materials and sustainable management.

A strict safety and environmental policy is also in place in a bid to prevent accidents and environmental incidents. Our view of what falls within sustainable construction and materials is outlined below.

Sustainable construction

Sustainable construction is part of Ballast Nedam's core business. We work for sustainability in our construction projects in three ways:

1. Intensive urban development involves the integration of infrastructure and the built-up areas. Ballast Nedam helps to develop know how in the area of intensive urban development, and to this end we participate in the Netherlands Centre for Underground Construction (COB) and Habiforum, which carry out studies in this area.
2. Industry parks are redeveloped in a sustainable manner, with transport load, accessibility and multifunctionality as key parameters.
3. We engage in sustainable integrated landscape and urban area development, in which the natural landscape is developed commensurately with the urban residential settings.

Some examples of sustainable construction:

- We pursue an ongoing renewal process for housing and neighbourhood quality, through a judicious mix of social housing and owner occupied housing in the same neighbourhoods. In each batch of projects, profitable restructuring projects compensate for the unprofitable ones. This accelerates the process whilst avoiding dependency on government funding to provide complete cover. Projects vary from low-rent and owner-occupied homes to developments in the higher price segments. This approach also extends to commercial premises, student housing, educational premises and care establishments. We seek to guarantee the quality, and therefore the success, of regeneration at neighbourhood level. Because of this, our activities do not end after completion of the construction work; management and maintenance of both the property and the adjoining public space also form an integral part of what we do.
- We market the concept of 'red for green', in which high-grade public landscaped areas are created from the proceeds of the sale of completed estates.
- Ballast Nedam participates in 'landscape charters', in which parties undertake to radically improve the quality of the Dutch landscape.
- Our company is participating in a major area development project covering approximately 1 500 hectares in the semi-rural area of Arnhem-Noord. Our collaboration with a number of nature conservation agencies (Government Forestry Service, Gelders Landschap, Natuurmonumenten) and leisure organisations (Nederlands Openluchtmuseum, Papendal and Burgers Zoo) as well as several government agencies is a current example of the new sustainability policy with which we are responding to spatial planning issues.
- The Spoorwijk district of The Hague is currently undergoing a major redevelopment. Ballast Nedam is building more than 400 homes here. The heating systems are an example of sustainable construction: none of the homes has a gas connection. They are heated with water. Under-floor heating keeps the homes at the required temperature, and there is a separate pipeline for running water to kitchens and bathrooms. This system is unique in the Netherlands.
- Environmentally-aware heating systems are also used in the new Dock van Delft assisted housing complex, where heat is stored in the ground during the summer, and used to heat the apartments in winter. This reduces the residents' energy bills by about 30%.
- Ballast Nedam has developed a system for determining the optimum mix of noise-reducing and noise-limiting resources, such as low-noise asphalt and sound screens.
- Ballast Nedam is carrying out drinking water projects Ghana and Gambia which are shining examples of sustainable construction.

Sustainable management and materials

- Wood is an important raw material in the construction industry. Ballast Nedam signed a covenant with the Forest Stewardship Council (FSC) two years ago to increase the use of timber produced using sustainable forestry management techniques. The covenant stipulates that within four years Ballast Nedam will use only FSC-certified timber in projects we develop ourselves. Within two years, 10% of the timber used in projects we carry out for third parties will be FSC-certified. Measured over a three-year period, these plans will cover approximately 4 000 newly built homes, a number of non-residential projects and several civil engineering works. Put another way, this will save 30 000 hectares of tropical rainforest.
- Ballast Nedam decided that as from 1 January 2006 all its new diesel cars (including leased vehicles) and vans must be fitted with a soot filter. The company signed a declaration of intent to this effect with Friends of the Earth Netherlands. Our aim is to reduce the environmental impact of our vehicles and to make a real contribution to the introduction of cleaner, quieter and more economical cars.
- The Alternative Fuels product group researches and invests in cleaner fuels. In this way, Ballast Nedam invests in knowledge regarding compressed natural gas (CNG) and hydrogen in order to develop, supply and install gas stations for these cleaner fuels.
- Nexus B.V. is a joint venture between Ballast Nedam IPM B.V. and HyGear (formerly Hexion B.V. in Arnhem). The object of the company is to develop alternative fuel systems and supply them in a usable form. The activities are focused specifically on the development of hydrogen-based solutions.
- In the field of offshore energy, Ballast Nedam built a 108 megawatts wind farm in the North Sea in 2006. Through its participation in the Wind Construction International (WCI) partnership, Ballast Nedam is involved in the production and supply of clean wind energy in the Province of North Holland. To date, our company has installed two of its own wind turbines, each of 3 megawatts.
- Waste combustion residue is being reused in infrastructural projects. Ballast Nedam has become the leader in this growth market by exporting bottom ash recycling techniques to the United Kingdom.
- In Bremanger (Norway), energy is being generated in the transportation of locally quarried granite by making use of natural decay. The energy generated is enough to run the quarrying plant, while the surplus current is diverted to the national grid.
- The halls of the concrete plants were previously heated in winter by gas and hot-air boilers in order to make the concrete sufficiently strong. However, at present we are working to heat the moulds into which the concrete is poured with direct heat via a central heating pipeline system. This has a much higher heating yield and can replace the boilers and their high gas consumption.
- In prefabrication of concrete, we have been able to reduce noise nuisance considerably by using a new concrete mix. The 'vibrating engines', which were very noisy, are now no longer necessary.
- C-Fix B.V. is a joint venture between Royal Dutch Shell and Ballast Nedam. The C-Fix product (carbon-fixed concrete) offers unique and demonstrable environmental benefits such as reduced CO₂ emissions.
- Where possible, we recycle waste, such as old asphalt into new asphalt.
- For shipments of large concrete elements, we increasingly use (our own) inland shipping equipment, which creates a substantially lower environmental burden.

Partnership with private organisations

- Our social responsibility also extends to private organisations. As an example, Ballast Nedam has adopted an orphanage and a school in Ghana. These organisations are supported with help from local Ballast Nedam employees and also with funds raised by Ballast Nedam.
- Ballast Nedam supports Stichting Gered Gereedschap, a national Dutch voluntary organisation that collects and repairs old tools and sends them on to developing countries.
- On a smaller scale, a number of private initiatives in the Netherlands also receive financial support. We encourage our employees to take part in unpaid social activities. It is the duty of senior management to set an example in this regard. We continued our involvement with the Ronald McDonald House in Utrecht in 2006. Ballast Nedam staff help there with duties such as cleaning and regular maintenance. In their free time, Ballast Nedam Ontwikkelingsmaatschappij staff provided assistance in the construction of a building playground in Nieuwegein. Furthermore, we changed the format of the year-end staff gift in 2006 and the funds earmarked for this were donated to a housing project for 62 families in the Indonesian village of Sibao, who lost everything in the tsunami.
- Ballast Nedam finances the 'Faces of Buildings' photography project of the Netherlands Architecture Institute (NAI) in Rotterdam. At Ballast Nedam's initiative, the institute launched a photographic competition. The assignment was: 'Show the face of a building. It's more than just bricks and mortar'. As you know, well known buildings are primarily associated with the name of the architect, but their success is due to several different parties: the developer, the builder and the contractor, who usually remain anonymous. A number of photographs were selected from the many entries. An independent jury will select the winner of the Ballast Nedam Award in April 2007. The photographs are on display at the NAI in Rotterdam from 23 March to 13 May 2007.

Training placements

- Ballast Nedam offers potential new construction workers 'training sites', for instance by continuing to maintain and restore listed buildings.
- During 2006, Ballast Nedam entered into a long-term partnership with the University of The Hague and the Mondriaan Educational Group. Ballast Nedam will offer 100 extra training placements/apprenticeships in the region of The Hague.
- Ballast Nedam entered into a covenant for a permanent training construction site for a large housing project in Eindhoven. The project involves a total of about 900 homes and will offer places for a large number of trainees.

Dialogue with stakeholders

Ballast Nedam engages actively in communication with stakeholders, shareholders, customers, employees, suppliers, public authorities, trade unions, non-governmental organisations and other individuals and organisations which it wishes to support as part of its social responsibility programme. A first point of contact has been designated within the company for each of these target groups.

Senior company management regards this dialogue as one of its most important activities.

Some examples:

- The Board of Management had over 130 individual meetings in 2006 with investors and major shareholders. Discussions took place on the basis of presentations which have been posted on the Ballast Nedam website.
- Visits were arranged for all individual shareholders to a large construction project in Nijmegen.
- Moreover we do not avoid discussion with the government on new contract formats and the need for reforms in both government agencies and construction companies. Ballast Nedam regards an open and critical dialogue on the various dilemmas that can arise as a natural process.
- Construction companies operate as part of a long chain of suppliers and customers. This means that the responsibility of a construction company does not end at the company gates. In exercising its influence on the chain, Ballast Nedam observes its own principles, as set out above, for example with regard to the environment, social arrangements, competition and safety, and expects the same from its suppliers.
- Trade unions and non-governmental organisations are also our partners in discussions and sometimes in contracts. We seek a dialogue with these stakeholders too. Dilemmas that we have to face as a company – for example with regard to the Social Plan – are addressed in an open and constructive atmosphere, with respect for each other's interests.

Global Reporting Initiative

The Global Reporting Initiative (GRI) is aimed at the development of guidelines for sustainability reporting. As reported earlier, Ballast Nedam expressed the ambition to prepare a separate sustainability report for 2005 based on GRI indicators. However, given the investment of time and money that this would require, we are now not giving priority to the preparation of such an extensive report. Ballast Nedam will therefore make a selection from the core indicators which form the basis of such reports according to the GRI guidelines.

Sustainability is, and will remain, an integral part of our (social) operations as a business. An internal analysis and assessment based on the GRI indicators shows that Ballast Nedam is also among the market leaders in this regard.



A decor of sand

A factory hall covered with 500 m³ of sand proved to be the dream décor for the performance of Dario Fo's 'Mistero Buffo' by the Theaterplan Foundation. The Eindhoven foundation gives young people a chance to gain practical experience in the performing arts, with coaching from theatre professionals. The foundation has staged large annual musical productions for the past 15 years, with a team of 40 to 50 young people. Since 2005, the show has been performed at Strijp-S in Eindhoven. Our regional office provided the sand: the show they put on themselves.

Corporate governance

Corporate governance is part of corporate social responsibility. After all, Corporate Governance is aimed at maintaining good entrepreneurship by the management and proper supervision by and on behalf of the shareholders. Management and the Supervisory Board account to all stakeholders for their actions. The General Meeting of Shareholders in 2006 gave its explicit approval to the way in which Ballast Nedam puts corporate governance into practice.

The annual report as an accountability tool

One of the means of expressing this accountability is the annual report. Ballast Nedam won first prize in 2003 from the Scenter agency for its annual report, and also scored well in subsequent years. Scenter again praised Ballast Nedam for the transparency and openness of its account of its strategy and business operations.

Corporate Governance Code

Ballast Nedam complies fully with the principles of the Dutch Corporate Governance Code. The Code permits a company to deviate from one or more of the best practices derived from these principles, provided this is substantiated. The main best-practice provisions with which Ballast Nedam does not yet fully comply are as follows:

1. The current members of the Board of Management have indefinite employment contracts, which will be respected. The best-practice provision will be applied to new appointments.
2. The severance pay for members of the Board of Management is currently at variance with the provisions of the Code (see the 'Remuneration Report' section). The severance pay was contractually agreed in 1999 and early 2003, and will be respected. New contracts will comply with the Code.

Ballast Nedam has no anti-takeover measures in place. Compliance with the Corporate Governance Code is explained in detail on the company's website www.ballast-nedam.com.

Depository receipts for shares

The present system of issuing depository receipts for shares is used solely as a means of preventing a (chance) minority of shareholders from controlling the decision-making process as a result of absenteeism at a General Meeting of Shareholders. Depository receipts for shares are therefore not used as an anti-takeover measure. The Board of the Ballast Nedam Administration office issues proxies in all circumstances and without limitation to the holders of depository receipts who so request. There is also the possibility to issue binding voting instructions.

The Board of the Administration office again convened a separate meeting of the holders of depository receipts in 2006. It was established at this meeting that the Board is sufficiently independent of the management of the company and that it enjoys the confidence of the holders of depository receipts. The Board of the Administration office addresses its activities on page 22 of this Annual Report.

Regulations for the Supervisory Board and Board of Management

Both regulations are posted on the company's website.

Recent changes

- The company publishes the draft agenda for the General Meeting of Shareholders no later than ten days prior to the date on which topics must be submitted, so that shareholders with a particular capital interest can submit additional topics. They can also present written questions on the agenda in advance.
- Votes on potentially controversial proposals will not be cast on 'bundled' proposals.
- Ballast Nedam will propose an amendment to the Articles of Association allowing the registration date to be set up to 30 days prior to the date of the meeting.
- The results of voting at a Meeting of Shareholders will be posted on the company's website within 15 days of the date of the meeting.



High-yield station, Amsterdam

With expanded production capacity, the high-yield station at Westpoort in Amsterdam is the world's biggest waste incineration unit.

Infrastructure

x € 1 000 000	NL GAAP					
	2006	2005	2004	2004	2003	2002
Revenue	676	541	522	522	603	647
Order book	572	557	340	340	484	557
EBITDA	30	27	30	30	27	26
EBITA	18	16	12	12	11	12
EBIT	16	14	11	11	8	10
EBIT / revenue	2.4%	2.6%	2.0%	2.1%	1.3%	1.5%
Capital employed	109	33	29	20	3	33
Average number of employees	1 977	1 934	2 048	2 048	2 267	2 281

Market

The infrastructural sector in 2006 was marked by high demand for work. The volume is expected to remain good in 2007, enabling Ballast Nedam Infra to be increasingly selective as regards the assignments it takes on. Despite a gradual rise, price levels in the sector are still too low. This is because the negative sentiment has not yet been entirely eradicated from the market, and competition is fierce. As production volumes in road building are expected to grow, the price recovery is likely to continue in the coming years.

New market opportunities

We also highlight a number of important market trends in the infrastructural sector in the Netherlands. In view of the importance of a good infrastructure for the Dutch economy, infrastructural maintenance and improvement will require ongoing investment. There is also a continuing public need for spatial planning and for the re-utilisation of space. The market is calling for solutions in the field of mobility, urban development and regeneration and water infrastructure. The generation and achievement of these solutions requires know how, creativity and innovation – competencies that clients are increasingly expecting of market players.

These market developments provide the private sector with the opportunity to take the initiative in developing and undertaking infrastructure projects. The fact that the government intends to make contracting increasingly innovative also plays a role in this process. Design-Build-Finance and Maintain (DBFM) contracts are already becoming common and this trend is set to continue, with more scope for Public-Private Partnerships (PPP) in the coming years and financial participation of the private sector in these contracts increasing. This market offers particular opportunities for companies capable of offering integrated infrastructural solutions. In 2006, Ballast Nedam Infra demonstrated its ability to exploit the market opportunities available in 2006 with a number of projects.

Strategy

Ballast Nedam Infra is moving further away from its role as a traditional contractor. In addition to accepting and undertaking projects, we are concentrating increasingly on concept-based thinking and the provision of overall solutions for (complex) infrastructural challenges. Our main focus here is to solve problems or to meet a need in the form of products and services. This therefore means that we no longer always regard the completion of a project or sub-project as an objective in and of itself; we prefer to look beyond this, to the role we can play in the overall process.

Ballast Nedam Infra focuses on the entire construction chain

Ballast Nedam Infra's strength lies in the know how and expertise it has which enables it to manage the entire chain, from initiative and feasibility studies (i.e. plan development) via design, acquisition, raw materials extraction, production and construction, up to and including maintenance and recycling, and also including financing and operation where appropriate.

An important precondition for managing the building chain is the availability of specialist in-house know how and expertise. Ballast Nedam Infra promotes its particular areas of specialisation with a view to generating a distinctive profile and, thereby, a better competitive position in the market, from where it can deliver added financial value. Chain-thinking forms an important element of the strategy for the coming years.

The acquisition of Gebr. Van Leeuwen Harmelen B.V., specialist in the production of pile foundations, anchorage, drilling, push-throughs and micro-tunnels. This acquisition strengthens Ballast Nedam Infra's technical know how and experience in the fields of fixing and drilling, and enables it to offer the 'underground construction' specialism as a complete product.

We also create new opportunities by expanding the know how and experience within Ballast Nedam Infra in the field of innovative contracts. Ballast Nedam Infra intends to focus on concession projects as a means to acquire and manage solid investments with an acceptable risk profile and good returns.

Export of specialist activities

The know how and experience which Ballast Nedam Infra has are exported, which creates new opportunities. International activities are carried out by the International Projects business unit. In doing so we make use of the widespread international know how and experience available within Ballast Nedam. Ballast Nedam Infra concentrates primarily on project management and engineering for niche projects (e.g. port facilities, bridges and drinking water facilities), as well as on the specialist activities for which the company has its particular reputation in the Netherlands.

All these projects, regardless of their size, require the approval of the Board of Management. Important criteria for obtaining this approval include the nature of the financing in place (e.g. by the Dutch government and/or payment guarantees) and the contract terms. The international orders that have now been accepted have substantially higher margins than the average margins earned in the Netherlands, and are all profitable.

Creative ideas and concepts are continually being developed within Ballast Nedam Infra. A separate department has been set up to apply these for commercial purposes.

Both nationally and internationally Ballast Nedam Infra markets a number of specific infrastructure-related products. These are the Telecom, Petrol Station, Environment, Alternative Fuel, Facility Management and Train Wash Utility products. With various initiatives in respect of cleaner alternative fuels, such as hydrogen, LNG and CNG, Ballast Nedam Infra is anticipating an increase in the shortage of fossil fuels.

Ballast Nedam Infra provides its services from its head office in Nieuwegein, from the five regional Ballast Nedam Houses (Zaandam, Groningen, Arnhem, Eindhoven and Capelle aan den IJssel), from the offices of the specialist business units (Kootstertille, Klazienaveen, Leerdam, Nieuwegein, Soest, Zaandam, Almere, Dordrecht and Bergen op Zoom) and from the offices of the raw materials companies in the Netherlands, Belgium and Norway.

Operations

Ballast Nedam Infra improved its operating result in 2006, from € 14 million to € 16 million. The division has held up well in difficult conditions in the infrastructural market.

Ballast Nedam Infra operates in the areas of mobility, urban renewal, water infrastructure, industrial construction, consulting and engineering, prefabricated concrete and raw materials and in a number of specialist activities.

The projects below were started or completed in 2006 and clearly show how Ballast Nedam Infra is putting the strategy described above into practice. The projects are grouped by priority area: mobility, urban renewal, etc.

Mobility

- As part of the Wâldwei consortium, we are actively involved in the N31 highway project in Friesland. The consortium of which Ballast Nedam Infra is part is responsible for the design, construction and financing. A maintenance period of 20 years is also part of the DBFM contract.
- The width of the N31 highway between Harlingen and Zurich is being doubled. Ballast Nedam Infra is responsible for the design and construction of the road and for the engineering works.
- Ballast Nedam Infra designed and built the reconstruction of the A12 between Gouda and Zoetermeer, with engineering works and six sand-beds.
- In Groningen, Ballast Nedam Infra built a raised section of the ring road at the Hoendiep junction. Haitsma made an important contribution by supplying the girders.
- In The Hague, the viaduct plus station in the Beatrixlaan railway station project (which is part of Randstad Rail) is finished. Ballast Nedam Infra was responsible for both the engineering and construction of this project.
- In Gambia, Ballast Nedam Infra won an order to improve and expand a 270-kilometre stretch of road financed by a donation from the European Union. Work will start in early 2007.
- At Kampen, Ballast Nedam Infra and GTI are building a 790-meter tunnel under the Drontermeer lake, as part of the Hanzelijn railway between Lelystad and Zwolle. Ballast Nedam Infra is responsible for the design and construction work in this project.

Urban renewal

- Ballast Nedam Infra built an automated underground car park on the Apeldoornselaan in The Hague, with space for 126 vehicles. Ballast Nedam Infra was responsible for the design and construction, and will also provide maintenance for a five-year period.
- Together with the municipality of Leeuwarden, Corporatieholding Friesland and local builders, Ballast Nedam Infra is working in a PPP for urban regeneration. The aim of the partnership is an ongoing process for improving the quality of housing and the urban district.
- Ballast Nedam Infra built a four-storey car park in the centre of Rotterdam, offering space for about 700 cars. The car park lies partially underground and partly within the existing quay wall of the Scheepmakershaven.
- A start was made on the design and construction of an underground car park in The Hague beneath Anna van Buerenplein, a three-storey car park with approximately 1 000 parking spaces.
- The following activity illustrates the fact Ballast Nedam Infra does more than contract and build 'traditional' projects. We have begun to let or sell temporary parking systems. This is a new system for a fully-fledged but movable car park. After use the car park can be dismantled for installation elsewhere. Car parks have now been installed in the municipality of Zaandam and at the Antoni van Leeuwenhoek hospital in Amsterdam, and orders have been received from the St. Antonius hospital in Nieuwegein and for a parking deck in Baarn.
- In Willemstad in West-Brabant, Ballast Nedam Infra came up with a plan for the development of the harbour front with the emphasis on water recreation and water-based activity. The new marina was built and commissioned in 2006, after which the local environment can be developed.

Water infrastructure

- In Vlaardingen, Ballast Nedam Infra built a roll-on/roll-off quay wall for Norfolk Line. Ballast Nedam Infra completed this contract as part of a construction team.
- In the Port of Rotterdam, we are building an LPG jetty for Vopak. With a length of 650 metres this will be the longest jetty in the port.
- In Ghana, Ballast Nedam Infra is designing and installing a water treatment and pipeline system. This will provide an estimated 300 000 people with access to drinking water. At the end of 2006, Ballast Nedam Infra also secured another contract in Ghana for the expansion of a drinking water facility and the installation of pipelines to improve overall water supplies in the capital Accra. This project is entirely privately financed.
- In Gambia, we won an order for a water project that will improve water supplies in the Banjul region. A total of more than 21 sources were built and 6 000 home connections will be delivered. Construction work starts in early 2007. This project is being undertaken with Dutch government funding.

