



The intermediate supports of the bus-lane viaduct over the A4 at Hoofddorp have been made in precast concrete and were then hoisted into position. The edge elements of this viaduct in the Zuidtangent have been made out of synthetic material.





Financial agenda

10 May 2006

The Annual General Meeting of Shareholders will be held at the Artis party and conference center in Amsterdam at 01.30 p.m.

14 July 2006

Publication half-year results 2006 (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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Euroborg

The football stadium for FC Groningen is already in full use, but the development of Euroborg entails more than that. The multifunctional centre is a crowd-puller for Groningen and environs and will soon form the heart of the new Europapark urban district.



Apart from the stadium, the programme includes shops, catering facilities, a casino and a cinema. Together with offices, apartments and a hotel school, this will create an attractive mix of urban functions.

Foreword by the Chairman of the Board of Management

Ballast Nedam has completed an excellent year. The upward trend of recent years has been sustained:

- The radical turnaround of the group during the period 2001-2004 has had tangible results: loss-making revenue is a thing of the past, the risk profile has been sharply improved and the underlying value of the core business has been increased.
- The net result rose by 54% on 2004 to 20 million euros.
- Despite continuing price pressure in important segments of our market the two divisions both improved their result. Noteworthy projects were successfully completed and new assignments added to the order book.
- In May 2005, 48% of the shares were sold by way of a secondary offering, attracting a high level of interest in the market. The shareholder base was substantially extended and the free-float and liquidity of the shares grew strongly. Ballast Nedam is once again on investors' radar screens. This was also reflected in the share price: Ballast Nedam made the second-largest gains of any stock on the Amsterdam stock exchange.
- In the realisation that the shareholders are the owners of the company, Ballast Nedam removed the final anti-takeover provisions in 2005. Apart from the statutory obligation to do so, Ballast Nedam is applying the Tabaksblat code on corporate governance as a matter of course. Once again Ballast Nedam was among the most highly-rated listed companies in 2005 when it came to transparency and accountability. As noted in the annual report, we also worked on many other fronts to strengthen the company.

Entrepreneurship under new market conditions, innovation and unceasing efforts to improve the operating processes are and remain key concepts. We continue to deliver higher added value and, with it, improved margins.

In its history of nearly 130 years, Ballast Nedam has demonstrated on various occasions that it is both willing and able to undertake radical internal reforms and to respond to new market conditions. In doing so it relies on employees who are proud of their company, their work and the products they make.

The Board of Management is convinced that the present strategy of the company, as set out in more detail in this report, offers the best opportunities to grow and become stronger. This is in the interests of its employees and - ultimately - its shareholders.

Nieuwegein, 9 March 2006

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

Wâldwei

The eponymous consortium is widening a 15-kilometre stretch of highway N31 in Friesland under a DBFM contract with the Directorate-General for Public Works and Water Management. This will also include the construction of the new Fonejacht Bridge and an aqueduct. The project can be followed on www.waldwei.com.



Aqueduct Langdeel is built on steel foundations in an artificially created polder.



100 000 m² of liner with a weight of 160 tonnes has been sunk for the polder.



The new Fonejachtbrug will be several metres higher and will not need to open so often.

Mission, company profile and group structure

Mission

Ballast Nedam is a listed Dutch company offering a wide range of construction-related products and services. Its main activities lie in the fields of infrastructure and residential and non-residential development and construction. The company also manufactures and supplies raw materials, services and products which are directly related to these activities.

The company concentrates mainly on the Dutch market and, in addition, is selectively active in certain profitable international areas of expertise.

Ballast Nedam ranks among the top five Dutch construction groups. The group aims to set itself apart by undertaking high-profile and profitable construction projects, based on the high degree of knowledge and expertise available within the organisation.

At every level of the organisation, we seek to offer our customers commitment and quality, along with expertise, reliability and flexibility. We aim to offer our employees a challenging working environment and to contribute through all our activities to the quality of the environment in which we work. Our activities and approach are aimed at creating the best possible shareholder value.

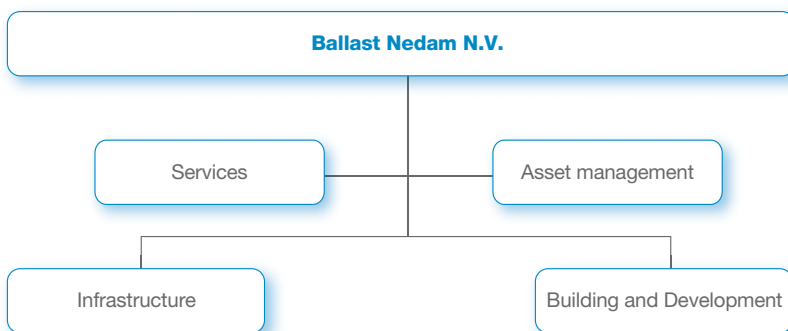
Ballast Nedam firmly believes in its own strength and independence. Further growth as an independent company is the preferred route, though for a listed company independence should not become a dogma. Serious options which present themselves will be carefully analysed in a dialogue with our shareholders.

Company profile

In 2005 Ballast Nedam generated revenue of 1.2 billion euros, almost 90% of which was achieved in the Netherlands. Overall, the group employed an average of approximately 3 700 people during the year under review.

Group structure

The group structure is illustrated in the Organisation chart later in this report. The management structure is as follows:



It can be seen from this structure that two divisions of roughly equal size (Infrastructure and Building and Development) form the core of the group. The managing directors of these divisions report to the Board of Management. The Board of Management and the managing directors of the divisions together form the Concern Council, which discusses topics affecting the whole group. Decision-making authority lies with the Board of Management.

Ballast Nedam Services and Ballast Nedam Asset Management are separate (smaller) business units, reporting to the Board of Management. Ballast Nedam N.V. has a small holding company staff (18 employees) who support the Board of Management.

The activities of Ballast Nedam International as a separate division were terminated in 2005. The remaining activities have been taken over by Ballast Nedam Asset Management.

Key figures

x € 1 000 000	2005	2004	NL GAAP			
			2004	2003	2002	2001
Revenue and result						
Revenue	1 206	1 164	1 164	1 619	2 307	2 326
the Netherlands	1 105	1 042	1 042	1 132	1 242	1 267
international	101	122	122	487	1 065	1 059
Order book	1 064	971	971	1 046	1 833	2 489
EBITDA	58	63	45	33	(70)	23
Impairment	-	(8)	(7)	(6)		
Depreciation	(18)	(19)	(17)	(23)	(46)	(44)
EBITA	40	36	21	4	(116)	(21)
Amortisation	(2)	(1)	(2)	(4)	(6)	(2)
EBIT	38	35	19	-	(122)	(23)
Profit before taxation	28	24	15	(6)	(135)	(32)
Net result before amortisation	22	14	10	50	(137)	(48)
Net result	20	13	8	46	(143)	(50)
Investments						
Investments	32	20	17	19	67	345
Disposals	67	20	20	26	218	226
Net investments	(35)	-	(3)	(7)	(151)	119
Capital structure						
Capital employed	74	78	(11)	(2)	(16)	205
Shareholders' equity	124	101	109	102	56	215
Interest-bearing long-term loans	54	99	39	27	39	93
Net cash	129	160	160	136	116	110
Ratio's						
EBIT / revenue	3%	3%	2%	0%	-5%	-1%
Net result / revenue	2%	1%	1%	3%	-6%	-2%
Net result / average shareholders' equity	18%	14%	8%	58%	-106%	-20%
Shareholders' equity / assets	15%	12%	20%	18%	9%	22%
Average number of employees	3 721	4 022	4 022	4 957	6 549	7 264
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	333	124	124	48	49	160
Dividend paid	-	-	-	-	11	11
Per average share in issue of € 6 nominal value						
Shareholders' equity	12.54	10.26	11.02	10.33	5.62	21.71
Dividend paid	-	-	-	-	1.14	1.15
Net result before amortisation	2.21	1.52	1.05	5.08	(13.91)	(4.89)
Net result	2.05	1.36	0.80	4.67	(14.46)	(5.06)

Summarised balance sheets

x € 1 000 000	2005	2004	NL GAAP			
			2004	2003	2002	2001
Non-current assets						
Intangible assets	21	23	22	23	27	63
Property, plant and equipment	144	190	98	125	162	321
Financial assets	10	14	21	22	35	43
Deferred tax assets	36	41	38	43		
	211	268	179	213	224	427
Current assets						
Inventories and work in progress	245	182	(23)	(51)	(107)	(77)
Receivables	216	183	184	234	371	505
Cash and cash equivalents	175	191	191	159	138	114
	636	556	352	342	402	542
Current liabilities						
Bank loans	(46)	(31)	(31)	(23)	(22)	(4)
Other liabilities	(598)	(555)	(296)	(339)	(462)	(585)
	(644)	(586)	(327)	(362)	(484)	(589)
Working capital	(8)	(30)	25	(20)	(82)	(47)
Total	203	238	204	193	142	380
Non-current liabilities						
Loans	54	99	39	27	39	93
Employee benefits, provisions and deferred tax liabilities	23	34	55	59	42	65
	77	133	94	86	81	158
Group equity						
Minority interest	2	4	1	5	5	7
Equity attributable to equity holders of the parent	124	101	109	102	56	215
	126	105	110	107	61	222
Total	203	238	204	193	142	380

Board of Management and Supervisory Board

Board of Management

R.H.P.W. Kottman (60), Chairman
T.A.C.M. Bruijninckx (44)

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

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

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

Concern Council

R.H.P.W. Kottman	Chairman
T.A.C.M. Bruijninckx	Chief Financial Officer
R. Malizia	Ballast Nedam Infra (Infrastructure)
R.L.M. Jacobs	Ballast Nedam Bouw en Ontwikkeling (Building and Development)

Supervisory Board

P.C. van den Hoek, Chairman (until 1 July 2005)
A.N.A.M. Smits, Chairman (as of 1 July 2005)
H.C. Broeksma, Vice-Chairman
R.M.M. Boelen (as of 1 July 2005)

The Supervisory Board has a set of regulations for its procedures.

Corporate 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, A.N.A.M. Smits and H.C. Broeksma

Personal particulars of the Supervisory Board

A.N.A.M. Smits

(Chairman)

Mr Smits was born in 1943. He is a Dutch national. He was a member of the Board of Management of Macintosh N.V. and Wilma International N.V.

He occupied positions in the Board of Management and the Supervisory Board of various other companies.

Currently, he is a member of the Supervisory Board of Macintosh Retail N.V., Vebego Holding B.V., Maas International B.V. and Sofinim N.V.

Furthermore, he is Chairman of the Supervisory Board of CZ-Group and of 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 was born in 1945. He is a Dutch national. He was a member of the Group Executive Board of Koninklijke Wessanen N.V.

He is a member of the Supervisory Board of Delta Lloyd Verzekeringsgroep N.V., Delta Lloyd Bank N.V., Blauwhoed Holding B.V. and

FLENTROP Orgelbouw B.V. He is also a member of Stichting Democratie and Media (Treasurer) and 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: Koraal Holding B.V. (Chairman), Royal Asscher Diamond Co., AHM Hotel Groep B.V., Golden Tulip Hospitality B.V. and Bavaria N.V. He is also treasurer of the Mandela Children Fund Nederland, secretary of the Peace Parcs Nederland Fund and Chairman of the Supervisory Committee of Stichting de Meren (Amsterdam).

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

His current term of office ends on 1 July 2009.

Report of the Supervisory Board

The Supervisory Board notes with satisfaction that Ballast Nedam continued to make substantial progress in 2005 in positioning the company and improving its results. Ballast Nedam performed well in the year under review, despite the difficult market conditions. The net result improved markedly, from 13 million euros in 2004 to 20 million euros in 2005. Profit in both divisions improved. The policy of giving priority to growing the result rather than turnover growth is proving to be effective, and will be continued in the period ahead.

Putting into place the final pieces of the international restructuring operation continued successfully. The remaining risks to which the company is exposed were reduced further in 2005. The winding up of the British company Ballast Plc is likely to be completed in mid-2006; this will generate a substantial increase in the tax losses carried forward.

There has been a successful restructuring programme. We are pleased to see the great resilience shown by the organisation in recent years, the enthusiasm displayed across a broad front and the sound entrepreneurship which is embedded in the various layers of the organisation.

The secondary offering of almost half the shares was an important event for the company and its shareholders in 2005. We believe that the great interest shown by the market in this offering illustrates the restored confidence in Ballast Nedam. The secondary offering also had a positive impact on the shareholder structure, creating a much broader spread with no dominant parties and shares which are marketable virtually without restriction. The strong price gains and high liquidity are a reflection of the positive developments which Ballast Nedam underwent in 2005 as a listed company.

The Supervisory Board is pleased that following a radical restructuring, two years of losses and a sharply reduced share price, the shareholder value has been more than restored: the share price is now considerably higher than before the transformation operation. Our shareholders were sorely tested during this difficult period, and it is therefore gratifying to see that Ballast Nedam is now once again fit and healthy in its new, leaner guise.

The above topics were of course discussed at length during the six meetings held by our Board in the year under review. The new, much improved position of the company also prompted interest by third parties in acquiring a majority or all of the shares in Ballast Nedam. These developments were actively monitored and discussed by our Board. During these discussions, the interests of the company and of its shareholders were taken as the starting point in a thorough assessment of the initiatives put forward by others. Ultimately, these developments did not lead to a concrete proposal. In response to a proposal by the Supervisory Board, the Board of the Stichting Administratiekantoor van aandelen Ballast Nedam decided to remove the last remaining protection measures in 2005.

During the year under review we discussed the operational and financial performance of the company on the basis of periodic reports and separate memoranda from the Board of Management.

The Supervisory Board discusses the performance of the divisions at each of its meetings. When this item on the agenda is discussed, the managing directors of the divisions attend and provide further information on request. This gives the Supervisory Board a good impression of the performance at operational level and of the functioning of the management tier below the Board of Management. In a joint meeting with the Board of Management and the managing directors of the divisions, the strategy and long-term planning were discussed, leading among other things to the establishment of the targets for 2006.

The Board of Management periodically presents an adjustment of the risk profile of the company. The structure and functioning of the internal risk management and control system are also discussed. Discussions are held periodically on these matters with the company's external auditors, and the management letter is an important discussion point in our Board's consultation with the Board of Management and 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 also applied to the discussion of the half-year and annual results in the presence of the external auditors.

Ballast Nedam has traditionally enjoyed a system of close and good consultation with the staff representation. Board delegations held talks with the executive of the Central Works Council, and members of the Supervisory Board attended a number of consultative meetings.

The number of members of the Supervisory Board reduced again in the year under review. The chairman, Mr P.C. van den Hoek, stepped down from the Board on 1 July 2005. He was a member of the Supervisory Board for 17 years, and for more than 12 of those years served as an excellent chairman. His expertise and wide experience were of great significance. This was most manifest in the sometimes turbulent conditions through which the company had to be piloted. He led our Board in the fulfilment of its administrative responsibilities with skill, a keen eye for corporate governance, a resolute approach and a good deal of charm. Ballast Nedam owes him a great debt of thanks for his long years of dedication to the interests of the company, its staff and its shareholders.

It gives us great pleasure that he was able to leave Ballast Nedam at a moment when it was clear that the company had successfully completed its revitalisation process and was once again in a good position.

Mr A.N.A.M. Smits succeeded Mr van den Hoek as chairman of the Supervisory Board on 1 July 2005.

Mr R.M.M. Boelen, as a new member of our Board, followed an introduction programme within the company. Members of the Supervisory Board also conducted separate working visits. The Board discussed its own functioning and decided to increase its number to four. The profile discussed by the shareholders will be taken as a starting point for any appointments. As soon as the new vacancy can be filled, the appointment will be submitted to the shareholders for their approval.

All current members of the Supervisory Board are independent according to the criteria set out in the Dutch Corporate Governance Code (Tabaksblat Code).

The Supervisory Board discussed the functioning of the members of the Board of Management in 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 2005. In particular we wish to highlight the enthusiastic way in which the Board took the lead in the secondary offering of the shares, and the careful consideration given to the interests of all the various stakeholders.

In the management model employed by Ballast Nedam, primary commercial and operational responsibility lies 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 bottom-line results in 2005.

The Supervisory Board accordingly expresses its thanks for the commitment and dedication shown by all employees of the company, who brought about the good results of Ballast Nedam – sometimes literally – with their own hands.

We hereby submit the annual report for the financial year 2005, 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 96 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, 9 March 2006

Supervisory Board

A.N.A.M. Smits
H.C. Broeksma
R.M.M. Boelen

Remuneration report

Remuneration Committee

Owing to its limited size, the Supervisory Board also fulfils the specific tasks of the Remuneration Committee.

Remuneration policy

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

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

The remuneration level of Board of Management members is contractually agreed when they take up these 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. This amounts 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 only paid on the attainment or surpassing of predetermined targets.

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

- Two-thirds of the bonus is determined by financial criteria based on the Business Plan as approved by the Supervisory Board (net result and average capital employed);
- One third of the bonus is determined by non-financial criteria, laid down and assessed by the Supervisory Board. These criteria relate to leadership, relationship with the various stakeholders of the company and the management of specific issues arising (ad hoc) during the year in question.

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 Board of Management members each year, on the basis of the management's performance and according to quantitative criteria only.

Based, among other things, on an internal report, in early 2006 the Supervisory Board discussed the possibility of amending this policy. The conclusion was that the present size and criteria for the remuneration package are a good reflection of the administrative and managerial priorities. The Board is in favour of a limited variable remuneration component linked to achievable targets which accentuates the required emphases. It is for this reason that revenue is deliberately not taken as a criterion, but rather the net result for the year and capital employed. Linking bonus payments to the dividend is also undesirable in a general sense, because even in times of restructuring, when there is no scope for dividend payments, effectively functioning managers can be of extreme importance for the continuity of the company and the interests of the shareholders. All things considered, therefore, the Board proposes that no changes be made to the present remuneration policy.

Remuneration of members of the Board of Management

The fixed salaries of the members of the Board of Management as at 1 January 2006 were as follows:

- R.H.P.W. Kottman, Chairman, 412 100 euros (1 January 2005: 403 000 euros)
- T.A.C.M. Bruijninx, 318 500 euros (1 January 2005: 311 000 euros)

In 2005, the members of the Board of Management received a bonus (Mr Kottman 133 000 euros and Mr Bruijninx 103 000 euros), because the targets set for them for the financial year 2004 had been achieved. No options were granted in 2005.

The Supervisory Board has decided to pay the maximum achievable bonus to the members of the Board of Management for the financial year 2005, as the members of the Board of Management more than achieved the quantitative criteria applying them. As this annual report shows, important and unusual issues for the company were moreover handled skilfully by the Board of Management, which also leads to the payment of the portion of the maximum bonus based on the non-financial criteria. Mr Kottman receives a bonus of 137 400 euros and Mr Bruijninx 106 200 euros.

The possible severance pay for Mr Kottman amounts to the remaining salary until he reaches the age of 62 (the date of early retirement: 1 September 2007). The severance pay for Mr Bruijninx is 18 months' salary. These severance amounts were contractually agreed in 1999

and early 2003, respectively. A period of notice of six months applies for both members of the Board of Management. In the event that new contracts are drawn up, the severance pay will be fixed at a maximum of the annual salary.

Remuneration of Supervisory Board members

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

The General Meeting of Shareholders held on 11 May 2005 increased the remuneration of the Supervisory Board (members: an increase from 20 000 euros to 30 000 euros per year; Chairman: an increase from 31 000 euros to 45 000 euros per year).

Ballast Nedam's shares

Ordinary shares

The number of ordinary shares issued is 10 000 000. This number has remained unchanged since the flotation in 1994. The number of the company's own shares repurchased is 153 438 (2004: 138 820).

Of the total of Ballast Nedam shares, depositary receipts have been issued for 89.9%.

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 2005

The share price moved as follows:

Closing price on 31 December 2004	€	12.44
Highest price (4 October 2005)	€	40.30
Lowest price (3 January 2005)	€	12.48
Closing price on 30 December 2005	€	33.25

Rendement aandelen 2005 Euronext

Top 10	Total	Dividend
Binck	190.56	3.48
Ballast Nedam	174.79	0.00
Centric KSI	156.00	0.00
DNC De Ned. Compagnie	153.40	0.00
Beter Bed	131.13	6.50
Boskalis Westminster	130.75	3.07
Crucell	126.23	0.00
Econosto	123.38	0.00
USG People	111.61	2.36
Blydenstein-Willink	110.58	6.56

Ballast Nedam N.V. shareholders:

Stichting Administratiekantoor van aandelen Ballast Nedam	89.9%
Various ING-companies	5.5%
Stichting Werknemersparticipatie	2.2%
Stichting Pensioenfonds Ballast Nedam	2.0%
Various private shareholders	0.4%

The following interests of 5% or more had been notified in relation to the depositary receipts for shares as at 30 December 2005:

- Smallcap World Fund, Inc.
- Driessen Beleggingen B.V.
- Bibiana Beheer B.V.
- Delta Lloyd

As investment managers:

- JP Morgan Asset Management (UK) Ltd
- Henderson Global Investors Ltd

Relationship with investors and shareholders

Contact and consultation with existing and potential shareholders is natural, and the Board of Management seeks to engage in a dialogue with shareholders not just at shareholders' meetings, but at other times, too. Board of Management members periodically visit the larger shareholders to provide background information, discuss the company's direction, etc.

In addition, the company had personal contacts with potential investors in 2005 through five international roadshows (in Europe and the United States) as well as individual presentations in the Netherlands. A total of 100 investors and larger shareholders were contacted personally in 2005.

The dates, locations, accompanying institutions and presentations used at these meetings are published on the company's website.

Dividend policy

The basic 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 € 1.02 per ordinary share in issue.

Agenda

10 May 2006	Annual General Meeting of Shareholders
14 July 2006	Publication half-year results 2006

Information

Investor Relations:	A.C. van Haeringen	Public Relations:	mw. A.C. van Kessel
telefoon	(030) 2 85 41 04	telefoon	(030) 2 85 41 61
telefax	(030) 2 85 49 02	telefax	(030) 2 85 49 00
E-mail	c.van.haeringen@ballast-nedam.nl	E-mail	pr@ballast-nedam.nl



Ballast Nedam Infra deploys its self-propelled heavy lifting vessel Svanen (Danish for 'Swan') for the construction of the first offshore windfarm in the North Sea, together with the Danish turbine builder Vestas. The client for the 36-windmill park near Egmond aan Zee is NoordzeeWind, a joint venture between Shell and Nuon.