Industrial building

- In a joint venture with Turner Pharmaceutical, Ballast Nedam Infra has built an extension of the current production facilities for Centocor BV (a subsidiary of Johnson & Johnson) in Leiden.
- As part of the AVI project in Amsterdam, Ballast Nedam Infra is working on an extension to a waste processing company with two high-yield waste incineration lines (the HR AVI). These lines will be commissioned in early 2007.
- In 2006, Ballast Nedam Infra and its consortium partners, Kvaerner and Areva, signed a contract for the supply of the engineering data needed for a building permit for the BEC-1 project in Delfzijl. This project involves a complete bio-fuelled power station with a capacity of 50 megawatts, making it currently the biggest of its kind in the Netherlands.
- In 2006, Ballast Nedam Infra and Vestas Offshore built a wind farm with 36 windmills, 10 kilometres off the coast at Egmond aan Zee. The wind turbines have a total capacity of 108 megawatts and supply power for about 100 000 homes. Ballast Nedam Infra was responsible for the engineering and construction of the foundations, the installation of the masts and the turbines, and for the project management.
Our specialist heavy lift vessel, Svanen, was used in this project.
- Ballast Nedam Infra is taking part in a number of tenders for large new projects in North-West Europe.

Other Ballast Nedam Infra specialisms

Infra Consult + Engineering

Ballast Nedam has its own multi-disciplinary engineering consultancy, Infra Consult + Engineering, which offers consultancy and design services at all phases of construction projects in both the building and infrastructural fields. Infra Consult + Engineering also offers services to third parties.

Prefab concrete

Ballast Nedam Infra holds a strong position in the market for prefab concrete. TBS once again had an excellent year and Rademakers improved its results. In 2006, the concrete factories in Papendrecht and Bergen op Zoom were combined at a site in Bergen op Zoom. Together with the concrete factory in Kootstertille, they design and produce customised prefab elements and piles. This applies to both lightweight and heavy elements supplied for the infrastructure market, the housing market and the non-residential building market.

Recovery became clearly discernable in the prefab concrete market in 2006, and this is expected to be sustained in 2007. A pace-setting project in 2006 was the delivery of girders for the bridge across the Van Starckenborghkanaal at Eibersburen; at 58.7 meters, these are the largest pre-stressed bridge girders in the Netherlands. The elements necessary for the new ADO Stadium in The Hague were also supplied by Ballast Nedam in 2006.

Raw materials

Ballast Nedam Infra has a strong position in the strategic raw materials market. Apart from the concessions in the Netherlands, Ballast Nedam Infra also has concessions in Belgium and Norway. We are continually working on strengthening our raw materials position. In 2006, a letter of intent was signed for a concession in Germany, and the final contract was signed in 2007.

Safety

In 2006, Ballast Nedam Infra formed the Dibec Veiligheidskundig Adviesbureau, a safety consultancy that offers a range of services: safety assessments and risk inventories, evaluations and plans. Dibec also conducts accident investigations and provides training courses.

Ballast Nedam Concessions

The market for innovative contracts offers an avenue to move up the value chain. These contracts are distinguished by the integration of various project phases (DBMO), possibly in combination with (project) financing. In the latter case, Ballast Nedam invests equity in a specific project. At that point, the company will be not only a 'conventional' builder, but also an investor.

Ballast Nedam Infra and Ballast Nedam Bouw en Ontwikkeling (Building and Development) formed the Ballast Nedam Concessions business unit on 1 March 2006. This business unit focuses on concession projects (including PPP, DBMO and financing) in both the construction and infrastructure segments. The aim is to win solid investment projects with an acceptable risk profile and good returns, then to manage these investments along with the future portfolio. In due course, Ballast Nedam Concessions will have a portfolio of investments in concession projects which can be traded or held in the portfolio, with the aim of achieving the best possible balance between profit maximisation and continuity.

The core competencies of this new unit are bid management, legal management and financial management.

At present, public concessions are tendered by the 'Competition-Oriented Dialogue'. The consortia taking part are first selected on the basis of quality requirements. This provides an opportunity to be distinctive in more than just price alone. After the initial selection, a maximum of three remaining consortia compete for the final dialogue phase. About 80% of the tendering costs are incurred during this phase.

The present portfolio of tenders includes three infrastructure concessions and four building concessions. The combined value of these projects is about € 1.7 billion. They will come onto the market in 2007/2008 or will continue through those years from 2006. Other new projects are expected to come onto the market in 2007/2008.

Prospects

Production levels in the civil engineering segment will total more than € 11.5 billion in 2007, rising to over € 12.3 billion in 2011. Just under 60% of this amount will be spent on new construction, and 40% on maintenance.

As predicted in previous years, the spread of civil engineering production over the different types of work has changed. This is primarily because large-scale infrastructural projects (such as the high-speed railway line and the Betuwe line) have been completed, and the government is now placing more emphasis on maintenance and road-widening. The latter will have consequences mainly for asphaltting and ground work, and to a far lesser extent for concrete construction. A final reason for the change in the composition of civil engineering production is the increased attention to the maintenance of the railway network.

The government's investment plans for the infrastructure offer excellent opportunities. The specific objective is to find a solution for various traffic bottlenecks in order to improve mobility. In the national budget the policy emphasis has been switched from road construction to management and maintenance. Annual expenditure on national highways is expected to rise substantially up to 2008. The government's Mobility Policy Document sets a target for expansion of the national highway network by the year 2010 of nearly 10% in comparison with 2000.

Priority is being given to accelerated solutions for bottlenecks in the road network, through the Road Widening Act and the national anti-congestion plan Fileplan ZSM. Until 2010, the performance of road widening projects will be subject to the Route Act. The second phase will be subject to the Fileplan ZSM.

The problem of air quality can affect building projects, in that road projects can face delays in the planning survey phase and railway projects in the construction phase. In the autumn of 2006, the Dutch Parliament passed the Air Quality Bill. The implementation of this Act will improve air quality and so address the delays arising in earlier construction projects as a result of the fine dust emissions problem.

Investments in waterways will largely (70%) focus on dealing with maintenance arrears and carrying out preventive maintenance. Inland shipping cargos are expected to show further growth, which will require investment in the quality of the inland shipping infrastructure.

Ballast Nedam is well positioned in the market for PPP. We are participating in all current PPP tenders in the Netherlands, and Ballast Nedam participates in the remaining consortia in the final phases of the procedure. In addition to these large projects, Ballast Nedam Infra is also capable of turning its competitive position to its advantage in terms of smaller and less complex projects.

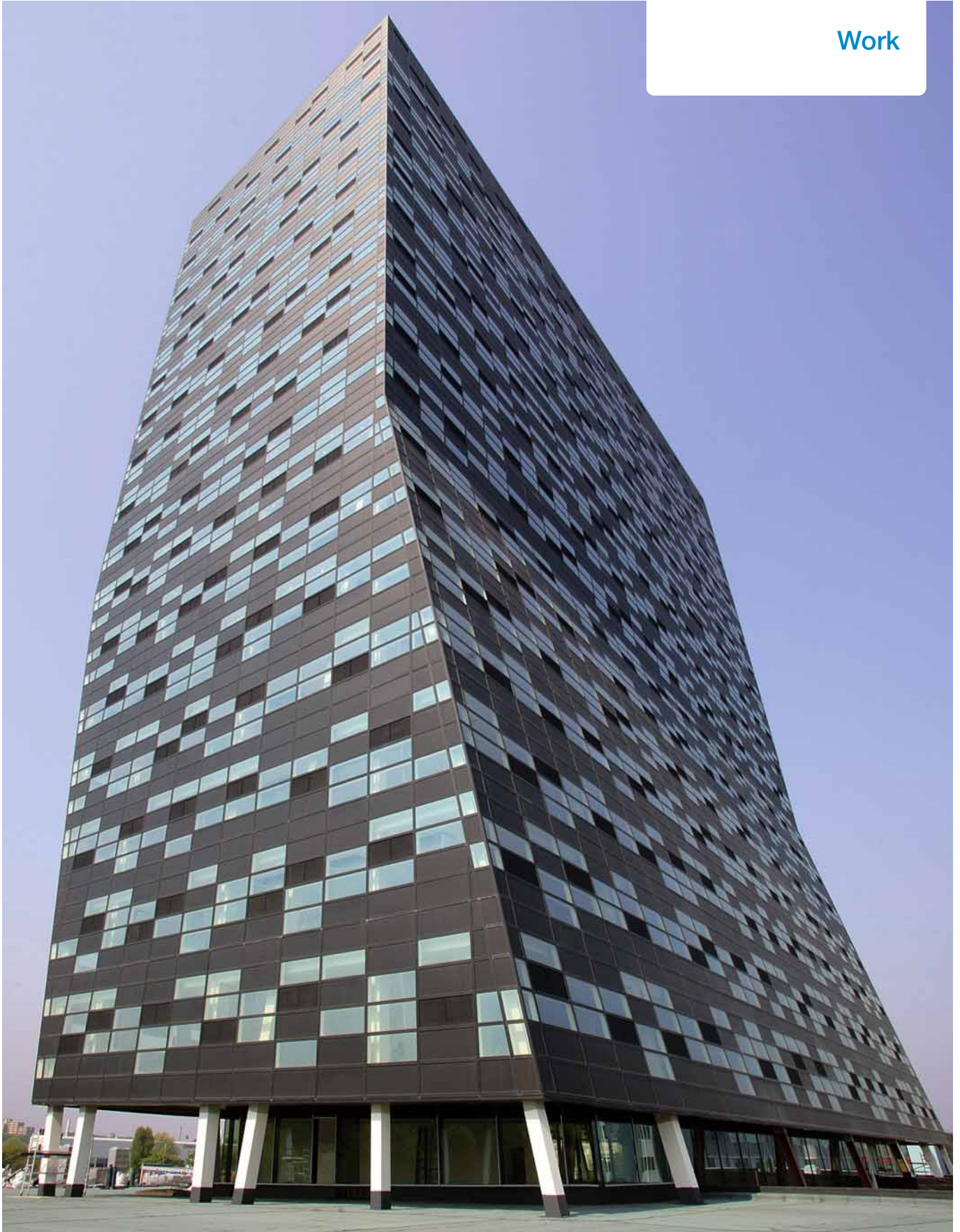
Ballast Nedam Infra expects that the prefab concrete market will continue to return to normal, although the recovery will not be rapid. Consequently, we are taking into account the possibility that results will remain under pressure. The raw materials market is in good shape.

The order book for the coming year is well filled. We are expecting a further improvement in the result in 2007, in line with a further improvement in price levels in the infrastructure market.



Ballast Nedam Innovation Prize

Jurjan Blokland and Gert Jan Gast were the winners of the first Ballast Nedam Innovation Prize. They designed a way to fix anodes to an underwater monopile (the foundation pile for offshore windmills) from a distance. Their invention has major advantages, as no divers are needed. The alternative method is safer and saves time. The two inventors were awarded a trophy and €5 000.



FiftyTwoDegrees

In 2006 the first phase of this project produced a striking building. The name of the new innovation district in Nijmegen comes from its location on latitude 52.

Building and Development

x € 1 000 000	NL GAAP					
	2006	2005	2004	2004	2003	2002
Revenue	622	658	524	524	546	539
Order book	525	503	568	568	455	559
EBITDA	39	38	24	24	23	21
EBITA	36	35	21	21	19	17
EBIT	36	35	21	20	18	16
EBIT / revenue	5.8%	5.3%	4.0%	3.8%	3.3%	3.0%
Capital employed	7	4	(29)	(32)	(12)	(8)
Average number of employees	1 594	1 622	1 728	1 728	1 908	2 020

Market

Scope for innovation

After a number of difficult years, the Dutch economy is now showing signs of recovery. In both 2007 and 2008, growth is expected to be in excess of 3% per year, a level that has not been seen in the Netherlands since 2000. Growing consumer spending, in particular, represents a turnaround. Economic growth is also clearly visible in the labour market, where the first signs of shortages are already appearing.

The prospect of an open market with mutual trust and competition based on both price and quality, as announced by the Regieraad Bouw (Construction Steering Council), now lies ahead of us. Many clients still base their spending decision purely on price, but things have taken a turn for the better. A new spirit has taken hold in developmental building, which has created confidence in the future. While the competition is becoming more intense, so also is the opportunity to compete in terms of expertise, innovation and creativity.

Following a period of extension-site development, the development of complex, integral projects, such as inner-city redevelopment, is becoming ever more important. This is reflected in the growing need for conceptual solutions. Public commissioning authorities are exploring new forms of cooperation with the private sector and are involving the private sector at an earlier stage in the planning process.

We see a growing demand for overall solutions (including management, operation and maintenance). Design-Build-Finance and Maintain (DBFM) contracts appear to be getting off the ground due to clear political pressure. These innovative trends are seen in both building and infrastructure projects. The new collective labour agreement (CAO) for the construction industry also challenges the industry to progress, as scope is created for innovation and flexibility.

House-building

Recovery in the construction industry first appeared in the house-building segment. Sales transactions are at a high level. Consumers appear to have become aware of the improved economic outlook. Consumer confidence, in combination with an improved labour market, translates into spending propensity. Higher demand is expected, particularly for higher-priced housing. The new-build output, which remains disappointing, continues to cause structural shortages in the housing market. Earlier forecasts that production of some 65 000 homes in 2003 would climb to 84 000 in 2009 appear to be overly optimistic. Production is expected to stabilise at around 75 000 homes per year. For companies such as Ballast Nedam, the fact that housing stock is trailing demand is an opportunity in and of itself.

The positive trends in the housing market are being held back somewhat by rising interest rate levels, which make owner-occupied housing less affordable. Wages could rise in the coming period on the back of the growing economy, but certainly for first-time buyers, this effect does not offset the increase in prices and mortgage interest rates. Because throughput is also slowing, first-time buyers face further pressure in the housing market.

In addition to new-build production made possible through the development of new locations, government policy is directed at house-building in existing urban areas. This often involves replacement housing preceded by demolitions. Housing production will also increase through the conversion of office and factory premises, division of existing residential properties, etc.

General building

Investments in commercial property showed the first signs of recovery in 2006. With growth of 2.5% in 2006 and some 4% expected in 2007, we are leaving the low-point of the 2003–2005 period behind us. In macro-economic terms, demand for office space is expected to grow, particularly from the business services segment, although the quality of existing office voids may not be sufficient to meet this demand.

The growing economy is one of the factors expected to lead to increased investment in commercial property. Attractive market segments in the coming years remain transport, storage and communication companies, education (with rising numbers of pupils and students) and health care.

Investments in major maintenance will grow faster than new-build investments. Re-zoning of commercial property (e.g. for house-building or restructuring of outdated industrial estates) represent a potential growth market. Developers in the general building segments are expected to play a greater role in the financing and operation of projects.

Maintenance and facility management

Poor economic conditions in recent years have led companies to focus on strengthening their balance sheet positions. As a result of improved economic forecasts, they are now starting to invest in new premises or in remodelling and improving existing premises. This involves remodelling of rooms to optimise processes, improving the working climate and conditions and achieving a better image. Because many companies are focusing more on core business, in the interests of cost savings, they need specialists who are willing and able to address maintenance as an integrated package.

Restoration

Government policy on listed buildings has changed dramatically. In the coming years, restoration subsidies will be restricted to limited maintenance contributions. For private home owners, tax facilities have been provided.

Concrete factories

Our concrete factories at Weert and Coevorden still assume continuing demand and almost full capacity utilisation. Profit levels are being maintained despite pressure on prices. The organisation does not aim for growth through further investment, but through improvement of the competitive position as a result of quality products and services.

Strategy

The building and development market offers good opportunities. Comparison with our main competitors also presents a positive picture. However, we have already established that further growth must come from both ends of the value chain. To this end, Ballast Nedam has made a start by forming Abl2 together with TCN, by aiming for greater participation in PPP schemes and by adding the Ballast Nedam Services business unit to Ballast Nedam Bouw en Ontwikkeling (Building and Development). Ballast Nedam Bouw en Ontwikkeling aims for a range of in-house specialisms that will enable it to differentiate itself in the market. We do not aim to 'be all things to all men'; rather, we are focusing on attractive market segments, i.e. segments where higher margins can be achieved, where there are opportunities to differentiate ourselves or where there is strong growth. Examples include house-building, high-rise building, hospitals, schools, stadiums, restoration and major maintenance. We will continue to strengthen both ends of the value chain. This does mean that the individual segments must have attractive returns in their own right and that there must be added value for Ballast Nedam as a whole.

We continue to focus solely on the Dutch market, with the exception of stadium formulas. There is sufficient work with attractive margins.

Our strategic choices can be summarised as follows:

- Large-scale and/or complex building and infrastructure projects on the basis of one-to-one contracts or building team contracts
- Engineering & Build projects with high added value
- Performance-based long-term maintenance contracts (in which maintenance is seen as a profitable investment rather than as an expense)
- Broadening and strengthening relationships with housing corporations
- Project development, including both property development and concept development
- Full-service contracting for integrated projects and deal-making for public projects (the completion of technical and administratively complex projects is a product in itself)
- DBFM contracts (the flow now does seem to be gathering momentum).

Naturally, the existing core processes of construction and project development will remain the key focus here.

Operations

The Building and Development division again achieved a better result in 2006 than the year before. It can, therefore, look back on 2006 with satisfaction. Over the past year, 1 384 homes were delivered. The number that resulted from our own development rose from 486 to 630, and the order book also increased. This trend has been sustained through the first quarter of 2007.

Based on the strength of the organisation, the quality of the order book, the balanced capital employed (including investments in land positions) and a good risk profile, we look forward to the coming years with confidence.

Residential building (units)	2006	2005
Under construction (opening)		
Third party orders	1 502	1 266
Own development	824	670
	2 326	1 936
Started		
Third party orders	484	827
Own development	543	640
	1 027	1 467
Handed over		
Third party orders	754	591
Own development	630	486
	1 384	1 077
Under construction (closing)		
Third party orders	1 232	1 502
Own development	737	824
Total	1 969	2 326

Development

The Building and Development division owns 654 hectares, representing a development potential of some € 3.8 billion, divided among 12 700 dwellings, 350 000 m² of office space and 150 000 m² of other commercial space. In 2006, we acquired a number of interesting land positions in the provinces of North Brabant, Gelderland, Overijssel, North and South Holland and Zeeland. These represent a mix of freehold, positions with an obligation to purchase, option contracts and building rights. Revenue from own development in 2006 amounted to 30% of building and development revenue (in 2005 this was just 20%).

DSM Research Campus, Sittard-Geleen

Laudy Building & Development, part of Ballast Nedam, is responsible for civil engineering and construction activities relating to the renovation, upgrade and expansion of 14 existing offices and laboratory buildings at the DSM Research Campus in Sittard-Geleen. The project, which was contracted in 2006, runs for a total of five years.

Renovation of ABP tower block, Heerlen

The ABP pension fund has selected Laudy Building & Development as the main contractor for the renovation of the ABP head office in Heerlen. The work began at the end of 2006 and will take three years to complete. The project will generate revenue of € 50 million.

FiftyTwoDegrees Business Innovation Centre, Nijmegen

The first phase of the FiftyTwoDegrees Business Innovation Centre development project in Nijmegen was sold in 2006 to SEB Immobilien-Investment GmbH (Frankfurt). The project is an alliance between Ballast Nedam and ICE Projects City Centre. This phase consists of an 18-storey office block with a total surface area of 28 000 m² and a car park with space for 585 cars. Phillips Semiconductors (now known as NXP) Nijmegen is the main tenant of this complex. The complex was delivered at the end of 2006.

The programme for the next phase, for which a covenant was signed in 2006, contains a conference centre, theatre, exhibition halls, hotel accommodation with about 60 rooms, some 40 apartments and various shops, a gym, etc. Delivery of this phase, with a development potential of € 80 million, is expected in 2010.

University building, Amsterdam

Ballast Nedam won an order for a new building for the Faculty of Physics, Mathematics and IT at the University of Amsterdam, with a floor area of around 70 000 m². The building, costing some € 65 million, will be delivered at the end of 2009.

Laurenschhof, Rotterdam

The Laurenschhof project in Rotterdam involves an office block (15 000 m²) and an apartment block (144 apartments). Ballast Nedam recently began construction of this € 40 million project commissioned by OVG Projectontwikkeling. The project will be delivered at the end of 2008.

Berckelbosch, Eindhoven

The first 60 homes in the Berckelbosch project in Eindhoven went on sale on 10 December 2006. The sale was a great success, with all homes sold right away. Berckelbosch will be a modern neighbourhood with a popular architectural style reminiscent of the 1930s.

A total of 900 homes will be built, ranging from terraced housing to semi-detached homes. There are also a number of plots on which buyers can build their own homes, within the framework of the zoning quality plan. This construction plan, developed in-house, has a development volume of around € 300 million.

'Dock van Delft' housing complex, Delft

Construction of the Dock van Delft housing complex began at the end of 2005. The Vidomes Corporation and Ballast Nedam Bouw en Ontwikkeling are building this adaptable complex in the inner city of Delft.

The housing complex will consist of a total of 129 dwellings, 111 parking spaces and 3 300 m² of commercial space.

No distinction is made between tenants and owner-occupiers in the development, layout and construction. This also applies to the care facilities that will be provided on call by Stichting Zorginstellingen Pieter van Foreest. The project involves an investment of € 22 million.

Adaptable apartment complex, Amstelveen

Construction of a special project for the Stichting Initiatieven Realisatie 55+ Woningbouw (SIR 55+), a nation-wide organisation for housing for senior citizens, began on 7 November 2006. Ballast Nedam will build 54 adaptable owner-occupied apartments (with underground car parking) in Amstelveen. The total amount involved in the project is some € 20 million. SIR 55+ was formed in 1987 and has undertaken several dozen projects involving homes for senior citizens.

Redevelopment of the Schie-oevers district in Delft

On 10 November 2006, the Delft municipal authority signed a letter of intent with TCN Property Projects and Ballast Nedam Ontwikkelingsmaatschappij for a joint redevelopment programme for the Schie-oevers district. The parties assigned Abl2 to develop a business case for both integrated park management and the area around Delft-Zuid station. The business case should lead to public and private investment in the revitalisation and partial redevelopment of the area. Schie-oevers is a run-down inner city industrial estate with a gross surface area of more than 100 hectares.

Courtine Den Haan, Gorinchem

On the former site of the Den Haan steel factory on the edge of the historic inner city of Gorinchem, Ballast Nedam has started construction of the Courtine Den Haan plan. This project involves 173 owner-occupied homes at a beautiful location, right on the city wall, between two ramparts. All the houses and apartments in parts 1 and 2 of the plan were sold in record time. The project will generate development revenue of € 40 million and revenue of € 25 million in 2007.

Culture campus, Vleuterweide

At the end of the year under review, Ballast Nedam Bouw en Ontwikkeling began building a multi-functional complex including 54 apartments in Vleuterweide, the largest neighbourhood in Leidsche Rijn. The complex will include facilities such as a school building, a sports centre, an art rental centre, a church and music centre, a library, a community centre and a pre-school play centre. The project will generate revenue in 2007 of some € 22 million.