The Svanen arrived in Rotterdam in summer 2005. Since then the necessary modifications have been made to allow the foundations to be placed in position. The lifting vessel has been transferred to the port of IJmuiden and is ready to start work.

Stichting Administratiekantoor van aandelen Ballast Nedam

Report

In compliance with the provisions of Article 15 of the Trust Conditions of the Stichting Administratiekantoor van aandelen Ballast Nedam dated 15 May 1994, most recently amended on 28 December 2001, we report as follows to the holders of depositary receipts.

During 2005, the Stichting performed the customary activities for the administration of the shares referred to above.

The nominal value of registered shares held in administration amounted to € 53,970,336 as at 31 December 2005. In return for these shares, 8,995,056 bearer depositary receipts were issued having the same nominal value.

The members of the Board of the Stichting during the year were:

M. Ververs (Chairman)
S.B. Braaksma
W.P.M. van der Schoot

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

Each member of the Board was paid a fee of € 4,583 (excluding VAT).

The total costs of the activities of the trust office were € 55,509 (including the fees paid to the members of the Board). In accordance with the Trust Conditions of the Stichting, 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 Stichting: Administratiekantoor van het Algemeen Administratie- en Trustkantoor B.V., Amsterdam (P.O. Box 11063, 1001 GB Amsterdam).

The Charter and Trust Conditions of the Stichting were brought into line with the Dutch Corporate Governance Code in 2005. With regard to the possibility of granting voting proxies to holders of depositary receipts, the statutory rules were followed in the first instance, as set out in Section 118a of Book 2 of the Netherlands Civil Code. During the Meeting of Holders of Depositary Receipts on 11 May 2005, the Board of the Stichting proposed that the Code be followed on this point, too. The holders of depositary receipts agreed to this. Pursuant to the Trust Conditions, the Board of the Stichting now issues proxies to holders of depositary receipts who so request without restriction and under all circumstances. The amendment of the Charter was effected on 13 April 2005, while the amendments to the Trust Conditions were implemented on 13 April 2005 and 7 June 2005.

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 2005; at the invitation of the Board of the Stichting, the Board of Management of the company attended these meetings. In addition, a Meeting of Holders of Depositary Receipts was held for the first time prior to the General Meeting of Shareholders on 11 May 2005.

The first Board meeting took place on 3 March 2005. During this meeting the general course of business was discussed, as well as the composition of the Board of the Stichting. The Stichting's balance sheet and statement of income and expenditure for the financial year 2004 were also adopted and the Report of the Stichting on the financial year 2004 was approved. The proposed amendments to the Charter and Trust Conditions of the Stichting, as described above, were also discussed.

The second Board meeting took place on 15 April 2005. Among the items discussed at this meeting were the annual figures for 2004 of Ballast Nedam N.V., following their publication on 11 March 2005. This meeting also took place in connection with the General Meeting of Shareholders on 11 May 2005.

The desirability of maintaining the depositary receipts for shares was also discussed at this meeting. According to the Dutch Corporate Governance Code, the issuing of depositary receipts for shares is 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 (principle IV.2). Under the Code, depositary receipts for shares may not be used as an anti-takeover measure. In addition, best-practice provision IV.2.8 stipulates that the Stichting should issue proxies without limitation and in all circumstances to depositary receipt holders who so request. The situation at Ballast Nedam N.V. was discussed in this light. The Board of the Stichting endorses the aforementioned principles and provisions. The outcome of the discussion was that the Board feels that it can still fulfil a valuable function in protecting the interests in particular of individual holders of a relatively small number of depositary receipts.

As indicated above, a first Meeting of Holders of Depositary Receipts was held on 11 May 2005, prior to the General Meeting of Shareholders. The substantive agenda items were as follows:

- I. Amendment of the Charter and Trust Conditions of the Stichting
- II. Consultation with the holders of depositary receipts with regard to whether:
 - a) the Board of the Stichting enjoys the confidence of the holders of depositary receipts
 - b) the Board of the Stichting operates independently of the company
- III. Announcement of a vacancy arising in 2006 on the Board of the Stichting.

The Meeting of Holders of Depositary Receipts had no further questions on the amendment of the Charter and Trust Conditions of the Stichting.

In implementation of best-practice provision IV.2.1 of the Dutch Corporate Governance Code, the points listed under II above were discussed at the Meeting of Holders of Depositary Receipts. A representative of the Dutch Investors' Association (Vereniging van Effectenbezitters) posed a number of questions on this topic. After consultation with the holders of depositary receipts, it transpired that the Meeting of Holders of Depositary Receipts felt that the Board of the Stichting enjoyed the confidence of the holders of depositary receipts and that the Board of the Stichting operates independently of the company.

It was announced during the Meeting of Holders of Depositary Receipts that the chairman of the Board of the Stichting, Mr Ververs, would be stepping down on 8 April 2006, having reached the end of his maximum term of office. The Board gave an undertaking that a meeting of holders of depositary receipts would be convened by the Board for the purpose of filling the vacancy in order to give holders of depositary receipts an opportunity to recommend persons for appointment to the Board. It was also announced that Mr Braaksma would be retiring by rotation as a Board member on 8 April 2006 and that he would be available for reappointment. The intention is to reappoint Mr Braaksma.

The Board of the Stichting took part in the discussion of matters raised at the General Meeting of Shareholders on 11 May 2005. During the Meeting the Board posed a number of critical questions. The Board cast its vote on behalf of the Stichting on the relevant agenda items and, in accordance with its object, 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 enterprises. After careful consideration, the Board decided to support all proposals at the Meeting.

Holders of depositary receipts were able for the first time to request proxies during the General Meeting of Shareholders on 11 May 2005. The Board issued proxies on behalf of the Stichting for 1,171,161 depositary receipts for shares (11.71% of the issued share capital). The Board represented approximately 29.5% of the issued capital at this Meeting.

The third Board meeting was held on 26 October 2005. During this meeting the interim figures for 2005 were discussed, as well as the procedure for appointment of a new Board member. The meeting also discussed the fact that holders of depositary receipts for shares issued by Stichting Werknemersparticipatie Ballast Nedam are exchanging their depositary receipts for depositary receipts which can be traded on the stock market. This means that the number of registered shares held by the Stichting in the capital of Ballast Nedam N.V. is increasing. In addition, TCN and Wedge arranged a secondary offering of their shares in Ballast Nedam N.V. in May 2005. This increased the number of registered shares held by the Stichting in the capital of Ballast Nedam N.V. by 4,800,000. As a result of these developments, the number of shares held by the Stichting increased in 2005 from 4,109,668 to 8,995,056.

Although the depositary receipts issued by the Stichting 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 Stichting, 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.

This report is available on the company's website.

Nieuwegein, 14 March 2006

The Board

Annex to the report of Stichting Administratiekantoor van aandelen Ballast Nedam

Particulars of Board members

M. Ververs, Chairman

Mr Ververs was born in Waddinxveen on 3 February 1933.

Between 1985 and 1995 he was Chairman of the Board of Management of Wolters Kluwer N.V. He was also a member/chairman of the Supervisory Boards of several listed companies and was a member of the management of several community-based organisations.

Mr Ververs was first appointed a member of the Stichting on 26 April 1994. His period of office expires on 8 April 2006.

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 Board of Supervision of Zorgverzekeringen). He is also Chairman of the Supervisory Board of the Stichting Prismant, the Dokter Wittenbergstichting in Deventer and the Stichting Ronald McDonalddhuis. He is also a member of the Supervisory Board of Woonstichting Triada, Epe.

Mr Braaksma was first appointed a member of the Stichting on 18 April 2000. His current period of office expires on 8 April 2006.

W.P.M. van der Schoot

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 Stichting on 2 April 2001. His current period of office expires on 2 April 2007.

RandstadRail

The light-rail rolling stock of RandstadRail will soon be linking The Hague, Zoetermeer and Rotterdam, largely on existing track. In the case of the Beatrixlaan stretch in The Hague an elevated rail viaduct is being constructed over the full 700 metres, with the new Beatrixlaan station half way.



Heavy precast concrete plays an important role in this project. Lingen Beton supplied the self-supporting floor-slabs for the platform. The round beams bearing the construction were made at our concrete factory Haitsma. The heaviest sleepers were transported to the site by barge.

Vision

In 2002, the company formulated the following vision: Ballast Nedam aims to be a structurally sound, large construction group, concentrating on the Dutch market. The portfolio comprises construction-related products and services. This vision remained unchanged in 2005: Ballast Nedam concentrates primarily on the Dutch market with core activities in development, construction and infrastructure, plus directly related services and products.

Seven objectives have been formulated on the basis of this vision. Targets have been set for each of these objectives in past years, comprising quantitative and qualitative results directly linked to the company's vision. The necessary priorities were also established within those targets, based on the group's situation.

Objectives

The current position in relation to each of the seven objectives in 2005 is set out below: what have we achieved and are we continuing the policy or modifying 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 the strategy of Ballast Nedam is our desire to strengthen the value chain, both in the earlier and later stages. 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 2005

- To achieve a substantial improvement in the operating result from the 19 million euros achieved in 2004 (Dutch GAAP).
- Through judicious portfolio management, to add elements which give Ballast Nedam a distinctive profile and which increase shareholder value.

Achievements in 2005

The operating result in 2005 came in at 38 million euros. This represents an increase of 52%, leaving aside non-recurring pension income of 10 million euros, resulting from the revised pension scheme.

During the year under review the project development company Hollestelle B.V., based in Groningen, was acquired. The acquisition is in line with our commitment to increasing the focus on project development.

A declaration of intent was signed in 2005 between Ballast Nedam and TCN Property Projects for the setting up of a 50-50 joint venture under the name abl2. Abl2 will focus on integral area development, involving large(r) projects incorporating infrastructure and real estate. These projects are characterised by their administrative and financial complexity and the diversity of interests involved. Abl2 wishes to be involved as an 'entrepreneur in public works' in the complete life cycle of these projects, from the first initiative up to and including the ultimate use. An all-in approach, in other words, incorporating design, construction and management, with optimum cooperation between public and private players.

In setting up abl2, Ballast Nedam and TCN are combining their competencies as advisors, developers, builders and property managers. With its own style and approach, abl2 will seek to meet the demand for new forms of public and private partnership at an early stage of projects. The contract form includes a performance-related remuneration component.

The Ballast Nedam Services business unit is involved in facility management services and property management. Until now this has been relevant primarily for Ballast Nedam's property activities. The expansion of these services to the external market was begun in 2005.

Targets for 2006

- Both ends of the value chain will be further strengthened, among other things through the acquisition of one or more project development companies and enlargement of the land bank. By 2008 around half the revenue must come from the two ends of the value chain.
- We expect an operating result of between 3% and 5% of revenue in 2007. This will depend largely on how rapidly prices in the infrastructure market recover.
- Net profit will increase by around 20% in 2006 (compared with the figure of 20 million euros in 2005).

2. *Ballast Nedam wishes to enhance the company's reputation, both for customers and on the labour market.*

Targets for 2005

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

Achievements in 2005

The outside world has also noticed that Ballast Nedam has recovered in recent years. Confidence in the company is expressed among other things in the renewed interest among investors, in analysts' reports, in positive attention from the press and in reactions from market players. The Ballast Nedam share (and therefore the company itself) has become more visible. In March 2006, Ballast Nedam was included in the AScX-index on the Amsterdam stock exchange.

The (positive) name recognition increased further in 2005, a fact also reflected in the sharp increase in the number of requests to the Ballast Nedam management to hold presentations and deliver guest lectures at universities and professional education colleges.

Market research (Universum Communications: Graduate Survey 2005) has shown that 64% of students on technical courses are familiar with Ballast Nedam as a company. More than 25% of all students on technical courses are considering employment at Ballast Nedam, and 4% have already decided that Ballast Nedam would be the ideal employer for them. Ballast Nedam is in 22nd place on a list of all Dutch companies as the ideal employer for engineering and science students - a much higher position than all other construction groups.

More detailed surveys also accord Ballast Nedam a relatively high position for its reputation as 'best employer'. In company carried out a survey of more than 25 000 employees in the Netherlands in 2005, in which Ballast Nedam came out as number 39 on the list of 'best employers' in the Netherlands.

Targets for 2006

- The above two targets remain unchanged 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 physical planning problems.*

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

Targets for 2005

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

Achievements in 2005

Our innovation efforts again resulted in a number of successful new discoveries in the year under review. You will find further information on this in the 'Innovation' section.

Under the first objective, the joint venture launched with TCN has already been mentioned.

Ballast Nedam also began collaborating with the building logistics firm Vlutters Bouwlogistiek and the lift manufacturer Geda in the field of safety gates for construction site elevators.

Targets for 2006

The targets remain unchanged.

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

Achievements in 2005

Also in 2005 Ballast Nedam was among the top five Dutch construction groups.

Target for 2006

This target remains unchanged. However, the focus in running the business is not on revenue, but on the margin and net result.

5. *A structural improvement in Ballast Nedam's organisation in order to guarantee the sustainability of the company's standards – a vital precondition for the continuity of our market position.*

Targets for 2005

The following targets were formulated for 2005:

- Ensure that the British subsidiary is wound up.
- Energetically pursue a more collective procurement policy.
- Display entrepreneurship and mastery in production in everything we do across a broad front in order to optimise quality.

Achievements in 2005

The process of winding up the British subsidiary proceeded without event in 2005. This process is likely to be completed in the first half of 2006.

Ballast Nedam's procurement management system is a combination of centralised and decentralised activities. Considerable cost savings were again achieved in 2005, while the procurement process was further professionalised at several levels in the organisation. By managing procurement per product group, further synergy and efficiency were achieved; 40% of procurement now takes place via this method. In addition, framework contracts were signed for 9% of the procurement volume.

The results demonstrate that entrepreneurship and production efficiency led to a further improvement in the business in 2005.

Target for 2006

- Complete the winding up of the British subsidiary.

6. *Ballast Nedam is aware of its social responsibility towards 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.*

Target for 2005

Ballast Nedam formulated a policy and took measures in 2004 to bring its operations into line with the Dutch Corporate Governance Code as rapidly as possible. This policy will be continued unabatedly.

Achievements in 2005

New measures were taken in the year under review:

- The company no longer has any anti-takeover measures.
- The trust 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).

7. *Retaining the specific Ballast Nedam mentality, characterised by hard work and a strong focus on solutions, daring and indomitability.*

Achievements in 2005

Now that the 'extreme makeover' of the group is complete, it is clear that the mentality described above not only contributed to the successful completion of the process, but has actually been strengthened. This is illustrated by the description of the performance in the divisions in the ensuing sections of this report. There is therefore no reason to continue explicitly translating this objective into targets, and this will therefore not be included as a separate item in the 2006 annual report.

Key aspects of strategy 2006

Ballast Nedam's objectives have been set out above. Those objectives lead to the following three key aspects and challenges for the strategy of Ballast Nedam in 2006:

1. *Further increasing the company's profitability and hence enhancing its financial strength.*

This means:

- increasing the net result by approximately 20% compared with 2005 (20 million euros).

2. *Active portfolio management.*

This means identifying 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 and timing.

3. *Chain management: strengthening the earlier and later stages of the value chain.*

This means:

- acquiring sites and strengthening the activities in the field of project development, maintenance, facility management and property management;
- taking initiatives in public-private partnership (PPP) arrangements.

Together, the objectives and key points of strategy described above make up the strategy at group level. Each division's strategy is set out elsewhere in this annual report. We will also point out the strengths and (remaining) weaknesses in these units, and their consequences for operations.



The Blauwestad project won the Golden Pyramid award in 2005. The jury for this state prize for inspiring entrepreneurship termed the project "a radical effort to break out of the downward social and economic spiral in East Groningen by means of a bold regional plan". A new lake of eight km² will be surrounded by 1 500 dwellings, an inland harbour, new waterways and 350 ha of nature. Blauwestad is a public-private partnership bringing together the province of Groningen and the municipalities of Winschoten, Scheemda and Reiderland with a private consortium of project developers including Ballast Nedam. Other parties closely involved in the project are the Hunze en Aa's Water Board, the National Forest Service and the Groninger Landschap nature conservation association.

Social responsibility

Principles and agreements

Business activities affect the world in which we live. This rightly imposes obligations, sets limits and requires certain standards and values. As a company, Ballast Nedam is well aware of this. We, therefore, 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;
- combating forced and child labour;
- concern for health and safety at work;
- encouraging and facilitating trade unions and their work;
- investing in local communities, including by creating employment;
- contribution to sustainable development going beyond statutory environmental protection requirements;
- combating corruption; vensuring consumer interests such as product safety, quality and honest information;
- support of or partnership with local universities wherever possible;
- avoiding unfair competition.

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 prolonged by the parties involved.

Benchmark

The Dutch Ministry of Economic Affairs commissioned a study in 2005 into the social reporting of businesses. Ballast Nedam was among the better companies (ranking 28th out of the 179 largest companies), and scored highest of all construction companies.

Competition

Ballast Nedam adheres strictly to the competition rules. Infringements against those rules attract sanctions including disciplinary procedures, up to and including suspension and dismissal. Ballast Nedam has also drawn up an internal code of conduct, which sets ethical standards for the conduct of Ballast Nedam employees. It also contains rules covering areas such as gifts and the carrying out of secondary activities. The code also lays down the internal procedure for reporting infringements (including a whistleblowers' scheme) and specifies the sanctions which may follow infringements.

A special body has been set up in the Netherlands with the task of implementing this code of conduct throughout the construction industry, under the name Stichting Beoordeling Integriteit Bouwnijverheid (SBIB). Ballast Nedam is registered with this body and thereby undertakes to follow the rules. Ballast Nedam has established internal procedures for contracting 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 taking account of sustainability when making design choices and selecting the materials and resources to be used. A strict safety and environmental policy is also in place in a bid to prevent accidents and environmental incidents.

Sustainable construction is part of Ballast Nedam's core business

- Intensive urban development involves the integration of infrastructure and the built-up environment. Ballast Nedam helps to develop knowledge on intensive urban development, and to this end we participate in the Netherlands Centre for Underground Construction (COB) and Habiforum, which carry out study projects.
- Industry parks are redeveloped in a sustainable way, with transport load, accessibility and multifunctionality as key parameters.
- We engage in sustainable integrated landscape and urban area development, in which the natural landscape is developed in relation to urban residential settings.

Examples

- We pursue a continual 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 social-rented and owner-occupied homes to site 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 (Staatsbosbeheer, 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.
- 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 a drinking water project in Cape Coast (Ghana) which is a shining example of sustainable construction. Originally the intention in this project was to raise a dam for a reservoir or to lay a long pipeline from the river to the reservoir. During the later feasibility study, the solution that ultimately emerged was the creation of an additional (separate) water treatment plant to make drinking water available on a sustainable basis whilst at the same time reducing dependency on a single system. The decision to use existing and familiar water treatment technologies in Ghana (especially at other locations) benefits sustainability.

Sustainable management and materials

- Our policy incorporates the use of sustainable raw materials and sustainable management.
- Wood is an important raw material in the construction industry. Ballast Nedam has signed a covenant with the Forest Stewardship Council (FSC) to increase the use of timber produced using sustainable forestry management techniques. The covenant stipulates that within five years Ballast Nedam will use only FSC-certified timber in projects we develop ourselves. Within three 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 intentions will cover approximately 4 000 newly built homes, a number of non-residential projects and several civil engineering works.
- The intention described above will protect an area of tropical forest of approximately 30 000 hectares.
- Ballast Nedam has decided that from 1 January 2006 all new diesel cars (including leased vehicles) and vans must be fitted with a soot filter. The company has signed a declaration of intent to this effect with Milieudefensie (Environmental Protection). 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. We will also promote this policy externally.
- 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.
- TNO has commissioned our company to construct an underground fuel storage facility and flaring system for LPG and CNG fuels.
- We are setting up a project for Arriva for the hydrogen fuelling of urban and regional busses. We are installing and maintaining CNG tank systems for Connexxion.
- In the field of offshore energy, a 100 megawatt wind farm is being built in the North Sea. 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 Noord-Holland. To date our company has installed two of its own wind turbines of 3 megawatts each.
- 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 transport 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.

Employees

Fundamental issues relating to our social responsibility to our employees are included in the general principles described above. More specific information can be found under 'Human Resources' (including sickness absenteeism and training opportunities) and 'Quality, working conditions and the environment'.

Ballast Nedam offers 'apprenticeship construction sites' for potential new entrants to the building industry. For the preservation and restoration of significant historic structures, for example, it is important that sufficient young people receive training in restoration techniques. Ballast Nedam supports this aim by offering practical placements for everyone wishing to receive training in the construction industry and to acquire restoration skills. Many young joiners and bricklayers establish the basis for their future careers in this way.

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 based on its social responsibility. A first point of contact has been designated within the company for each of these target groups. The senior management of the company regards this dialogue as one of its most important activities.

Examples

- The Board of Management held one hundred individual meetings in 2005 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 Ballast Nedam's heavy lift vessel Svanen, which is being used in the construction of the offshore wind farm.
- The personal relationship with customers and suppliers is the key focus at every level of the organisation. The belief that a solid, open and businesslike relationship offers the best guarantee for our way of doing business is put into practice in many ways. Ballast Nedam realises that interests can sometimes conflict, but looks for constructive dialogue in these circumstances. This dialogue also takes place with the various public authorities as part of Ballast Nedam's desire to contribute to the further normalisation of relations between the government and the construction industry now that the 'cartel period' is behind us.
- We also do not try to avoid the discussion with the government on new contract forms 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 natural.
- 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. Ballast Nedam has direct and indirect influence on various links in this chain, and in exercising that influence observes its own principles as set out above, for example with regard to the environment, social arrangements, competition and safety. We also require our suppliers to comply with our internal code.
- Trade unions and non-governmental organisations are also our partners in discussions and sometimes in contracts. We seek a dialogue with these stakeholders, too, for example in the covenants and declarations of intent described earlier. 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.
- 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. 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.
- Ballast Nedam supports a range of cultural activities. An example is the co-funding of the 'Chardonnay' project, part of a series of seven large concrete sculptures along the banks of the Amsterdam-Rijn Canal.

Global Reporting Initiative (GRI)

The Global Reporting Initiative (GRI) is aimed at the development of guidelines for sustainability reporting. In last year's annual report, Ballast Nedam expressed the ambition of preparing a separate sustainability report for 2005 based on GRI indicators. From the foregoing it is apparent that sustainability forms an integral part of our (social) functioning as a business, and this objective continues to apply in full. An internal analysis and assessment based on the GRI indicators revealed that Ballast Nedam is at the forefront of the market in this regard, too. However, we decided not to continue with our earlier plan of preparing a full GRI report. Given the investment of time that this would require (estimated at two FTEs and considerably more time spent internally by employees in the divisions), 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 that form the basis of reports according to the GRI guidelines.

Corporate governance

Corporate governance is part of corporate social responsibility. After all, it is intended to maintain good entrepreneurship by the management and its proper supervision by and on behalf of the shareholders. The management and the Supervisory Board render account to all stakeholders for their actions. The forthcoming General Meeting of Shareholders will be asked to give 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 scored well again in 2004 and 2005. Scenter again praised Ballast Nedam for the transparency and openness of its account of its strategy and business operations. Ballast Nedam shared first place among all small cap listed companies in 2005.

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 on new appointments.
2. The severance pay for Board of Management members 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.

The Supervisory Board sees insufficient added value in reviewing the existing contracts. The relevant best practices will however be applied on new appointments.

The compliance with the Corporate Governance Code is outlined in detail on the company's website.

Absence of anti-takeover measures

After consulting the Meeting of Holders of Depositary Receipts, the Board of the trust office (Stichting Administratiekantoor van aandelen Ballast Nedam) has decided to remove the remaining anti-takeover measure (withdrawal of voting proxies in a takeover situation).

Depositary receipts for shares

The present system of issuing depositary 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. Depositary receipts for shares are therefore no longer used as an anti-takeover measure. The management of the trust office issues proxies in all circumstances and without limitation to the holders of depositary receipts who so request. The possibility also exists of issuing binding voting instructions.

The Board of the trust office convened a separate meeting of the holders of depositary receipts in 2005. 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 depositary receipts. The Board of the trust office describes its activities in 2005 in a separate report.

New Supervisory Board regulations

New regulations were adopted for the Supervisory Board in 2005. These regulations may be found on the company's website.

Art and culture

The Patronaat 'pop temple' in the heart of Haarlem has become an inspiring building for all sorts of reasons. An internal street for loading and unloading, two halls that 'float' independently within the building: all this shows how a challenging schedule of requirements can generate creative solutions.



The Kunstlinie in Almere, partly with basement and partly on concrete piles, appears to float out over the Weerwater. Although externally a single building, it incorporates many box-in-box constructions. All the inner walls are load-bearing, so as to create large column-free expanses.

Report of the Board of Management

2005: an excellent year

Ballast Nedam sustained the upward trend of the past two years in 2005. The result improved sharply, the risks were further reduced and the positive prospects were reconfirmed.

The result of the radical turnaround over the past few years is reflected in a sharp increase in the net profit: 20 million euros in 2005 in relation to 13 million euros in 2004. Ballast Nedam is back on track.

Policy pursued: profits before revenue

Ballast Nedam's market still was heavily affected in 2005 by the weakness of the economy and low price levels, especially in the infrastructure market. Ballast Nedam is highly selective in accepting large, multi-year projects if the price is too low. Our policy is that profits come before revenue. Nevertheless the Dutch divisions managed to increase their revenue by 15%.

The scaling down of the international division meant a further reduction in foreign revenue. The company recorded an overall 4% increase in revenue, while the net result rose by 54%.

Secondary offering of shares

The shares held in Ballast Nedam by TCN Property Projects B.V. and Wedge International Holdings B.V. were sold in 2005 in the form of a secondary offering. The secondary offering amounted to nearly half (48%) of the total number of shares in Ballast Nedam and was successful. The shareholder base was greatly broadened, the free float increased sharply, the liquidity increased several times over and the share price doubled within the space of a few months. Ballast Nedam is once again totally back on the radar screens of investors. This renewed confidence in Ballast Nedam is also visible in the market: Ballast Nedam can once again build up both its reputation and its results.

The commercial cooperation with TCN is to be intensified in a 50/50-joint venture (abl2). This venture will be concerned with developing and undertaking large, complex projects in which the public sector plays an important role.

Transport

The Groene Woud ecological bridge over the A2 between Best and Boxtel allows animals to migrate freely within their natural habitat. An organic layer consisting of soil drawn from the surrounding area has been deposited on top of the concrete span, where local vegetation is able to establish itself readily.



Cycle and pedestrian bridges improve the accessibility of the Zuidtangent in Hoofddorp.



Bridge 485 in Amsterdam has been modified to take the IJ tram.



Randstadrapid is an example of unsolicited proposals in a consortium context.

Infrastructure

x € 1 000 000	2005	2004	NL GAAP			
			2004	2003	2002	2001
Revenue	541	522	522	603	647	646
Order book	557	340	340	484	557	665
EBITDA	27	30	30	27	26	36
EBITA	16	12	12	11	12	21
EBIT	14	11	11	8	10	21
EBIT / revenue	2.6%	2.0%	2.1%	1.3%	1.5%	3.3%
Capital employed	33	29	20	3	33	66
Average number of employees	1 934	2 048	2 048	2 267	2 281	2 303

Market

The infrastructure sector can look back on what may, putting it mildly, be described as a difficult period. Ballast Nedam Infra has also had to contend with declining volumes of production for a number of years. The first signs of a recovery in market volume, however, became evident in 2004, a recovery that was sustained in 2005. Ballast Nedam Infra has, accordingly, had sufficient work on offer, although the stiff competition in the infrastructure market means that prices in this sector are still inadequate. Prices stabilised in 2005 and a slight upward trend is now discernible. Partly as a result of the anticipated increase in production volumes in the Civil Engineering sector (GWW), prices are expected to continue recovering gradually over the next few years.

A good infrastructure is highly important for the Dutch economy. Ongoing investment is therefore required in order to maintain and improve the infrastructure. There is also a continuing public need for physical planning and 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 realisation of these solutions requires knowledge, creativity and innovation: competencies that clients are increasingly expecting of market players.

These market developments provide private players with the opportunity to take the initiative in developing and undertaking infrastructure projects. This has been reflected over the past year in the increasing amounts of non-traditional forms of cooperation entered into with the government such as Design-Build-Finance and Maintain (DBFM) contracts. Given the policies of the Dutch central and local governments, this trend is set to continue. Initiatives resulting in Public-Private Partnerships (PPP) frequently proved successful in 2005. After years of study, surveys and discussions, the time has come to seek infrastructural solutions in a PPP arrangement. The private sector, in particular, will undertake a greater financial participation than in preceding years. The decision by the government to test all infrastructural contracts in excess of 112.5 million euros for PPP suitability will certainly result in a greater volume of such contracts.

This market offers particular opportunities for companies capable of offering integral infrastructural solutions. Ballast Nedam Infra underlined its ability to do so with a number of projects in 2005 and has further improved its ability to exploit the market opportunities on offer.

Strategy

Ballast Nedam Infra is moving further away from its role as a traditional contractor. Apart from accepting and undertaking projects, we are concentrating increasingly on concept-based thinking and the provision of overall solutions for (complex) infrastructural challenges. Our main concern here is to solve problems or to meet a need in the form of products and services. This therefore means that we no longer regard the completion of projects or subprojects as a goal in its own right.

Ballast Nedam Infra's strength lies in its knowledge and expertise that enable 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, where appropriate including financing and operation. An important precondition for managing the building chain is the availability of specialist knowledge and expertise. Ballast Nedam Infra promotes its particular areas of specialisation in order to generate a distinctive profile and hence a better competitive position in the market, from where it can deliver added financial value. In areas where players in the market are able to offer better price or quality, Ballast Nedam Infra makes use of reliable (strategic) partners. Chain-thinking forms an important element of the strategy for the next few years.

The knowledge and experience held by Ballast Nedam Infra are exported, which offers opportunities. International activities are carried out by the International Projects business unit. In doing so we make use of the widespread international knowledge and experience available within Ballast Nedam. Ballast Nedam Infra concentrates primarily on project management and engineering, as well as on the specialist activities for which the company has a particular reputation in the Netherlands.

Both nationally and internationally Ballast Nedam Infra markets a number of specific infrastructure-related products. These are the Telecom, PetrolStations, Environment, Alternative Fuels, Facility Management and Train Wash Utilities products. The latter product is offered by our wholly-owned subsidiary ETW (European Traffic Wash). With various initiatives in respect of cleaner alternative fuels, such as hydrogen, LNG and CNG, Ballast Nedam Infra is anticipating an increase in shortage of fossil fuels.

Ballast Nedam Infra provides its services from its head office in Nieuwegein, from the five regional Ballast Nedam Houses (Zaanstad, Groningen, Arnhem, Eindhoven and Capelle aan den IJssel), from the offices of the specialist business units (Kootstertille, Klazienaveen, Leerdam, Nieuwegein, Soest, Zaanstad, 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 markedly improved its operating result in 2005. The division has held up well in difficult conditions in the infrastructural market.

Ballast Nedam Infra operates in mobility, urban regeneration, water infrastructure, industrial construction, consulting and engineering, pre-cast concrete and raw materials projects. The projects below were started or completed in 2005 and show how Ballast Nedam Infra is putting the strategy described above into practice.

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 forms part, is responsible for the design, building and financing. A maintenance period of 20 years also forms part of the DBFM contract.

In The Hague the implementation of the Beatrixlaan railway station project, in which Ballast Nedam Infra is responsible for both the engineering and construction of a viaduct plus station (forming part of Randstadrail) is fully under way. An important aspect of this project is heavy pre-cast concrete, to be supplied by our Haitsma concrete factory at Kootsterille.

As part of an expansion in the number of ecoducts in the Netherlands, the Groene Woud ecological bridge was opened in April. Ballast Nedam Infra has been responsible for both the design and the construction of this bridge, which provides the connecting link in Het Groene Woud between Best and Boxtel. It is the first ecological bridge in the southern Netherlands.

Urban renewal

Together with the municipality of Leeuwarden, Corporatieholding Friesland and local builders, Ballast Nedam Infra is playing its full part in a public-private partnership (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 has built an automated underground car park in Staringplein in the Oud-West district in Amsterdam. A similar mechanical car park is currently being built on Apeldoornselaan in The Hague. This car park will have a capacity of 150 vehicles.

In the centre of Rotterdam we are building a four-storey underground car park in close proximity to the Erasmus Bridge with some 700 parking spaces. The car park will be built partly underground and partly within the existing quay wall of the Scheepmakershaven. The aim is to complete this complex project in 2006. A start has been made on another underground car park in The Hague beneath Anna van Buerenplein. This is a three-storey car park with approximately 1 000 parking spaces.

Ballast Nedam Infra has 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. The first order for this new product has been placed by the municipality of Zaanstad, to which Ballast Nedam Infra will be letting a car park with 350 spaces.

In Willemstad in West-Brabant, Ballast Nedam Infra has come up with a plan for the development of the harbour front with the emphasis on water recreation and water-based activity, as well as on hospitality industry facilities. The new marina will be completed and commissioned in early 2006, after which the local environs can be developed.

Water infrastructure

At the end of 2005, Ballast Nedam Infra managed to secure an order for the design and construction of an LPG jetty for Vopak. With a length of 650 metres this will be the longest jetty in the port of Rotterdam. In addition, a start is to be made in 2006 on the construction of a Roll-on / Roll-off (RoRo) quay wall for Norfolk Line in Vlaardingen.

In Ghana, Ballast Nedam Infra is installing some 4 600 new connections to the water supply network, thereby providing an estimated 100 000 people with mains drinking water. The investment in question is designed to meet the demand for drinking water in the region for the next 15 years. The project includes the renovation and extension of an existing drinking water purification plant, the construction of a new linking water purification plant, the installation of some 50 km of water pipes and the construction of an electricity supply network for the new drinking water purification plant. The project is being undertaken with the aid of Dutch government funding.

Industrial building

In a joint venture with Turner Pharmaceutical, Ballast Nedam Infra is building an extension 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. This large and complex project involves the use of heavy concrete.

In mid-2005, together with Vestas, Ballast Nedam Infra signed a contract with NoordzeeWind for the construction of the first Dutch wind park in the North Sea. The park will consist of 36 windmills located at a distance of between 10 and 18 kilometres off the coast near Egmond aan Zee, and is scheduled for completion in 2006. The wind turbines will generate a total 100 MW of power. Ballast Nedam Infra will be responsible for the engineering and the construction of the foundations, the installation of the masts and turbines and the project management. For the purposes of this project we will be making use of our heavy lift vessel Svanen, which has a total lifting capacity of 8 700 tonnes.

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. Infra Consult + Engineering also offers services to third parties.

Pre-cast concrete

Ballast Nedam Infra occupies a strong position in the market for pre-cast concrete. The concrete factories at Bergen op Zoom and Kootsterille design and produce customised pre-cast elements and piles. This applies to both lightweight and heavy elements for the infrastructure market, the housing market and the non-residential building market. Both investments and disposals were made at various production locations in 2005 in order to gear the products more effectively to the needs of the infrastructure market. Following a period of difficult market conditions, a gradual recovery became discernible in the pre-cast concrete market in 2005, which is expected to be sustained in 2006. Pace-setting projects in 2005 were the delivery of sleepers for the Beatrixlaan railway station in The Hague and grandstand elements for the Euroborg football stadium in Groningen. The necessary elements for the new ADO Stadium in The Hague will also be manufactured by Ballast Nedam.

Raw materials

Ballast Nedam Infra has a strong strategic raw materials position. Apart from the concessions in the Netherlands, Ballast Nedam Infra also has concessions in Belgium and Norway. We are working continually on strengthening our raw materials position.

Prospects

The government's investment plans for the infrastructure offer excellent opportunities. The specific objective is to find a solution for various traffic bottlenecks 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 until 2008.

The government's Mobility Policy Document sets a target for an expansion of nearly 10% in the national highway network by the year 2010 in comparison with 2000. This expansion will, however, be insufficient to cope with the growth in traffic. In all probability various measures to make better use of the available capacity, including road pricing, will need to be introduced in order to cope with the extra volume of traffic.

The maintenance backlog is to be tackled in 2006 and 2007 under the KOSMOS project. The total budget for this project is between 330 and 390 millions euros. The aim is to implement projects with maximum private sector involvement and minimum disruption to the flow of traffic. Ballast Nedam has the necessary knowledge and expertise available.

Among other things, the national anti-congestion plan, Fileplan ZSM, is concerned with increasing capacity at peak times and promoting the flow of traffic. In the initial phase up to and including 2006 this will involve the provision of an additional 300 kilometres in rush-hours and additional (narrow) lanes.

During the coming years less of Ballast Nedam's work will consist of large, long-term projects. Given our experience in 2005, however, Ballast Nedam Infra is well placed to turn its competitiveness to advantage also in relation to smaller and less complex projects.

Ballast Nedam Infra is assuming that the pre-cast concrete market will continue returning to normal, although the recovery will not be rapid. We are consequently 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 2006.



The Souterrain in The Hague was awarded the Concrete Prize 2005 in the civil engineering category. Ballast Nedam Infra formed part of the combination that built the tram tunnel opened in October 2004. The jury considered that the project was delivered in its originally intended form, despite the problems encountered in implementation. From the jury report: "The design by architect Rem Koolhaas has an appeal not previously found underground: spacious, open and light. The design of the stations and car park is of top international standard and marks a significant boost for underground architecture in the Netherlands and elsewhere."

Living

The total development of Courtine den Haan in Gorinchem comprises 134 apartments and 39 townhouses. The project on the ramparts combines the advantages of the town with a splendid natural setting. The second stage will go on sale shortly.



Pavane, Zoetermeer



Klooster Overbunde, Bunde



Palazzo Boterdiep, Groningen

Building and Development

x € 1 000 000	2005	2004	NL GAAP			
			2004	2003	2002	2001
Revenue	658	524	524	546	539	570
Order book	503	568	568	455	559	463
EBITDA	38	24	24	23	21	23
EBITA	35	21	21	19	17	20
EBIT	35	21	20	18	16	19
EBIT / revenue	5.3%	4.0%	3.8%	3.3%	3.0%	3.4%
Capital employed	4	(29)	(32)	(12)	(8)	(27)
Average number of employees	1 622	1 728	1 728	1 908	2 020	1 863

Market

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 innovativeness 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 private players and are involving the private sector in the planning stage at an earlier point. We detect 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 marked political pressure.

House-building

After years of decline the level of house-building in the Netherlands rose again slightly (by 2.3%) in the past year. This increase is however small in relation to the marked shortage of homes (approximately 450 000 in relation to the total of approximately 7 million). One reason for the backlog is the shortage of building locations. The slowness of government procedures and the lack of trading-up in the owner-occupied market have also contributed to the housing shortage. The structural shift in house-building towards the upper end of the market looks set to continue for the time being.

Given the government's ambitions and the pent-up demand for homes, the housing market is set to be the most important growth factor for Ballast Nedam in the coming years.

Maintenance and facility management

Housing corporations and institutional investors are concentrating increasingly on their core activities and are outsourcing maintenance activities. The market for technical maintenance is accordingly growing and expanding into broader facility management and a comprehensive package of services.

General building

The market for office space continues to suffer from a high level of oversupply. Schemes to convert offices that have long been empty into dwellings are possible in only a limited number of cases. A more realistic option would be to write these premises off and to demolish and redevelop them.

The number of office jobs has recently begun to pick up again. On average some 1 000 000 to 1 500 000 square metres in new or renovated office space will be required each year in order to meet this increase, which is expected to continue in the coming years. Clear growth is evident in other sectors of general building.

Partly on account of the privatisation process, initiatives are being developed in the health sector that offer the building industry major opportunities. In the case of education too, we note that schools are trying to create a separate identity for themselves by means of well-equipped buildings that have been developed and built with a view to the future.

The leisure market remains stable.

Partly on account of the current price war between leading chain stores, the attitude with regard to shopping centres is one of wait-and-see. The retail outlet market is of interest but is highly location-bound.

Concrete factories

Our concrete factories at Weert and Coevorden operate in a highly competitive market. The BNBO concrete factories have managed to capture a stable and profitable position in the market by the efficient delivery of high-quality made-to-measure concrete elements.

Strategy

The marketing approach of the Building and Development division (BNBO) is based on the entire value chain: development, construction, operation and facility management. The division consists of three operating companies: Ballast Nedam Ontwikkelingsmaatschappij (development), Ballast Nedam Bouw (building) and BNBO Beton (concrete).

BNBO focuses on a limited number of product/market combinations. Various methods may be adopted in each focus area, including:

1. large-scale and/or complex building and infrastructure projects on the basis of one-to-one contracts or building team contracts;
2. performance-based long-term maintenance contracts (involving the establishment and improvement of relations with housing corporations);
3. project development, including both property development and concept development;
4. full-service contracting for integral projects. The completion of technical and administratively complex projects is a product in itself;
5. DBFM contracts;
6. further commercial exploitation internationally of the stadium formula;
7. ongoing focus on project development.

Development

Project development is one of Ballast Nedam's focal points. The growth in this segment will be achieved by the acquisition of strategic land holdings and where appropriate by taking over a medium-sized developer or portfolio, thereby giving Ballast Nedam Ontwikkelingsmaatschappij better representation in a number of defined core areas.

We are also continuing to purchase land. In 2005 holdings of land rose to 587 hectares (2004: 520 hectares).

Building

The business unit Ballast Nedam Bouw (BNB) aims at an efficient building process. Its nine regional construction companies provide it with national coverage and enable it to respond to regional and local market requirements.

In addition, BNB has a company that operates nation-wide, 'Special Projects', which specialises in plan development, engineering and large-scale and complex projects.

Because of the upturn in the regional market, especially for house-building and large-scale and complex projects, orders are now in hand for the bulk of 2006 revenue.

Bouwborg

The revenue of the nationwide facility services company Bouwborg, which has regional branches, grew substantially in 2005. By concluding long-term contracts with housing corporations, institutional investors and other parties all over the country, Bouwborg provides structural and technical maintenance daily for over 20 000 dwellings and buildings.

Concrete

The previously launched organisational integration of the concrete and building companies has proved successful. Margins are higher and revenue has increased. This policy will be vigorously pursued.

Operations

Ballast Nedam Building and Development (BNBO) achieved a substantially higher result in 2005 than the year before. It can, therefore, look back on 2005 with satisfaction. Over the past year the number of homes under construction rose by over 20%. The order intake has developed satisfactorily. In 2005 we signed a number of large multi-year framework contracts (e.g. in Almere Poort and Spoorzone Delft), that have not yet been entered in the order book. This trend was also sustained in the first quarter of 2006. The division is therefore optimistic about the prospects in the near term.

Residential building (units)	2005	2004
Under construction (opening)		
Third-party orders	1 266	1 427
Own development	670	702
	1 936	2 129
Started		
Third-party orders	827	1 262
Own development	640	634
	1 467	1 896
Handed over		
Third-party orders	591	1 423
Own development	486	666
	1 077	2 089
Under construction (closing)		
Third-party orders	1 502	1 266
Own development	824	670
	2 326	1 936

Development

BNO owns 587 hectares, representing a development potential of over 10 500 dwellings, 380 000 square metres of office space and 190 000 square metres of other commercial space. The development potential was expanded in 2005 by approximately 12%. During the year we acquired a number of interesting land holdings in the provinces of North Brabant, Gelderland, Overijssel, North and South Holland and Zeeland. These concern a mix of freehold, positions with an obligation to purchase, option contracts and building rights.

Revenue from own development in 2005 amounted to 30% of building and development revenue (in 2004 this was just 20%).