New Babylon, The Hague

During the coming four years, the Babylon complex in The Hague will be transformed into New Babylon, with housing, office and retail space in two tower blocks of 100 and 140 metres in height. The project will provide a total of 33 000 m² of additional office space and 6 000 m² of shop space. It also includes 320 homes and an expansion of the car park by almost 1 000 spaces. The project is being built under an Engineer & Build contract and has a construction volume of € 63 million (Ballast Nedam share).

Laakhaven West, The Hague

A consortium consisting of Ballast Nedam Ontwikkelingsmaatschappij, Johan Matser Projectontwikkeling and Haag Wonen Kristal entered into a partnership agreement with the municipality of The Hague in 2006. The consortium and the municipal authority will guarantee the construction of 600 to 1 000 homes and 15 000 m² of commercial space in Laakhaven West. Construction will start in 2007. Revenue, in 2007, from this project will be € 175 million.

Football stadiums

We have a reputation for expertise in the development and construction of football stadiums. In addition to dealing with requests to help develop and build stadiums abroad – especially on the basis of process management – we will complete the new ADO Stadium in The Hague in the summer of 2007.

Together with FC Dordrecht and Van der Valk Hotels, Ballast Nedam Bouw en Ontwikkeling has made progress with the development of a new football stadium, in combination with a 186-room hotel, a conference centre and a casino. In Turkey, a process management contract was signed for a new football stadium in Trabzonspor.

Parkrand, Amsterdam

The striking Parkrand building in Geuzenveld, Amsterdam, was delivered in early 2007. The Parkrand building is notable not only for its robust dimensions, but above all, for its architecture. Requests for tours are flooding in to the client, Kristal/Het Oosten, and to Ballast Nedam. Tours will be organised for lovers of architecture in the second quarter of 2007. A number of excursions for the media were held in December 2006.

De Coopvaert, Rotterdam

De Coopvaert, rising 104 metres high, is the latest striking addition to the Rotterdam skyline. This tower block holds 124 apartments on a surface area of less than 700 m². The apartments are rented and owner-occupied properties in the luxury segment. The complex also contains 2 200 m³ of office space and 250 m³ of catering space. The project was delivered in 2006.

Kunstlinie, Almere

Ballast Nedam built the Kunstlinie, a new theatre and art centre, in the Weerwater in Almere. The centre will be officially opened in the spring of 2007 by Queen Beatrix. The building was designed by Kazuyo Sejima, co-founder of the Tokyo firm of architects SANAA, which also designed the new Museum of Modern Art in New York.

Orbis Medical Park, Sittard

The Orbis Medical Park, which includes the new Maasland hospital, the Prins Claus Centre, a Care Boulevard and the Rehabilitation and Recovery Centre, will be delivered in mid-2008.

IJsseloord 2, Arnhem

The Cumae and Van Neerbos Bouwmarkten companies have decided to build their offices at the IJsseloord location in Arnhem. IJsseloord was developed and built by Ballast Nedam Bouw en Ontwikkeling in close co-operation with the Giesbers Group.

Ballast Nedam wins contest in Ridderkerk

In April 2006, Ballast Nedam won a contest organised by Woonvisie Ridderkerk for the construction of 231 homes in Bolnes-Ridderkerk. The plan consists of a mix of rented and owner-occupied homes.

Risk of voids

Four delivered homes were still unsold at year-end 2006 and 4 000 m² of delivered office space has still to be let.

Abl2

Ballast Nedam Nederland B.V. (including Ballast Nedam Infra and Ballast Nedam Bouw en Ontwikkeling) and the property developer and manager TCN formed a joint venture in 2005 in order to win and implement joint PPP projects in the field of integrated area development. The two parties each have a 50% share in the joint venture, named Abl2. The joint venture combines the specialised knowledge, creativity and implementation expertise of the two parent companies. One of Abl2's aims is to generate projects from the first initiative to the final occupation. The company won seven orders in 2006.

Abl2 is currently working on:

- Stadium development in Trabzonspor (Turkey)
- Plaspoelpolder district in Rijswijk
- Schie-oevers district in Delft
- New industrial estates in Emmen.

Ballast Nedam Services

The trend continued in 2006 whereby businesses and institutions concentrate to a greater extent on their primary processes, and are consequently outsourcing all their facility and building management. Integrated outsourcing of facility management and property management is also becoming increasingly common. It is therefore becoming more and more important to offer integrated services, partly because of the emergence of new contract forms such as PPP and DBMO, under which Ballast Nedam also focuses on longer term facility services and property management. Ballast Nedam Services has combined the latter two disciplines for many years. In view of the market trends, there are opportunities to increase the existing market share.

The activities of Ballast Nedam Services are in line with Ballast Nedam's strategic objective of strengthening its involvement in both ends of the value chain. The increase in the number of projects, including facility management and property management, means that Ballast Nedam Services must grow faster. In order to achieve this growth, Ballast Nedam Services will become part of the Building and Development division as from 1 January 2007. With Ballast Nedam Services, this division aims to build an even stronger position in the field of facility management and property management.

Ballast Nedam Services expanded its commercial activities further in 2006. Co-operation with other Ballast Nedam companies was also intensified, resulting in new orders, mainly in the field of property management. One example is the order for integrated property management of the large FiftyTwoDegrees project in Nijmegen.

Ballast Nedam Services has developed a new product: an advisory tool that can be deployed in the planning phase of new-build and renovation projects. This can lead to savings in the costs of facility services and building costs in the occupation and management phase. In this way, a building can also be more closely matched to the requirements of the occupants.

Ballast Nedam Services has developed a method for property maintenance, in which long-term maintenance plans can be drawn up, calculated and tested on the basis of condition statements (laid down in NEN 2767).

Prospects

Successful real estate projects made an excellent contribution to the results in 2005 en 2006. The Ballast Nedam Bouw en Ontwikkeling order book for 2007 is also well filled with projects of this kind. However, the precise dates on which these projects will start is not yet certain.

Ballast Nedam Bouw en Ontwikkeling is nevertheless approaching the coming few years with confidence. That confidence is based on the scale and quality of the order book, the land bank and the very low risk of voids in the building projects developed in-house.



Trinitas College, Heerhugowaard

Flexibility, sustainability and timing matter in the construction of an educational institute: the complex must be robust, be able to grow with the number of students and to function while work is in progress.



ABC School De Laak, Amersfoort



Mondriaan College, The Hague



Bredeschool, Kerkrade

Financial results

Revenue

x € 1 000 000	NL GAAP					
	2006	2005	2004	2004	2003	2002
Infrastructure	676	541	522	522	603	647
Building and Development	622	658	524	524	546	539
	1 298	1 199	1 046	1 046	1 149	1 186
Other	12	7	118	118	470	1 121
Total	1 310	1 206	1 164	1 164	1 619	2 307

Revenue amounted to € 1 310 million, an increase of 9% compared to 2005 (€ 1 206 million). The revenue of the Infrastructure division rose by 25% to € 676 million, partly through the completion of the offshore wind farm at Egmond aan Zee. The revenue of the Building and Development division in 2006 was lower than in 2005, when revenue included the sale of the former Ballast Nedam head office.

EBIT

x € 1 000 000	NL GAAP					
	2006	2005	2004	2004	2003	2002
Infrastructure	16	14	11	11	8	10
Building and Development	36	35	21	20	18	16
	52	49	32	31	26	26
Other	(10)	(11)	3	(12)	(26)	(148)
Total	42	38	35	19	-	(122)

Operating result increased by 10% to € 42 million. Infrastructure division rose by 14% to € 16 million, and Building and Development improved the already excellent operating result for 2005 by € 1 million, to € 36 million.

The result includes a € 10 million negative amount in 'Other' for the costs of the Head Office, the provision of € 5 million made for a competition fine imposed by the European Commission and a net positive contribution from the completion of international projects.

Margin

	NL GAAP					
	2006	2005	2004	2004	2003	2002
Infrastructure	2.4%	2.6%	2.0%	2.1%	1.3%	1.5%
Building and Development	5.8%	5.3%	4.0%	3.8%	3.3%	3.0%
	4.0%	4.1%	3.0%	3.0%	2.3%	2.2%
Other	-	-	3.0%	-10.3%	-5.5%	-13.2%
Total	3.2%	3.2%	3.0%	1.6%	0.0%	- 5.3%

The Infrastructure division margin fell from 2.6% in 2005 to 2.4%, with a sharp increase in revenue. The Building and Development margin showed a clear increase, from 5.3% in 2005 to 5.8%, on slightly lower revenue. The overall margin was unchanged from 2005, at 3.2%.

Net result

x € 1 000 000	NL GAAP					
	2006	2005	2004	2004	2003	2002
EBIT	42	38	35	19	-	(122)
Net interest expense	(4)	(10)	(11)	(4)	(6)	(13)
Result before tax	38	28	24	15	(6)	(135)
Taxes	6	(8)	(11)	(7)	52	(8)
Net result	44	20	13	8	46	(143)

Result before tax increased by 36%, from € 28 million in 2005 to € 38 million in 2006. This increase was the result of the € 4 million higher operating result and a € 6 million reduction in interest expense in comparison with 2005. Interest expense was lower as a result of the sharp decrease in long-term loans in comparison with the position at year-end 2004.

The net result more than doubled, to € 44 million. The € 24 million increase in the net result consisted of the € 10 million increase in the result before tax and a € 14 million movement in taxes.

The tax position moved from a charge of € 8 million in 2005 to a benefit of € 6 million in 2006. The net tax benefit consisted of € 25 million resulting from the additional deductible losses recognised through the liquidation of Ballast Plc in 2006, a tax charge of € 3 million resulting from the reduction of the deferred tax receivable following the reduction in the rate of corporation tax, a tax charge of € 13 million within the Dutch fiscal unity and a tax charge of € 3 million from outside the fiscal unit. As a result, the deferred tax asset increased by € 9 million to € 45 million. Within the Dutch fiscal unity, the deductible losses amounted to € 177 million (2005: € 122 million).

Order book

x € 1 000 000	NL GAAP					
	2006	2005	2004	2004	2003	2002
Infrastructure	572	557	340	340	484	557
Building and Development	525	503	568	568	455	559
	1 097	1 060	908	908	939	1 116
Other	(4)	4	63	63	107	717
Total	1 093	1 064	971	971	1 046	1 833

The order book showed a slight increase, from € 1 064 million in 2005 to € 1 093 million in 2006.

Equity and financing

Shareholders' equity rose by € 34 million in 2006, to € 158 million. The increase was largely attributable to the net result of € 44 million and the dividend payout of € 10 million. Total assets were € 53 million lower, at € 794 million. The solvency ratio increased from 15% to 20%.

However, the capital employed rose sharply, from € 74 million in 2005 to € 177 million, mainly due to the reduction in prepayments for Infrastructure projects.

Cash flow

x € 1 000 000	NL GAAP					
	2006	2005	2004	2004	2003	2002
Operating activities	17	(26)	13	14	16	(94)
Investments	(54)	39	2	3	7	172
Financing	(30)	(44)	7	7	(3)	(72)
Total	(67)	(31)	22	24	20	6

Cash flow amounted to € 67 million negative in 2006, compared with € 31 million negative in 2005.

Cash flow from operating activities improved from € 26 million negative in 2005 to € 17 million positive in 2006, namely due to the positive contribution from the Building and Development division of € 31 million.

Net cash flow from investment activities amounted to € 54 million negative, comprising € 67 million in investments, € 12 million in disposals and € 1 million in dividends received. The investments related to investments in equipment and PPP projects by the Infrastructure division. Net investments in tangible fixed assets of € 28 million exceeded the depreciation of € 19 million.

The negative cash flow from financing activities of € 30 million consisted largely of early repayments of long-term loans in December 2006, including the loan from Stichting Pensioenfonds Ballast Nedam, and the dividend payout for 2005.

Net financing position

x € 1 000 000	NL GAAP					
	2006	2005	2004	2004	2003	2002
Net cash	62	129	160	160	136	116
Current part of long-term loans	(3)	(7)	(5)	(5)	(5)	(5)
Long-term loans	(36)	(54)	(99)	(39)	(27)	(39)
Total	23	68	56	116	104	72

The net financing position fell by € 45 million to a surplus of € 23 million, with net cash assets € 67 million lower and loans € 22 million lower. The financing requirement was higher during the year than at the year-end. Capital employed is expected to be structurally higher in the coming years, due to lower prepayments for projects and investments in land positions.

In 2007, Ballast Nedam has agreed a five-year € 50 million loan, maturing on 1 April 2012, with a fixed interest rate of 4.63%, secured by a mortgage on a number of real estate assets used by the company. The terms of the loan do not include any financial covenants.

Bank guarantee and cash facilities have also been agreed with three banks in 2007, in the amounts of € 260 million and € 60 million respectively.



Water treatment, Cape Coast, Ghana

The challenge for the water industry in the years ahead is to deal with climate change. In Ghana, this water treatment plant provides drinking water for 100 000 people.



Schagerkogge pumping station The pumping station was integrated into the protected townscape.



RWZI Zaandam The modified sewage treatment system complies with European standards.



Rodenhuis treatment plant Drinking water supplies continued during construction.

Risk management and risk profile

The Board of Management is responsible for ensuring that internal risk management and control systems appropriate to the company are set up and that these are working properly. These systems are designed to manage significant risks and to help achieve operational and financial objectives as well as compliance with the applicable legislation and regulations. The various risks to which the company is exposed are identified and assessed, first at operating company level and subsequently in conjunction with management at divisional level. These risks are then catalogued together with the risks identified by the Board of Management and are assessed as a whole.

Risk management involves the identification, analysis, monitoring and control of risks which could jeopardise the achievement of corporate objectives and results. Controlling risks is a core competence for Ballast Nedam, thus ensuring that it can meet its commitments to customers in both the shorter and longer terms. As well as for clients, good risk management is also of great importance for other stakeholders, such as shareholders, employees, business partners and regulators.

The Board of Management has formulated the framework for the risk management policy of Ballast Nedam, within which a clear and consistent system of risk management can be put in place across the group. The key elements of this are as follows:

- The taking of justifiable risks is essential for a healthy business. Management at every level is responsible for accurately identifying, analysing, monitoring and managing these risks in such a way that they are kept to acceptable levels.
- Under the ultimate responsibility of the Board of Management, both division management and local management are responsible for the effective identification, analysis, monitoring and management of risks at their levels as well as for compliance with the relevant legislation, regulations and internal code of conduct.
- Management at every level satisfies itself that the next level of management down applies an adequate risk management system and supervises compliance with the relevant regulations and code of conduct.

Internal control is important

Ballast Nedam is organised decentrally in divisions which themselves consist of decentralised operating companies. To avoid companies taking on unwanted risks, there is a structure in which the divisional directors must give advance approval of contracts above a certain limit. Projects regarded as high-risk must be approved by the Board of Management before a contract can be concluded. This applies in any event to the following:

- Projects with a potential production value of more than €25 million
- Foreign contracts
- Investments in land positions and in tangible assets
- Long-term liabilities.

The divisions then report on these projects separately in their quarterly reports to the Board of Management.

In all cases, the internal approval processes include detailed technical, geological, legal, financial, tax, political and environmental analyses. These are not the only potential risk factors; local circumstances may also adversely affect progress during construction. There may, for example, be problems with the availability of building materials and site staff, or with the security situation. The weather, general climatic conditions and seasonal variations can sometimes have a major effect on the progress of the project and thus on the final result.

Risks on projects that Ballast Nedam develops for its own account are also managed using procedures and assessment criteria. Construction starts only where there is sufficient certainty as to advance sales or rental. As a rule this is at least 60% for residential projects, while the criterion for commercial real estate projects is 100%.

Financial and operational risks

During the construction phase the risks are mainly technical. Ballast Nedam concentrates on continuous process improvement, quality assurance and systematic analysis of rectification costs. Normal insurance is taken out to cover risks during construction. Credit risk during the construction of the project is largely avoided by including instalment payments in the contract in line with the progress made.

Financial and operational risks, and also the risks that relevant legislation and regulations are not observed, are managed as far as possible by means of risk analyses in combination with systematic reporting and responsible financing methods. The management and financial reporting system follows the business plan, phased over thirteen periods for the current year. The reporting consists of a daily liquidity report, a regular financial report and a detailed quarterly report. The Board of Management uses these reports – including risk profiles – in its regular operational discussions with the divisional boards. The divisional boards conduct similar discussions with the management of the operating companies, in which particular attention is paid to compliance with rules and regulations. This is supported by active adherence to the internal code of conduct.

Monitoring integrity by means of a code of conduct

Management at all levels makes absolutely clear to all employees that it requires strict compliance with competition regulations. To this end, an internal code of conduct has been drawn up and all employees have been informed about this personally. Amongst other matters, the code of conduct covers areas such as:

- ethical standards
- the rules concerning gifts and donations
- the internal procedures for reporting infringements
- a whistleblowers' scheme
- the sanctions which may follow infringements.

Compliance with the rules and regulations is systematically addressed in regular operational discussions and in all management training programmes. The code of conduct is in line with the principles set out by the Stichting Beoordeling Integriteit Bouwnijverheid, a dedicated body that performs independent supervision of Ballast Nedam's compliance with the rules.

Liquidity and treasury

The Dutch divisions of Ballast Nedam have their own financing facilities. No declaration of joint and several liability pursuant to Article 403 (1f) of Book 2 of the Netherlands Civil Code has been issued for these divisions. It is normal in the building industry for there to be negative working capital as companies receive prepayments on projects. This may create a liquidity risk if fewer prepayments are received because fewer projects are under construction. Ballast Nedam manages this risk by preparing regular cash flow forecasts and using the credit facilities that the company has available. Treasury is a centralised responsibility at Ballast Nedam and is therefore organised as such.

Ballast Nedam remains alert

The Board of Management launched a project in 2005 addressing the systematic analysis and evaluation of the internal risk management and control systems. The COSO Enterprise Risk Management Framework was used for this purpose. On the basis of this project, greater emphasis was placed in 2006 on the design and operating effectiveness of the risk-management and control systems in the internal business planning and reporting systems for the operating companies and the divisions. There were no indications in 2006 to suggest that the existing systems had not been properly designed. We are of course aware that the internal risk management and control systems cannot offer absolute certainty that our objectives will be achieved, nor that these systems will entirely prevent all inaccuracies of material importance, losses, fraud and infringement of laws and regulations. The Board of Management cannot be all-knowing and all-seeing, but will of course take action immediately should any opportunities for improvement arise. We will therefore continue to assess, and where possible improve, the organisation and operation of the internal risk-management and control systems in the coming years. Further measures in 2006 included the completion of the revised accounting manual and the introduction of an internal representation system in respect of the internal terms of reference for local management.

Ballast Plc

Ballast Plc (United Kingdom) was liquidated in 2006. The remaining guarantees that Ballast Nedam had issued are limited, are not payable on demand and largely relate to completed projects. These guarantees have been provided for. No further recovery of claims from Ballast Nedam N.V. is possible.

Ballast Nedam International

Final contractual settlement of the projects of the former Ballast Nedam International division projects is now almost complete. Provisions were made in earlier years for the settlement of these projects. Possible claims by Ballast Nedam on third parties in respect of these projects have not been recognised in the annual accounts, unless there is reasonable certainty that such claims will be met.

In Saudi Arabia a procedure is ongoing in which the tax authorities are contesting the status of a tax-exempt contract dating back to 1999. Ballast Nedam wholly contests this tax claim and sees no need to make any additional provision. The procedure relates to a tax claim on a Ballast Nedam International subsidiary for which Ballast Nedam has not issued any guarantees.

In Canada, the tax authorities have re-opened a tax return by a Ballast Nedam subsidiary, dating back to 1996. Ballast Nedam wholly contests the resulting tax claim and sees no need to make any additional provision. This relates to a tax claim from a subsidiary of Ballast Nedam Asset Management for which Ballast Nedam has not issued any guarantees.

Market risk

Ballast Nedam operates primarily in the Dutch market. The core activities are development, construction and infrastructure. To a significant extent, the results are determined by the economic situation in the Netherlands and by government expenditure. The infrastructure sector depends more heavily on government expenditure than does development and building. However, the income from development and building depends more on interest rates, ongoing tax deductibility of mortgage interest and delays due to the emissions issue and other planning procedures. On the supply side, there are overcapacity risks. This applies in particular to the general tendering market and the standard prefab concrete products. Failure of the prices in these segments to recover properly in the coming years could negatively affect the results.

Treasury risks

Ballast Nedam conducts projects outside the Euro zone on a limited scale. The associated currency risks are hedged on an individual project basis. In Canada, Ballast Nedam is involved in the development and operation of the Kicking Horse Mountain ski resort. The translation risk on the long-term financing of this Canadian activity has not been hedged.

The interest-rate risk is determined by the long-term loans and the positive cash position. The most important long-term loans are at a fixed rate of interest and for an extended period. Apart from the financing of a number of PPP contracts, the interest-rate risk is not hedged.

One of the control measures is risk financing by means of insurance. Insurance is a centralised responsibility at Ballast Nedam, and is therefore organised as such.



Safety campaign

Ballast Nedam Infra launched an intensive safety campaign. Safety meetings focussed on improved safety at construction sites. In 2007, the campaign will focus on the production units. It is still too early to draw firm conclusions, but the number of accidents did fall during 2006. Ballast Nedam will continue to work to keep this trend going, to the point where accidents are eliminated entirely.

Procurement

Objectives of the procurement policy

As our orders are project-based, our procurement of goods and services also calls for a dynamic, project-based approach. This means that we must continually re-assess our procurement portfolio on a project-by-project basis. Procurement at Ballast Nedam is therefore organised on the basis of two principles:

1. Efficiency: The large number of goods and services that we buy (some 12 000 supply contracts and 2 500 new contracts each year) means that the procurement process must be followed carefully, efficiently and in accordance with a pre-determined procedure, thereby contributing to a construction process with maximum control over costs, risks and failure costs.
2. Synergy: Through shared know how and combined purchases, our procurement process aims to make maximum use of Ballast Nedam's added value as an organisation.

These objectives create a number of challenges for the coming years:

- Increasing the involvement, and thereby the role of, procurement in the various phases of the construction process. Obviously, this imposes demands on co-operation with other areas of the business.
- Continual attention to the professionalisation of procurement decisions, particularly where these are prepared and taken by 'non-buyers'.
- A better match between supply and demand, and the levelling of the associated costs. The possibilities of using qualified foreign suppliers in neighbouring or distant countries must also be considered in more detail in this regard.
- Recruitment of qualified staff and development of a career policy which incorporates the procurement function.
- Further expansion of partnerships in the field of procurement, by contracting master agreements and combining project procurement and by further specialisation within procurement, so that this can be deployed at a level above the projects.
- Placing contract and supplier management for Ballast Nedam at the right level.

More efficient procurement: How?

In order to put our principles for more efficient procurement into practice, we took the following action in 2006. We first made preparations to acquire procurement software to help us with tactical procurement activities. Communication on procurement must also be made possible via electronic data exchange with other areas of the business and with external parties (engineering firms, suppliers etc.). The new company-wide IT system will also contribute towards this. Many efficiency gains can be made through improved communication on procurement, and risks can be reduced still further.

In order to determine which tactical procurement software package was needed, we analysed the working processes that the package must support. Furthermore, a procurement day was organised on the theme of 'Procurement integrated into the construction process through IT'. This enabled us to review the possibilities for improving the link between procurement and the primary construction process. A spin-off from these efforts was that we established a uniform procurement process for all Ballast Nedam business units and obtained a clear picture of the points for improvement.

In earlier years, we had already worked on improving co-operation in the field of procurement at Ballast Nedam. This led to many master contracts and resulted in good cost savings. We continued this process in 2006. Through further market surveys, cost analyses and supplier management, we are working to further optimise the procurement packages. Ballast Nedam Purchasing Services supports this process. We will continue to pursue this course in 2007.

More intensive co-operation with suppliers also facilitates more efficient procurement. The products and services supplied by others will be further rationalised and the other business areas linked as closely as possible. For the Infrastructure companies and their main internal suppliers, we organised an internal suppliers day on the theme of 'Working together on competitiveness'. We also introduced supplier management activities and posted procurement information on the Ballast Nedam website.

Ballast Nedam's 'CPO of the Year 2006' nomination, along with KPN, Shell, DSM, the Ministry of Defence, Amsterdam Municipal Authority, Grolsch and Essent, is clearly a positive sign that Ballast Nedam is handling procurement well.

Human resources

Training for personal development

Ballast Nedam has a corporate in-company training programme to meet employees' needs for personal development. The training programme not only strengthens and develops the required competencies of the workforce but is also conducive to co-operation, as it provides a forum for employees from the various parts of the company to meet. The training provides development, across the boundaries of the individual divisions, towards a single Ballast Nedam 'language'. The members of the Board of Management participate in the various internal management training activities by introducing them or acting as lecturer or coach. The in-company training programme consists of

- Management training courses
- Training for supervisors
- Training in personal skills
- A procurement management course
- Computer courses.

Over 500 employees took part in one or more of the in-company training courses during 2006. In addition, extra training courses have been organised for specific target groups by way of supplement to the standard training programme. Examples include training courses in the field of written communication, presentation techniques and performance interviews.

In respect of management training, Ballast Nedam participates in BOSNO, a practice-oriented course based on the concept of action learning. Dutch companies and institutions such as Ballast Nedam, Corus, the National Police Force, Movares, the tax authorities, Cordares and the Ministry of Defence participate in BOSNO.

Management development

Management development forms part of the company's career policy, which is designed to generate talent for management positions. Management potential is monitored and developed. To this end, we look at the possibilities for progression and succession in both the short and the long term. Each year the Board of Management and the division directors discuss jointly the developmental and training requirements and the scope for current and potential managers to progress in their careers.

New redundancy plan

Capacity has, where necessary, been brought into line at a decentralised level within the building divisions to reflect the changes in market demand. In a limited number of cases this has led to compulsory redundancies. Ballast Nedam had agreed a redundancy plan with the trade unions for involuntary redundancies due to reorganisations. As this agreement expired on 1 January 2006, a new redundancy plan was agreed with the trade unions. On balance (including natural attrition) the number of employees fell by 21 in 2006.

Pension scheme

A collective defined contribution pension scheme came into force within Ballast Nedam on 1 January 2005. A fixed premium is made available under the scheme each year, which is then invested. The premium plus the investment proceeds generate the fund assets from which the pensions are paid. In principle, there is no provision under the revised scheme for indexation. Indexation applies only if there are sufficient funds. The Pension Fund does not therefore set aside extra funds to increase the conditional entitlements. This brings to an end the situation whereby the company was obliged to top up the pension fund in the event of an asset shortfall. It also means that Ballast Nedam is unable to withdraw money from the pension fund and that no premium discounts can be granted where there is an asset surplus.

Compliance with code of conduct

A system of supervisors has been introduced in order to enforce compliance with the code of conduct. The supervisors also provide the point of contact for potential notifications under the whistleblowers' scheme. In 2006, however, there were no notifications resulting in penalties.

No smoking

Smoking is prohibited in all Ballast Nedam buildings (offices, site offices, workshops and the like). Designated smoking areas are provided where possible.

Policy for quality assurance and working conditions

Quality assurance, monitoring and working conditions form an integral part of overall business operations at Ballast Nedam, and these have therefore been embedded in our companies' management systems. Management monitors compliance with the systems, using a number of standardised tools:

- Customer satisfaction surveys
- Employee satisfaction surveys
- Recording of complaints and discrepancies
- Reporting of incidents, accidents and near-accidents at work
- Reporting and analysis of sick leave
- Internal and external audits, workplace inspections and project evaluations.

Management has primary responsibility for quality assurance, with the support of co-ordinators appointed by their subsidiaries. Within the subsidiaries, internal auditors are trained to check regularly that the systems are being applied. We also monitor the systems through regular external audits. We then draw up improvement programmes on the basis of the results of the internal and external audits.

Quality assurance

Ballast Nedam aims to make the quality of the processes performed measurable. The policy is therefore directed at optimal control of the processes, demonstrable quality and systematic analysis of the results, in order to improve them. The companies' management systems, of which quality assurance forms an integral part, comply with the NEN ISO 9001 requirements and as such, are certified by accredited institutions.

Working conditions policy: safety first

One of the most important objectives of our working conditions policy is to prevent physical injury and damage to the health of our staff. The safety of our employees is therefore paramount in all working activities. The working conditions policy has been formulated and implemented in close consultation with employee representatives. Ballast Nedam complies with the requirements of the Contractors' Safety Checklist (VCA). Most Ballast Nedam companies are certified in accordance with this standard.

We have identified the occupational risks at all our companies, and have drawn up a concrete action plan to manage these risks, in accordance with the Risk Identification and Evaluation tool (RI&E). The Working Conditions Services group has assessed these RI&Es, checks them regularly and updates them where necessary. Before projects begin, therefore, the specific occupational risks are systematically identified and evaluated.

We promote the health and safety of our staff by providing them with clear working and other instructions, good tools, safe equipment and the appropriate personal protective wear. We also make all employees more aware of the need to prepare and perform their work safely, through talks, instructions, publications and training courses, including VCA courses. We issue safety instructions in all workplaces, for each team and for each job, and supply the necessary protective equipment. In order to keep the safety policy up to date, regular inspections are conducted by our own staff and by external safety experts.

We hold supervisors, professionals and sub-contractors responsible for safety in the workplace. At the start of each project, and during the introduction of each new employee, they emphasise the need to avoid, discontinue and report unsafe working situations immediately. They also provide information on any additional rules and regulations imposed by the client.

Recording accidents

Ballast Nedam keeps detailed records of any accidents that occur. Accident figures are drawn up on the basis of the VCA and are regularly compared with the norms.

The number of accidents was 15% lower in 2006. Safety policy received close attention in both divisions. Ballast Nedam Infra organised an extensive internal safety programme in 2006 to further increase awareness of the risks in construction and in our industrial companies at all levels of the organisation.

Consultation with the central works council

The Board of Management conducted the usual consultations with the central works council in 2006. According to a well-established tradition at Ballast Nedam, these talks cover all major issues of concern to the group: strategy, results, reorganisations, employee regulations, and integrity procedures, changes in the social legislation, the health-care system and all other topics placed on the agenda by the staff representatives.

Sick leave

Sick leave fell further in 2006 to 4.7% (2005: 5.1%). The monitoring and guidance systems that have been put in place ensure that there is close contact between sick employees and their line-managers. Integration processes make sure that employees are able to resume work as quickly as possible.

Age-aware personnel policy

In 2006, a project group was set up to consider new policies in connection with the expected increase in the retirement age.



Langdeel aqueduct

Traffic flows are increasing. Langdeel aqueduct opens the Staandemast route from the IJsselmeer to the Waddenzee for sailing ships with masts over 6m high.



A2 noise barrier The 4km barrier reduces the increasing noise levels.



Leidschenveen Station Passengers can travel direct to The Hague, Zoetermeer and Rotterdam.



Eibersburen bridge The bridge with the longest pre-stressed girder in the Netherlands.

Innovation

Ballast Nedam operates in highly competitive markets. Increasingly, therefore, the company's staff develop new solutions for the problems presented to them. We are pleased to reveal our 2006 innovations in this section.

Integrated thinking instead of partial solutions

With the shift in traditional roles in the construction industry, there is increasing scope for innovation. We welcome the fact that, with clients increasingly operating at arm's length, there is more scope for an integrated approach to problems. In our experience, clients more and more frequently prefer 'full system concepts' rather than the implementation of partial solutions. We are therefore proud to make an active contribution to developments in this field, for instance in the discipline of systems engineering. We expect system-based thinking by clients to influence the entire construction process. Ballast Nedam already applies this method in contracting and in projects in progress.

Ballast Nedam Innovation Prize 2006: diverless underwater mounting of anode rings

The 'system-based' development of solutions is closely associated with the management of technical and financial risks. The increased pressure to complete projects quickly and on time means that new solutions must be found to manage the risks. A striking example of such a solution is the idea which won the Ballast Nedam Innovation Prize 2006: the diverless underwater mounting of anode rings. For the offshore wind farm in the North Sea, which has now been delivered, a method was found to install underwater connections with a lower amount of human involvement. A seemingly simple method, with specially developed equipment, was perfected for this, to the point where time savings were ultimately achieved for 36 installations. As a result, more efficient use was made of the period in which weather conditions permitted construction work and, consequently, substantially less time was needed for offshore work. An additional advantage was that this led to fewer potentially high-risk situations at sea, such that safety was also improved.

Why an innovation prize?

The Ballast Nedam Innovation Prize was first awarded in 2006. With the initiative for this prize, we aim to focus attention on 'hidden innovations': discoveries made on the shop floor. Many of these discoveries are extremely useful, relevant and cost efficient. But working in the construction industry often calls for unique solutions. These are therefore often quickly forgotten, and do not receive the attention and the structural re-use that they deserve.

The other nominations for the Ballast Nedam Innovation Prize were:

- Prefabricated crypts with special facilities that make more effective use of space at cemeteries
- Tunnel construction with a temporary wall that allows for faster construction and better quality
- Innovative use of hard shoulders
- New road-marking equipment
- Social innovation in the construction process
- Abutment casing resulting in fewer traffic tailbacks.

The abutment casing deserves a special mention, as the special character of this solution was also awarded the Infratech Innovation Prize 2007. Traditionally, solutions for abutments (the support points for the girders) are produced during the construction of viaducts. Because these are installed while the work is in progress, the construction time is often longer than necessary. The solution that Ballast Nedam found reduces the construction time, which leads to a small saving in construction costs. However, the social benefits are far greater, because traffic tailbacks are reduced, in this case during the construction work on the existing A27 motorway.

We expect wider appreciation of such solutions in the future, rather than a focus only on construction costs in the restricted sense. The social and other benefits of different working methods are becoming increasingly well known and are being quantified more often. We note that our clients are becoming more experienced through this, and we are ready to respond. In particular, contracts which combine design, construction, financing and management will become increasingly important. Within Ballast Nedam, we are quickly and successfully increasing our know how regarding the integration of these disciplines.

New 5D models

Working with different disciplines and managing the risks involved also demand more of the models we use to deliver the best possible products. Through extensive integration of systems and technologies, we will prove to be successful in 5D designs for our projects. We not only model successfully in three dimensions at present, but will increasingly manage the factors of time and cost in these same models. The results of pilot projects in this field have been better than expected, and we therefore have high expectations for the future. The combination of ICT possibilities, interaction with suppliers and internal process improvement represents an almost non-stop catalyst for innovation.



Saved Tools

Tools were collected at Ballast Nedam projects, workplaces and offices last year for five training centres in Sierra Leone. On 5 February 2007, we were able to hand the Saved Tools Foundation three boxes of tools and a cheque for €5 000. The volunteers received a battery-powered drill from our equipment service as a 'thank you' gift. The foundation is a national voluntary organisation that collects and repairs tools to send to needy development projects. It celebrates its 25th anniversary in 2007.

Information and communication technology (ICT)

Preparations for Workstation 2007

The internal service unit Ballast Nedam ICT (BNICT) began the year 2006 with two major moves: a move to the new head office and a move to the new West regional office. This enabled us to re-design our ICT infrastructure in line with current thinking. Preparations also began for 'Workstation 2007', the replacement for the existing Microsoft Office and Lotus Notes software by a new generation of Microsoft products. The main elements of the new environment are Office 2007, Sharepoint 2007 (document management) and Office Communicator (Instant Messaging).

Company-wide introduction of Microsoft Dynamics CRM

Another related ICT upgrade is the company-wide introduction of the relationship management system, Microsoft Dynamics CRM, which will enable commercial staff to use each other's information more effectively. The functional design of the package was completed in 2006 and this will be offered to users together with Workstation 2007.

Sharepoint 2007

During 2007, Ballast Nedam ICT will work intensively on a standard set-up for Sharepoint 2007, which is not only the foundation for our new intranet, but also a tool for improving electronic co-operation, document management for projects and the underlying organisation generally. We are primarily considering ways to embed efficient document transfer between the different project phases of the system (from development through design, implementation and management). In order to be ready for the steadily increasing data storage and archiving needs, we opted for a Storage Area Network (SAN) solution from Dell EMC. Dell has also become our preferred supplier of workstation and server hardware.

Fewer information systems

A range of different information systems (ERP packages) are used within our organisation. The Board of Management has announced a desire to change this, in the interests of efficiency and synergy improvement, and to replace or optimise the IT systems. A requirements survey has begun among management and end-users, and should lead to a selection process in the second half of 2007. From 2008, the IT system will be implemented at the business units focusing on project or service management. In anticipation of this, Microsoft Dynamics AX (Axapta) was selected for our concrete and other production plants at the end of 2005. The design and scale of this system does not cater for our project and service management companies, which obviously means it is not an option for Ballast Nedam as a whole. The system is now operational at Waco Lingon Beton. It will be implemented at the remaining Infrastructure production units in 2007, in order to drastically reduce the number of software packages.

Improved procurement process

Through workshops, our buyers have defined an improved, uniform procurement process which will be more efficient and can lead to better procurement prices and reduce failure costs. The existing 'tactical' procurement systems do not provide sufficient support for the initial phase of procurement. The company is currently investigating the packages which could be acquired or developed for this purpose. The 'operating procurement' phase is already part of the above ERP selection process.

More data traffic possible and the latest cordless telephones

We finalised new agreements in 2006 for the Wide Area Network (WAN) (with BT) and mobile telephony and data (with KPN). The WAN is now able to take further growth in data traffic and our cell phone users are assured of the latest cordless technology. The WAN now has around 100 connections, including most of the construction sites. Ballast Nedam also finalised an agreement with BT for cheaper landline telephony, including through use of the new network. The management of landline telephony (voice-over IP) also became part of the Ballast Nedam ICT service package in 2006.

Project database feeds new website

Ballast Nedam has updated its external website. The new website has a more dynamic appearance and offers more opportunities for interaction with clients. An important part of the site is the project database, which offers a large amount of detailed information regarding our projects, including photographic and video material. This also feeds the www.niki.nl website with the latest details of Ballast Nedam's housing stock.

Software for processing invoices

Basware (software for scanning, reading and processing invoices) is now operational in both the Infrastructure and the Building and Development divisions. Forms are already processed digitally to some extent. In due course, XML invoices from the larger suppliers will be made suitable for direct processing, and no paper will then be used in these processes.

New Service Management System

The first version of a Service Management System (SMS) was developed in 2006, consisting of the Asset Management, Service Level Management and Contract Management modules. The SMS is now up and running at Ballast Nedam Services and will also become operational at Bouwborg (complaints management) and at Ballast Nedam ICT itself. An application will be developed for Bouwborg that enables service engineers to enter work orders with a Personal Digital Assistant (PDA), directly linked to the administrative back office.



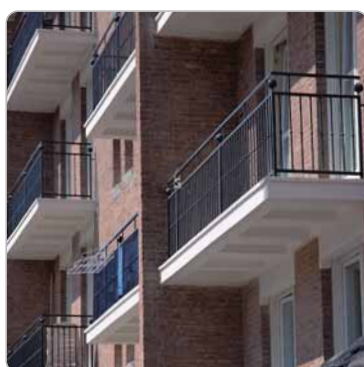
Working on Bouwgein

Staff of Ballast Nedam Ontwikkelingsmaatschappij worked for a day on the Bouwgein Foundation building playground. They redesigned half of the 3,000 m² site. Ballast Nedam Infra provided heavy-duty machinery to dig the soil and install drainage. Bouwgein has been a household name in Nieuwegein for 20 years. Each year, 24 000 children used to use the playground, which was closed in early 2006 after municipal subsidies were withdrawn. A group of volunteers is working hard to keep the playground open.



Akbarstraat, Amsterdam

In the Bos en Lommer district, 136 homes were extended by 2m. Facades, balconies and wooden window frames were renovated.



Het Oosten Kristal commissioned this major renovation.



Jacob van Lennepkade, Amsterdam

Prospects for 2007

Markets in 2007

General building

General building (representing approximately 25% of our sales) is heavily dependent on the economy. The prospects for the Dutch economy have improved; the years of economic weakness are behind us. If the economy picks up, some of the need for extra office space will begin to be met by the existing vacant space. The substantial qualitative mismatch between demand and supply in the commercial property market does, however, remain an issue.

Many of the existing offices have become outmoded, meaning that a certain amount of new construction will be required (particularly in A1 locations) and that the growth in the general building sector will to a large extent consist of renovation and maintenance activity. Ballast Nedam is satisfied with the scale and composition of its general building order book for 2007–2008 and believes it is well-placed to respond to market developments.

Housing

There remains a marked shortage in the housing market. Not only are there too few dwellings but what is available does not correspond with the demand. There is a severe shortage of good quality housing in both the rental and the owner-occupied segments, particularly in the cities. First-time buyers have difficulty finding suitable and affordable housing. They therefore remain in rented accommodation (where this is available), such that the rental segment is not operating as it should.

The government has expressed its ambition to speed up the production of new housing. The aim is to reduce the housing deficit to 1.5% of the housing stock in 2010. This is considerably more than at present (some 70 000 per year).

The most important reasons for the housing shortage are the spatial planning policies and the unduly slow building procedures. The government also wishes to tackle these areas. This is vital since the low price-sensitivity of the supply is in part linked to the institutions and regulations in the housing market, the shortage of building plots due to strict regulatory requirements, the lengthy and numerous procedures and the strict constructional and environmental requirements.

Looking at the overall picture, Ballast Nedam is positive about the prospects in the housing market: demand is buoyant, building production is picking up, the housing market is becoming more flexible and there are attractive conditions for investors. Consequently, we see house-building as the biggest growth factor for our company in the coming years. This will be supported by the further expansion of our land bank and the acquisition of one or more smaller-to-medium-sized project developers.

Infrastructure

The volume of projects in the infrastructure market is set to grow in the coming years. The government budgets in this area will be increasing over the coming few years, partly because the government must make a special push to complete the backlog of maintenance work on the infrastructure. The government regards the improvement of accessibility as an important goal. Economic growth depends critically on mobility.

In the somewhat longer term there are a number of important new large infrastructure projects in prospect. The volume and nature of the projects also lead to optimism regarding the infrastructure market. The latter is, however, suffering from the current price levels in this segment.

Ballast Nedam expects only partial recovery in prices during 2007. The extent and speed of the recovery in prices over the next few years will, to a significant extent, determine the further growth of margins in the segment. Ballast Nedam will therefore remain highly cautious about accepting multi-year contracts with inadequate margins.

Prospects for Ballast Nedam

The Board of Management expects the Infrastructure division to be able to convert its well-placed market position in this gradually improving segment into a higher operating result in 2007.

In both 2005 and 2006, the Building and Development division achieved very positive results on a number of large real estate projects. A number of new major projects are in the pipeline, but it is not certain that these will actually get started in 2007. This timing effect may lead to a degree of volatility in the results of the Building and Development division.

The Board of Management assumes that this division will achieve a margin of more than 5% in 2007, but that it will not match the excellent results of 2006.

As a result, the Board expects the operating result for the company as a whole to remain broadly unchanged.

On the basis of the underlying quality of the organisation and projects planned, the Board of Management expects further improvements in the operating result in subsequent years.

Nieuwegein, 15 March 2007

Board of Management
R.H.P.W. Kottman
T.A.C.M. Bruijninx



Consolidated balance sheet

x € 1 000 000	Note	31 December 2006	31 December 2005
Non-current assets			
Intangible assets	1	21	21
Property, plant and equipment	2	151	144
Financial assets	3	34	3
Investments in associates	4	2	7
Deferred tax assets	5	45	36
		253	211
Current assets			
Inventories	6	143	145
Work in progress	7	87	100
Receivables	8	216	216
Cash and cash equivalents	9	95	175
		541	636
Current liabilities			
Bank loans	9	(33)	(46)
Loans	11	(3)	(7)
Inventories	6	(12)	(1)
Work in progress	7	(135)	(226)
Trade payables		(189)	(172)
Income tax payable		(1)	(1)
Other liabilities	10	(154)	(144)
Provisions	14	(28)	(47)
		(555)	(644)
Working capital		(14)	(8)
		239	203
Non-current liabilities			
Loans	11	36	54
Deferred tax liabilities	12	4	4
Employee benefits	13	5	6
Provisions	14	36	13
		81	77
Total equity			
Minority interest	15	-	2
Equity attributable to equity holders of the parent		158	124
		158	126
		239	203

See Notes to the consolidated balance sheet and income statement on pp. 85-99.