Takeover of Hollestelle Vastgoed Ontwikkeling

BNBO successfully completed the takeover of Hollestelle Vastgoed Ontwikkeling B.V. on 7 March 2005. The takeover is consistent with BNBO's strategy of expanding its activities in the northern part of the Netherlands. The projects in portfolio will make a positive contribution to the result in 2006.

Admiraal 1 and 2 office complexes

During the year under review Ballast Nedam sold Admiraal 1 - which was let out - to an investor together with the newly constructed Ballast Nedam head office (Admiraal 2).

Philips Business Innovation Center, Nijmegen

The Philips Business Innovation Center in Nijmegen will be the leading research centre for the development and production of semiconductors. The phase 1A programme covers approximately 24 000 square metres of gross office floor space, distributed over 18 stories, and a two-storey car park with approximately 600 spaces.

The phase 1B programme consists of a conference centre, hotel facilities with approximately 60 rooms, approximately 40 apartments and various shops and a fitness centre, etc.

The Center has been designed by the Mecanoo firm of architects in Delft. The office tower is particularly striking: the first eight storeys of the building have a 7.2 metre kink, with 10 further vertical storeys. The total height of the tower including the car park below is approximately 80 metres above ground level. The highest point was reached in December 2005 and the handover of phase 1A is scheduled for the end of 2006. The main tenant of the building is Philips Semiconductors.

Almere Poort

The BNO/BAM development combination signed a framework agreement in the first quarter of 2005 with the municipality of Almere for the development of the Olympia quarter, the central area of the new Almere Poort urban district. Apart from some 900 apartments/dwellings and over 100 000 square metres of office space, the Olympia quarter will be equipped with various facilities. The total revenue will amount to around one billion euros over some 10 years.

Spoorzone Delft

In early 2005, BNO concluded a contract with NS Vastgoed for the development of some 1 300 dwellings and 25 000 square metres of office space. This is a 10-year project, which is being implemented in conjunction with the construction of a railway tunnel. Upon commencement of construction of the tunnel in 2007, the first plots will be released for development in 2008. In total the contract represents a development potential of around 350 million euros.

Urban restructuring in Laakhaven, The Hague

A consortium consisting of BNO, Matser and Kristal concluded a cooperation agreement with the municipality of The Hague in the second quarter of 2005. The consortium will be concerned with the urban restructuring of the Laakhaven-west district. The project comprises some 800 dwellings and 15 000 square metres of commercial space. Revenue, in 2007, from this project will be 175 million euros.

Joint venture with TCN: abl2

BNBO and property developer / manager TCN Property Projects B.V. set up a joint venture during the year under review for the purpose of acquiring projects (especially PPPs) and implementing them in the field of integral area development. The two parties will each have a 50% share in this joint venture, known as abl2. The venture will be pooling specialist knowledge, creativity and practical project expertise from the two venturers. Among other things it is designed to generate projects from the first initiative through to the ultimate use. Abl2 will be able to undertake public tasks and is, if necessary, prepared to provide risk capital and to issue result guarantees.

Football stadiums

We have a reputation for expertise in the development and building of football stadiums. Apart from requests for help to develop and build stadiums abroad - especially on the basis of process management - we completed the FC Groningen football stadium in 2005.

The first pile for the new ADO Stadium in The Hague was driven at the end of 2005. On 18 January 2006 the Council of State ruled on the application of the air quality legislation and gave the go-ahead for this pioneering project in the cavity of the Prins Claus junction between national highways A4 and A12.

In early January 2006 it was announced that BNBO, together with FC Dordrecht and Van der Valk Hotels, will be conducting a feasibility study into a new football stadium, combined with a 186-room hotel, a conference centre and a casino. We also intend to perform an urban development study in respect of the current FC Dordrecht site.

Coopvaert, Rotterdam

At 104 metres in height, the Coopvaert is the newest skyline-marker in Rotterdam. The tower block, standing on an area of not even 700 square metres, will house 124 apartments. The complex also offers 2 200 square metres of office space and 250 square metres for catering industry facilities. The 64-metre-deep piles are the deepest on record in the Netherlands.

Kunstinie, Almere

Work is proceeding apace at Weerwater in Almere on the Kunstinie, a theatre and cultural centre scheduled for completion in summer 2006. The building was designed by Kazuyo Sejima, the co-founder of the Tokyo firm of architects SANAA, whose projects have included the Museum for Modern Art in New York.

SIR 55, Amstelveen

A contract has been concluded with the national housing organisation SIR 55 and the municipality of Amstelveen for the construction of 54 adaptable apartments (with an underground car park) in Amstelveen. The housing association Stichting Initiatieven Realisatie 55+ Woningbouw dates back to 1987 and has undertaken several dozen projects involving homes for senior citizens.

'Dock van Delft', Delft

The unique 'Dock van Delft' housing complex will consist of a total of 129 dwellings, 111 parking spaces and 3 300 square metres of commercial space. The special feature of this complex is that it will combine social housing and both subsidised and unsubsidised owner-occupied housing. No distinction is being drawn between tenants and owner-occupiers in the development, layout and construction. This also applies to the care facilities that will be available on call. The complex is an initiative on the part of the Vidomes Corporation and the care-provider PCVB; Ballast Nedam Bouw is one of the co-developers.

New Babylon, The Hague

The New Babylon project will start in 2006. The project comprises the construction of 330 rental and owner-occupied apartments, divided over two tower blocks 100 and 140 metres in height. Three office spurs are to be constructed next to the housing towers on and over the existing Babylon complex. The spurs will provide a total of 32 000 square metres of additional office space. In addition the project will involve the refurbishment and new construction of commercial space totalling around 16 700 square metres on the ground and first floors, while the existing car park is to be upgraded.

NS Vastgoed tower, Rotterdam

BNBO will be starting on the construction of this 75-metre-high tower containing 89 apartments in April 2006.

Schools

BNBO has undertaken the construction of three schools as principal contractor under a Design & Build contract. The Roc Teleport in Amsterdam has been handed over, while the Trinitas College in Heerhugowaard and the Avans Hogeschool in Breda are still under construction. We will be starting on the construction of the Mondriaan College in The Hague in 2006.

Orbis Medical Park, Sittard

The Orbis Medical Park comprises the new Maasland Hospital, the Prins Claus Centre, a 'Care Boulevard' and a Rehabilitation and Recovery Centre. The total cost of this project, which is to be built in combination with others, will be around 160 million euros.

Ensemble Westraven, Utrecht

The Government Buildings Agency has awarded a contract to the Ballast Nedam/BAM combination for the Ensemble Westraven project. The project is located within sight of the Oudenrijn road junction and involves the renovation of the Westraven government office block (the tall office building at the crossing between the Amsterdam-Rhine Canal and the A12 between Utrecht and Arnhem) and the construction of new, low-rise office spurs.

H-Pier, Schiphol

The first piles were driven for the new H-pier at Schiphol on 17 February 2005. The new pier is designed to cope more effectively with the growth in point-to-point traffic. In accordance with the agreement the new pier was commissioned on 1 November 2005. The project took precisely one year from commencement of design to commissioning.

Vacancy risk

At the end of 2005 there were just seven completed but unsold dwellings throughout the Netherlands and some 4 000 square metres of completed office space remained to be let.

Prospects

BNBO is approaching the next few years with confidence. That confidence is based on the scale and quality of the order book and the positive prospects, especially for the house-building market, in the period ahead. The operating result will continue to grow.



The prize for spatial quality in 2006 (Gelderland) passed the IJsseloord 2 business estate in Arnhem by, but the project attracted words of praise in the jury report for third place: "The ugly duckling has developed into a beautiful swan. Following thorough clean-up, a polluted site has been transformed into a business park of unmistakable quality."

That quality was achieved by the park management of a prominent, strategically located site with state-of-the-art facilities. The environmental zone between the estate and the River IJssel serves to enhance the park-like nature of IJsseloord 2. In 2005 the Vitens water company and the GIBO Group also decided to establish their head offices in the business park.

Working

A good working environment is important. This also provides our starting point for the development, construction and management of real estate. Naturally we also undertake the building and facility management of our buildings ourselves; in early 2006 Admiraal II was added.



Admiraal II, the new Ballast Nedam head office in Nieuwegein.



Prinsenhof is a striking new development in the centre of The Hague.



Ensemble Westraven in Nieuwegein is undergoing a radical facelift.

Facility management and Asset management

Facility management

Market

The market for facility services and property management in the Netherlands amounts to approximately 40 billion euros a year and has been growing steadily for a number of years. There is a clearly discernible trend under which businesses and institutions are concentrating to a greater extent on their primary processes and consequently outsourcing all their facility and building management.

Another development is that it is becoming increasingly important to be able to offer facility management in combination with property management. The two disciplines are becoming ever more closely interrelated. In addition, workstation planning and space management are becoming ever more important and this combination also offers advantages in the use and operating phase of PPP projects.

Ballast Nedam Services (BNS) is excellently positioned in this area. BNS is one of the few firms to have combined facility services and property management from the outset. The expectation is that the developments in the market in the coming years will offer increasing opportunities for companies able to combine a complete facility services package with integral building management.

Strategy

BNS has established a reputation as a specialist in total facility management. BNS is a directive organisation that does not perform the actual services itself but manages facility services and property management, including contract management and financial management. It operates on the principle of full-service provision. This means that a complete range of services is offered on a modular basis so as to provide each client with a customised services package. BNS concentrates on businesses, government agencies and building owners wishing to outsource their facilities and/or property management.

One of Ballast Nedam's most important strategic focal points is to build up greater involvement in the total project value chain. BNS therefore devotes considerable attention to the cooperation with the Ballast Nedam divisions, focusing on both the front-end and the back-end of the building process.

BNS also attaches major importance to a good relationship with its (service) providers and invests time in instruction and consultation. Experience indicates that this enhances supplier performance, thereby further increasing the added value offered by BNS.

Operations

BNS's activities are extensive, in which regard we have optimised our business processes over the past year. We have, for example, commenced development of an advanced Facility Management Information System, to replace the current system in early 2006. Among other things, this greatly improves the ability to control and measure performance and quality.

Apart from the extension of activities for third-party clients, cooperation with the operating companies of the Ballast Nedam divisions progressed satisfactorily over the past year. BNS is now engaged in a number of projects involving property management and facility management.

Prospects

The demand for facility management and the efficient management of property is likely to increase. There are therefore sufficient opportunities for the commercial deployment by BNS of its specialist knowledge and expertise in this field. In this regard BNS is also exploring developments in specific market segments, e.g. health care. The ongoing liberalisation of this sector means that it is assuming full responsibility for the financing of its real estate. This has major implications for the construction and fitting out of health care institutions and also for facility management, and is an area in which BNS aims to play a role in the coming years. The close cooperation with the Ballast Nedam divisions offers high added value in this regard.

Asset management

This Ballast Nedam business unit develops and manages the all-season ski resort Kicking Horse Mountain Resort in British Columbia (Canada). Visitor numbers are developing positively.

The project in Palm Beach (United States) involving the construction of a bascule bridge has been completed.

In Saudi Arabia, Ballast Nedam continues to provide maintenance activities at the airfields we have built.

Financial results

Revenue and EBIT

Revenue

x € 1 000 000	2005	2004	NL GAAP			
			2004	2003	2002	2001
Infrastructure	541	522	522	603	647	646
Building and Development	658	524	524	546	539	570
	1 199	1 046	1 046	1 149	1 186	1 216
Other	7	118	118	470	1 121	1 110
Total	1 206	1 164	1 164	1 619	2 307	2 326

Revenue totalled 1 206 million euros compared with 1 164 million euros in 2004. The revenue of the Dutch divisions rose by 15% to 1 199 million euros. This increase more than offset the fall in revenue in the Other category due to the reduction of the international activities.

EBIT

x € 1 000 000	2005	2004	NL GAAP			
			2004	2003	2002	2001
Infrastructure	14	11	11	8	10	21
Building and Development	35	21	20	18	16	19
	49	32	31	26	26	40
Other	(11)	3	(12)	(26)	(148)	(63)
Total	38	35	19	-	(122)	(23)

The operating result of the Dutch divisions rose sharply in 2005 by 53% to 49 million euros.

The total operating result rose from 35 million euros in 2004 to 38 million euros in 2005. For a meaningful comparison it should be noted that there was a non-recurring positive effect of 10 million euros in the Other category. The Other item of 11 million euros negative also includes the holding company expenses and the settlement of international projects.

In 2004 the Other category still included three non-recurring items that generated a net positive result of 10 million euros. This concerned the one-off effect of 10 million euros positive of the amended pension scheme, a high positive operating result of 18 million euros by Construction International upon the positive completion of a number of large projects and a provision of 18 million euros formed for the consequences of the Netherlands Competition Authority proceedings.

Margin

	2005	2004	NL GAAP			
			2004	2003	2002	2001
Infrastructure	2.6%	2.0%	2.1%	1.3%	1.5%	3.3%
Building and Development	5.3%	4.0%	3.8%	3.3%	3.0%	3.4%
	4.1%	3.0%	3.0%	2.3%	2.2%	3.3%
Other	-	3.0%	-10.3%	-5.5%	-13.2%	-5.7%
Total	3.2%	3.0%	1.6%	0.0%	-5.3%	-1.0%

The margin of the Dutch divisions rose from 3.0% in 2004 to 4.1%.

The overall margin amounted to 3.2%. This is a substantial operational improvement in relation to the adjusted margin in 2004. Disregarding the one-off positive effect of 10 million euros the margin in 2004 amounted to 2.1%.

Net result

Net result

x € 1 000 000	2005	2004	NL GAAP			
			2004	2003	2002	2001
EBIT	38	35	19	-	(122)	(23)
Interest income and charges	(10)	(11)	(4)	(6)	(13)	(9)
Result before taxation	28	24	15	(6)	(135)	(32)
Taxation	(8)	(11)	(7)	52	(8)	(18)
Net result	20	13	8	46	(143)	(50)

The result before taxation rose by 4 million euros from 24 million euros in 2004 to 28 million euros in 2005. This increase was due to the 3 million euros higher operating result (2004: 35 million euros) and the 1 million euros lower interest charges (2004: 11 million euros).

The operating result rose by 54% from 13 million euros in 2004 to 20 million euros. This increase concerned the 4 million euros higher result before taxation and the 3 million euros lower tax charges.

Taxation amounted to 8 million euros. The effective tax burden in 2005 of 28.6% was lower than the applicable standard rate of 31.5%. This is explained by the fact that the value attributed to hitherto unvalued available tax losses was greater than the effect of the results that could not be offset within the tax entity in 2005 together with the tax charge due to the reduction in value attributed to the deferred tax assets as a result of the lowering of tax rates in the Netherlands. At the end of 2005 Ballast Nedam had 122 million euros (2004: 137 million euros) in tax losses which can be carried forward indefinitely in the Netherlands, the value of which results in a deferred tax asset of 36 million euros (2004: 42 million euros).

If the anticipated liquidation of Ballast Plc goes ahead in 2006, approximately 115 million euros can be added to the tax losses which can be carried forward indefinitely in the Netherlands.

Order book

Order book

x € 1 000 000	2005	2004	NL GAAP			
			2004	2003	2002	2001
Infrastructure	557	340	340	484	557	665
Building and Development	503	568	568	455	559	463
	1 060	908	908	939	1 116	1 128
Other	4	63	63	107	717	1 361
Total	1 064	971	971	1 046	1 833	2 489

The order book of the Dutch divisions rose by 17% to 1 060 million euros. The total order book rose by less, namely 10% from 971 million euros in 2004 to 1 064 million euros. This is due to the scaling down of the international activities.

Equity and financing

Shareholders' equity amounted to 124 million euros at year-end 2005 (2004: 101 million euros). Total assets rose by 3% to 847 million euros (2004: 824 million euros), in which respect the non-current assets fell by 57 million euros and the current assets rose by 80 million euros. The capital ratio increased to 15% from 12% at year-end 2004. The 23% increase in shareholders' equity outstripped the increase in total assets. The capital employed fell from 78 million euros in 2004 to 74 million euros.

The cash flow amounted to 31 million euros negative compared with 22 million euros positive in 2004. The cash flow from operating activities amounted to 26 million euros negative (2004: 13 million euros positive), the net cash flow from investment activities to 39 million euros positive (2004: 2 million euros positive) and the net cash flow from financing activities to 44 million euros negative (2004: 7 million euros positive).

The operating activities cash outflow of 26 million euros related in particular to the negative operating cash flow of 40 million euros in the Other category, consisting of the reduction in the international activities, the payments in relation to the completion of the Netherlands Competition Authority procedures and the holding company expenses.

The cash flow from investment activities amounted to 39 million euros positive, consisting of 32 million euros in investments, 67 million euros in disposals and 4 million euros in dividends received. The disposals mainly concerned the sale of the existing part of the office complex in Nieuwegein. The investments in the tangible assets of 29 million euros were higher than the depreciation of 18 million euros and related in particular to Infrastructure.

The net cash fell from 160 million euros in 2004 to 129 million euros. This consisted of unrestricted net cash balances of 99 million euros (2004: 88 million euros) and proportionally consolidated net cash of 30 million euros (2004: 72 million euros).

The decrease in the long-term loans by 45 million euros from 99 million euros in 2004 to 54 million euros represents repayments of 55 million euros (largely concerned with the 49 million euros loan repayment for the sold office complex in Nieuwegein and the 5 million euros repayment of the pension fund loan) and the drawdown on loans totalling 10 million euros (among other things the drawdown on loans relating to the proportionally consolidated PPP Infrastructure projects).

The net financing position, consisting of the net cash and the long-term loans including the short-term element, amounted to 68 million euros (2004: 56 million euros surplus). Throughout the year there was a greater financing requirement than at year-end. The net financing position in mid-2005 accordingly amounted to 5 million euros negative (mid-2004: 4 million euros positive).

Urban Facilities

The Dominican Church in Maastricht has not been used as a church since 1804. The various purposes for which the building has been used since then have not done the church any good. After restoration of the 13th century Gothic church by the company Laudy the building will house a bookshop.



The Staringplein in Amsterdam has an automated underground car park.



Tongelreep in Eindhoven houses the brand new national swimming centre.



Campus is a multifunctional arts and education complex in Kerkrade.

Human resources

Management development

Management development forms part of the company's career policy, which is aimed at the proper staffing of 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 jointly discuss the developmental and training requirements and the scope for actual and potential managers to progress in their careers.

Training

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 cooperation, as it provides a forum for employees from the various parts of the company to meet. The training means 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 and computer courses.

Over 600 employees took part in one or more of the in-company training courses during 2005. This number includes participants in the introductory meeting for new employees, the information afternoon for employees of longer standing and the trainees day. 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 2005, procurement management was added to the programme. In total approximately 640 000 euros was spent on training costs.

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, Holland Rail Consult, Government Ministries and the Tax authorities participate in BOSNO.

Consequences of reorganisations

Capacity has, where necessary, been brought into line at decentralised level within the building divisions with the change 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. This agreement came to an end on 1 January 2006. Talks are now being held about extending this plan. On balance (including natural attrition) the number of employees fell in 2005 by 95.

Revised pension scheme

A revised pension scheme came into force at Ballast Nedam on 1 January 2005. This is a collective, defined contribution scheme. A fixed premium is made available under the scheme each year, which is then invested. The premium plus the investment proceeds forms the capital from which the pensions are paid. In principle there is no provision under the revised scheme for indexation. Indexation only applies 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 under which the company is 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 in a situation of 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 made under the whistleblowers' scheme. Over the past year there have not, however, been any notifications resulting in penalties.

Smoking policy

Smoking is now forbidden in all Ballast Nedam buildings (offices, site offices, workshops and the like). Where possible designated smoking areas are provided.

Consultation with the central works council

The Board of Management conducted the normal consultations with the central works council in 2005. 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, integrity procedures, changes in the social legislation, the health-care system and all other topics placed on the agenda by the staff representatives.

In 2005, the central works council was reduced to seven members.

Sickness absence

Sickness absence fell in 2005 to 5.1% (2004: 5.5%). The monitoring and guidance systems that have been put in place ensure that there is close contact between ill employees and their line-managers. Integration processes make sure that employees are able to resume work as quickly as possible.



With a height of 104 metres, the Coopvaert housing tower is the latest skyscraper in Rotterdam. Ballast Nedam Bouw is building the multi-purpose tower on behalf of Amvest and Maassaete. The highest point was reached on 1 November 2005. Apart from catering facilities on the ground floor, commercial premises and offices, there will be 41 owner occupied and 78 rental apartments on floors 9-30.

In addition to the housing tower a car park is to be built, linked to the Coopvaert by a covered walkway. So as not to damage the listed building alongside, exceptionally deep foundations had to be installed, requiring piles of 66 metres long.

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 also working properly. These systems are designed to manage significant risks and to safeguard the realisation of operational and financial objectives as well as compliance with relevant 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 the 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 entails the identification, analysis, monitoring and control of risks which could jeopardise the attainment of the corporate objectives and results. Controlling risks is a core competence for Ballast Nedam, which in this way ensures that it can meet its commitments towards customers in both the shorter and longer term. In addition to clients, good risk control 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 policy of Ballast Nedam, within which a clear and consistent system of risk control can be constructed within the group.

The key points here are:

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

Internal control 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 projects with a possible production value of more than 25 million euros, but also for investments in land holdings and in tangible assets and entering into 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 process includes detailed technical, geological, legal, financial, tax, political and environmental analyses. These are not the only risk factors capable of playing a role: 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 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 only starts if there is sufficient certainty about 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 continual process improvement, quality assurance and systematic analysis of rectification costs. The normal insurance is taken out to cover risks during construction. Credit risk during the construction of the project is largely avoided by specifying 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 discussions on operations with the divisional boards. The divisional boards conduct similar discussions with the management of the operating companies, in which explicit attention is paid to compliance with the rules and regulations. This is supported by actively adhering to the internal code of conduct.

Guarding integrity with code of conduct

The management – at all levels – makes the requirement to comply strictly with the competition rules absolutely clear to all employees. To this end an internal code of conduct has been drawn up, about which all employees have been informed personally. Among others, 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 discussions on operations 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 special body that performs independent supervision on 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 central responsibility at Ballast Nedam and is therefore organised as such.