Consolidated income statement

x € 1 000 000	Note	2006	2005
Revenue		1 310	1 206
Raw materials and subcontractors		(972)	(858)
Employee benefits	16	(252)	(249)
Other operating expenses		(24)	(44)
		(1 248)	(1 151)
Share in results of associates	4	1	3
EBITDA		63	58
Depreciation and amortisation of property, plant and equipment and intangible assets		(21)	(20)
EBIT		42	38
Financial income		2	1
Financial expenses		(6)	(11)
		(4)	(10)
Profit before tax		38	28
Income tax (expense) / benefit	17	6	(8)
Net result		44	20
Attributable to:			
Equity holders of the parent		44	20
Minority interest		-	-
Net result		44	20
Attributable to equity holders of the parent:			
Basic earnings per share (€)	18	4.44	2.05
Diluted earnings per share (€)	18	4.40	2.01

Consolidated statement of changes in equity

x € 1 000 000	Issued share capital	Share premium	Purchased own shares	Currency translation reserve	Legal reserves	Other reserves	Result	Share- holders' equity	Minority interest	Total equity
31 December 2004	60	55	(1)	(1)	3	(28)	13	101	4	105
Foreign exchange differences				3				3		3
Results recognised directly in equity	-	-	-	3	-	-	-	3	-	3
Net result for the year							20	20		20
Total income recognised in equity	-	-	-	3	-	-	20	23	-	23
Appropriation of 2004 result						13	(13)	-		-
Dividend paid						-		-		-
Other	-	-	-	-	-	-	-	-	(2)	(2)
31 December 2005	60	55	(1)	2	3	(15)	20	124	2	126
Foreign exchange differences				(2)				(2)		(2)
Results recognised directly in equity	-	-	-	(2)	-	-	-	(2)	-	(2)
Net result for the year							44	44		44
Total income recognised in equity	-	-	-	(2)	-	-	44	42	-	42
Appropriation of 2005 result						20	(20)	-		-
Dividend paid		(5)				(5)		(10)		(10)
Other	-	2	-	-	(1)	1	-	2	(2)	-
31 December 2006	60	52	(1)	-	2	1	44	158	-	158

The authorised capital consists of 20 000 000 ordinary shares and amounts to €120 million. The issued share capital consists of 10 000 000 ordinary shares of €6 nominal value each. Of the share premium account, an amount of €25 million is fiscally freely distributable.

The total number of Purchased own shares (Treasury shares) is 75 599 as at year-end 2006 (2005: 153 438); these are included at purchase price. 29 761 of the company's own shares were repurchased in 2006 and 107 600 repurchased shares were sold. The difference between the cost and market value at the moment of delivery is included in Share premium.

Foreign exchange differences are a result of the translation of the investments in foreign activities, including semi-permanent financing, together with the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the balance sheet date.

Legal reserves consist of a legal reserve for associated companies and relates to results retained by those companies. The movement in the legal reserve for associated companies has been transferred to the Other reserves.

Other reserves consist of retained earnings and the movement in shareholders' equity due to the transition to EU-IFRS as at 1 January 2004.

The movement in the minority interest relates to the deconsolidation of C.V. Regioland and the movement in value of Kicking Horse Mountain Resort in 2006.

Due to a shortfall in Other reserves, €5 million of the dividend paid for 2005 was charged to Other reserves and €5 million to Share premium.

The Board of Management proposes, with the approval of the Supervisory Board, to distribute a dividend of €1.34 per ordinary share in issue. The dividend proposal has not yet been incorporated in shareholders' equity and has no impact on the tax position.

Share capital	2006	2005
Shares in issue as at 1 January	9 846 562	9 861 180
Shares issued	-	-
Shares repurchased and sold (net)	77 839	(14 618)
Shares in issue as at 31 December	9 924 401	9 846 562

The 77 839 repurchased shares comprise purchases of 29 761 shares and sales of 107 600 shares.

Consolidated cash flow statement

x € 1 000 000	2006	2005
Net cash, 1 January	129	160
Cash flows from operating activities		
Net result	44	20
Depreciation	19	18
Amortisation	2	2
Impairments	-	-
Interest charges	6	11
Interest income	(2)	(1)
Income tax (expense) / benefit	(6)	8
Share in results of associates	(1)	(3)
Book result on fixed assets sold	(1)	(1)
Movement in other investments	(2)	3
Movement in other receivables	(3)	(2)
Movement in work in progress	(78)	(33)
Movement in inventories	13	(29)
Movement in provisions and employee benefits	3	8
Interest paid	(6)	(11)
Interest received	2	1
Income taxes paid	(3)	(2)
Movement in other working capital	30	(15)
Net cash from operating activities	17	(26)
Cash flows from investing activities		
Intangible assets		
investments	(2)	-
disposals	-	-
Property, plant and equipment		
investments	(40)	(29)
disposals	12	61
Financial assets		
investments	(25)	(1)
disposals	-	6
dividend received	1	4
Acquisition of subsidiary	(1)	(2)
Cash from acquisition	1	-
Net cash from investing activities	(54)	39
Cash flows from financing activities		
Proceeds of long-term loans	7	10
Repayment of long-term loans	(25)	(55)
Movement in minority interest	(2)	(2)
Foreign exchange differences	(2)	3
Dividend paid	(10)	-
Proceeds from repurchased shares	2	-
Net cash from financing activities	(30)	(44)
Net cash, 31 December	62	129

The net cash consists of the balance of cash and cash equivalents and bank loans that cannot be offset against one another. Of the total net cash, €42 million (2005: €99 million) is at the free disposal of the Company.

Notes to the consolidated financial statements

Significant accounting policies

Ballast Nedam N.V. is established at Nieuwegein in the Netherlands. The consolidated financial statements of Ballast Nedam for the financial year 2006 comprise Ballast Nedam and its subsidiaries (jointly referred to as Ballast Nedam) and Ballast Nedam's interest in associates and entities over which there is joint control.

With respect to the company income statement of Ballast Nedam N.V. use has been made of the exemption under Section 402 of Book 2 of the Netherlands Civil Code.

The Board of Management drew up the financial statements on 15 March 2007. The financial statements drawn up by the Board of Management and set out in this report are subject to approval by the General Meeting of Shareholders. The General Meeting of Shareholders will be held on 9 May 2007.

Statement of compliance

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards as adopted by the European Union (hereinafter: 'EU-IFRS') and also comply with Part 9, Book 2 of the Netherlands Civil Code.

Basis of preparation

The consolidated financial statements are presented in millions of Euros. The financial statements have been drawn up on the basis of historical cost, except for those items for which EU-IFRS prescribes a different method for valuation or determination of the result.

Non-current assets held for sale and groups of assets sold are valued at the lower of carrying amount and fair value, less selling expenses.

When preparing the financial statements, management makes estimates and assumptions which affect the amounts and results presented in the financial statements. The actual results may differ from these estimates and assumptions.

Management judgements regarding the application of EU-IFRS which have significant consequences for the financial statements and estimates involving an appreciable risk of material change in the following year are disclosed in the notes.

The accounting policies set out below have been consistently applied for all entities and periods presented in these consolidated financial statements.

Basis of consolidation

Group companies

Group companies are entities in which Ballast Nedam directly or indirectly controls the financial and operational policy with a view to profiting from the activities of the entities. These group companies are consolidated in full and minority interests, where applicable, are separately disclosed.

These entities are included in the consolidated financial statements from the date on which control commences and until the date that such control ceases.

Associates

Associates are those entities in which Ballast Nedam exercises significant influence on the financial and operational policy, but over which it does not have control.

The consolidated financial statements include Ballast Nedam's share of the total result of associates, using the equity method, from the date on which Ballast Nedam first exercised a significant influence until the date on which such influence ceases.

If Ballast Nedam's share in the losses exceeds the value of the interest in an associate, the carrying amount of the participating interest is written down to nil in Ballast Nedam's balance sheet and no further losses are provided for, except in so far as Ballast Nedam has a legal or constructive obligation.

Financial assets

PPP receivables

Receivables in respect of Public-Private Partnership (PPP) agreements relate to concession fees from public bodies (public authorities) receivable in connection with PPP projects. PPP receivables are recognised as financial assets. In conformity with IAS 32 and 39, PPP receivables are recognised at fair value from the moment of their inclusion in the financial statements and are subsequently recognised at amortised cost based on an effective interest rate that is virtually equal to the interest rate on the associated PPP loan. This method of recognising PPP receivables is in conformity with the financial assets model of IFRS 12 'Service Concession Arrangements'.

Other investments

If no significant influence is exercised over the operational and financial policy, valuation of other investments is at fair value. Impairment provisions are charged directly to equity if the investment is classified as available for sale; if not, they are charged to results. Only in the exceptional case that the fair value cannot be reliably determined, is valuation at acquisition cost.

Joint ventures

Participating interests in joint ventures, where Ballast Nedam does not have a controlling interest but policy can be influenced by the company to the same degree as each of the other partners, including contracting consortia, are proportionally consolidated from the date when joint control is first exercised until the date that such joint control ceases.

Elimination of transactions for consolidation purposes

Internal operational transactions and transactions with associates and entities over which joint control is exercised are in principle determined at arm's length and eliminated in the same way (proportionally) as other intercompany transactions. Losses not yet realised are eliminated in the same way, except where these are deemed to be impairments.

Foreign currency translation

Assets and liabilities of foreign activities denominated in functional currencies other than the Euro are translated at the rates of exchange prevailing at the balance sheet date, with income statement items being translated at the rates approximating the rate of exchange on the transaction date (average rate for the year). Translation differences resulting from the conversion of investments in foreign activities, including semi-permanent financing, and the differences between results translated at the average exchange rate during the reporting year and the exchange rate prevailing on the balance sheet date, are taken directly to a separate reserve in shareholders' equity.

Receivables and payables in foreign currencies are translated at the exchange rate prevailing on the balance sheet date.

Transactions in foreign currencies are translated at the exchange rate applying on the transaction date. The resulting exchange differences are recognised as part of EBIT.

Intangible assets

Goodwill

Goodwill arises as a result of the acquisition of group companies, associates and joint ventures. Regarding company acquisitions, the amount of goodwill is equal to the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Business combinations are accounted using the purchase price allocation method.

Goodwill is valued at cost less accumulated impairment. Goodwill is allocated to cash generating units and is not amortised.

An annual assessment is made as to whether an impairment is needed. In the case of associates, the carrying amount of goodwill is included in the carrying amount of the investment in associates.

Negative goodwill arising on acquisition is taken directly to the income statement.

Other intangible assets

Software is stated at cost less accumulated amortisation and impairment. Concessions are stated at cost less accumulated amortisation and impairment.

Amortisation

Amortisation of intangible assets, other than goodwill and those with an indefinite life, is calculated on the basis of the expected useful life. Concessions in respect of land and raw materials are amortised in proportion to the extent of the raw materials estimated to have been extracted.

Where significant, the residual value, amortisation methods and estimated economic lives are assessed annually.

The estimated economic lives are as follows:

Concessions 1 - 30 years

Software 3 years

Goodwill and intangible assets with an indefinite life are systematically assessed for impairment at each year end.

Property, plant and equipment

Owned assets

Tangible assets are stated at cost of acquisition or manufacture less accumulated depreciation and impairment.

If tangible assets consist of elements with differing estimated economic lives, these are recognised as separate items in tangible assets.

Where they can reliably be estimated, the costs of dismantling and disposing of assets and the cost of restoration of sites where assets are located are recognised as a provision at net discounted value.

Leased assets

Lease agreements under which Ballast Nedam takes on virtually all the risks and rewards associated with the property are classified as financial leases.

Subsequent costs

If it is probable that the future economic rewards from the assets will accrue to Ballast Nedam and the cost of the asset can reliably be determined, Ballast Nedam includes the cost of replacement of (part of) a tangible asset in the carrying amount of that asset when those costs are incurred. All other costs are taken to the income statement as a charge when they are incurred.

Depreciation

Depreciation is generally calculated on a straight-line basis over the expected useful life of the assets concerned. Land is not depreciated.

The expected economic lives are as follows:

Buildings	10 - 30 years
Plant and equipment	5 - 20 years
Other operational assets	2 - 10 years

Where significant, the residual value, amortisation methods and estimated economic lives are assessed annually.

Assets held for sale

The valuation of assets classified as held for sale (and all groups of assets and liabilities to be sold) is updated immediately prior to such classification in accordance with the applicable principles. On their first recognition as assets held for sale, assets and groups of assets to be sold are stated at the lower of the carrying amount and fair value, less selling expenses. A discontinued business activity forms part of the Group activities which represents a separate material business activity or a separate material geographical business region, or is a group company which has been acquired exclusively in order to be sold on. Classification as a discontinued business activity takes place on disposal or, if this takes place earlier, when the business activity meets the criteria for classification as an asset held for sale. A group of assets to be sold which ceases to be classified as such can also meet these criteria.

Derivative financial instruments

Ballast Nedam makes limited use of derivative financial instruments in order to hedge currency and interest-rate risks arising from operating, financing and investing activities. In conformity with its treasury policy Ballast Nedam does not hold any derivatives for trading purposes, nor does it issue such derivatives. Derivatives not qualifying for hedge accounting are treated as trading instruments.

Derivative financial instruments are stated at fair value. The profit or loss on revaluation to fair value is taken directly to the income statement.

The fair value of forward exchange contracts is the quoted market price prevailing at the balance sheet date, being the cash value of the quoted forward rate.

Exchange differences on forward currency transactions are credited or charged to the result and so compensate for exchange differences on the items being hedged.

Inventories

Landholdings acquired and held for future property development purposes are stated at the lower of cost and net market value. In principle these holdings are not 'in production' and no development costs are consequently capitalised. Interest is not capitalised. Such costs are taken directly to the result. Development and building rights are included in landholdings.

Finished goods are stated at the lower of cost and net market value. The cost of finished goods is based on the first-in, first-out principle (FIFO). Interest costs are not included. The cost of finished goods includes attributable indirect costs on the basis of normal production capacity. Raw materials are stated at the lower of cost and market value.

Housing projects where the transfer of risks and rewards takes place upon completion of the sale/building contract and where there is still a substantial level of involvement beyond this point are included in inventories. This element of inventories is valued as work in progress.

Land and buildings for sale are also included in inventories. These are land and buildings that have reached the practical completion stage but have not been yet sold to third parties. The stocks of land and buildings available for sale are valued at the lower of cost, including attributed indirect costs and less depreciation, and market value less selling costs.

Expected losses are charged directly to income in the form of provisions.

Work in progress

Work in progress on behalf of third parties is valued at cost plus profit in proportion to the progress of the project less a provision for foreseeable losses and less invoiced instalment payments in proportion to the progress of the project. Interest is not included. The cost of work in progress includes attributable indirect costs on the basis of normal production capacity.

As soon as a reliable estimate can be made of the result on a project in progress on behalf of third parties, the contractual income and charges are taken to the income statement in proportion to the stage of completion of the project. The stage of completion is determined on the basis of production measurements. Expected losses on projects are taken directly to the income statement.

Preparatory expenses and design and construction costs of large projects (i.e. tendering costs) are capitalised as work in progress if the following conditions are met:

- the costs can be individually identified; and
- the costs can be reliably valued; and
- it is likely that the project will be won.

Tendering costs that do not comply with the above requirements are charged to the income statement in the period to which they relate. Tendering costs taken as a charge in the period to which they relate are not subsequently later capitalised if the project is won.

Receivables

Trade and other receivables are valued at amortised cost less impairment. Long-term receivables are stated at amortised cost with the exception of deferred tax assets, which are stated at nominal value.

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and other demand deposits. Current account overdrafts repayable at call and forming an integral part of Ballast Nedam's funds management form part of cash and cash equivalents in the cash flow statement.

Impairment (movements in value)

Except for inventories and the deferred tax asset of Ballast Nedam, the carrying amount of assets is reviewed on each balance sheet date in order to determine whether there are any indications of impairment. Where there are such indications an estimate is made of the asset's realisable value.

In the case of goodwill and assets with an indeterminate useful life, recoverable amount is estimated at each balance sheet date. The recoverable amount is equal to the higher of fair value less costs to sell and value in use. In determining the value in use, the discounted value of the estimated future cash flows is calculated using a pre-tax discount rate which reflects both the current market estimates of the time value of cash and the specific risks inherent in the asset in question. In the case of an asset which only generates income that is highly dependent on that of other assets, the realisable value is determined for the cash-flow-generating unit to which the asset belongs.

Impairment losses are taken to the income statement.

Repurchase of own shares

For repurchase of share capital included in equity in the balance sheet, the amount paid, including directly attributable costs, is recognised in equity. Repurchased shares are classified as repurchased own shares and included as a deduction from total equity. When repurchased own shares are delivered, they are removed from the portfolio on a first-in, first-out (FIFO) basis. The difference between cost and market value is taken to Share premium.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Share based payments

The share option scheme allows Ballast Nedam employees to acquire shares in Ballast Nedam N.V.. Options granted by Ballast Nedam are classified as share options. These share options were issued on 7 November 2002. Ballast Nedam makes use of the exemption in IFRS 1 'First time adoption' and does not recognise the share option scheme as a charge to income.

Non-current liabilities

On first drawdown, long-term loans are carried at fair value less attributable transaction costs. After the first drawdown, interest-bearing loans are valued at amortised cost, whereby the difference between the cost and the amount to be repaid is taken to income over the term of the loans on the basis of the effective interest method.

Pensions

The pension scheme established by Ballast Nedam is primarily administered by Stichting Pensioenfonds Ballast Nedam. An amended pension scheme came into force as from 1 January 2005. Under this defined-contribution scheme, contribution amounts are recognised as a charge in the income statement when the contributions are due.

Ballast Nedam does not have access to all the pension data on defined-benefit pension schemes administered by industry pension funds or pension insurers, which means that Ballast Nedam is not always able to calculate its share in the surplus or shortfall of the pension plan for inclusion in the balance sheet. Consequently, these pension schemes are recognised as defined-contribution schemes.

Ballast Nedam's net liability in respect of defined-benefit schemes is calculated separately for each scheme by making an estimate of the pension entitlements built up by employees in exchange for their services during the period under review and in preceding periods. These pension entitlements are discounted in order to determine the cash value, from which the fair value of the pension fund investments is deducted. The discount rate is the yield, as of the balance sheet date, on bonds with a AAA credit rating and with a period to maturity which approximates the term of Ballast Nedam's liabilities. The calculation is performed by a qualified actuary in accordance with the projected unit credit method.

All actuarial losses and profits as at 1 January 2004 - the conversion date to EU-IFRS - have been included. In relation to the actuarial profits and losses that arise after 1 January 2004 in the calculation of Ballast Nedam's liabilities under a pension scheme, in so far as any accumulated actuarial profits or losses not yet included amount to more than 10% of the cash value of the gross liabilities under the defined benefit-pension scheme or of the fair value of the fund investments if this is greater, that element is recognised in the income statement over the expected average remaining service period of the employees participating in the scheme. For the remainder, the actuarial profit or loss is not recognised.

Long-term employee benefits

Ballast Nedam's net liability in respect of long-term employee benefits (long-service bonuses, long-term illness), with the exception of pension schemes, is the sum of the future remuneration that employees have earned in exchange for their services during the period under review and in preceding periods. The liability is discounted.

Provisions

A provision is included in the balance sheet if Ballast Nedam has a legal or constructive obligation as a result of an event in the past and it is likely that an outflow of funds will be required in order to discharge that obligation. If the effect thereof is material, the provisions are determined by calculating the discounted value of the estimated future cash flows using a pre-tax discount rate reflecting both the current market estimates of the time value of cash and, where necessary, the specific risks inherent in the liability.

Trade payables and other payable items

Trade payables and other payable items are stated at amortised cost.

Revenue

Construction contracts on behalf of third parties

The agreed income and charges in relation to work in progress are recognised in the income statement in proportion to the stage of completion of the project. The stage of completion of the project is determined on the basis of production measurements. Expected losses on projects are taken directly to income.

Sale of goods and services rendered

Income from the sale of goods is recognised in the income statement as and when the significant risks and rewards of ownership have been transferred to the buyer. In the case of housing projects in which the transfer of risks and rewards takes place upon completion of sale/building contracts and where a substantial amount of involvement is still expected, sales and results are recognised once these activities have been performed.

Income from services provided is recognised in the income statement in proportion to the stage of completion of the transaction on the balance sheet date. The stage of completion is determined on the basis of assessments of the activities performed. No income is recognised if there are significant uncertainties concerning the collection of the amounts due or the related costs or any returns of goods, and also if there is any question of continuing management involvement in the goods.

PPP projects

During the construction phase of the asset, PPP projects are recognised as work in progress for third parties. The contractual income and expenses are taken to the income statement in proportion to the stage of completion of the project. The stage of completion is determined on the basis of production measurements. During the operational phase the income from PPP projects comprises the fair value of the delivery of contractually agreed services and the interest income related to the investment in the project. Income is recognised at the moment that the services to which it relates are delivered.

Expenses

Costs are allocated to the period to which they relate.

Lease instalments on operating leases

Lease instalments on operating leases are recognised in the income statement on a straight-line basis.

Lease instalments on financial leases

The minimum lease instalments are recognised partly as financing costs and partly as repayment of the outstanding liability. The financing costs are allocated to each period of the total lease term in such a way as to result in a constant periodic rate of interest over the remaining balance of the liability.

Net financing charges

The net financing charges comprise the net interest income and expense on borrowings is calculated using the effective interest method. The interest component of the financial lease instalments is taken to the income statement using the effective interest method.

Exchange differences as well as results on hedging instruments are recognised in the income statement in EBIT.

Income tax

Tax is calculated on the result from ordinary operations, allowing for tax-exempt items and based on the applicable tax rates.

Tax is recognised in the income statement except in so far as it relates to items taken directly to equity.

Deferred taxation is recognised on timing differences between the commercial and fiscal valuation of assets and liabilities and is accounted for on the basis of the applicable tax rates for the periods when the timing differences are expected to be realised.

Deferred tax assets are only recognised if it is sufficiently certain that they will be realised.

No deferred tax is recognised for the following timing differences: the initial recognition of goodwill, the initial recognition of assets and liabilities affecting neither the commercial nor the fiscal profit, and differences in relation to subsidiaries and associates in so far as these will not be settled in the near future.

Cash flow statement

The cash flow statement has been prepared using the indirect method, whereby the net profit according to the consolidated income statement is taken as a basis for movements in cash. Transactions that have not yet generated a cash flow are excluded.

Net result per share

The net result per share is calculated as the net result accruing to holders of shares divided by the average number of shares in issue over the period in question. The diluted result per share is calculated as the result divided by the average number of shares in issue, including the number of shares that would have been issued if the share options in issue had been exercised (only where this would lead to dilution).

Segment reporting

Additional financial information is provided for each division and geographical segment. The amounts for transactions between segments are determined on an arm's length basis. The results, assets and liabilities of a segment comprise items that can be attributed to the segment either directly or on the basis of reasonableness. Unallocated items consist primarily of deferred taxes, income-generating assets and proceeds, interest-bearing loans, cash drawings and costs as well as general operating assets and costs.

The category 'Other' includes the operating profit and the assets and liabilities of Ballast Nedam N.V. and of the international activities currently being scaled down, as well as the elimination of intercompany items.

With respect to the presentation of information on the basis of geographical segments, the income of the segment is determined on the basis of the geographical location of the customers. The assets of the segments are determined on the basis of the geographical location of those assets.