Ballast Nedam remains alert

The Board of Management launched a project in 2005 concerning 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 2005 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 2005 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, or that these systems will entirely prevent all inaccuracies of material importance, losses, fraud and infringement of laws and regulations. The Board of Management 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 are likely to include the completion of the revised accounting manual, the introduction of an internal declarations system in respect of the internal terms of reference for the local management and further elaboration of the internal approval process for entering into contracts at various levels within the company.

Competition risks

As reported before, the European Commission issued a report in 2004 concerning possible violations of the Competition Act in relation to the bitumen purchasing agreements concluded by various parties, including Ballast Nedam. At issue is the purchase of annual volumes of between one and two million euros during a few years. Fines imposed by the European Commission can be material. It is uncertain as to whether a fine will be imposed and, if it is, how high it will be. Ballast Nedam has not therefore formed any provision.

In early 2005, the Netherlands Competition Authority (NMa) formulated the definitive principles for the sanctions to be imposed for infringement of the Competition Act in the period 1998–2001. In response to this, Ballast Nedam has formed a provision in 2004 for the settlement of all procedures in the civil engineering, non-residential construction and other segments. The fines announced in the course of 2005 were in line with expectations and were covered by the provision.

Various governmental authorities have submitted 150 pro forma claims to the Arbitration Board for the Building Industry on the grounds of having suffered loss as a result of price-fixing. Part of the agreement between the industry and the NMa concerning the package of sanctions noted above involved a contribution to a fund for the settlement of possible civil claims. These 150 claims and other possible claims by government agencies have therefore been eliminated from Ballast Nedam's risk profile.

In early 2004, the NMa drew up a report on the involvement of a former subsidiary in possible price-fixing in the ready-mixed concrete segment. A draft decision has now been taken concerning a fine. A provision was formed in 2005 in order to cover this.

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

Ballast Plc

Ballast Plc (United Kingdom) is in liquidation. All parent company guarantees for projects still ongoing in 2003 have been settled. The remaining guarantees issued by Ballast Nedam are of a limited nature, not payable on demand and relate mainly to completed projects. Moreover, recovery from Ballast Nedam N.V. is not possible. Negotiations are currently underway with the receiver concerning the conclusion of the procedures, which is expected to be in 2006.

Ballast Nedam International

All the remaining large international projects have been completed. Final contractual settlement of these projects will take place over the next few years. Provisions have been formed 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 valued, unless there is reasonable certainty that such claims will be met.

The Ballast Nedam project completed in Malaysia in 2003 and the projects handed over in Taiwan and the United States in 2005 are expected to be totally settled in 2006. Ballast Nedam does not see any need to form any provision for these projects. In Saudi Arabia a procedure is ongoing in which the tax authorities are contesting the status of a tax-exempt contract dating from 1999. Ballast Nedam wholly contests this tax claim and sees no need to form an additional provision. The procedure concerns a tax claim on a Ballast Nedam International subsidiary 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. The results are to a significant extent determined by the economic situation in the Netherlands and by government expenditure; the sector infrastructure depends more heavily on government expenditure than do development and construction.

Compared to the infrastructure sector, the income from development and construction depends more on interest rates, the continuing tax deductibility of mortgage interest and delays due to the fine-dust problem 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 eurozone on a limited scale. The associated currency risks are hedged on an individual project basis. In Canada, Ballast Nedam is involved with the development and operation of the ski resort Kicking Horse Mountain 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 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 concerns risk financing by means of insurance. Insurance is a centralised responsibility at Ballast Nedam, and is therefore organised as such.

Undersuction

Ballast Van Oord Grondstoffen employs an innovative technique which enables layers of sand to be selectively extracted while leaving higher sand and covering layers undisturbed and allowing them to settle evenly. Sub-o-suction (undersuction) widens the possibilities of producing industrial sand and can be used for various purposes.



This technique is used in order to deepen the access to the IJsseloog dredging spoil depot in the Ketelmeer. Controlled bottom lowering – for example in river meadows to increase the river flow profile – offers financial and environmental advantages.

Innovation

The tendency to more integrated types of contract is increasing the scope in the Dutch market for innovation. This is a favourable development for Ballast Nedam as we have long-standing experience with such contracts, both in the Netherlands and abroad. This is an area where innovation and risk management go hand-in-hand.

The integrated contracts give rise to creative concepts and inventive solutions for the use of space, utilisation of building materials and innovation in the various process stages in construction, while equipment is used more effectively. Ballast Nedam is therefore capable of innovation throughout the chain.

Use of space

Over the past year we have developed a modular parking system. This is a demountable car park made of sustainable materials. All the elements can be reused and the car park can be easily extended. The floor and column systems that have been developed provide for a large, freely supported span and offer sustainability, logistical advantages and speed of assembly. A full-service package is offered for the solution of temporary parking problems. The initial contract is accordingly a rental contract rather than a purchase agreement.

Cost-estimation models have been developed for planning studies and overall area-development concepts. These models make it possible for the traditionally uncertain site-based costs to be estimated and controlled more effectively. The models are suitable for sites of over two hectares and are used on the basis of regional knowledge of equipment costs and soil conditions.

A technique is being developed for the extraction of the underlying sand layers in river water meadows with the aid of a multi-suction-lance. This leaves the topmost clay layer intact, which is vital for preserving the quality of the water meadows, while at the same time increasing the river flow-profiles.

Ballast Nedam has also taken part successfully several times in development competitions and has submitted unsolicited proposals. The company is particularly strong in coming up with new possibilities for projects where land and water meet.

Utilisation of raw materials

Together with its subsidiary Feniks Recycling, Ballast Nedam is a leading player when it comes to recycling in construction. Processing techniques have been developed to make sure that bottom ash complies with the present Bouwbesluit (Building Decree). Techniques have also been developed for separating stainless steel from other waste. The knowledge gained with bottom ash recycling (i.e. the re-use of incineration residues produced in waste facilities) has been exported to the United Kingdom, where Ballast Nedam has emerged as the market-leader in this area.

Chain innovation

The Ballast Nedam subsidiary Haitsma has invested approximately 7 million euros in a new production hall for precast concrete elements weighing up to 240 tonnes. The maximum available prestressing capacity is approximately 2,500 tonnes. This enables extremely large concrete beams to be produced, for example for spanning highways without the need for intermediate supports. This expansion of production capacity has increased the scope for innovative solutions within Design & Construct projects. Advantages include the fact that construction nuisance is reduced and building is speeded up. The value of such advantages is evident from the criteria employed by Ballast Nedam clients other than price when awarding contracts.

Production improvement

Apart from road haulage facilities Ballast Nedam can also convey building materials by water. The prestressed beams referred to above can be loaded directly into ships, thereby greatly increasing the transport options. The result is a reduction in nuisance and a competitive advantage in various projects. We are also increasingly transporting the raw materials we need by water.

Product development

Ballast Nedam Funderingstechnieken and the operating company Rademakers Gieterij have jointly developed a drill head that can withstand heavy forces in difficult drilling conditions, for example a hard subsoil.

The Haitsma Step Barrier that we developed as early as 1995 has been further optimised and has once again been successfully tested full-scale and approved according to European standards.

In the field of coastal defences we have developed blocks with heavy aggregate as a replacement for gravel. As a result of this specific application, elements have been produced with a specific gravity approximately 25% higher than traditional concrete, thereby affording better protection against wave action. The blocks have already been used in IJmuiden.

With regard to bridges we have developed a concept whereby clients can order a unique prefabricated bridge on the basis of architectural alternatives, with unique combinations of deck, beams, edges, illumination and materials. We have now won a number of orders for such bridges.

Other developments in respect of bridges are the use of synthetic material in the load-bearing structure and in edge elements.

Procurement

The Procurement department continued to focus on the following issues in 2005:

- procurement synergy among the divisions;
- procurement efficiency;
- the effects of procurement on the other operating processes;
- the professionalisation of procurement, by training for example.

Ballast Nedam achieves synergy and efficiency in procurement by applying the concept of product group management: making optimum use of the overall procurement volume of Ballast Nedam and of the existing procurement and product knowledge. This method of working is now applied to 40% of Ballast Nedam's procurement. Apart from the shared procurement know-how, this has also resulted in average savings of 4.1% on 15% of the procurement volume. Group-wide framework contracts have also been concluded in respect of 9% of the procurement volume. Ballast Nedam will continue to extend this method of purchasing in the coming years.

Now that the success of product group management has been demonstrated we have set up a large number of cross-business unit projects in this field. Apart from numerous facility services, these include reinforcing steel, the hiring of agency staff, precast concrete elements and wholesale items.

We are increasing the efficiency of the procurement process with the aid of further computerisation. This will enable us to monitor and direct the effects of procurement on the other operating processes more effectively. Experience in this area was gained in 2004 in a pilot context. Research has indicated that these benefits will apply to the entire Ballast Nedam organisation. Group-wide development and implementation were therefore prepared in 2005. These will bear fruit in the coming years.

The trial procurement management course was completed in 2005 and was positively rated by both the participants and the company. The procurement management programme has been added to the Ballast Nedam training portfolio and a new course will be provided each year.



Since the official opening on 22 September 2004, Carnisse Veste has emerged as the shopping centre of the new Carnisselande Barendrecht urban district. Ballast Nedam Bouw was the principal contractor for the combined residential and shopping complex which, apart from 18 000 m² of shopping space and a car park with 740 spaces, also contains 233 dwellings. The developer, Rodamco, saw its efforts crowned with the NRW Annual Prize 2005. This prize is awarded each year by the Dutch Council of Shopping Centres (NRW) for the best shopping centre in the Netherlands. In 2005 the NRW placed greater emphasis than hitherto on the users in assessing the projects.

Information and communication technology (ICT)

The internal service unit Ballast Nedam ICT (BNICT) has now been in existence for five years. During that period it has managed significantly to reduce the cost per workstation, at the same time offering an ever broader and deeper package of services. The year 2005 was to some extent dominated by the move to a new head office, where infrastructural facilities were installed, such as telephony, the local network and the central server room, according to the latest insights. We again opted for a Cisco Voice Over IP telephone system, which will also be applied nationally.

Following an extensive selection process we chose Canon as our partner for multifunctional printers. These MFPs, which have now been installed, are being used in both permanent and project offices. The printers provide extra functionality and will lead to a sharp reduction in both fixed and variable printing costs.

Having completed an extensive and careful selection process in 2005, Ballast Nedam will be implementing the latest generation of Microsoft workstation products in 2006. The main driver in this regard is the need to manage contacts and documents more effectively in both the permanent offices and on-site. It is vital for this process to be closely integrated with the new account management system that is to be selected. The distribution system implemented in 2005 will make it easier to implement new software across the board.

The automation of the construction sites developed in 2005 was implemented in varying configurations at both Ballast Nedam Infra and Ballast Nedam Bouw over the past year. Among other things this system provides for electronic registration, the processing of commitments and hours and a discrepancies register and foremans day-book. In addition we experimented extensively with document management by way of preparation for the implementation of new workstation products.

During the year a new system was developed with Outlooksoft for the group-wide consolidation and reporting of financial information. The system will also provide the future basis for reporting on non-financial information, such as personnel management and risk management. The system will also provide better insight into management information at project level.

The implementation of the content management package T-Site will make it possible for Ballast Nedam to generate visually attractive websites independently and more rapidly than before. This will, for example, make it possible to provide support for large house-building projects and large-scale infrastructural projects. The new tool will also make it possible for more permanent business units, such as our precast production plants and the holding company, to communicate more professionally with their business contacts. The general Ballast Nedam website is to be totally redesigned for this purpose and will also be supplemented by a communication module and a projects database.

The XML-driven internal electronic invoicing system is to be further extended and will be combined in 2006 with the Basware workflow solutions that were intensively tested last year, and which also enable invoices to be scanned. We will be extending the XML facility in the near future so as to permit the direct exchange of data with third parties, such as large suppliers and housing corporations.

Various tests have been performed with 3D CAD design systems. During the period ahead we will be developing activities with the 'from 2D to 5D' project in order to change the Ballast Nedam 2D design environment into a central 3D CAD model, as the basis for integrated contracts in our discipline. This 3D CAD model will allow the design discipline to be linked more efficiently to work preparation and execution.

Ballast Nedam has been engaged in various external innovation processes over the past year under the flag of PSIBouw. Examples include the Coins project and the Virtual Building platform. In addition, Ballast Nedam is involved in the field of ICT at the European level through the research, development and innovation organisation ENCORD. By offering traineeships and graduation placements we maintain contact with the universities of technology and the universities of professional education and promote the intake of well-trained staff.

Other focus areas in 2006 will be:

- the implementation of an integral safety policy;
- a redesign of our Wide Area Network (of which most construction sites now also form part);
- the implementation of a new ERP package (Axapta) for the production companies;
- the future direction for the ERP packages of our operating companies is to be reconsidered in detail.

Quality, working conditions and the environment

Quality, health and safety and environmental management form an integral part of overall operations at Ballast Nedam and are embedded in the system which is used throughout the organisation. To monitor compliance, management makes use of a number of standardised tools such as:

- customer satisfaction surveys;
- employee satisfaction surveys;
- logging of complaints and discrepancies;
- reporting incidents, accidents and near misses in the workplace;
- reporting and analysing sick leave;
- internal and external audits, workplace inspections and project evaluations.

Primary responsibility for the quality, health and safety and environmental management systems rests with management, which is supported by specially appointed co-ordinators at the various operating companies. The task of these co-ordinators is to support, promote and improve the management systems.

Internal auditors are trained in the operating companies to carry out regular assessments of the application of the systems. In addition, the system is also monitored by means of regular external audits. Improvement programmes are then drawn up on the basis of the outcomes of these internal and external audits.

Quality assurance

To provide a measure of the quality of work, Ballast Nedam's policy is one of process control, quality assurance and systematic analysis of rectification costs. The basis for quality assurance is the maintenance of a system of external certification. All the companies have certified NEN ISO 9001 quality systems.

Health and safety policy

Preventing physical injury and harm to the health of our employees is one of Ballast Nedam's most important aims in the context of health and safety policy. The health and general welfare of our employees is therefore paramount in all our operations. The policy is formulated and implemented in close consultation with the employees' representatives. The Contractors' Safety Checklist (Dutch acronym: VCA) is used and most of the Ballast Nedam companies are certified according to this standard or its equivalent.

We have surveyed the risks for all companies according to the Risk Inventory and Evaluation (RI&E) instrument and developed specific plans to counter them. The Arbodienst (occupational safety and health service) have assessed these RI&E's, evaluate them regularly and update them, if necessary. Before a project starts, the specific risks are systematically reviewed and evaluated.

The health and safety of the workforce is promoted by the provision of clear working instructions, the right tools, plant which is safe to operate and personal protective equipment. Awareness of safe working practices is encouraged through consultation, instructions, publications and VCA courses. Safety instructions are given and the necessary protective equipment is issued on all projects, whenever the work is discussed, for each gang and for each job. Regular inspections are held alternately by our own staff and external safety experts to keep the safety policy up to date.

Supervisors, specialists and subcontractors, too, bear responsibility for ensuring safety at work. The need to report unsafe situations is always stressed at the start of each project and whenever a new employee joins the team. Information is also provided on any rules and requirements imposed by the customer.

Ballast Nedam keeps detailed records of any accidents. The accident statistics are compiled using the VCA method and are systematically compared with the appropriate standards.

Although there has been no significant change in the total number of accidents, three employees unfortunately lost their lives in 2005 as a result of serious accidents. One of these concerned human error; in the second case the cause was unclear; and the third involved a road accident at an unguarded level crossing. These accidents regrettably confirm that safety must remain one of the priorities for management and employees in the building industry. Our efforts in this field will therefore be stepped up still further.

Prospects for 2006

Markets in 2006 *

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. According to estimates by De Nederlandsche Bank the economy will grow by around 2.5% in 2006 and 2007. If the economy picks up some of the need for extra office space will begin to be met by the existing vacancies. The substantial qualitative mismatch between demand and supply in the commercial property market does however remain a problem. 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 2006-2007 and considers itself to be well-placed to respond to market developments.

There remains a marked shortage in the housing market. Not only are there too few dwellings but the composition of the supply does not correspond with the demand. There is a severe shortage of good quality housing in both the rental and the owner-occupied segment, particularly in the cities. First-time buyers have difficulty finding suitable and affordable housing. They therefore remain in rented accommodation (where this is available), so that the rented 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 will require the construction of 445 000 dwellings by the end of that year.

The most important reasons for the housing shortage deficit are the spatial planning policy 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 related to the institutions and regulations in the housing market, as characterised by the lack of building plots due to the strict rules, the lengthy and numerous procedures and the strict constructional and environmental requirements.

Rental policy is to be liberalised. This will be linked to production agreements with housing corporations and other landlords.

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.

We accordingly regard house-building as the biggest growth factor for our company in the coming years. This is supported by the further expansion of our land bank and the acquisition of one or more smaller to medium-sized project developers.

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 next few years. Although large investment projects (the Betuweroute railway line and the High Speed Railway Line) will be completed, a special push will be made 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 are also conducive to optimism about the infrastructure market. The latter is, however, suffering from the current price levels in this sector. The remaining overcapacity is holding back any rapid recovery in prices.

Nor does Ballast Nedam expect any significant improvement in 2006. 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 this segment. Ballast Nedam will therefore remain highly cautious about accepting multi-year contracts with an inadequate margin.

De Nederlandsche Bank and TNO Building and Construction Research expect the building sector as a whole to grow by around 3% in 2006 and by a little over 2% a year in the years thereafter (2007-2010). The Economic Institute for the Building Industry (EIB) expects 3.5% growth in 2006 compared with 2005.

Prospects for Ballast Nedam

The Board of Management is positive about the possibilities for the further improvement of the organisation and the result. We expect the net result to grow by approximately 20% in 2006.

Nieuwegein, 9 March 2006

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

* The macro-market analysis in this section is to a large extent based on data provided by De Nederlandsche Bank.



FINANCIAL STATEMENTS

Consolidated balance sheet

x € 1 000 000	Note	31 December 2005	31 December 2004
Non-current assets			
Intangible assets	1	21	23
Property, plant and equipment	2	144	190
Investment in associates	3	7	10
Other investments	4	1	4
Other receivables	5	2	-
Deferred tax assets	6	36	41
		211	268
Current assets			
Inventories	7	145	150
Work in progress	8	100	32
Receivables	9	216	183
Cash and cash equivalents	10	175	191
		636	556
Current liabilities			
Bank loans	10	(46)	(31)
Loans	12	(7)	(5)
Inventories	7	(1)	(35)
Work in progress	8	(226)	(191)
Trade payables		(172)	(158)
Income tax payable		(1)	(3)
Other liabilities	11	(144)	(136)
Provisions	14	(47)	(27)
		(644)	(586)
Working capital		(8)	(30)
		203	238
Non-current liabilities			
Loans	12	54	99
Deferred tax liabilities	13	4	3
Employee benefits	14	6	7
Provisions	15	13	24
		77	133
Group equity			
Minority interest	16	2	4
Equity attributable to equity holders of the parent		124	101
		126	105
		203	238

■ See Notes to the consolidated balance sheet and income statement on pp. 73-85.

Consolidated income statement

x € 1 000 000	Note	2005	2004
Revenue		1 206	1 164
Raw materials and subcontractors		(858)	(817)
Employee benefits	17	(249)	(234)
Other operating expenses		(44)	(52)
		(1 151)	(1 103)
Share in results of associates		3	2
EBITDA		58	63
Depreciation and amortisation of property, plant and equipment and intangible assets		(20)	(20)
Impairment of property, plant and equipment and intangible assets		-	(8)
EBIT		38	35
Financial income		1	2
Financial expenses		(11)	(13)
		(10)	(11)
Profit before tax		28	24
Income tax expense	18	(8)	(11)
Net result		20	13
Attributable to:			
Equity holders of the parent		20	13
Minority interest		-	-
Net result		20	13
Attributable to equity holders of the parent:			
Basic earnings per share (€)	19	2.05	1.36
Diluted earnings per share (€)	19	2.01	1.33

Consolidated statement of changes in shareholders' equity

x € 1 000 000	Issued share capital	Share premium	Purchased own shares	Currency translation reserve	Legal reserves	Other reserves	Attributable Result	Attributable equity	Minority interest	Group equity
1 January 2004	60	55	(1)	-	3	(74)	46	89	8	97
Foreign exchange difference				(1)				(1)		(1)
Results recognised directly in equity	-	-	-	(1)	-	-	-	(1)	-	(1)
Net result for the year							13	13		13
Total income recognised in equity	-	-	-	(1)	-	-	13	12	-	12
Appropriation of 2003 result						46	(46)	-		-
Other						-		-	(4)	(4)
31 December 2004	60	55	(1)	(1)	3	(28)	13	101	4	105
Foreign exchange difference				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)	-		-
Other						-		-	(2)	(2)
31 December 2005	60	55	(1)	2	3	(15)	20	124	2	126

As from 1 January 2005, Ballast Nedam has changed its accounting policies in accordance with IAS 32 and IAS 39 'Financial instruments'. The effect of this change on the assets and liabilities at 1 January 2005 is nil.

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 freely distributable.

The total number of Purchased own shares (Treasury shares) is 153 438 (2004: 138 820); these are included at purchase price.

Foreign exchange differences are a result of the conversion of the capital invested in foreign activities, including semi-permanent financing, and 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 consists of a legal reserve for associated companies and relates to results retained by those companies.

The 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 movement in the minority interest concerns the deconsolidation of C.V. Liesbosch and the impairment of Kicking Horse Mountain Resort in 2005.

The Board of Management proposes, with the approval of the Supervisory Board, to distribute a dividend of € 1.02 per ordinary share in issue. The dividend proposal has not yet been incorporated in shareholders' equity.

Share capital

	2005	2004
Shares in issue as at 1 January	9 861 180	9 878 699
Shares issued	-	-
Shares purchased	(14 618)	(17 519)
Shares in issue as at 31 December	9 846 562	9 861 180

Consolidated cash flow statement

x € 1 000 000

	2005	2004
Net cash, 1 January	160	138
Cash flows from operating activities		
EBIT	38	35
Interest paid	(10)	(11)
Income tax paid	(2)	(3)
Depreciation	18	19
Impairments	-	8
Amortisation	2	1
Foreign exchange differences	(3)	-
Movement in other receivables	(2)	-
Movement in work in progress	(33)	(19)
Movement in inventories	(29)	(8)
Movement in provisions	9	-
Movement in other working capital	(14)	(9)
Net cash from operating activities	(26)	13
Cash flows from investing activities		
Intangible assets		
additions	-	-
disposals	-	-
Property, plant and equipment		
additions	(29)	(18)
disposals	61	18
Financial assets		
additions	(1)	(2)
disposals	6	2
dividend received	4	2
Acquisition of subsidiary, net of cash acquired	(2)	-
Net cash from investing activities	39	2
Cash flows from financing activities		
Proceeds from long-term loans	10	16
Repayment of long-term loans	(55)	(5)
Movement in minority interest	(2)	(3)
Foreign exchange differences	3	(1)
Net cash from financing activities	(44)	7
Net cash, 31 December	129	160

The net cash consists of the balance of cash and cash equivalents and bank loans that cannot be offset against one another. The cash and cash equivalents of the acquired subsidiary are limited in scale.

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 2005 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 Article 2:402 of Book 2 of the Dutch Civil Code.

The Board of Management drew up the financial statements on 9 March 2006. The financial statements drawn up by the Board of Management and set out in this report are dependent on approval by the General Meeting of Shareholders. The General Meeting of Shareholders will be held on 10 May 2006.

Statement of compliance

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards and the interpretations thereof adopted by the International Accounting Standards Board (IASB) and also approved by the European Union (hereinafter: 'EU-IFRS').

These are the first consolidated EU-IFRS financial statements of Ballast Nedam. IFRS 1 has been applied for the preparation of these consolidated financial statements.

An explanation concerning the impact of the transition to EU-IFRS on the reported financial position, financial performance and cash flows of Ballast Nedam is provided in the notes.

Financial instruments

In conformity with IFRS 1 'First time adoption', Ballast Nedam makes use of the exemption from applying IAS 32 and IAS 39 'Financial instruments' as of 1 January 2005. The effect of this change in accounting policies on the financial position as at 1 January 2005 is nil.

Basis of preparation

The consolidated financial statements are presented in millions of euros. The financial statements have been drawn up on the basis of historic cost, subject to the proviso that derivative financial instruments have been valued at fair value.

Non-current assets and disposal groups held for sale are valued at the lower of carrying amount and fair value, less costs to sell.

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

Any judgements formed by the management concerning the application of the EU-IFRS that have significant consequences for the financial statements and estimates entailing an appreciable risk of a material change in the next year are disclosed in the notes.

The financial reporting principles set out below have been consistently applied (with the exception of IAS 32 / 39) for all entities and periods presented in these consolidated financial statements, as well as in the preparation of the EU-IFRS opening balance sheet on 1 January 2004 in respect of the transition to EU-IFRS.

Basis of consolidation

Group companies

Group companies are entities controlled by Ballast Nedam, either directly or indirectly, over the financial and operational policy with a view to obtaining benefit from the activities of the entities. These subsidiaries are consolidated in full showing any minority interests separately.

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

Associates

Associates are those entities in which Ballast Nedam has 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 in the total result of associates according to the equity method, from the date on which Ballast Nedam first exerted 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 any further losses are not taken into consideration except in so far as Ballast Nedam has a legal or constructive obligation.

Other investments

If no influence of significance is exercised over the operational and financial policy, valuation is at fair value, whereby impairments are included in equity if the investment is classified as available for sale or otherwise in the income statement. Only in the exceptional case that the fair value cannot be reliably determined the investment is valued 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 (joint control), including contracting consortiums, are proportionally consolidated as from the date that joint control commences until the date on which that joint control ceases.

Elimination of transactions for consolidation purposes

Intra group 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.

Unrealised losses are eliminated in the same way, but only in so far as there is no evidence for an impairment.

Foreign currency translation

Assets and liabilities of the 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 rate approximating the rate of exchange on the transaction date (average rate for the year). Foreign exchange differences following from the conversion of the capital invested 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 recognised in a separate reserve in shareholders' equity as from 1 January 2004.

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 at the transaction date. The resulting foreign exchange differences are recognised as part of EBIT.

Intangible assets

Goodwill

Goodwill concerns an amount arising from the acquisition of subsidiaries, associates and joint ventures. In relation to acquisitions after 1 January 2004 goodwill corresponds with the difference between the cost of the acquisition and the fair value of the acquired net identifiable assets, liabilities and contingent liabilities.

In the case of acquisitions before that date, goodwill is included on the basis of its deemed cost, which is equal to the value assigned under the previously applied GAAP. The classification and treatment of business combinations before 1 January 2004 has not been altered for the preparation of the EU-IFRS opening balance sheet as at 1 January 2004.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and ceased to be amortised, but is tested annually for impairment, as from 1 January 2004. In the case of associates, the carrying amount of goodwill is included under the carrying amount of the investment in associates.

Negative goodwill arising on acquisition is recognised directly in the income statement.

Other intangible assets

Software is stated at cost less accumulated amortisation and impairment losses.

Concessions are stated at cost less accumulated amortisation and impairment losses.

Amortisation

Amortisation of intangible assets other than goodwill and intangible assets with an indefinite life is calculated on the basis of the expected useful life. Concessions in respect of land and raw materials are amortised according to extraction.

Goodwill and intangible assets with an indefinite life are systematically tested on the balance sheet date each year to determine whether impairment has taken place.

Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost of acquisition or manufactured less accumulated depreciation and impairment losses.

If property, plant and equipment consist of elements with an unequal useful life, these are accounted for as separate components of property, plant and equipment.

The costs of dismantling and disposing of the asset and the cost of site restoration of the location where the assets are located are capitalised at the net discounted value where these costs can be reliably estimated. The net discounted value of this commitment is recognised as a provision.

Leased assets

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

Subsequent costs

Ballast Nedam includes the cost of replacement of a part of property, plant and equipment in the carrying amount of that asset when those costs are incurred, if it is probable that the future economic benefits from the assets will flow to Ballast Nedam and the cost of the asset can be reliably determined. 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 according to the expected useful life of the assets concerned. Land is not depreciated.

The expected useful life is as follows:

Industrial buildings	10 – 30	years
Plant and equipment	5 – 20	years
Other operating assets	2 – 10	years

The residual value is, where significant, appraised annually.

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 and also does not 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 from revaluation at fair value is taken directly to the income statement. If the derivative financial instrument is used to hedge the currency risk on a monetary asset or monetary liability, no hedge accounting is applied and a profit or loss on the hedging instrument is recognised in 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.

For the 2004 comparative figures, foreign exchange differences on forward currency transactions are credited or charged to the result and so compensate for foreign exchange differences on the items related to the hedged position. Foreign exchange differences on currency hedging agreements entered into for current purchase and sale commitments are deferred on the balance sheet until the underlying transactions have been completed.

Inventories

Land holdings are acquired and held for future property development purposes and are stated at the lower of cost and net realisable value. In principle these land holdings are not 'in production' and no development costs are consequently capitalised. Interest is not capitalised. The relevant costs are taken directly to the result.

Stocks of finished goods are stated at the lower of cost and net realisable value. The cost of stocks of finished goods is based on the first-in, first-out principle (FIFO). The cost does not include interest. The cost of stocks of finished goods includes the attributable indirect costs on the basis of normal production capacity.

Stocks of raw materials are stated at the lower of cost and realisable value.

Development and building rights and development holdings are carried in inventories.

Housing projects under which the transfer of risks and rewards takes place upon signature of the purchase / building contract and where there is still a substantial level of activity beyond this point, are included in inventories. This element of the stocks is stated as work in progress.

Premises and land for sale are also included in inventories. These are premises and land that have reached the practical completion stage but have not been yet sold to third parties. The stocks of premises and land available for sale are stated at the lower of cost and attributed indirect costs, less any depreciation, and net realisable value.

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

Work in progress

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

As soon as a reliable estimate can be made of the result of 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.

The preparation costs and the 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 determined; 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. If tendering costs are taken as a charge in the period to which they relate, they are not later capitalised if the project is won.

Receivables

Trade and other receivables are valued at amortised cost less impairment losses.

Long-term receivables are valued at net discounted value with the exception of deferred tax assets.

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

The carrying amount of the assets with the exception of inventories and the deferred tax asset of Ballast Nedam are 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 recoverable amount.

In the case of goodwill and assets with an indefinite useful life, the recoverable amount is estimated on each balance sheet date.

The recoverable amount of Ballast Nedam assets is equal to the higher of fair value less costs to sell or value in use. In determining the value in use, the discounted value of the estimated future cash flows is calculated with the aid of a discount rate before tax reflecting both the current market estimates of the time value of cash and the specific risks in relation to the asset in question. In the case of an asset which does not generate income that is highly independent of that of other assets, the realisable value is determined for the cash generating unit to which the asset belongs.

Impairment losses are charged to the income statement.

Treasury shares

In the case of the purchase of share capital (treasury shares) which is included as shareholders' equity in the balance sheet, the purchase price, including directly attributable costs, is recognised in shareholders' equity. Purchased shares are classified as treasury shares and presented as a deduction from total shareholders' equity.

Dividend

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

Share-based payment transactions

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

Non-current liabilities

Proceeds from long-term loans are carried at cost upon first drawdown, less attributable transaction costs. After the first drawdown, interest-bearing loans are stated at amortised cost, whereby the difference between the cost and the amount to be repaid is included in the income statement 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 contributions commitments are recognised as a charge in the income statement when the contributions become payable.

Ballast Nedam does not have access to all the pension data on defined-benefit pension schemes administered by industry pension funds or pension insurers. The lack of these data 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. As a result these pension schemes are treated as defined-contribution schemes.

Ballast Nedam's net commitment 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 return on the balance sheet date on bonds with a credit rating of AAA with the period to maturity of which approximates the term of Ballast Nedam's commitments. The calculation is performed by a qualified actuary in accordance with the projected unit credit method.

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

Long-term employee benefits

Ballast Nedam's net commitment 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 commitment is discounted.

Provisions

A provision is included in the balance sheet if Ballast Nedam has a present legal or constructive obligation as a result of an event in the past, it is likely that an outflow of funds will be required in order to discharge that obligation and if the amount can be reasonably estimated.

If the effect thereof is material, the provisions are discounted based on the estimated future cash flows at a pre-tax discount rate reflecting both the current market estimates of the time value of money and, where necessary, the risks specific to 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 stated 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 the income statement.

Sale of goods and services rendered

Income from the sale of goods is recognised in the income statement if the significant risks and rewards of ownership have been transferred to the buyer. In the case of housing projects under which the transfer of risks and rewards takes place upon signature of purchase / building contracts and where a substantial amount of activity still has to be carried out afterwards, revenue and results are recognised once these activities have been performed.

The income in relation to 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 payment owing, the related costs or any returns of goods, and also if there is any question of continuing management involvement in the goods.

Expenses

Costs are allocated to the period to which they relate.

Operating lease payments

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

Financial lease payments

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

Net financing charges

The net financing charges comprise the net interest income and expenses on borrowings calculated using the effective interest method. The interest component of the financial lease instalments is recognised in the income statement using the effective interest method. Foreign exchange differences as well as results on hedging instruments are recognised in the income statement as part of EBIT.

Income tax

Tax is calculated on the result on 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 shareholders' equity.

Deferred tax is recognised on temporary differences between the carrying amount and fiscal valuation of assets and liabilities and is accounted for on the basis of the applicable tax rates for the periods when the temporary differences are expected to be eliminated.

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

No deferred tax is recognised for the following temporary 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 insofar as these will not be settled in the near future.

Cash flow statement

The cash flow statement has been prepared using the indirect method.

Segment reporting

Additional financial information is provided for each division and geographical segment. The figures 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 allocated to the segment either directly or on the basis of reasonableness. Unallocated items consist primarily of income-generating assets and proceeds, interest-bearing loans, cash drawings and costs as well as corporate assets and costs.

The Other category includes the operating profit, 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.

Segment reporting 2004

x € 1 000 000	Infrastructure	Building and Development	Other	Total
Revenue per segment	522	524	139	1 185
Inter-segment revenue	(7)	(1)	(13)	(21)
Revenue	515	523	126	1 164
Operating costs	(487)	(499)	(99)	(1 085)
Incidental results	-	-	(18)	(18)
Share in results of associates	2	-	-	2
EBITDA	30	24	9	63
Impairment	(8)	-	-	(8)
Depreciation	(10)	(3)	(6)	(19)
EBITA	12	21	3	36
Amortisation	(1)	-	-	(1)
EBIT	11	21	3	35
Interest income and charges				(11)
Income tax payable				(11)
Net result				13
Margin	2.0%	4.0%	-	3.0%
Order book	340	568	63	971
Capital employed	29	(29)	78	78
Assets	339	321	164	824
Investments in non-current assets				
intangible	-	-	-	-
property, plant and equipment	11	2	5	18
associates	1	1	-	2
Associates	7	1	2	10
Liabilities	242	309	168	719
Cash flows				
operations	7	18	(12)	13
investing	(8)	(2)	12	2
financing	8	(9)	8	7
Net cash flow	7	7	8	22
Average number of employees				
employed on contract basis	54	97	22	173
permanently employed	1 994	1 631	224	3 849
	2 048	1 728	246	4 022

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 payable				(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
associates	1	-	-	1
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

The number of employees employed abroad was 122 (2004: 92).

Secondary segmentation

x € 1 000 000	Revenue		Assets		Investments in non-current assets	
	2005	2004	2005	2004	2005	2004
Netherlands	1 105	1 042	745	728	27	20
United Kingdom	15	15	5	6	-	-
Other European countries	45	25	43	42	1	-
Middle East	13	22	8	4	-	-
Southeast Asia	1	23	12	8	-	-
Other	27	37	34	36	2	-
	1 206	1 164	847	824	30	20

x € 1 000 000 2005 2004

Incidental results

NMa provision - (18)

In early 2005, the Netherlands Competition Authority (NMa) formulated the definitive principles for the sanctions to be imposed for infringement of the Competition Act in the period 1998–2001. In response to this, Ballast Nedam has formed a provision of € 18 million in 2004 for the settlement of all procedures in the civil engineering, non-residential construction and other segments.

Acquisition of subsidiaries

Hollestelle Vastgoed Ontwikkeling

Building and Development completed the acquisition of the shares of Hollestelle Vastgoed Ontwikkeling B.V. on 7 March 2005. The purchase price was approximately € 2 million. It is possible that an additional payment of less than € 1 million will take place in the future for a number of projects which are in the acquisition phase.

Up to and including 31 December 2005 the contribution to the consolidated revenue and result of Ballast Nedam was limited. If the acquisition had taken place with effect from 1 January 2005 the effect on revenue and result would not have been substantially different.

The book value of the acquired assets and liabilities on the acquisition date amounted to less than € 1 million.

Adjustment to Ballast Nedam's accounting policies did not lead to a substantial adjustment in the value of the assets and liabilities.

Notes to the consolidated balance sheet

1 Intangible assets

x € 1 000 000	Goodwill	Concessions	Other	Total
Cost				
1 January 2004	12	16	-	28
Investments	-	-	-	-
Acquisitions	-	-	1	1
31 December 2004	12	16	1	29
Investments	-	-	-	-
Acquisitions	-	-	-	-
31 December 2005	12	16	1	29
Amortisation and impairment losses				
1 January 2004		4	-	4
Acquisitions	-	-	-	-
Amortisation		1	-	1
Impairment charge	1		-	1
31 December 2004	1	5	-	6
Acquisitions	-	-	-	-
Amortisation	-	1	1	2
Impairment charge	-	-	-	-
31 December 2005	1	6	1	8
Carrying amounts				
Infrastructure	6	10	1	17
Building and Development	5	1	-	6
Other	-	-	-	-
31 December 2004	11	11	1	23
Infrastructure	6	10	-	16
Building and Development	5	-	-	5
Other	-	-	-	-
31 December 2005	11	10	-	21

Goodwill

An impairment test is carried out each year to assess whether the value of goodwill has reduced. The present value of estimated future cash flows is calculated using a discount rate after tax (8-15%). The business plan is used as a guide for projections in the period 2006-2008. The residual value is calculated for the infinite cash flow without making allowance for a growth rate.

x € 1 000 000	2005	2004
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 22 years (2004: 22 years).

2 Property, plant and equipment

x € 1 000 000

	Land and buildings	Plant and equipment	Other	Total
Cost				
1 January 2004	166	173	60	399
Investments	2	8	4	14
Acquisitions	5	1	-	6
Disposals	(17)	(18)	(10)	(45)
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
Depreciation and impairment losses				
1 January 2004	32	108	43	183
Acquisitions	-	2	-	2
Impairment losses	1	3	3	7
Depreciation charge	4	11	4	19
Disposals	(6)	(11)	(10)	(27)
31 December 2004	31	113	40	184
Acquisitions	-	-	-	-
Impairment losses	-	-	-	-
Depreciation charge	4	11	3	18
Disposals	(7)	(8)	(13)	(28)
Foreign exchange differences	-	-	1	1
31 December 2005	28	116	31	175
Carrying amounts				
Infrastructure	28	37	4	69
Building and Development	11	10	1	22
Other	86	4	9	99
31 December 2004	125	51	14	190
Infrastructure	30	43	4	77
Building and Development	12	9	1	22
Other	31	6	8	45
31 December 2005	73	58	13	144

The investments in land and buildings and in plant and equipment relate mainly to investments by Infrastructure.
The disposals in buildings relate mainly to the sale of the existing 'De Admiraal' office complex in Nieuwegein.

Purchase commitments

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

3 Investments in associates

Ballast Nedam has the following investments in associates.

x € 1 000 000	Land	Percentage owned	2005	2004
Name				
Nederlandse Freesmaatschappij B.V.	Netherlands	16.7%	1	1
Asfalt Centrale Rivierenland v.o.f.	Netherlands	50.0%	1	1
Asfalt Productie Rotterdam Rijnmond B.V.	Netherlands	25.0%	1	1
Asfalt Productie Westebroek B.V.	Netherlands	26.0%	1	1
Brabantse Asfaltcentrale v.o.f.	Netherlands	33.3%	1	1
Traffic Service Van Strien	Netherlands	21.0%	1	1
Other			1	4
Total			7	10

As at the balance sheet date, Ballast Nedam had provided loans totalling € 2 million (2004: € 4 million) to associates.

Associates in 2004 on a 100% basis

x € 1 000 000	Assets	Liabilities	Shareholders' equity	Revenue	Result
Name					
Nederlandse Freesmaatschappij B.V.	11	(4)	(7)	23	3
Asfalt Centrale Rivierenland v.o.f.	3	(2)	(1)	7	-
Asfalt Productie Rotterdam Rijnmond B.V.	15	(15)	-	-	-
Asfalt Productie Westebroek B.V.	7	(6)	(1)	9	1
Brabantse Asfaltcentrale v.o.f.	5	(3)	(2)	11	1
Traffic Service Van Strien	11	(6)	(5)	20	1
Total	52	(36)	(16)	70	6

Balance sheet information is not yet available for 2005. The results for 2005 are based on estimates.

4 Other investments

x € 1 000 000	Land	Percentage owned	2005	2004
Name				
Hyatt Aruba	Aruba	19.7%	-	2
Other			1	2
Market value			1	4

The interest in the Hyatt Aruba hotel was sold in 2005.

5 Other receivables

Other receivables include receivables from third parties falling due more than one year after the balance sheet date. At year-end 2005 these amounted to € 2 million (2004: nil).

6 Deferred tax assets

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

x € 1 000 000	2005	2004
Deferred tax asset		
1 January		
Fiscal value of losses carried forward	41	50
Movement via the result	(5)	(9)
31 December	36	41

The movement of € 5 million (2004: € 9 million) in the deferred tax asset is the balance of the utilisation of € 10 million of tax losses (2004: € 8 million), a downward adjustment of € 1 million (2004: € 6 million) in the value of the deferred tax assets as a result of a reduction in tax rates, and an additional recognition of € 6 million (2004: € 5 million) for the tax losses of the Dutch fiscal entity. All tax losses of the Dutch fiscal entity were recognised at year-end 2005. These fiscal losses can be carried forward indefinitely in the Netherlands.

7 Inventories

x € 1 000 000	2005	2004
Land positions	75	59
Projects under construction, unsold	27	25
Projects completed, unsold	11	10
Housing construction projects	5	20
Finished goods	11	19
Raw materials and semi-manufactures	16	17
Inventories	145	150

The cumulative impairment losses for obsolete inventories amount to € 1 million (2004: € 2 million) and have been deducted from the item Finished goods.

The inventories included in current liabilities amounting to € 1 million (2004: € 35 million) relate to housing projects in which the value of the work executed is less than the instalments invoiced.

The cost of revenue of the inventories of finished goods and raw materials and semi-manufactures amounts to € 82 million (2004: € 84 million).

8 Work in progress

x € 1 000 000	2005	2004
Of which:		
Work in progress under current assets	100	32
Work in progress under current liabilities	(226)	(191)
	(126)	(159)
Own development	(11)	43
Third parties	(115)	(202)
	(126)	(159)
Project costs	629	2 361
Instalments	(755)	(2 520)
	(126)	(159)
Received instalments	624	2 399
Outstanding instalments	125	116
Retained from instalments	6	5
Instalments	755	2 520

Completion of a number of long-term projects led to a substantial decrease in the items Project costs and Instalments.

9 Receivables

x € 1 000 000	2005	2004
Instalments	131	121
Debtors	78	61
Prepaid expenses	7	1
Total	216	183

As at 31 December 2005, instalments included an amount of € 6 million (2004: € 5 million) by way of retentions related to construction contracts in progress. Retentions are stated at present value.

The cumulative impairment losses for doubtful receivables amounted to € 14 million (2004: € 15 million) and have been deducted from Receivables.

In the Infrastructure division, third parties have established charges on a number of receivables to an amount of € 1 million (2004: nil).