New standards and interpretations not yet applied

A number of new standards, changes to existing standards and interpretations had not come into effect in 2006 and have therefore not been applied in the consolidated financial statements. The most important of these for Ballast Nedam are as follows:

- IFRS 7 'Financial Instruments: Disclosures' and the amendments to IAS 1 'Presentation of the Financial Statements' relate to the disclosure of information regarding an entity's capital commitments and require an extensive explanation of the significance of financial instruments for the financial position and results of the entity, as well as qualitative and quantitative information as to the nature and extent of the risks. The provisions of IFRS 7 and the additional provisions of IAS 1 are mandatory from 2007 and require that Ballast Nedam presents more detailed notes on its financial instruments and share capital.
- IFRIC 9 'Reassessment of Embedded Derivatives' prescribes that reassessment as to whether an embedded derivative be separated from the underlying host contract should be made only when there are changes to the contract. Application of IFRIC 9 in the financial statements of Ballast Nedam becomes mandatory in 2007 and is not expected to have any effect on the consolidated financial statements.
- IFRIC 10 'Interim Financial Reporting and Impairments' addresses an apparent inconsistency between the standard on interim financial reporting (IAS 34) and the standards dealing with impairments (IAS 36 and 39). Application of IFRIC 10 becomes mandatory for Ballast Nedam in 2007.



The Flying Dutchman

The ghost ship doomed to sail the seven seas for eternity. Speed along the coaster at 70 km/h, or experience weightlessness or forces of up to 2G at this brand new attraction in the Efteling theme park.



Holland Casino, Venlo



GETZ leisure centre, Amsterdam



ADO stadium, The Hague

Segment reporting 2006

x € 1 000 000	Infrastructure	Building and Development	Other	Total
Revenue per segment	676	622	49	1 347
Inter-segment revenue	(14)	(5)	(18)	(37)
Revenue	662	617	31	1 310
Operating costs	(633)	(578)	(32)	(1 243)
Incidental results	-	-	(5)	(5)
Share in results of associates	1	-	-	1
EBITDA	30	39	(6)	63
Impairment	-	-	-	-
Depreciation	(12)	(3)	(4)	(19)
EBITA	18	36	(10)	44
Amortisation	(2)	-	-	(2)
EBIT	16	36	(10)	42
Interest income and charges				(4)
Income tax (expense) / benefit				6
Net result				44
Margin	2.4%	5.8%	-	3.2%
Order book	572	525	(4)	1 093
Capital employed	109	7	61	177
Assets	384	390	20	794
Investments in non-current assets				
intangible	2	-	-	2
property, plant and equipment	34	3	3	40
financial	16	9	-	25
associates	-	-	-	-
Investments in associates	2	-	-	2
Liabilities	280	312	44	636
Cash flows				
operations	(15)	31	1	17
investing	(45)	(11)	2	(54)
financing	(12)	(15)	(3)	(30)
Net cash flow	(72)	5	-	(67)
Average number of employees				
employed on contract basis	132	109	12	253
permanently employed	1 845	1 485	118	3 448
	1 977	1 594	130	3 701

The number of employees employed abroad was 149 (2005: 122).

Segment reporting 2005

x € 1 000 000	Infrastructure	Building and Development	Other	Total
Revenue per segment	541	658	42	1 241
Inter-segment revenue	(13)	(10)	(12)	(35)
Revenue	528	648	30	1 206
Operating costs	(503)	(610)	(38)	(1 151)
Incidental results	-	-	-	-
Share in results of associates	2	-	1	3
EBITDA	27	38	(7)	58
Impairment	-	-	-	-
Depreciation	(11)	(3)	(4)	(18)
EBITA	16	35	(11)	40
Amortisation	(2)	-	-	(2)
EBIT	14	35	(11)	38
Interest income and charges				(10)
Income tax (expense) / benefit				(8)
Net result				20
Margin	2.6%	5.3%	-	3.2%
Order book	557	503	4	1 064
Capital employed	33	4	37	74
Assets	388	415	44	847
Investments in non-current assets				
intangible	-	-	-	-
property, plant and equipment	21	4	4	29
financial	-	-	-	-
associates	1	-	-	1
Investments in associates	7	-	-	7
Liabilities	287	341	93	721
Cash flows				
operations	17	(3)	(40)	(26)
investing	(13)	(4)	56	39
financing	1	(14)	(31)	(44)
Net cash flow	5	(21)	(15)	(31)
Average number of employees				
employed on contract basis	74	90	13	177
permanently employed	1 860	1 532	152	3 544
	1 934	1 622	165	3 721

Secondary segmentation

x € 1 000 000	Revenue		Assets		Investments in non-current assets	
	2006	2005	2006	2005	2006	2005
The Netherlands	1 206	1 105	715	745	65	27
United Kingdom	14	15	3	5	-	-
Other European countries	32	45	32	43	2	1
Middle East	12	13	11	8	-	-
Southeast Asia	-	1	6	12	-	-
Other	46	27	27	34	-	2
Total	1 310	1 206	794	847	67	30

92% of revenues (2005: 92%) were generated in the Netherlands.

Incidental results

In September 2006, the European Commission imposed a fine on Ballast Nedam amounting to €5 million in respect of agreements reached in the period 1996-2001 between the major oil companies and a number of Dutch construction companies, including Ballast Nedam, concerning the purchase of bitumen. Bitumen is a raw material used in asphalt. Ballast Nedam has lodged an appeal against the decision by the Commission. Pending the outcome of this appeal, a provision has been made for the full amount of the fine.

Acquisition of subsidiaries

A number of acquisitions were completed in 2006, including the acquisition of the shares of Gebr. Van Leeuwen Harmelen B.V. on 31 March 2006. The total price paid for these acquisitions was approximately €2 million, of which approximately €1 million will be paid in 2007. Up to and including 31 December 2006, the contribution by the acquired companies to consolidated revenue amounted to €20 million, while the contribution to the result before tax was €0.6 million. If the acquisitions had been completed on 1 January 2006, the effect on revenue end result would not have been substantially different.

The carrying amounts, on the dates of acquisition, of the assets and liabilities acquired amounted to less than €1 million. Adjustments to fair value led to an increase in the value of the assets and liabilities of approximately €1 million in total.

The effect of the acquisition on the assets and liabilities of Ballast Nedam is as follows:

x € 1 000 000	Stated values	Fair value adjustments	Carrying amounts
Effect on assets and liabilities (2006)			
Property, plant and equipment	3	1	2
Other assets and liabilities	(1)	-	(1)
Balance of identifiable assets and liabilities	2	1	1
Goodwill on acquisition	-		
Acquisition cost	1		
Cash acquired	(1)		
Outflow of cash and cash equivalents	-		

Notes to the consolidated balance sheet

1 Intangible assets

x € 1 000 000	Goodwill	Concessions	Other	Total
Cost				
31 December 2004	12	16	1	29
Investments	-	-	-	-
Acquisitions	-	-	-	-
31 December 2005	12	16	1	29
Investments	-	1	1	2
Acquisitions	-	-	-	-
31 December 2006	12	17	2	31
Amortisation and impairment				
31 December 2004	1	5	-	6
Amortisation	-	1	1	2
Impairment charge	-	-	-	-
31 December 2005	1	6	1	8
Amortisation	-	2	-	2
Impairment charge	-	-	-	-
31 December 2006	1	8	1	10
Carrying amounts				
Infrastructure	6	10	-	16
Building and Development	5	-	-	5
Other	-	-	-	-
31 December 2005	11	10	-	21
Infrastructure	6	9	1	16
Building and Development	5	-	-	5
Other	-	-	-	-
31 December 2006	11	9	1	21

Goodwill

An impairment test is carried out each year to assess whether the value of goodwill has declined. The present value of estimated future cash flows is calculated using a discount rate after tax (9% - 11%). The business plan is used as a basis for projections for the period 2007-2009. The residual value is calculated for the infinite cash flow with no allowance for any growth rate.

x € 1 000 000	2006	2005
Goodwill per cash generating unit		
Bontrup Beheer B.V.	2	2
Verkaik B.V.	2	2
Spankern B.V.	3	3
Zomers bouwbedrijf B.V.	3	3
Other	1	1
Total	11	11

Concessions

Ballast Nedam owns concessions for high-grade primary raw materials in Belgium, Norway and the Netherlands. Amortisation takes place in proportion to extraction. The remaining weighted average amortisation period for concessions as at year-end is 21 years (2005: 22 years).

Purchase commitments

As at the balance sheet date, Ballast Nedam had no material outstanding purchase commitments relating to Intangible assets.

2 Property, plant and equipment

x € 1 000 000

	Land and buildings	Plant and equipment	Other	Total
Cost				
31 December 2004	156	164	54	374
Investments	8	20	1	29
Acquisitions	-	-	-	-
Disposals	(66)	(10)	(13)	(89)
Foreign exchange differences	3	-	2	5
31 December 2005	101	174	44	319
Investments	5	26	3	34
Acquisitions	1	5	-	6
Disposals	(9)	(7)	(13)	(29)
Foreign exchange differences	(2)	-	(1)	(3)
31 December 2006	96	198	33	327
Depreciation and impairment				
31 December 2004	31	113	40	184
Impairment charge	-	-	-	-
Depreciation charge	4	11	3	18
Disposals	(7)	(8)	(13)	(28)
Foreign exchange differences	-	-	1	1
31 December 2005	28	116	31	175
Impairment charge	-	-	-	-
Depreciation charge	3	14	2	19
Disposals	(1)	(3)	(13)	(17)
Foreign exchange differences	(1)	-	-	(1)
31 December 2006	29	127	20	176
Carrying amounts				
Infrastructure	30	43	4	77
Building and Development	12	9	1	22
Other	31	6	8	45
31 December 2005	73	58	13	144
Infrastructure	32	57	4	93
Building and Development	12	8	1	21
Other	23	6	8	37
31 December 2006	67	71	13	151

The investments in land and buildings and in plant and equipment relate mainly to investments by Infrastructure. The investments in other equipment relate primarily to IT and communications equipment. The disposals of land and buildings relate primarily to the sale of an office building in Arnhem and the sale of a former manufacturing site in Papendrecht. The purchases of materials and equipment relate mainly to the assets of the subsidiary, Gebr. Van Leeuwen Harmelen B.V., acquired in 2006.

Purchase commitments

As at the balance sheet date, Ballast Nedam had no material outstanding purchase commitments relating to property, plant and equipment.

3 Financial assets

x € 1 000 000

	Note	2006	2005
PPP receivables	3.1	25	-
Other investments	3.2	4	1
Other receivables	3.3	5	2
Total		34	3

3.1 PPP receivables

x € 1 000 000	2006	2005
1 January	-	-
Receivables taken up	27	-
Repayments received	-	-
31 December	27	-
of which:		
Non-current	25	-
Current	2	-

The Public Private Partnerships (PPP) receivables relate to the concession fees receivable from public bodies (public authorities) in connection with the rights to parts of the Dutch N31 and N11 motorways. The concessions have a duration of 14 and 3 years respectively. The interest income and expense on the PPP receivables and PPP loans, respectively, are included as interest income and expense in the income statement. The current portion of the PPP receivables is included in receivables. The PPP receivables have been pledged as security for the related loans from the Nederlandse Investeringsbank and Bank Nederlandse Gemeenten which are included in non-current and current liabilities.

3.2 Other investments

x € 1 000 000	Country	Percentage owned	2006	2005
Name				
CV GEM Vleuterweide	Netherlands	13.4%	3	-
Other			1	1
Market value			4	1

The interest in CV GEM Vleuterweide was included in Other investments in 2005. The fair value was re-assessed in 2006.

3.3 Other receivables

Other receivables include receivables from third parties falling due more than one year after the balance sheet date. At year-end 2006 these amounted to €5 million (2005: €2 million). At balance sheet date, Ballast Nedam had made loans aggregating €2 million (2005: €2 million) to a number of associated companies.

4 Investments in associates

Ballast Nedam has the following investments in associates:

x € 1 000 000	Country	Percentage owned	2006	2005
Name				
Nederlandse Freesmaatschappij B.V.*	Netherlands	16.7%	1	1
Asfalt Productie Rotterdam Rijnmond B.V.	Netherlands	25.0%	-	1
Asfalt Productie Westerbroek B.V.	Netherlands	26.0%	1	1
Other			-	4
Total			2	7

* Ballast Nedam has an interest of 16.7% in Nederlandse Freesmaatschappij B.V. and its share in the Supervisory Board is 20%. Consequently, significant influence can be exerted.

Associates in 2005 on a 100% basis

x € 1 000 000	Assets	Liabilities	Shareholders' equity	Revenue	Result
Name					
Nederlandse Freesmaatschappij B.V.	12	(5)	(7)	24	2
Asfalt Productie Rotterdam Rijnmond B.V.	14	(14)	-	9	-
Asfalt Productie Westerbroek B.V.	7	(5)	(2)	9	1
Total	33	(24)	(9)	42	3

Balance sheet information is not yet available for 2006. The results for 2006 are based on estimates. At the end of 2006 there was a rental commitment of €3 million (2005: €4 million).

5 Deferred tax assets

Deferred tax assets arise from the recognition of carry-forward tax losses.

x € 1 000 000	Fiscal value of losses carried forward
1 January 2005	41
Movement via the income statement	(5)
31 December 2005	36
Movement via the income statement	9
31 December 2006	45

The fluctuation in the deferred tax asset of €9 million in 2006 (2005: €5 million negative) arises from the use of €13 million (2005: €10 million) of carry-forward tax losses, the reduction of the asset by €3 million (2005: €1 million) to reflect the lower tax rate (25.5%) and the recognition of €25 million (2005: €6 million) in additional carry-forward tax losses as a result of the 2006 liquidation of the former UK subsidiary, Ballast Plc.

The carry-forward tax losses of the Dutch fiscal unity have been evaluated at the end of 2006. As from 1 January 2007, these losses have limited carry forward potential in the Netherlands. The average remaining carry forward period approximates 6 years (2005: unlimited). The utilization of the carry-forward tax losses is dependent on future profitability.

6 Inventories

x € 1 000 000	2006	2005
Land positions	96	75
Projects under construction, unsold	3	27
Projects completed, unsold	15	11
Housing construction projects	10	5
Finished goods	9	11
Raw materials and semi-manufactured goods	10	16
Inventories	143	145

The cumulative impairment losses for obsolete inventories amount to nil (2005: €1 million) and have been deducted from finished goods.

A number of the inventory positions were revalued in 2006. The aggregate write down to net market value of land positions in the Netherlands and of raw materials and semi-manufactured goods amounted to €11 million (2005: 3 million) and has been charged to the income statement.

The inventories included in current liabilities amounting to €12 million (2005: €1 million) relate to housing projects in which the value of the work performed is lower than the amount of the instalments invoiced.

The cost of finished goods and raw materials and semi-manufactured goods sold amounts to €97 million (2005: €82 million).

7 Work in progress

x € 1 000 000	2006	2005
Of which:		
Work in progress under current assets	87	100
Work in progress under current liabilities	(135)	(226)
	(48)	(126)
Own development	(18)	(11)
Third parties	(30)	(115)
	(48)	(126)
Project costs	1 174	629
Instalments	(1 222)	(755)
	(48)	(126)
Instalments received	1 104	624
Instalments outstanding	114	125
Retained from instalments	4	6
Instalments	1 222	755

8 Receivables

x € 1 000 000	2006	2005
Instalments	130	131
Debtors	79	78
PPP receivables	2	-
Prepaid expenses	5	7
Total	216	216

As at 31 December 2005, instalments included an amount of €4 million (2005: €6 million) by way of retentions related to construction contracts in progress. Retentions are stated at present value.

The PPP receivables represent the current portion of the receivables arising from Public Private Partnerships (PPP) arising from concession fees receivable from public bodies (public authorities) in connection with PPP projects in the Netherlands.

The cumulative impairment losses for doubtful receivables amounted to €12 million (2005: €14 million) and have been deducted from Receivables.

There were no known claims against receivables as at balance sheet date (2005: €1 million).

9 Net cash

x € 1 000 000	2006	2005
Cash and cash equivalents	95	175
Bank loans	(33)	(46)
	62	129
Unrestricted cash balances	42	99
Proportionally consolidated	20	30
	62	129

Cash and cash equivalents (€95 million) consist of credit balances (2005: €175 million).

Up to 15 February 2007 Ballast Nedam had access to a €40 million facility with ABN AMRO Bank / ING Bank (with interest at Euribor + 200 basis points). Ballast Nedam used this facility during the year. As at 31 December 2006 €10 million of the facility was used.

10 Other liabilities

x € 1 000 000	2006	2005
VAT, payroll tax and social security contributions	24	21
Pension contributions	1	1
Charges relating to work in progress	47	30
Other	82	92
Total	154	144

Other liabilities, in the amount of € 82 million (2005: € 92 million), include liabilities for vacation pay, untaken vacations, accruals, debts to joint venture partners and various other liabilities which can not be allocated to the other items.

11 Loans

x € 1 000 000	2006	2005
Non-current		
Stichting Pensioenfonds Ballast Nedam	-	11
BC Transportation Financing Authority	3	4
CBT Golden Peaks Development Corp.	4	4
Nederlandse Investeringsbank / Bank Nederlandse Gemeenten (PPP)	17	11
Bank Nederlandse Gemeenten (PPP)	7	9
ING Real Estate Finance	-	11
Other	5	4
	36	54
Current		
Stichting Pensioenfonds Ballast Nedam	-	5
Bank Nederlandse Gemeenten	2	-
Other	1	2
	3	7

Stichting Pensioenfonds Ballast Nedam

This loan was provided to Ballast Nedam Nederland B.V. by Stichting Ballast Nedam Pensioenfonds on 10 February 2003 for a term of six years. The interest rate was 5.45% and the loan was to be repaid in 24 equal instalments beginning on 30 May 2003. Ballast Nedam Nederland B.V. had the right to repay the loan on an accelerated basis without penalty or additional interest charges. A pari passu clause and negative pledge conditions applied to the loan vis-à-vis the Stichting (Foundation). Ballast Nedam Nederland B.V. had not pledged collateral to the Stichting for the loan. Ballast Nedam Nederland B.V. exercised its right to repay the loan on an accelerated basis as of 29 December 2006.

BC Transportation Financing Authority

This loan is for the construction and development of a main road to the Canadian ski resort, Kicking Horse Mountain Resort (KHMR). The loan is being repaid out of royalty payments based on a fixed amount per visitor. The unpaid amount for any year (interest and/or principal) is added to the remaining principal. The remaining amount of the loan can be repaid without penalty. KHMR is to continue paying the royalties until the residual debt has been repaid. If, at the end of the period, KHMR has made all royalty payments and a residual debt remains, this will be waived. A minimum interest rate of 7.2% + 0.5% is required to have been paid over the entire period.

CBT Golden Peaks Development Corporation

The original amount of the CBT loan of CAD 5 million must be repaid on 7 March 2010. The basic interest rate is 8% per annum payable quarterly. The additional variable interest rate is 7% per annum, amounts to a maximum of 30% of the cash flow from operations and is paid annually. Certain project assets of ski resort Kicking Horse Mountain Resort have been pledged as collateral. In 2006 the variable interest paid was nil (2005: nil).

Nederlandse Investeringsbank / Bank Nederlandse Gemeenten (PPP project)

This loan represents Ballast Nedam's 33% proportional part of the financing of Wäldwei.com B.V.'s DBFM contract. Wäldwei.com B.V. has arranged four long-term credit facilities (in excess of one year).

- A Term loan: The credit facility amounts to €6.6 million. The interest-rate is Euribor plus 0.25% pa. The loan is expected to be repayable in March 2008.
- B Term loan: The credit facility is €36 million. The interest-rate is three-month Euribor plus 0.85% pa. The loan is repayable in March 2008.
- C Term loan: The credit facility is €24.3 million. The interest-rate is three-month Euribor plus 0.95% during the construction period and three-month Euribor plus 0.85% during the operational period. This facility is repayable during the period March 2008-December 2021.
- Revolving Credit Facility
The credit facility amounts to €4.5 million. The interest-rate is three-month Euribor plus 0.95% until the end of the construction period (March 2008) and three-month Euribor plus 0.85% for the remaining period. Repayments take place quarterly.

The shares of Wâldwei.com B.V. and all other receivables and assets of Wâldwei.com B.V. have been pledged as collateral for these facilities.

Bank Nederlandse Gemeenten (PPP project)

This financing represents Ballast Nedam's 16.67% proportional share of project finance for the N11 consortium. Bank Nederlandse Gemeenten concluded a deed of assignment with the consortium on 1 October 2003 under which the consortium assigns to the Bank all claims (with associated rights) against the Province of South Holland concerning the instalment payments under the DBM agreement of 22 May 2001. Repayment is in accordance with the assigned instalments and runs until 1 February 2009.

ING Real Estate Finance

This was a mortgage loan forming part of an option lease agreement. A limited partnership (Commanditaire Vennootschap) had been set up for the option lease agreement, in which Ballast Nedam and ING Real Estate Finance participated. The loan was concluded on 21 December 2001 for a principal sum of €12 million as financing for five office buildings and annexes used by Ballast Nedam in Apeldoorn, Arnhem, Groningen, Leerdam and Zaandam. The interest payable was based on the Euribor rate plus 115 basis points and had been set for the initial period of five years at 5.51%. The loan had a term of 15 years and was linked to an option lease agreement in which Ballast Nedam had the right at three five-year intervals to exercise the purchase option and to repay the loan. In June 2006 the limited partnership was dissolved and Ballast Nedam took over the mortgage. On 29 December 2006 the remaining amount of the loan was fully repaid.

Other

Other loans include some smaller loans to finance a number of commercial buildings, a landholding and a recycling installation.

Restructuring of the finance as of 1 April 2007

As of 1 April 2007 Ballast Nedam has reached agreement with Rabobank for the provision of a €50 million loan, to be used to re-finance the loans from Stichting Pensioenfonds Ballast Nedam and ING Real Estate Finance repaid on 29 December 2006, as well as for general business purposes. The loan has a maturity period of 5 years, a fixed interest rate of 4.63% and has no debt covenants. A number of real estate assets currently in use by Ballast Nedam has been pledged as security.