10 Net cash

x € 1 000 000	2005	2004
Cash and cash equivalents	175	191
Bank loans	(46)	(31)
	129	160
Unrestricted cash balances	99	88
Proportionally consolidated	30	72
	129	160

With effect from 1 January 2005, Ballast Nedam applies IAS 32 / 39. The cash and cash equivalents of € 175 million consist of credit balances. The net cash of € 191 million in 2004 consisted of credit balances of € 231 million and a € 40 million overdraft. Ballast Nedam has a € 40 million facility at ABN AMRO Bank / ING Bank (interest-rate: Euribor + 200 basis points) lapsing on 25 February 2007. During the year Ballast Nedam made use of this facility. While on 31 December 2005 no use was being made of this facility.

11 Other liabilities

x € 1 000 000	2005	2004
VAT, payroll tax and social security contributions	21	20
Pension contributions	1	-
Charges relating to work in progress	30	24
Other	92	92
Total	144	136

12 Loans

x € 1 000 000	2005	2004	Maturity date	Interest-rate
Stichting Pensioenfonds Ballast Nedam	11	16	2009	5.45%
Project-related financing				
BC Transportation Financing Authority	4	3	2021	7.7%
CBT Golden Peaks Development Corp.	4	3	2010	8% - 15%
Nederlandse Investeringsbank / Bank Nederlandse Gemeenten	11	3	2008	(3-months) Euribor + 25 - 95 basis points
Bank Nederlandse Gemeenten	9	9	2009	3.57%
FGH Bank	2	2	2009	Euribor + 125 basis points
ING Real Estate Finance	11	60		Euribor + 110 - 115 basis points
Overige	2	3		
	54	99		

Stichting Ballast Nedam Pensioenfonds

This loan was taken out by Ballast Nedam Nederland B.V. from Stichting Ballast Nedam Pensioenfonds on 10 February 2003 and had a term of six years. The interest rate is 5.45% and the loan is being repaid in 24 equal instalments beginning on 30 May 2003. Ballast Nedam Nederland B.V. has the right to repay the loan prematurely without penalty or additional interest charges. A pari passu clause and negative pledge conditions apply to the loan vis-à-vis the Stichting.

Ballast Nedam Nederland B.V. has not pledged collateral to the Stichting for the loan. The Stichting has the right to demand repayment of the loan in full if the ownership structure of Ballast Nedam N.V. and/or its subsidiaries undergoes a substantial change. The repayment of € 5 million (2004: € 5 million) payable on the balance sheet date is included in current liabilities.

BC Transportation Financing Authority

This loan is for the laying and development of a main road to the Canadian ski resort Kicking Horse Mountain Resort (KHMR). The loan is being repaid by means of royalty payments, made up of a fixed amount per visitor. The unpaid amount in any year (interest and/or principal) is added to the remaining principal. The remaining amount of the loan can be repaid without penalty. KHMR will 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% must have been paid over the entire period.

CBT Golden Peaks Development Corporation

The original amount of the CBT loan of Canadian Dollar (CAD) 5 million must be repaid on 7 March 2010. The basic interest rate is 8% per annum and is paid quarterly. The 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 2005 the variable interest paid was nil (2004: CAD 0.4 million).

Nederlandse Investeringsbank / Bank Nederlandse Gemeenten

This loan relates to the proportional part of the financing of the DBFM contract of Wâldwei.com B.V. (33% Ballast Nedam). Wâldwei.com B.V. has arranged four long-term (more than one year) credit facilities.

- A Term loan: The credit facility amounts to € 6.6 million. The interest-rate is Euribor plus 0.25%. 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% on an annual basis. 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% on an annual basis during the construction period and three-month Euribor plus 0.85% on an annual basis during the operational period. This facility is repayable in 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

The financing concerns the proportional element of project finance of the N11 consortium (Ballast Nedam share 16.67%).

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 on 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.

FGH Bank

The loan was granted by FGH Bank to Immorand B.V. (a subsidiary of Ballast Nedam Bouw en Ontwikkeling B.V.) in order to finance a number of industrial buildings being let until they are developed. The five-year loan was concluded in August 2004 and amounted to € 2 million. The rate of interest is 1 month Euribor + 125 basis points. Repayments are made monthly. A mortgage has been granted by way of security.

ING Real Estate Finance

This concerns two mortgage loans forming part of an option lease agreement. Separate limited partnerships (Commanditaire Vennootschappen) have been set up for the two option lease agreements, in which Ballast Nedam and ING Real Estate Finance participate.

The first loan was concluded for a principal sum of € 57 million as at 19 December 2000 for the development of the Ballast Nedam head office at Ringwade 1 in Nieuwegein. This loan was repaid in full in 2005 upon the sale of the aforementioned office.

The second loan was concluded on 21 December 2001 for a principal sum of € 12 million for the financing of five office buildings and annexes in use by Ballast Nedam in Apeldoorn, Arnhem, Groningen, Leerdam and Zaandam. The interest payable is based on the Euribor rate plus 115 basis points and has been set for the initial period of five years at 5.51%.

The loan has a term of 15 years and is linked to an option lease agreement in which Ballast Nedam has the right at three five-year intervals to exercise the purchase option and to repay the loan.

During the three periods of five years, 15.8%, 20.5% and 26.5% of the principal will be redeemed respectively. Ballast Nedam has interim options for repurchase.

13 Deferred tax liabilities

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

x € 1 000 000	2005	2004
Intangible assets	3	3
Other differences		1
Position as at 1 January	3	4
Movement via the result	1	(1)
Position as at 31 December	4	3

14 Pensions and other employee benefits

x € 1 000 000				Total employee benefits	
	Long-term illness	Long-service bonuses	Pensions	2005	2004
Position as at 1 January	1	2	4	7	17
Addition	-	-	1	1	6
Unwind of discount	-	-	-	-	
Reversed	-	-	-	-	
Contributions received	-	-	(1)	(1)	(15)
Amendment of pension scheme					(1)
Used	-	-	-	-	
Position as at 31 December	1	2	4	7	7
of which included in current liabilities			(1)	(1)	
			3	6	7

x € 1 000 000	2005	2004
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Pensions and other employee benefits

Present value of pension obligations	17	13
Fair value of plan assets	(11)	(9)
	6	4
Unrecognised actuarial losses	(3)	(1)
Obligations under defined-benefit pension scheme	3	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	7	7

x € 1 000 000	2005	2004
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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	13
Contributions received	(1)	(15)
Charge included in income statement	1	6
Net liability for defined-benefit obligations as at 31 December	3	4
Amendment of pension scheme	-	(1)
Pension position as at 31 December	3	3

Ballast Nedam has a number of defined-benefit pension schemes, under which employees' rights are based on the number of years of 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 a defined-contribution scheme. They are limited in size. The majority of the pension entitlements has been placed with the Stichting Pensioenfonds Ballast Nedam and the Aegon insurance company for members, former members and pensioners coming under the 'Laudy' pension scheme. The Laudy pension scheme has been treated as a defined-benefit scheme. At the end of 2004 the employees, former members and pensioners agreed to the amendment of the pension scheme administered by Stichting Pensioenfonds Ballast Nedam. As a result of this amendment the scheme has been classified as a defined-contribution scheme since 31 December 2004.

x € 1 000 000

2005

2004

Expense recognised in the income statement in respect of defined-benefit scheme

Current service costs	1	7
Interest on the obligations	1	24
Expected return on plan assets	(1)	(25)
Amendment of pension scheme	-	(1)
Total	1	5
Effective return on plan assets	1	37

In determining the obligations for pensions, the following actuarial assumptions (in weighted averages) have been taken into account.

	2005	2004
Discount rate as at 31 December	4.0%	4.8%
Expected return on plan assets as at 31 December	4.8%	4.8%
Future wage increases	3.5%	3.5%
Future pension increases	2.0%	2.0%

15 Provisions

x € 1 000 000	Reorganisation	Warranties	Other	Total
1 January 2004	35	13	3	51
Addition	11	7	22	40
Unwind of discount	-	-	-	-
Reversed	(1)	(5)	(1)	(7)
Used	(30)	(3)	-	(33)
31 December 2004	15	12	24	51
Addition	13	5	11	29
Unwind of discount	-	-	-	-
Reversed	-	(3)	-	(3)
Used	(8)	(2)	(7)	(17)
31 December 2005	20	12	28	60

short-term (< 1 year)

31 December 2004	10	5	12	27
31 December 2005	18	6	23	47

The Reorganisation provision includes among other things an estimate of the costs of settling the guarantees in respect of Ballast Plc. In 2005, € 6 million was added to the reorganisation provision consisting of proceeds from the liquidation earmarked for the settlement of guarantees issued. Completion of the liquidation is expected in 2006.

The Warranties provision relates to completed projects.

The Other provision consists of € 12 million (2004: € 18 million) for the consequences of breaches of the Competition Regulations during the period 1998 – 2001. The addition in 2005 mainly concerns provisions related to a number of possible claims on Ballast Nedam, regarding completed construction projects.

16 Minority interest

x € 1 000 000

2005

2004

Name

Kicking Horse Mountain Resort	-	1
C.V. Liesbosch	-	1
C.V. Regioland	2	2
Total	2	4

C.V. Liesbosch was terminated in 2005.

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 central responsibility at Ballast Nedam and is organised as such. The 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 the operating companies' bank accounts are held with a limited number of banks in cash-pool arrangements.

In 2005, Ballast Nedam placed cash on 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 in force on 31 December 2005.

Credit risks

Ballast Nedam conducts an active policy in order to minimise credit risks. Creditworthiness assessments are performed in respect of all customers requiring credit. As at 31 December 2005 there was no concentration of credit risks among debtors for material amounts.

Fair value

Ballast Nedam did not have any significant derivative financial instruments on 31 December 2005. The book value of cash, receivables, short-term loans and other current liabilities approximate the fair value because of the short term of these instruments.

Commitments and contingent liabilities

Guarantees

x € 1 000 000	2005	2004
Guarantees	249	245
Surety bonds	37	42
	286	287

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

x € 1 000 000	2005			2004		
	< 1 jaar	1 - 5 jaar	> 5 jaar	< 1 jaar	1 - 5 jaar	> 5 jaar

Lease commitments

Other operating assets	6	13	-	8	14	-
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Rental commitments

Offices	4	13	11	2	4	-
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Purchase commitments

Land purchases	5	6	-	4	12	-
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The operating lease costs in 2005 amounted to € 12 million (2004: € 14 million).

Liabilities

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 entities for Dutch income and value added tax bear joint and several liability for these commitments.

Competition risks

The European Commission issued a report in 2004 concerning possible violations of the Competition Act in relation to the bitumen purchasing agreements concluded by various parties, including Ballast Nedam. At issue is an annual purchasing volume of between € 1 million and € 2 million during a few years. Fines imposed by the European Commission can be material. It is uncertain as to whether a fine will be imposed and, if it is, how high it will be. Ballast Nedam has not therefore formed any provision.

In early 2005, the Netherlands Competition Authority (NMa) formulated the definitive principles for the sanctions to be imposed for infringement of the Competition Act in the period 1998–2001. In response to this, Ballast Nedam has formed a provision in 2004 for the settlement of all procedures in the civil engineering, non-residential construction and other segments. The fines announced in the course of 2005 were in line with expectations and were covered by the provision. The provision as at 31 December 2005 amounted to € 12 million (2004: € 18 million).

Various governmental authorities have submitted 150 pro forma claims to the Arbitration Board for the Building Industry on the grounds of having suffered loss as a result of price-fixing. Part of the agreement between the industry and the NMa concerning the package of sanctions noted above involved a contribution to a fund for the settlement of possible civil claims. These 150 claims and other possible claims by government agencies have therefore been eliminated from Ballast Nedam's risk profile.

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

Other

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

Ballast Nedam has contingent liabilities in respect of possible actuarial losses relating to industry pension funds and contributions towards the deficit of the industry pension fund arising from a reduction in the number of affiliated companies.

Interests in joint ventures

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

x € 1 000 000	2005	2004
Non-current assets	10	19
Current assets	207	127
Non-current liabilities	(23)	(18)
Current liabilities	(179)	(110)
Net assets and liabilities	15	18

The proportionally consolidated revenue and the cost of sales amounted to approximately 15% (2004: 22%) of the total revenue and cost of sales.

The total 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 at year-end 2005 to € 576 million (2004: € 405 million), of which the Ballast Nedam share of € 202 million (2004: € 128 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, joint ventures, Stichting Pensioenfonds Ballast Nedam and its managers and directors. The most important task of Stichting Pensioenfonds Ballast Nedam is the administration of the pension scheme for the employees of Ballast Nedam. Ballast Nedam buys goods and services from and sells them 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

17 Employee benefits

x € 1 000 000	2005	2004
Employee benefits		
Wages and salaries	204	197
Social security costs	27	30
Pension charges	18	7
Total	249	234

x € 1 000 000	2005	2004
Pension charges		
Charges in respect of defined-benefit scheme	1	6
Amendment of pension scheme	-	(1)
Charges in respect of defined-contribution scheme	17	2
Total	18	7

The pension contributions amounted to € 18 million (2004: € 17 million).

18 Income tax expense

Income tax expense amounted to € 8 million (2004: € 11 million), of which € 6 million (2004: € 8 million) relates to the Dutch fiscal entity.

Ballast Nedam has unrecognised tax losses in the Netherlands of € 122 million (2004: € 137 million) which can be carried forward indefinitely. In 2005 € 10 million (2004: € 8 million) of the deferred tax asset was realised. A downward adjustment of € 1 million (2004: € 6 million) has been applied to the deferred tax asset in connection with the reduction in corporation tax rate. Disregarding the possible utilisation of the liquidation loss of Ballast Plc, it is anticipated that approximately € 9 million of the deferred tax asset will be realised within one year.

x € 1 000 000	2005	2004
Reconciliation of standard and effective tax rates		
Result before tax	28	24
Nominal tax rate (31.5% and 34.5%), respectively	9	8
Reduction in tax rate	1	6
Additional capitalised unused tax losses	(6)	(5)
Unrecognised results outside fiscal entity	4	4
Other	-	(2)
Effective tax	8	11

Analysis of effective tax burden

<i>Current tax</i>		
Tax outside fiscal entity	2	3
	2	3
<i>Deferred tax</i>		
Use of tax losses carried forward	10	8
Capitalised unused tax losses	(6)	(5)
Movement in deferred tax provision	1	(1)
Reduction in tax rate	1	6
	6	8
Effective tax burden	8	11

19 Earnings per share

	2005	2004
Number of ordinary shares		
Shares issued as at 1 January	10 000 000	10 000 000
Issued this year	-	-
Repurchased own shares	(153 438)	(138 820)
Shares in issue as at 31 December	9 846 562	9 861 180
Maximum number of shares to be issued on options	200 000	200 000
Number of shares diluted	10 046 562	10 061 180
Average number of shares in issue	9 853 871	9 869 940
Average number of shares in issue (diluted)	10 053 871	10 119 940
Net result	20	13
Basic earnings per share (€)	2.05	1.36
Diluted earnings per share (€)	2.01	1.33

Accounting estimates and judgements

In preparing the financial statements, the management of Ballast Nedam has made estimates and judgements which influence the amounts entered for assets, liabilities, revenue, costs and the related notes on conditional and off-balance sheet commitments as at 31 December 2005.

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 relating to the actual short-term payable tax charges and income as well as the temporary differences between the fiscal valuation and the 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 can be recognised. Ballast Nedam values deferred tax assets if taxable profits are anticipated within the foreseeable future. If the actual anticipated taxable profits deviate 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 commitments are based on estimates and judgements as to whether the criteria for treatment as a commitment have been met, including the estimate of the size of the actual commitment. Actual commitments are disclosed if it is likely that a commitment will arise and its size can be reasonably estimated. In the case of the provision formed for restructuring in respect of the liquidation of Ballast Plc, the estimate is based on anticipated expenditure in settlement of potential claims in respect of guarantees issued. If the actual outcome deviates from our assumptions as to the anticipated expenditure, 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

Please refer to Other information.

Consolidated capital employed, assets and liabilities, financing position

x € 1 000 000	2005	2004
Capital employed		
Non-current assets	211	268
Working capital	(8)	(30)
Less: cash and cash equivalents	(175)	(191)
Add: bank loans	46	31
	74	78
Assets		
Non-current assets	211	268
Current assets	636	556
	847	824
Liabilities		
Current liabilities	644	586
Non-current liabilities	77	133
	721	719
Net financing position		
Net cash	129	160
Current portion of long-term loans	(7)	(5)
Long-term loans	(54)	(99)
	68	56

Reconciliation statement for the first application of EU-IFRS

Consolidated balance sheet as at 1 January 2004

x € 1 000 000

	EU-IFRS 1 January 2004	NL GAAP 31 December 2003	Difference
Non-current assets			
Intangible assets	24	23	1
Property, plant and equipment	216	125	91
Investments in associates	11	18	(7)
Other investments	4	4	-
Other receivables	-	-	-
Deferred tax assets	50	43	7
	305	213	92
Current assets			
Inventories	128	25	103
Work in progress	53	(76)	129
Receivables	246	234	12
Cash and cash equivalents	161	159	2
	588	342	246
Current liabilities			
Bank loans	(23)	(23)	-
Loans	(5)	(5)	-
Inventories	(21)	-	(21)
Work in progress	(231)	-	(231)
Trade payables	(185)	(180)	(5)
Income tax payable	(3)	(3)	-
Other liabilities	(168)	(151)	(17)
Provisions	(35)	-	(35)
	(671)	(362)	(309)
Working capital	(83)	(20)	(63)
	222	193	29
Non-current liabilities			
Loans	88	27	61
Deferred tax liabilities	4	4	-
Employee benefits	17	-	17
Provisions	16	55	(39)
	125	86	39
Group equity			
Minority interest	8	5	3
Equity attributable to equity holders of the parent	89	102	(13)
	97	107	(10)
	222	193	29

Consolidated balance sheet as at 31 December 2004

x € 1 000 000	EU-IFRS 31 December 2004	NL GAAP 31 December 2004	Difference
Non-current assets			
Intangible assets	23	22	1
Property, plant and equipment	190	98	92
Investments in associates	10	17	(7)
Other investments	4	4	-
Other receivables	-	-	-
Deferred tax assets	41	38	3
	268	179	89
Current assets			
Inventories	150	29	121
Work in progress	32	(52)	84
Receivables	183	184	(1)
Cash and cash equivalents	191	191	-
	556	352	204
Current liabilities			
Bank loans	(31)	(31)	-
Loans	(5)	(5)	-
Inventories	(35)	-	(35)
Work in progress	(191)	-	(191)
Trade payables	(158)	(159)	1
Income tax payable	(3)	(3)	-
Other liabilities	(136)	(129)	(7)
Provisions	(27)	-	(27)
	(586)	(327)	(259)
Working capital	(30)	25	(55)
	238	204	34
Non-current liabilities			
Loans	99	39	60
Deferred tax liabilities	3	3	-
Employee benefits	7	-	7
Provisions	24	52	(28)
	133	94	39
Group equity			
Minority interest	4	1	3
Equity attributable to equity holders of the parent	101	109	(8)
	105	110	(5)
	238	204	34

Notes to the reconciliation of the consolidated balance sheet

The cumulative effect on the equity attributable to shareholders as at 31 December 2004 is € 8 million negative. Shareholders' equity falls by 7% from € 109 million according to NL GAAP to € 101 million under EU-IFRS.

Total assets as at 31 December 2004 increase by 55% from € 531 million under NL GAAP to € 824 million. This sharp increase of € 293 million is largely due to an increase in current assets due to the inclusion of projects with a surplus value of € 226 million in current liabilities rather than netting these projects off in current assets under NL GAAP, together with an increase in property, plant and equipment of € 92 million due to an increase in the consolidated group.

The capital ratio at year-end 2004 falls from 20% under NL GAAP to 12% under EU-IFRS. This is due mainly to the sharp increase in the balance sheet total and to a lesser extent by the fall in shareholders' equity.

The main differences between the equity attributable to shareholders as at 31 January 2004 under NL GAAP and under EU-IFRS are set out below, broken down into the cumulative effect on equity attributable to shareholders up to 1 January 2004 (opening balance sheet) and the effect on the result for the year 2004.

Shareholders' equity

x € 1 000 000	1 January 2004	EBIT	Interest	Income tax	Other	31 December 2004
NL GAAP	102	19	(4)	(7)	(1)	109
Employee benefits	(10)	10	-	(3)	-	(3)
Enlargement of consolidated group	-	4	(4)	-	-	-
Valuation of work in progress	(4)	1	(2)	-	-	(5)
Valuation of inventories	(1)	-	-	-	-	(1)
Amortisation of goodwill	-	1	-	-	-	1
Other	2	-	(1)	(1)	-	-
Adjustment to shareholders' equity	(13)	16	(7)	(4)	-	(8)
EU-IFRS	89	35	(11)	(11)	(1)	101

Employee benefits

The adjustment to employee benefits consists of the valuation of the defined-benefit pension schemes which are not administered by the industry pension funds and the other employee benefits, including long-service and other bonus payment commitments. The adjustment of the opening balance as at 1 January 2004 relates among other things to the valuation of the defined-benefit pension scheme which is administered by the company pension fund. The adjustment for 2004 relates to the amendment of this pension scheme as at year-end 2004 into a defined-contribution scheme. The employee benefits are included in the balance sheet under Provisions.

Share option scheme

The existing share option scheme was introduced before 7 November 2002. In accordance with the transitional provisions of IFRS 1 and IFRS 2, the accounting policies as set out in IFRS 2 have not been applied to the scheme.

Enlargement of consolidated group

The enlargement of the consolidated group largely relates to office buildings in use by Ballast Nedam which under NL GAAP were treated as off-balance sheet lease commitments. Under EU-IFRS these leases are fully consolidated with a minority interest. The resulting differences relate to reclassifications between EBIT and interest in the income statement and a sharp increase in property, plant and equipment, long-term loans and minority interests in the balance sheet.

Valuation of work in progress

Under EU-IFRS, interest is not included in the valuation of work in progress. Under NL GAAP, interest on projects forming part of the work in progress was included if those projects had been financed externally and were being executed by building combinations. The adjustments lead to a lower valuation of work in progress, a higher contribution of the projects to EBIT and higher interest expense.

Under EU-IFRS, projects with surplus value (projects where the instalments are higher than the value of the work executed) are presented in current liabilities as work in progress. This leads to a significant increase in current assets under EU-IFRS compared with NL GAAP. Under NL GAAP these projects were netted off and included in work in progress in current assets.