12 Deferred tax liabilities

Deferred tax liabilities have arisen due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the fiscal valuation of assets and liabilities. These temporary differences are attributable to the following items:

x € 1 000 000	2006	2005
Intangible assets	3	3
Other differences	1	-
Balance as at 1 January	4	3
Movement via the income statement	-	1
Balance as at 31 December	4	4

13 Pensions and other employee benefits

x € 1 000 000	Total employee benefits				
	Long-term illness	Long-service bonuses	Pensions	2006	2005
Balance as at 1 January	1	2	4	7	7
Addition	-	-	-	-	1
Unwind of discount	-	-	-	-	-
Reversals	-	-	-	-	-
Contributions received	-	-	-	-	(1)
Effect of amendments to pension scheme	-	-	(1)	(1)	-
Utilised	-	-	-	-	-
Balance as at 31 December	1	2	3	6	7
Of which included in current liabilities			(1)	(1)	(1)
			2	5	6

x € 1 000 000	2006	2005
Pensions and other employee benefits		
Present value of pension obligations	9	17
Fair value of plan assets	(7)	(11)
	2	6
Unrecognised actuarial losses	-	(3)
Obligations under defined benefit pension scheme	2	3
Obligations under other long-term employee benefits	3	3
Obligations under defined contribution schemes	1	1
Total pensions and other long-term employee benefits	6	7

x € 1 000 000	2006	2005
Movements in the net liability for defined benefit obligations recognised in the balance sheet		
Net liability for defined benefit obligations as at 1 January	3	3
Contributions received	-	(1)
Charge included in income statement	-	1
Net liability for defined benefit obligations as at 31 December	3	3
Effect of changes to pension scheme	(1)	-
Pension position as at 31 December	2	3

Ballast Nedam has a number of defined benefit pension schemes, under which employees' rights are based on the number of years service and salary level. The obligations under these pension schemes are systematically covered by means of payments into pension funds or to insurance companies. Ballast Nedam does not have sufficient information on these pension schemes to treat the pension scheme as a defined benefit scheme. These pension schemes have therefore been treated as defined contribution schemes. They are limited in size. Ballast Nedam is required to pay the pre-determined contribution under these schemes, but has no obligation to make good any eventual shortfall, other than through higher contributions in the future. Ballast Nedam can not claim any possible surpluses on the pension funds either.

The majority of the pension entitlements have been placed with the Stichting Pensioenfonds Ballast Nedam and the insurance company Aegon for former members and pensioners coming under the 'Laudy' pension scheme.

The pension entitlements of the active participants of the 'Laudy' pension scheme have been transferred to Stichting Pensioenfonds Ballast Nedam as of 1 January 2006. In this regard, a change in the pension plan has been effected for the active participants, as a result of which the 'Laudy' pension scheme qualifies as a defined contribution scheme as from 1 January 2006. The changes in the discounted value of the pension obligations and of the fair value of plan assets arise primarily from the termination of the 'Laudy' pension scheme for active participants. The 'Laudy' pension scheme was not changed for past and retired participants, and the accrued entitlements have been funded with insurance company Aegon. This portion of the 'Laudy' pension scheme qualifies as a defined benefit scheme. As 1 January 2004 is the transitional date for IFRS implementation, Ballast Nedam does not have a five year summary of the defined benefit schemes. Ballast Nedam expects to contribute approximately €18 million to the pension schemes in 2007.

x € 1 000 000	2006	2005
Expense recognised in the income statement in respect of defined benefit schemes		
Current service costs	-	1
Interest on the obligations	-	1
Expected return on plan assets	-	(1)
Amendment of pension scheme	(1)	-
Total	(1)	1
Effective return on plan assets	-	1

In determining the obligations for pensions, the following actuarial assumptions (in weighted averages) have been used:

	2006	2005
Actuarial assumptions (in weighted averages)		
Discount rate as at 31 December	4.5%	4.0%
Expected return on plan assets as at 31 December	5.0%	4.8%
Future wage increases	n/a	3.5%
Future pension increases	2.0%	2.0%

14 Provisions

x € 1 000 000	Reorganisation	Warranties	Other	Total
31 December 2004	15	12	24	51
Addition	13	5	11	29
Unwind of discount	-	-	-	-
Reversals	-	(3)	-	(3)
Utilised	(8)	(2)	(7)	(17)
31 December 2005	20	12	28	60
Addition	6	12	13	31
Unwind of discount	-	-	-	-
Reversals	(2)	(2)	(7)	(11)
Utilised	(6)	(3)	(7)	(16)
31 December 2006	18	19	27	64
Current (< 1 year)				
31 December 2005	18	6	23	47
31 December 2006	6	10	12	28

The reorganisation provision includes € 14 million (2005: € 12 million) for the resolution of guarantees in connection with the former subsidiary, Ballast Plc. This resolution is taking longer than was expected at the end of 2005. The liquidation of Ballast Plc has been effected in 2006. The increase in this provision by € 2 million represents additional liquidation proceeds of € 5 million (2005: € 6 million) earmarked for further resolution of the guarantees, a release of € 1 million (2005: additional provision of € 1 million) following agreement as regards two pending guarantees, and utilisation of € 2 million (2005: € 3 million) for claims under the guarantees. The reorganisation provision was also utilized for costs involved in the restructuring of several prefabricated concrete factories (€ 1 million) and for winding down the international activities of the former Construction International division (€ 1 million).

The provision for warranties relates to work which has been delivered. Of the addition to the provision, € 4 million (2005: € 3 million) was charged to income and the remaining € 8 million (2005: € 2 million) was charged to work in progress and inventories related thereto. Provisions no longer needed, in the amount of € 2 million (2005: € 3 million), were released to income and € 3 million (2005: € 2 million) was utilised to deal with warranty claims received.

Other provisions include € 15 million (2005: € 12 million) for the consequences of infringement of competition regulations up to and including 2001. The appeal process started in 2006 and could take several years. € 5 million of the 2006 addition relates to the fine imposed by the European Commission for infringement of competition regulations in connection with the purchasing of bitumen during the years 1996 – 2001. The remaining amounts of the provisions and additions relate to claims against

Ballast Nedam in connection with construction projects. The release of € 7 million (2005: nil) relates to several provisions no longer needed for potential claims. The utilisation relates primarily to a payment of € 2 million (2005: € 6 million) to the Netherlands Competition Authority (NMa) for infringement of competition regulations and € 2 million to a reclassification to other current liabilities of an amount which has now crystallized into a liability.

15 Minority interests

x € 1 000 000	2006	2005
Name		
Kicking Horse Mountain Resort	-	-
C.V. Regioland	-	2
Total	-	2

C.V. Regioland was liquidated in 2006.

Financial instruments

General

Ballast Nedam makes use of financial instruments, as well as derivative financial instruments, in its normal business operations. These are financial instruments that are recognised in the balance sheet and forward exchange contracts to hedge future transactions and cash flows. Ballast Nedam does not trade in these financial derivatives. Treasury is a centralised responsibility at Ballast Nedam and is organised as such. Company policy is aimed at the creation and maintenance of optimum financial conditions for Ballast Nedam's operating activities.

Cash management

Ballast Nedam organises its cash management at group level. To this end, operating companies' bank accounts are restricted to a limited number of banks in cash-pool arrangements. In 2006, Ballast Nedam placed cash in the money market on a daily basis by concluding call money contracts and deposits.

Exchange risk management

In order to hedge the transaction risk on cash flows arising from ordinary business operations, forward exchange contracts are concluded with first-class banks. The results on these contracts are taken directly to the income statement. Ballast Nedam did not have any significant forward exchange contracts pending as at 31 December 2006.

Interest rate risk

The interest rate risk is limited to fluctuations in the market value of loans received and made. Loans are maintained until the maturity dates. Ballast Nedam does not use financial instruments to manage interest rate fluctuations.

Credit risks

Ballast Nedam conducts a proactive policy of minimising credit risks. Creditworthiness assessments are performed in respect of all customers requiring credit. As at 31 December 2006 there was no material concentration of credit risk within debtors.

Fair value

Ballast Nedam did not have any significant derivative financial instruments in place as at 31 December 2006. In the light of their short term nature, the book values of cash, receivables, short-term loans and other current liabilities approximate the fair values.

Commitments and contingent liabilities

x € 1 000 000	2006	2005
Guarantees		
Guarantees	205	249
Surety bonds	39	37
	244	286

Guarantees include letters of intent and guarantees issued by third parties in connection with the completion of projects and for prepayments received. Surety bonds relate to the guarantees on projects in the United States and cover the full contract sum.

x € 1 000 000	2006			2005		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
Lease commitments						
Other operating assets	4	19	2	6	13	-
Rental commitments						
Offices	5	21	13	4	13	11
Purchase commitments						
Land purchases	5	6	1	5	6	-

Ballast Nedam has conditionally agreed to purchase land up to an amount of €259 million. It is not yet certain whether Ballast Nedam will proceed to purchase.

The operating lease costs in 2006 amounted to €12 million (2005: €12 million).

Liabilities

Operating subsidiaries are jointly and severally liable for projects which are carried out within the structure of a partnership entity (VOF). A number of operating companies are jointly and severally liable for commitments to various banks. On the basis of credit and guarantee facilities there is an obligation not to provide any collateral. Operating companies forming part of the Ballast Nedam tax unity for Dutch income tax and value added tax bear joint and several liability for these commitments.

Other

In Saudi Arabia a procedure is ongoing in which the tax authorities are contesting the status of a tax-exempt contract dating back to 1999. Ballast Nedam wholly contests this tax claim and sees no need to make a provision. The procedure relates to a tax claim on a Ballast Nedam International subsidiary for which Ballast Nedam has not issued any guarantee.

The Canadian tax authorities have reopened the 1996 tax return of a Canadian subsidiary. Ballast Nedam wholly contests the tax claim resulting from this and sees no need to make a provision. It relates to a tax claim against a subsidiary of Ballast Nedam Asset Management for which Ballast Nedam has not issued any guarantee.

Interests in joint ventures

Joint ventures consist mainly of construction or development combinations and are proportionately consolidated. Ballast Nedam has the following interests in joint ventures.

x € 1 000 000	2006	2005
Non-current assets	38	10
Current assets	103	207
Non-current liabilities	(27)	(23)
Current liabilities	(111)	(179)
Net assets and liabilities	3	15

The proportionally consolidated revenue and cost of sales amounted to approximately 15% (2005: 15%) of total revenue and cost of sales.

The commitments vis-à-vis third parties by companies for which Ballast Nedam is jointly and severally liable, such as trading partnerships, excluding the bank guarantees issued by these companies, amounted to €421 million at year-end 2006 (2005: €576 million), of which Ballast Nedam's share of €138 million (2005: €202 million) has been included in the consolidated balance sheet.

Transactions with related parties

A relationship between related parties arises in respect of Ballast Nedam and its subsidiaries, associates and joint ventures, Stichting Pensioenfonds Ballast Nedam and its managers and directors. Stichting Pensioenfonds Ballast Nedam's most important function is the administration of the pension scheme for the employees of Ballast Nedam. Ballast Nedam buys goods and services from and sells these to several related parties in which Ballast Nedam has an interest of 50% or less. The transactions were entered into on market terms comparable to those for transactions with third parties. For a commentary on the remuneration of the Supervisory Board and the Board of Management see the notes to the company balance sheet and income statement.

Notes to the income statement

16 Employee benefits

x € 1 000 000	2006	2005
Employee benefits		
Wages and salaries	208	204
Social security costs	27	27
Pension charges	17	18
Total	252	249

x € 1 000 000	2006	2005
Pension charges		
Charges in respect of defined-benefit scheme	-	1
Effect of amendments to pension scheme	(1)	-
Charges in respect of defined-contribution scheme	18	17
Total	17	18

17 Income tax expense

There was a tax benefit in 2006 amounting to €6 million (2005: €8 million charge), of which €9 million (2005: €6 million charge) relates to the Dutch fiscal unity. Ballast Nedam has carry-forward tax losses amounting to €177 million (2005: €122 million) in the Netherlands. The carry-forward losses of the Dutch fiscal unity were recognised at year-end 2006. Due to a change in legislation with effect from 1 January 2007, the average term over which carry-forward losses can be offset is approximately six years (2005: unlimited). The utilisation of carry-forward losses depends on future taxable profits. A total of €13 million (2005: €10 million) of the deferred tax asset was realised in 2006. As a result of a reduction in the corporation tax rate to 25.5%, the value of the deferred tax assets was reduced by €3 million (2005: €1 million).

The liquidation of the former UK subsidiary Ballast Plc was completed in 2006 and the liquidation loss realised (€25 million). It is expected that approximately €7 million of the deferred tax asset will be realised within one year.

Losses incurred outside the fiscal unity amounting to €14 million (2005: €13 million) mainly relate to foreign activities which have not been realised.

The tax effect of €1 million (2005: nil) on the item 'Non-deductible costs' relates largely to the as yet unrecognised tax effect of the fine imposed by the European Commission in respect of purchasing of bitumen.

Direct movements in equity did not lead to taxation.

x € 1 000 000	2006	2005
Reconciliation of standard and effective tax rates		
Result before tax	38	28
Nominal tax rate (29.6% and 31.5%), respectively	11	9
Reduction in tax rate	3	1
Additional capitalised unused tax losses	(25)	(6)
Unrecognised results outside fiscal unity	4	4
Non-deductible costs	1	
Effective tax	(6)	8

Analysis of effective tax burden

<i>Current tax</i>		
Tax outside fiscal unity	3	2
	3	2
<i>Deferred tax</i>		
Use of tax losses carried forward	13	10
Capitalised unused tax losses	(25)	(6)
Movement in deferred tax provision	-	1
Reduction in tax rate	3	1
	(9)	6
Effective tax burden	(6)	8

18 Earnings per share

Number of ordinary shares	2006	2005
Shares issued as at 1 January	10 000 000	10 000 000
Issued this year	-	-
Repurchased own shares	(75 599)	(153 438)
Shares in issue as at 31 December	9 924 401	9 846 562
Maximum number of shares to be issued on options	-	200 000
Number of shares diluted	9 924 401	10 046 562
Average number of shares in issue	9 885 482	9 853 871
Average number of shares in issue (diluted)	9 985 482	10 053 871
Net result	44	20
Basic earnings per share (€)	4.44	2.05
Diluted earnings per share (€)	4.40	2.01

Accounting estimates and judgements

In preparing the financial statements, management of Ballast Nedam has made estimates and judgements which affect the amounts recognised for assets, liabilities, revenue, costs and the related notes on conditional and off-balance sheet commitments as at 31 December 2006.

Project results

The valuation of work in progress is based on forecasts of the final project results. The ultimate outcome may differ from these forecasts.

Recognition of income tax

At the close of the financial year, Ballast Nedam makes an assessment of the income tax position of all fiscal entities. This involves making estimates of the actual short-term tax charges and income as well as of the temporary differences between the fiscal valuation and carrying amounts of assets and liabilities for financial reporting purposes. A decision is taken on the balance sheet date as to whether unused tax losses and deferred tax assets due to temporary differences may be recognised. Ballast Nedam recognises deferred tax assets if taxable profits are anticipated within the foreseeable future. If the actual anticipated taxable profits differ from the estimates, and depending on the tax strategies which Ballast Nedam may introduce, capitalised unused deferred tax assets which have been recognised may not be realised, thus affecting the financial position and results of Ballast Nedam.

Provisions

Provisions relating to actual obligations are based on estimates and judgements as to whether the criteria for treatment as a provision have been met, including an estimate of the size of the actual obligation. Actual obligations are disclosed if it is likely that an obligation will arise and its size can be reasonably estimated. In the case of the provision made for restructuring in respect of the liquidation of Ballast Plc, the estimate is based on the anticipated cost of settling potential claims under guarantees issued. If the actual outcome differs from the assumptions as to anticipated costs, the estimated provisions will be revised, and this could have an effect on the financial position and results of Ballast Nedam.

Post-balance sheet events

Restructuring of the finance as of 1 April 2007

As of 1 April 2007 Ballast Nedam has reached agreement with Rabobank for the provision of a €50 million loan, to be used to re-finance the loans from Stichting Pensioenfonds Ballast Nedam and ING Real Estate Finance repaid on 29 December 2006, as well as for general business purposes. The loan has a maturity period of 5 years, a fixed interest rate of 4.63% and has no debt covenants. A number of real estate assets currently in use by Ballast Nedam has been pledged as security.

Consolidated capital employed, assets and liabilities, financing position

x € 1 000 000	2006	2005
Capital employed		
Non-current assets	253	211
Working capital	(14)	(8)
Less: cash and cash equivalents	(95)	(175)
Add: bank loans	33	46
	177	74
Assets		
Non-current assets	253	211
Current assets	541	636
	794	847
Liabilities		
Current liabilities	555	644
Non-current liabilities	81	77
	636	721
Net financing position		
Net cash	62	129
Current portion of long-term loans	(3)	(7)
Long-term loans	(36)	(54)
	23	68

Company balance sheet

x € 1 000 000	31 December 2006	31 December 2005
Financial assets		
Group companies	75	62
Other receivables	151	159
Deferred tax assets	45	36
	271	257
Current assets		
Receivables	2	2
Intercompany receivables	3	-
Cash and cash equivalents	2	5
	7	7
Current liabilities		
Trade creditors	(1)	-
Other liabilities	(1)	-
Intercompany debts	(59)	(86)
	(61)	(86)
Working capital	(54)	(79)
	217	178
Non-current liabilities	30	29
Provisions	29	25
Shareholders' equity		
Issued share capital	60	60
Share premium	52	55
Purchased own shares	(1)	(1)
Currency translation reserve	-	2
Legal reserves	2	3
Other reserves	1	(15)
Undistributed result	44	20
Shareholders' equity	158	124
	217	178

Company income statement

x € 1 000 000	2006	2005
Result from subsidiaries after taxation	40	28
Other income and expenses after taxation	4	(8)
Net result	44	20

The net result from subsidiaries after taxation represents Ballast Nedam's share of the result after taxation of its subsidiaries.

Notes to the company balance sheet and income statement

The company financial statements of Ballast Nedam N.V. form part of the consolidated financial statements 2006 of Ballast Nedam N.V. and have been prepared in accordance with the option provided in Section 362 subsection 8 of Book 2 of the Netherlands Civil Code. The same accounting policies have been used in preparing these company financial statements as were used for the consolidated financial statements. The valuation of assets and liabilities, the translation of foreign currencies and the determination of the net result are in accordance with the financial reporting policies as set out on pages 74 to 80 of the consolidated financial statements. Group companies are stated in the company financial statements at net equity value.

With effect from 1 January 2005, Ballast Nedam has adopted a change in accounting principle with respect to IAS 32 and IAS 39 'Financial instruments'. The effect on equity of this change in accounting principle as at 1 January 2005 is nil.

Group companies

x € 1 000 000	Investments in subsidiaries
31 December 2004	53
Result	28
Disposals	(6)
Dividend received	(16)
Foreign exchange differences	3
31 December 2005	62
Result	40
Disposals	-
Dividend received	(25)
Foreign exchange differences	(2)
31 December 2006	75
Carrying amount as at 31 December 2005	62
Carrying amount as at 31 December 2006	75

Disposals relate mainly to Ballast Nedam Bagger Holding, which was liquidated in 2005.

Other receivables

x € 1 000 000	2006	2005
Ballast Nedam International B.V.	144	144
Other	7	15
Total	151	159

Other receivables relate to long-term receivables from group companies.

Deferred tax assets

x € 1 000 000	Fiscal value of losses carried forward
1 January 2005	41
Movement via the income statement	(5)
31 December 2005	36
Movement via the income statement	9
31 December 2006	45

The movement in the deferred tax assets of €9 million in 2006 (2005: €5 million negative) results from the utilisation of €13 million (2005: €10 million) of the carry-forward losses, the reduction in value of the receivable by €3 million (2005: €1 million) in connection with the reduced tax rate and €25 million (2005: €6 million) in additionally realised carry-forward losses.

The carry-forward losses of the Dutch fiscal unity were recognised at year-end 2006. With effect from 1 January 2007, the tax losses now have limited carry forward in the Netherlands. The average remaining carry forward period is approximately six years (2005: unlimited).

Non-current intercompany debts

x € 1 000 000	2006	2005	Expiry	Rate
Ballast Nedam Nederland B.V.	29	29	2009	5.45%
Other	1	-		
	30	29		

Ballast Nedam N.V. does not have its own credit facilities.

Provisions

x € 1 000 000	Reorganisation	Other	Total
31 December 2004	8	20	28
Addition	8	-	8
Unwind of discount	-	-	-
Reversals	-	-	-
Utilisation	(3)	(8)	(11)
31 December 2005	13	12	25
Addition	5	5	10
Unwind of discount	-	-	-
Reversals	(1)	-	(1)
Utilisation	(3)	(2)	(5)
31 December 2006	14	15	29

Short-term (< 1 year)

31 December 2005	13	12	25
31 December 2006	4	2	6

The provision for reorganisation includes € 14 million (2005: € 12 million) for the settlement of guarantees in respect of the former Ballast Plc. This settlement of guarantees is taking longer than was expected at year-end 2005. The liquidation of Ballast Plc was completed in 2006. The increase of € 2 million in this provision represents an additional liquidation payment received of € 5 million earmarked for further settlement of guarantees issued, plus the release of € 1 million following agreement on two outstanding guarantees and the utilisation of € 2 million for payment of guarantee claims.

The Other provisions include € 15 million (2005: € 12 million) for the consequences of infringement of the competition regulations up to and including 2001. Due to the start of appeal procedures in 2006, settlement will take several years. Of the addition to the provisions in 2006, € 5 million relates to the fine imposed by the European Commission for infringement of competition regulations in respect of the purchase of bitumen during the period 1996-2001. Utilisation of the provision relates mainly to a payment of € 2 million to the Netherlands Competition Authority (NMa) in respect of infringement of the competition regulations.

Shareholders' equity

x € 1 000 000	Issued share capital	Share premium	Purchased own shares	Currency translation reserve	Legal reserves	Other reserves	Result	Share- holders' equity
31 December 2004	60	55	(1)	(1)	3	(28)	13	101
Foreign exchange difference				3				3
Results recognised directly in equity	-	-	-	3	-	-	-	3
Net result for the year							20	20
Total income recognised in equity	-	-	-	3	-	-	20	23
Appropriation of 2004 result						13	(13)	-
Dividend paid								
Other	-	-	-	-	-	-	-	-
31 December 2005	60	55	(1)	2	3	(15)	20	124
Unrealised result				-				
Foreign exchange difference				(2)				(2)
Results recognised directly in equity	-	-	-	(2)	-	-	-	(2)
Net result for the year							44	44
Total income recognised in equity	-	-	-	(2)	-	-	44	42
Appropriation of 2005 result						20	(20)	-
Dividend paid		(5)				(5)		(10)
Other	-	2	-	-	(1)	1	-	2
31 December 2006	60	52	(1)	-	2	1	44	158

The authorised capital consists of 20 000 000 ordinary shares and amounts to € 120 million. The issued share capital consists of 10 000 000 ordinary shares of €6 nominal value each. Of the share premium account, an amount of €25 million is fiscally freely distributable.