Valuation of inventories

Under EU-IFRS, the attributable indirect costs are included in the valuation of inventories.

Under EU-IFRS, housing construction projects with surplus value (projects where the instalments are higher than the value of the work executed) are presented as inventories in current liabilities. Under NL GAAP these projects were netted off and included in work in progress in current assets.

Financial instruments

In accordance with IFRS 1 'First time adoption', Ballast Nedam is making use of the exemption permitting deferral of application of IAS 32 and IAS 39 'Financial instruments' until 1 January 2005. The effect of this change in accounting principle on equity as at 1 January 2005 is nil.

Deferred tax asset

The above adjustments lead to a change in the valuation of the deferred tax asset. Movements are based on a tax rate of 34.5%. The reduced tax rates for the year 2005 and later lead to a reduction in the value of the deferred tax asset of € 1 million in 2004.

x € 1 000 000	EU-IFRS 2004	NL GAAP 2004
Deferred tax asset NL GAAP / EU-IFRS		
1 January		
Fiscal value of losses carried forward	50	43
Movement via the result	(9)	(5)
31 December	41	38

Cash flow statement

The transition to EU-IFRS has led to a reduction in the cash flow of € 2 million due to the consolidation of cash and cash equivalents following the enlargement of the consolidated group.

Consolidated income statement - 2004

x € 1 000 000	EU-IFRS 2004	NL GAAP 2004	Difference
Revenue	1 164	1 164	-
Raw materials and subcontractors	(817)	(818)	1
Employee benefits	(234)	(244)	10
Other operating expenses	(52)	(59)	7
	(1 103)	(1 121)	18
Share in result of associates	2	2	-
EBITDA	63	45	18
Depreciation and amortisation of property, plant and equipment and intangible assets	(20)	(19)	(1)
Impairment of property, plant and equipment and intangible assets	(8)	(7)	(1)
	(28)	(26)	(2)
EBIT	35	19	16
Financial income	2	2	-
Financial expenses	(13)	(6)	(7)
	(11)	(4)	(7)
Profit before tax	24	15	9
Income tax expense	(11)	(7)	(4)
Net result	13	8	5

Notes to the reconciliation of the consolidated income statement

The net result for 2004 increased by € 5 million from € 8 million under NL GAAP to € 13 million under EU-IFRS. This increase is largely due to the changed treatment of pension charges. As at year-end 2004 the pension scheme was converted from a defined-benefit scheme to a defined-contribution scheme.

Amortisation of goodwill

Under EU-IFRS, no amortisation is applied to goodwill. Reductions in value are determined and accounted for on the basis of impairment tests.

Company balance sheet

Before profit appropriation.

x € 1 000 000	31 December 2005	31 December 2004
Financial assets		
Group companies	62	53
Other receivables	159	151
Deferred tax assets	36	41
	257	245
Current assets		
Receivables	2	2
Cash and cash equivalents	5	1
	7	3
Current liabilities		
Intercompany debts	(86)	(85)
	(86)	(85)
Working capital	(79)	(82)
	178	163
Non-current liabilities	29	34
Provisions	25	28
Shareholders' equity		
Issued share capital	60	60
Share premium	55	55
Purchased own shares	(1)	(1)
Foreign exchange difference reserve	2	(1)
Legal reserves	3	3
Other reserves	(15)	(28)
Undistributed result	20	13
Shareholders' equity	124	101
	178	163

Company income statement

x € 1 000 000	2005	2004
Result from subsidiaries	28	32
Other	(8)	(19)
Net result	20	13

The net result from subsidiaries relates to the share of Ballast Nedam in the result of its subsidiary companies.

Notes to the company balance sheet and income statement

The company financial statements of Ballast Nedam N.V. 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 financial statements as those used for the consolidated financial statements. The valuation of assets and liabilities, the translation of foreign currencies and the determination of the net result have been carried out in accordance with the financial reporting policies as set out on pages 64 to 69 of the consolidated financial statements. Group companies are stated in the company financial statements at net equity value.

Changes in the accounting policies

Owing to the application of Section 362 subsection 8 of Book 2 of the Netherlands Civil Code, in order to apply the same accounting policies as those used for the consolidated financial statements, the company financial statements of Ballast Nedam have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code, under application of the financial reporting policies as set out in the International Financial Reporting Standards (EU-IFRS) and the interpretations thereof as adopted by the International Accounting Standards Board (IASB) and accepted by the European Union. Making use of the option set out in Section 362 subsection 8 of Book 2 of the Netherlands Civil Code means that the consolidated shareholders' equity attributed to the shareholders remains equal to the company shareholders' equity.

The company financial statements have been prepared in the past in accordance with the accounting policies set out in Part 9, Book 2 of the Netherlands Civil Code. The changes in the accounting policies have been applied retrospectively, resulting in a reduction in shareholders' equity of € 13 million as at 1 January 2004 and of € 8 million as at 31 December 2004. This change in accounting principles has a positive effect of € 5 million on the result for 2004. The comparative figures have been adjusted to reflect this change in accounting principles. The reconciliation statement for the first application of EU-IFRS, which can be found on pages 86 to 89 of this report, explains in more detail the impact of this change in accounting principles on the individual items.

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

Group companies

x € 1 000 000	Investments in subsidiaries
1 January 2004	221
Result	32
Disposals	-
Dividend received	(199)
Foreign exchange differences	(1)
1 January 2005	53
Result	28
Disposals	(6)
Dividend received	(16)
Foreign exchange differences	3
31 December 2005	62
Carrying amount as at 1 January 2005	53
Carrying amount as at 31 December 2005	62

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

Deferred tax asset

The deferred tax asset relates to the recognition of unused tax losses. The movement of € 5 million (2004: € 9 million) is the balance of the use of € 10 million in tax losses (2004: € 8 million), an additional recognition of € 6 million (2004: € 5 million) and a write-off adjustment of € 1 million (2004: € 6 million) in the value of the deferred tax assets as a result of a reduction in tax rates.

Non-current intercompany debts

x € 1 000 000	2005	2004	Expiry	Rate
Ballast Nedam Nederland B.V.	29	29	2009	5.45%
Other	-	5		
	29	34		

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

Provisions

x € 1 000 000	Reorganisation	Other	Total
1 January 2004	25	-	25
Addition	4	20	24
Unwind of discount	-	-	-
Reversed	-	-	-
Used	(21)	-	(21)
31 December 2004	8	20	28
Addition	8	-	8
Unwind of discount	-	-	-
Reversed	-	-	-
Used	(3)	(8)	(11)
31 December 2005	13	12	25
Short-term (< 1 year)			
31 December 2004	7	12	19
31 December 2005	13	12	25

The provision for reorganisation includes an estimated sum for the costs of settling guarantees in respect of Ballast Plc. In 2005, € 6 million was added to the provision for reorganisation, comprising receipts from the liquidation intended for the settlement of guarantees issued. The liquidation process is expected to be completed in 2006.

Other provisions consist of € 12 million for the consequences of breaches of the Competition Regulations during the period 1998-2001.

Shareholders' equity

x € 1 000 000	Issued share capital	Share premium	Purchased own shares	Currency-translation reserve	Legal reserves	Other reserves	Result	Attributable to shareholders
31 December 2003	60	55	(1)	-	3	(61)	46	102
Change in accounting principles						(13)	-	(13)
1 January 2004	60	55	(1)	-	3	(74)	46	89
Foreign exchange difference				(1)				(1)
Results recognised directly in equity	-	-	-	(1)	-	-	-	(1)
Net result							13	13
Total income recognised in equity	-	-	-	(1)	-	-	13	13
Appropriation of 2003 result						46	(46)	-
Other					-	-		-
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							20	20
Total income recognised in equity	-	-	-	3	-	-	20	23
Appropriation of 2004 result						13	(13)	-
Other					-	-		-
31 December 2005	60	55	(1)	2	3	(15)	20	124

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 freely distributable.

The total number of Purchased own shares (Treasury shares) is 153 438 (2004: 138 820); these are included at purchase price.

Foreign exchange differences as a result of the conversion of the capital invested in foreign activities, including semi-permanent financing, and 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 consists of a legal reserve for associated companies and relates to results retained by those companies.

The 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 € 1.02 per ordinary share in issue.

Commitments and contingent liabilities

Guarantees

x € 1 000 000	2005	2004
Guarantees	107	150
Surety bonds	37	42
	144	192

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

In respect of 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 of subsidiaries.

Ballast Nedam N.V. bears joint and several liability together with a number of subsidiaries which form a fiscal entity with the company in respect of corporation tax and value added tax in the Netherlands.

Competition risks

The European Commission issued a report in 2004 concerning possible violations of the Competition Act in relation to the bitumen purchasing agreements concluded by various parties, including Ballast Nedam. At issue is an annual purchasing volume of between € 1 million and € 2 million during a few years. Fines imposed by the European Commission can be material. It is uncertain as to whether a fine will be imposed and, if it is, how high it will be. Ballast Nedam has not therefore formed any provision.

In early 2005, the Netherlands Competition Authority (NMa) formulated the definitive principles for the sanctions to be imposed for infringement of the Competition Act in the period 1998–2001. In response to this, Ballast Nedam has formed a provision in 2004 for the settlement of all procedures in the civil engineering, non-residential construction and other segments. The fines announced in the course of 2005 were in line with expectations and were covered by the provision. The provision as at 31 December 2005 amounted to € 12 million (2004: € 18 million).

Various governmental authorities have submitted 150 pro forma claims to the Arbitration Board for the Building Industry on the grounds of having suffered loss as a result of price-fixing. Part of the agreement between the industry and the NMa concerning the package of sanctions noted above involved a contribution to a fund for the settlement of possible civil claims. These 150 claims and other possible claims by government agencies have therefore been eliminated from Ballast Nedam's risk profile.

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

Other

Ballast Nedam has contingent liabilities in respect of possible actuarial losses relating to industry pension funds and contributions towards the deficit of the industry pension fund arising from a reduction in the number of affiliated companies.

Board of Management and Supervisory Board

x € 1 000	2005			2004		
	Gross salary	Bonus	Pension	Gross salary	Bonus *)	Pension
Board of Management						
R.H.P.W. Kottman	408	137	82	409	133	178
T.A.C.M. Bruijinckx	315	106	51	316	103	81
	723	243	133	725	236	259
Supervisory Board						
P.C. van den Hoek ¹⁾	22			31		
A.N.A.M. Smits ²⁾	33			7		
H.C. Broeksma	25			20		
R.M.M. Boelen ¹⁾	15			-		
H-P. Keitel ²⁾	-			10		
N. Kroes ²⁾	-			15		
M.H.O. Rohr ²⁾	-			10		
R.B. Schermer ²⁾	-			10		
	95	-	-	103	-	-
Total	818	243	133	828	236	259

¹⁾ Retired/appointed during 2005

²⁾ Retired/appointed during 2004

^{*)} Adjusted for comparison purposes

With effect from 2005, 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 € 21 000 (2004: € 22 000) and for T.A.C.M. Bruijinckx to € 21 000 (2004: € 22 000). 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. Bruijinckx		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

The options were granted in respect of depositary receipts for shares held by Stichting Werknemersparticipatie Ballast Nedam. No options were granted to members of the Supervisory Board.

Depositary receipts for shares

	1 January 2005	Movement	31 December 2005
R.H.P.W. Kottman	286	-	286
T.A.C.M. Bruijinckx	532	-	532
Supervisory Board members	5 107	(5 107)	-
Number	5 925	(5 107)	818

The Movement is due to the ending of the term of office of a former Supervisory Board member in 2004.

Nieuwegein, 9 March 2006

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

Supervisory Board,
A.N.A.M. Smits
H.C. Broeksma
R.M.M. Boelen

Iron casthouse

Together with Ballast Nedam Funderingstechnieken, Rademakers Gieterij has developed a drill-head capable of withstanding heavy forces. The company combines traditional workmanship with modern technology in order to deliver a range of products; the batch-cast products range in weight from 2 to 80 kg.



Most cast products are parts – for machines, pumps, vehicles – and require a large extent of accuracy. The fully automated mould facility helps in this regard. The required precision is also achieved by means of engineering, process control, quality control, careful finishing and the production of high-quality cast iron.

Auditors' report

Introduction

We have audited the financial statements of Ballast Nedam N.V., Nieuwegein, for the year 2005, as set out on pages 60 to 94. These financial statements consist of the consolidated financial statements and the company financial statements. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management of Ballast Nedam N.V., as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our 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 the company as at 31 December 2005 and of the result and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code, as far as applicable.

Furthermore we have established to the extent of our competence that the Report of the Board of Management is consistent with the consolidated financial statements.

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 the company as at 31 December 2005 and of the result for the year then ended in accordance with accounting policies generally accepted in the Netherlands and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the Report of the Board of Management is consistent with the company financial statements.

Utrecht, 9 March 2006

KPMG ACCOUNTANTS N.V.

J.C.M. van Rooijen

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. Article 23 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 reserved.
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 therefore have been issued with the cooperation of the Company.
5. Insofar 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 article 105 paragraph 4 of Book 2 of the Civil Code.
6. The resolutions to distribute (interim) dividends may entail that (interim) dividends will be 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 against 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 € 1.02 per ordinary share in issue.

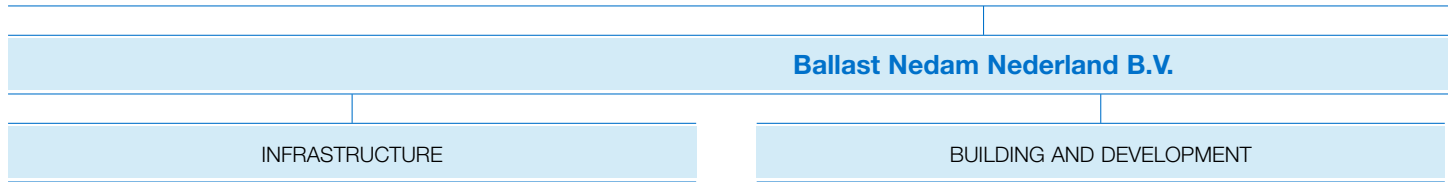
Post-balance sheet events

In 2006, shortly before commencement of the arbitration procedure as filed by Ballast Nedam, agreement was reached with the client of the project in Malaysia on mutual claims. No negative financial consequences are expected to arise from this.

Organisation chart 1 March 2006

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

BALLAST NEDAM N.V.



Ballast Nedam Infra B.V.

Ballast Nedam Infra Noord West B.V.
 Ballast Nedam Infra Noord Oost B.V.
 Ballast Nedam Infra Zuid West B.V.
 Ballast Nedam Infra Zuid Oost B.V.
 Ballast Nedam Infra Midden B.V.
 Ballast Nedam Infra Specialiteiten B.V.
 Ballast Nedam Funderingstechnieken B.V.
 Ballast Nedam Specialistisch Grondverzet B.V.
 Ballast Nedam Milieutechniek B.V.
 Infra Consult + Engineering B.V.
 Ballast Nedam Egmond Offshore Energy B.V.
 Ballast Nedam Equipment Services 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 and China.
 Ballast Nedam Infra Participatie B.V.
 Ballast Nedam Wind Invest B.V. (50%)
 Recycling Maatschappij Feniks B.V.
 Ballast Phoenix Ltd. (92.5%)
 Dibec B.V.
 Transport- en Handelsmaatschappij Van Drooge BV.
 Ballast Nedam Parking v.o.f. (50%)
 Ballast Nedam Grondstoffen B.V.
 N.V. Algri (Belgium)
 N.V. Immobiliën en Grindexploitatie maatschappij Bichterweerd (Belgium)
 B.V. Grind- en Zandhandel v/h T. Verkaik
 N.V. La Gravière d'Amay (Belgium)
 Société d'Exploitation des Carrieres d'Yvoir S.A. (Belgium)
 Ballast Van Oord Grondstoffen v.o.f. (50%)
 Beheersmaatschappij Fr. Bontrup B.V./Bremanger Quarry S.A. (30%) (Norway)
 Ballast Nedam International Projects B.V.
 Ballast Nedam Vietnam B.V.
 Ballast Nedam Africa B.V.
 Ballast Nedam Emirates B.V.
 Ballast Nedam Infra Suriname B.V.
 Ballast Nedam Curaçao N.V. (Curaçao)
 Haitsma Beton B.V.
 Lingen Beton B.V.
 Rademakers Gieterij B.V.
 TBS Soest B.V.
 Waco-Liesbosch Beton B.V.
 Ingenieursbureau voor Systemen en Octrooien Spanstaal B.V.
 Freedrain B.V.
 Ballast Nedam Industriebouw
 Ballast Nedam Zuiveringen
 Ballast Nedam Geluidwering

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%)
 Bouwcombinatie Prinsenflats v.o.f. (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 Coopvaart 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%)

Ballast Nedam Ontwikkelingsmaatschappij B.V.

Ballast Nedam Vleuterweide B.V.
 Ballast Nedam Euroborg B.V.
 Nieuw Vennepe 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 Bouwmaterieel B.V.

Hoco Groep International B.V.

Omnia Plaatvloer B.V.

ASSET MANAGEMENT

**Ballast Nedam
Asset Management B.V.**

Ballast Nedam Canada Ltd. (Canada)

Golden Peaks Resort Inc. (Canada)

Kicking Horse Mountain Resort Trust (90%)

CONSTRUCTION INTERNATIONAL

**Ballast Nedam
International B.V.**

Ballast Nedam Groep N.V.

British Aerospace-Ballast

Nedam International B.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)

OTHER

Ballast Nedam Services B.V.

Ballast Plc (in liquidation)

Management as of 1 March 2006

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	A.C. van Haeringen
Controlling	T.A.C.M. Bruijninx
Communication	A.C. van Kessel
ICT	R.J. Kathmann
Risk Control & Assurance	A.C.M. van Haastrecht
Purchasing Services	G.J.E. Koreman

Ballast Nedam Services B.V.

J.W. Bolt

Ballast Nedam International B.V.

Ballast Nedam Groep N.V.

A. Kok
R.P. Rombouts

Ballast Nedam Nederland B.V.

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

Ballast Nedam Bouwmaterieel B.V.

H. Hertsenberg

Ballast Nedam Asset Management B.V.

A. Kok

INFRASTRUCTURE

Ballast Nedam Infra B.V.

R. Malizia, P. van Zwielen

Ballast Nedam Infra Projecten R. van Schravendijk

Ballast Nedam International Projects B.V. A.S. Hoekstra

Ballast Nedam Infra Noord West B.V. J.T. Folkerts

Ballast Nedam Infra Noord Oost B.V. R.P. de Keijser

Ballast Nedam Infra Zuid Oost B.V. A. Stoop

Ballast Nedam Infra Zuid West B.V. H. Kuipers

Ballast Nedam Infra Midden B.V. H. Mos

Ballast Nedam Infra Specialiteiten B.V. C.J. Luesink

Infra Consult + Engineering B.V. W.J. van Niekerk

Ballast Nedam Funderingstechnieken B.V. A. Kuiper

Ballast Nedam Milieutechniek B.V. W.E.R. Huntjens

Dibec B.V. P.G.M. Ballast

Recycling Maatschappij Feniks B.V. A.C.G. van Beurden

Ballast Nedam Infra Participatie B.V. P.S. van der Bijl

Ballast Nedam Geluidwering J.T. Folkerts

Ballast Nedam Zuivering A. Stoop

Ballast Nedam Specialistisch Grondverzet B.V. K. Roelfsema

Van Drooge Transport en Handelsmaatschappij B.V. R.P. de Keijser

Ballast Nedam Grondstoffen B.V. H.P. van der Meer

N.V. Immobiliën en Grindexploitatie maatschappij Bichterweerd, H.P. van der Meer

N.V. Algri en N.V. La Gravière Amay (Belgium) H.P. van der Meer

Société d'Exploitation des Carrières d'Yvoir S.A. (Belgium) H.M. Bronder

Zand- en Grindhandel Verkaik v.o.f. K. Visser

Haitsma Beton B.V. H. Oomens

Lingen Beton B.V. L. Mulder

Waco-Liesbosch Beton B.V. W. Ent

TBS Soest B.V. P.J. Woldendorp

Rademakers Gieterij B.V. H. Veerman

Bruil Specialistische Bouwtechnieken B.V. W.J.J. Smit, J.A.M. Spaan

Ingenieursbureau voor Systemen en Octrooien Spanstaal B.V. H.G. van Uiter

Ballast Nedam International Product Management B.V.

BUILDING AND DEVELOPMENT

Ballast Nedam Bouw en Ontwikkeling B.V.	R.L.M. Jacobs, R.J. Feenstra, F.L. van Oorschot
Ballast Nedam Ontwikkelingsmaatschappij B.V.	J. H. Seelen
Ballast Nedam Bouw B.V.	
Ballast Nedam Bouw Noord	vacancy
Ballast Nedam Bouw Speciale Projecten	J.A.G. van Oostrum
Ballast Nedam Bouw Noordwest	P.J. Cupido
Ballast Nedam Bouw Midden	F.A. Rombouts
Ballast Nedam Bouw West	R. Honig
Ballast Nedam Bouw Oost	J.H.C. Vermaak
Ballast Nedam Bouw Zuid	R. Cornelisse
Aannemingsbedrijf F.W. Onrust B.V.	R. Vonk
Laudy Bouw en Ontwikkeling B.V.	J.F.A.M. Corten
Zomers Bouwbedrijf B.V.	C.M.B. van Driel
Bouwbedrijf Van Asperdt B.V. (50%)	E. Kooijmans
Hoco Beton B.V.	J.J.G. Holtackers, L.M.G.C. Peerlings
Omnia Plaatvloer B.V.	H. Sieben

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.

Financial assets

Investment in associates 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.

EU-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.

Colophon

Production supervision

Public Relations department Ballast Nedam N.V.

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Justin Harris, Wharf internet&design

Final editing

Taalcentrum VU, Amsterdam

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Mac Bay Consultants, Amsterdam

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Jan Schot
and others

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Transport



Undersuction



Iron casthouse



Euroborg



RandstadRail



Wäldwei



Working



Living



Urban facilities



Art and culture