The total number of Purchased own shares (Treasury shares) as at year-end 2006 is 75 599 (2005: 153 438); these are included at purchase price. 29 761 of the company's own shares were repurchased in 2006 and 107 600 repurchased shares were sold. The difference between the cost and market value at the moment of delivery is recognised in Share premium.

Foreign exchange differences arise on the translation of the investments in foreign activities, including semi-permanent financing, and on the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the balance sheet date.

The legal reserve represents the reserves retained by associated companies.

Other reserves consist of retained results and the movement in shareholders' equity due to the transition to EU-IFRS as at 1 January 2004.

The Board of Management proposes, with the approval of the Supervisory Board, to distribute a dividend of € 1.34 per ordinary share in issue. The dividend proposal has not yet been incorporated in shareholders' equity and has no consequences for the tax position.

Commitments and contingent liabilities

Guarantees

x € 1 000 000	2006	2005
Guarantees	102	107
Surety bonds	39	37
	141	144

Ballast Nedam N.V. has filed, with the office of the Commercial Register of the Chamber of Commerce, a declaration, in favour of Ballast Nedam Services B.V., of joint and several liability as referred to in Section 403 subsection 1(f) of Book 2 of the Netherlands Civil Code.

In connection with credit and guarantee facilities, Ballast Nedam N.V. has given undertakings not to furnish any security in the form of charges on fixed assets.

Ballast Nedam N.V. has provided guarantees in respect of a number of contracts entered into by subsidiaries.

Together with the subsidiaries which form the fiscal unity, Ballast Nedam N.V. bears joint and several liability for corporation tax and value added tax liabilities in the Netherlands.

Competition risks

As far as it is aware, Ballast Nedam is not involved in any pending criminal investigations by the Public Prosecutor.

Board of Management and Supervisory Board

x € 1 000	2006			2005		
	Gross salary	Bonus	Pension	Gross salary	Bonus	Pension
Board of Management						
R.H.P.W. Kottman	418	139	90	408	137	82
T.A.C.M. Bruijninckx	323	107	57	315	106	51
	741	246	147	723	243	133
Supervisory Board						
A.N.A.M. Smits	45			33		
H.C. Broeksma	30			25		
R.M.M. Boelen	30			15		
J.C. Huis in 't Veld 1)	5			-		
P.C. van den Hoek	-			22		
	110	-	-	95	-	-
Total	851	246	147	818	243	133

1) Appointed during 2006

The bonuses paid are disclosed in the years to which they relate.

The employer's contribution to the social security charges for R.H.P.W. Kottman amounted to 10 000 (2005: € 10 000) and for T.A.C.M. Bruijninckx to € 12 000 (2005: € 12 000). They receive a fixed reimbursement of expenses and have a company car at their disposal.

Staff options

	year granted	2001
R.H.P.W. Kottman		2 000
T.A.C.M. Bruijninckx		500
Other		66 800
	number	69 300
	exercise price in €	34.83
	exercise period from	15/05/2004
	to	13/05/2006
	maximum number of shares to be issued	200 000
	maximum share capital to be issued	€ 1 200 000

400 options were exercised in 2006. The 2001 option plan expired on 13 May 2006.

Depository receipts for shares

	1 January 2006	Movement	31 December 2006
R.H.P.W. Kottman	286	-	286
T.A.C.M. Bruijninckx	532	-	532
Supervisory Board members	-		-
Number	818	-	818

Nieuwegein, 15 March 2007

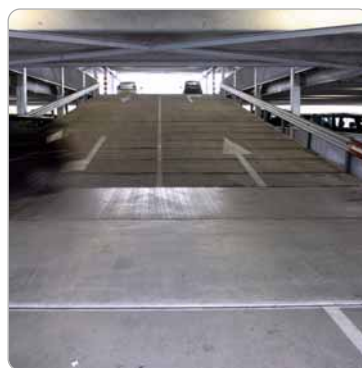
Board of Management,
R.H.P.W. Kottman
T.A.C.M. Bruijninckx

Supervisory Board,
A.N.A.M. Smits
H.C. Broeksma
R.M.M. Boelen
J.C. Huis in 't Veld



Fully-automated car park Apeldoornselaan, The Hague

Lack of space is the main reason for the reduction of parking spaces. In The Hague, the number of parking spaces was increased underground, in the biggest Dutch fully-automated car park on the Apeldoornselaan.



Temporary car park Zaanstad opted for a temporary car park with maximum through views to make users feel safe. As a temporary facility, the car park can be used for advertising purposes.

Other information

Definitions

Cost of revenue

Raw materials and subcontractors plus employee benefits and other operating expenses.

EBITDA

Earnings Before Interest, Taxation, Depreciation and Amortisation.

EBITA

Earnings Before Interest, Taxation and Amortisation.

EBIT

Earnings Before Interest and Taxation; operating result.

PPP receivables

Receivables from Public Private Partnerships (PPP)

Financial assets

PPP receivables plus other investments and other receivables (long-term).

Net cash

Cash and cash equivalents plus deposits less bank loans and short-term loans.

Capital employed

Non-current assets plus working capital excluding net cash.

Net financing position

Net cash plus the short-term element of long-term loans and the long-term loans.

IFRS: International Financial Reporting Standards

As from 1 January 2005 all listed companies in the European Union are required to prepare their consolidated financial statements in accordance with these new standards.

Auditors' report

To the General Meeting of Shareholders

Report on the financial statements

We have audited the accompanying financial statements 2006 of Ballast Nedam N.V., Nieuwegein as set out on pages 70 to 104. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The Company financial statements comprise the Company balance sheet as at 31 December 2006, the Company statement of income for the year then ended and the notes.

Management's responsibility

The management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Ballast Nedam N.V. as at 31 December 2006 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Ballast Nedam N.V. as at 31 December 2006 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Board of Management is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 15 March 2007

KPMG ACCOUNTANTS N.V.

J.C.M. van Rooijen RA

Profit appropriation and dividend proposal

Provisions of the articles of association concerning profit appropriation

The most relevant provisions in the articles of association regarding profit appropriation are contained in Article 23, which reads as follows:

1. The Company may make distributions to the shareholders and to other persons entitled to the profits eligible for distribution only up to a sum not exceeding the amount of the distributable reserves.
2. Profits shall be distributed after approval of the Annual Accounts showing such is allowed.
3. Of the profit earned according to the approved Annual Accounts, the Board of Management shall, subject to the approval of the Supervisory Board, determine which part shall be added to reserves.
The remaining part of the profit shall be distributed as dividend on the shares.
4. In calculating the profit appropriation, the shares held by the Company in its own capital shall not count, unless a usufruct has been created in these shares or depositary receipts therefor have been issued with the cooperation of the Company.
5. In so far as profit is available in the Company, the Board of Management may with the approval of the Supervisory Board resolve upon payment of an interim dividend on account of the dividend to be expected, provided always that the provisions laid down in paragraph 1 of this Article have been satisfied, such to be shown by an interim capital statement as referred to in Section 105 subsection 4 of Book 2 of the Netherlands Civil Code.
6. The resolutions to distribute (interim) dividends may involve (interim) dividends being wholly or partly distributed in cash or in shares in the Company.
7. Upon a motion by the Board of Management, with the approval of the Supervisory Board, the General Meeting may resolve to make a distribution from the distributable reserves.
The provision laid down in paragraph 6 shall apply mutatis mutandis in this respect.
8. The (interim) dividend shall be made payable on a day to be determined by the Board of Management, no later than 14 days after the determination of the (interim) dividend.
9. (Interim) dividends which have not been distributed within five years after they became payable shall be forfeited to the Company.

Dividend proposal

The Board of Management proposes, with the approval of the Supervisory Board, to distribute a dividend of € 1.34 per ordinary share in issue.

Post-balance sheet events

Restructuring of the finance as of 1 April 2007

As of 1 April 2007 Ballast Nedam has reached agreement with Rabobank for the provision of a € 50 million loan, to be used to re-finance the loans from Stichting Pensioenfonds Ballast Nedam and ING Real Estate Finance repaid on 29 December 2006, as well as for general business purposes.

The loan has a maturity period of 5 years, a fixed interest rate of 4.63% and has no debt covenants. A number of real estate assets currently in use by Ballast Nedam has been pledged as security.

BALLAST NEDAM: BOARD OF MANAGEMENT APPOINTMENTS

- **Theo Bruijninckx to be appointed Board of Management chairman from 13 August 2007**
- **Resolution to appoint Ruud Jacobs and Romeo Malizia to Board of Management**

The Ballast Nedam Supervisory Board has decided to appoint Mr T.A.C.M. (Theo) Bruijninckx (45) to the position of chairman of the Board of Management. He will succeed René Kottman, who is retiring because of reaching the contractually agreed retirement age of 62, on 13 August 2007.

Mr Bruijninckx has been the CFO of Ballast Nedam N.V. since 2002, when he joined Mr Kottman on the Board of Management. Mr Bruijninckx is a business economist and Register Controller, and has worked for Ballast Nedam for 17 years. He has also been finance manager in various parts of the group. From 13 August 2007, he will combine the positions of chairman and CFO on the Board of Management, with some of his current financial management responsibilities being taken over at holding company level by a new to be appointed Finance Director of Ballast Nedam N.V.

The Supervisory Board also plans to appoint Messrs R.L.M. (Ruud) Jacobs (51) and R. (Romeo) Malizia (50) to the Board of Management. The forthcoming General Meeting of Shareholders will be advised of the resolution to this effect, on which the Central Works Council has advised positively.

In accordance with the Corporate Governance Code the new members of the Board of Management will be appointed for four years. They can be reappointed for periods of a maximum of four years. Their severance pay is also in compliance with the Code. These appointments mean that, from 13 August 2007, the Board of Management will comprise three members.

Messrs Jacobs and Malizia are currently the Managing Directors of the two Ballast Nedam divisions. Mr Jacobs has been Managing Director of Ballast Nedam Building and Development since 2000. He was previously Regional Managing Director from 1995 and later Managing Director of Ballast Nedam's housing construction activities. Mr Malizia has worked in the infrastructure sector since 1978. From 1988 he worked in various Ballast Nedam management positions until being appointed Managing Director of Ballast Nedam Infrastructure in 2004.

The Supervisory Board has concluded that Mr Bruijninckx is the most suitable candidate. He has experience in various parts of the construction sector and top management experience in a listed company, while he also knows the Ballast Nedam group very well and will ensure the continuity of the group's strategy.

Theo Bruijninckx worked together with René Kottman to complete a successful reorganisation of the group. During this process he proved himself to be a dynamic, highly motivated and effective manager. Theo Bruijninckx has built up significant goodwill, both within and outside the organisation, over the past few years, and his pragmatic and result-oriented approach make him a good representative of the no-nonsense mentality of Ballast Nedam.

The Supervisory Board is pleased that it has been able to recruit the new Board of Management wholly from within the group. The two new members of the Board (Ruud Jacobs and Romeo Malizia) will both retain ultimate responsibility for their current divisions, with no successors being appointed to these positions. The new group structure will be headed up by a three-member Board of Management, with responsibilities representing a logical fit within the overall structure of the group being clearly allocated.

Ruud Jacobs and Romeo Malizia have successfully led their respective divisions in recent years.

Their management skills have been of great importance for our core business. And it is good that their appointments mean there will be a direct link between the Board of Management and the core operational parts of the business. The Supervisory Board has every confidence in the new team.

Mr Kottman will hand over his responsibilities on 13 August 2007, following eight years as chairman of the group. According to Ad Smits (chairman of the Supervisory Board), "René Kottman proved himself an excellent leader in the way he guided the group through its far-reaching reorganisation, when he demonstrated his management skills, courage and perseverance. The fact that the group is now so well positioned is to a large extent attributable to him."

Mr R.J. (Richard) Feenstra (47) will be appointed to the new position of Finance Director of Ballast Nedam N.V. He will take on responsibility at holding company level for some of Mr Bruijninckx's current financial management tasks. Mr Feenstra has been Finance Director of Ballast Nedam Building and Development since 2005, before which he worked in various financial positions at companies such as SHV and Unilever.

Organisation chart 1 March 2007

This chart provides an overview of the most important group companies and associates.

Ballast Nedam N.V.

Ballast Nedam Nederland B.V.	
INFRASTRUCTURE	BUILDING AND DEVELOPMENT

Ballast Nedam Infra B.V.

Regional offices

Ballast Nedam Infra Noord West B.V.
 Ballast Nedam Infra Noord Oost B.V.
 Ballast Nedam Infra Midden B.V.
 Ballast Nedam Infra Zuid West B.V.
 Ballast Nedam Infra Zuid Oost B.V.

Specialist activities

Infra Consult + Engineering B.V.
 Ballast Nedam Infra Specialiteiten B.V.
 Ballast Nedam Funderingstechnieken B.V.
 Ballast Nedam Specialistisch Grondverzet B.V.
 Recycling Maatschappij "Feniks" B.V.
 Ballast Phoenix Ltd. (92,5%) (United Kingdom)
 Ballast Nedam Milieutechniek B.V.
 Dibec B.V.
 TBS Soest B.V.
 Waco Lingen Beton B.V.
 Haitsma Beton B.V.
 Rademakers Gieterij B.V.
 Ingenieursbureau voor Systemen en Octrooien Spanstaal B.V.
 Gebr. Van Leeuwen Harmelen B.V.
 Ballast Nedam Infra Business Development B.V.
 Ballast Nedam Asfalt B.V.
 Ballast Nedam International Product Management B.V.
 Ballast Nedam IPM B.V. has 100% subsidiaries in the following countries:
 France, Belgium, Luxembourg, Germany, Spain, the Czech Republic, the
 United Kingdom, Ireland, Poland, Turkey and China.
 Service Center Leerdam v.o.f.
 Ballast Nedam Wabau GmbH (Germany)
 Spankern GmbH (Germany)

Projects

Ballast Nedam Infra Projecten
 Ballast Nedam International Projects B.V.
 Ballast Nedam Infra Suriname B.V.
 Ballast Nedam Africa B.V.
 Ballast Nedam Ghana B.V.
 Ballast Nedam Emirates B.V.
 Ballast Nedam Curaçao B.V.
 Ballast Nedam Vietnam B.V.

Raw materials

Ballast Nedam Grondstoffen B.V.
 N.V. Algri (Belgium)
 B.V. Grind- en Zandhandel v/h T. Verkaik
 N.V. Immobiliën en Grindexploitatie maatschappij Bichterweerd (Belgium)
 Société d'Exploitation des Carrieres d'Yvoir S.A. (Belgium)
 Beheersmaatschappij Fr. Bontrup B.V./Bremanger Quarry S.A. (30%) (Norway)
 Ballast Van Oord Grondstoffen v.o.f. (50%)

Associates

Ballast Nedam Concessies B.V. (50%)
 Ballast Nedam Bouwmaterieel B.V. (50%)
 Ballast Nedam Infra Participatie B.V.
 Ouwejan v.o.f. (33,3%)
 Nederlandse Frees Maatschappij B.V. (17%)
 Graniet Import Benelux B.V. (9%)
 Traffic Service Van Strien B.V. (21%)
 Asfaltcentrales
 Wind Invest B.V. (50%)

Ballast Nedam Bouw en Ontwikkeling B.V.

Ballast Nedam Bouw B.V.

Bouwcombinatie IJsseloord 2 v.o.f. (50%)
 Onderhoudscombinatie Ahoy (50%)
 B.V. Aannemingsbedrijf F.W. Onrust
 Laudy Bouw en Ontwikkeling B.V.
 Zomers Bouwbedrijf B.V.
 Bouwbedrijf van Asperdt B.V. (50%)
 Ontwikkelingsmaatschappij De Blauwe Stad B.V. (33 1/3%)
 Bouwcombinatie Zoetermeer Oosterheem v.o.f. (25%)
 Groote Dok West v.o.f. (50%)
 V.o.f. Lambertus Zijlplein (50%)
 De Coopvaert v.o.f. (50%)
 Bouwcombinatie Euroborg v.o.f. (25 %)
 Bouwcombinatie Prinsenhof v.o.f. (50%)
 Bouwcombinatie Lounge 1 v.o.f. (50 %)
 Bouwcombinatie De Appelaar v.o.f. (50%)
 Bouwcombinatie Medical Park Sittard v.o.f. (25%)
 Hollestelle Vastgoedontwikkeling B.V.
 FiftyTwoDegrees beheer B.V. (51%)
 Bouwcombinatie Westraven v.o.f. (50%)
 Bouwcombinatie New Babylon v.o.f. (50%)
 Bouwcombinatie De Con fiance v.o.f. (50%)

Ballast Nedam Ontwikkelingsmaatschappij B.V.

Ballast Nedam Vleuterweide B.V.
 Ballast Nedam Euroborg B.V.
 Nieuw Vennep Zuid III B.V. (50%)
 Ballast Nedam Arena B.V.
 Getz B.V. (17%)
 V.o.f. De Geuzenbaan (50%)
 Ontwikkelingsmij. Centrumgebied Amsterdam Zuidoost B.V. (33%)

Ballast Nedam Services B.V.

Ballast Nedam Concessies B.V. (50%)

Ballast Nedam Bouwmaterieel B.V. (50%)

Hoco Groep International B.V.

Omnia Plaatvloer B.V.

ASSET MANAGEMENT	CONSTRUCTION INTERNATIONAL	OTHER
Ballast Nedam Asset Management B.V. Ballast Nedam Canada Ltd. (Canada) Golden Peaks Resort Inc. (Canada) Kicking Horse Mountain Resort Trust (90%)	Ballast Nedam International B.V. Ballast Nedam Groep N.V. Ballast Saudi Arabië B.V. Ballast Nedam Caribbean N.V. (St. Maarten) J.V. Hochtief – Ballast Nedam - Pan Asia (Taiwan) IHI Co.Ltd - Toyo Engineering India Ltd.- Mitsui & Co. Ltd. -Itochu Co.Ltd. – Ballast Nedam International B.V. (India) Ballast Nedam Groep N.V. (Malaysia) Sdn. Bhd. (Malaysia)	Ballast Nedam ICT B.V. Abl2 B.V. (50%)

Management as of 1 March 2007

Ballast Nedam N.V.

Board of Management

R.H.P.W. Kottman, chairman
T.A.C.M. Bruijninx

Corporate secretary

A.C. van Haeringen

Corporate staff

Corporate Planning and Legal Affairs
Controlling
Communication
ICT
Risk Control & Assurance
Purchasing Services
Personnel & organisation

A.C. van Haeringen
T.A.C.M. Bruijninx
A.C. van Kessel
R.J. Kathmann
A.C.M. van Haastrecht
G.J.E. Koreman
R.H.P.W. Kottman

Ballast Nedam International B.V.

A. Kok

Ballast Nedam Nederland B.V.

R.H.P.W. Kottman, T.A.C.M. Bruijninx

Ballast Nedam Asset Management B.V.

Abi2 (50%)

A. Kok
M. van Vuure, D. van Hoogstraten

INFRASTRUCTURE

Ballast Nedam Infra B.V.

Ballast Nedam Infra Projecten
Ballast Nedam International Projects B.V.
Ballast Nedam Infra Noord West B.V.
Ballast Nedam Infra Noord Oost B.V.
Ballast Nedam Infra Zuid Oost B.V.
Ballast Nedam Infra Zuid West B.V.
Ballast Nedam Infra Midden B.V.
Ballast Nedam Infra Specialiteiten B.V.
Infra Consult + Engineering B.V.
Ballast Nedam Funderingstechnieken B.V.
Ballast Nedam Milieutechniek B.V.
Dibec B.V.
Recycling Maatschappij Feniks B.V.
Ballast Nedam Participatie B.V.
Ballast Nedam Geluidwering
Ballast Nedam Zuiveringen
Ballast Nedam Specialistisch Grondverzet B.V.
Van Drooge Transport en Handelsmaatschappij B.V.
Ballast Nedam Grondstoffen B.V.
N.V. Immobiliën en Grindexploitatie maatschappij Bichterweerd,
N.V. Algri en N.V. La Gravière Amay (België)
Société d'Exploitation des Carrières d'Yvoir S.A. (België)
Zand- en Grindhandel Verkaik v.o.f.
Haitsma Beton B.V.
Waco Lingen Beton B.V.
TBS Soest B.V.
Rademakers Gieterij B.V.
Ingenieursbureau voor Systemen en Octrooien Spanstaal B.V.
Ballast Nedam International Product Management B.V.
Gebr van Leeuwen Harmelen B.V.
Ballast Nedam Infra Business Development B.V.
Ballast Nedam Asfalt B.V.

R. Malizia, P. van Zwieten
R. van Schravendijk
R. van Schravendijk
J.T. Folkerts
R.P. de Keijser
A.J. Stoop
H. Kuipers
H. Mos
H. Veerman, A. van der Zijden
W.J. van Niekerk
J. Smeets
W.E.R. Huntjens
P.G.M. Ballast
A.C.G. van Beurden
P.S. van der Bijl
J.T. Folkerts
A.J. Stoop
K. Roelfsema
R.P. de Keijser
H.P. van der Meer
H.P. van der Meer
H.P. van der Meer
H.M. Bronder
K. Visser
J.K. Verhoeve
W. Ent
P.J. Woldendorp
W.J.J. Smit, J.A.M. Spaan
H.G. van Uitert
M.T. van Leeuwen
S.J. de Jong
R. van Wijk

BUILDING AND DEVELOPMENT

Ballast Nedam Bouw en Ontwikkeling B.V.

Ballast Nedam Ontwikkelingsmaatschappij B.V.

Ballast Nedam Bouw B.V.

Ballast Nedam Bouw Noord
Ballast Nedam Bouw Speciale Projecten
Ballast Nedam Bouw Noordwest
Ballast Nedam Bouw Midden
Ballast Nedam Bouw West
Ballast Nedam Bouw Oost
Ballast Nedam Bouw Zuid
Aannemingsbedrijf F.W. Onrust B.V.
Laudy Bouw en Ontwikkeling B.V.
Zomers Bouwbedrijf B.V.
Bouwbedrijf Van Asperdt B.V. (50%)
Hollestelle Vastgoed Ontwikkeling B.V.

Ballast Nedam Services B.V.

Hoco Beton B.V.

Omnia Plaatvloer B.V.

R.L.M. Jacobs, R.J. Feenstra, F.L. van Oorschot
J. H. Seelen

H.L. Tragter
J.A.G. van Oostrum
P.J. Cupido
F.A. Rombouts
R. Honig
E. Velthuis
R. Cornelisse
R.M. Vonk
J.F.A.M. Corten
C.M.B. van Driel
E. Kooijmans
J. Hollestelle

J.W. Bolt
J.J.G. Holtackers, L.M.G.C. Peerlings
H. Sieben

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