



Water management



Mobility



Industry



International



ANNUAL REPORT 2004

Cover photo: the Water and Drainage Management Department (DWR) and the Amstel, Gooi en Vecht District Water Control Board (AGV) are given brand new accommodation at a former sewage works on the river Amstel in Amsterdam.

FINANCIAL AGENDA

11 MAY 2005

The Annual General Meeting of Shareholders will be held at the Ballast Nedam House Nieuwegein at 01.30 p.m.

15 SEPTEMBER 2005

Publication half-year results 2005 (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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WATER MANAGEMENT



FOREWORD BY THE CHAIRMAN OF THE BOARD OF MANAGEMENT

Ballast Nedam continued on its upward path during the financial year 2004. The radical rationalisation programme launched in 2002 is turning out to have the desired effect. The core companies have been strengthened. Permanently loss-making units have been turned around, sold or scaled down. The risk profile has been greatly improved. Ballast Nedam is ready for a new stage in its 128-year history.

The recovery operation at Ballast Nedam took place in adverse economic circumstances. Even though both the private and the public market segments have been under pressure, a marked growth in the operating result was achieved. The deterioration in price levels forced Ballast Nedam to adopt a highly selective policy towards project acceptance, based on the principle that the profit made by a project is more important than the turnover it generates. This strategy has had the effect of lower total turnover, but operationally the margin has improved.

From a break-even result in 2003 the operating result rose in 2004 to 37 million euros excluding Netherlands Competition Authority fines.

The volume of turnover was lower in 2003 also because the activities in the United Kingdom were terminated. The loss-making UK subsidiary went into administration in 2003. The company is likely to be wound up in 2006, resulting in substantial tax losses, which may be carried forward indefinitely in the Netherlands.

The rationalisation of the Construction International division has gone faster and better than expected. The successful completion of a number of large foreign projects made a substantial contribution towards the result. The remaining international activities also generated a profit.

In January 2005 the Netherlands Competition Authority (NMa) announced the definitive principles for the imposition of sanctions in respect of previous violations of the Competition Act. The Board of Management puts the financial consequences of the various proceedings at 18 million euros. Ballast Nedam has formed a provision for this amount, which has been charged to the 2004 result.

In 2004 TCN Property Projects B.V. and Wedge International Holdings B.V. each acquired 24% of the shares in Ballast Nedam. These shares were acquired from Hochtief, a major shareholder in Ballast Nedam during the previous 10 years. In the course of 2004 the co-operation between TCN and Ballast Nedam evolved favourably; the two companies worked together successfully on a number of projects and are consulting on the way in which they can take their collaboration further.

The results for 2003 and 2004 show that Ballast Nedam is on the right path. We are vigorously pursuing the policy we have adopted of increasing the return and of active portfolio management. We are proceeding as before with the current efficiency operation in which cost, margin awareness and rectification cost control remain the key words. We will continue in the future to review our portfolio critically, adding or dropping activities on that basis. The relevant criteria are set out elsewhere in this report. The Board of Management is convinced that this policy will safeguard the structural continuity of the company and achieve the intended benefits for the various groups of stakeholders.

Nieuwegein, 10 March 2005

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

MISSION, COMPANY PROFILE AND GROUP STRUCTURE

MISSION

Ballast Nedam is a listed Dutch company offering a wide range of construction-related products and services.

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

Ballast Nedam ranks among the top five Dutch construction groups. The company 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.

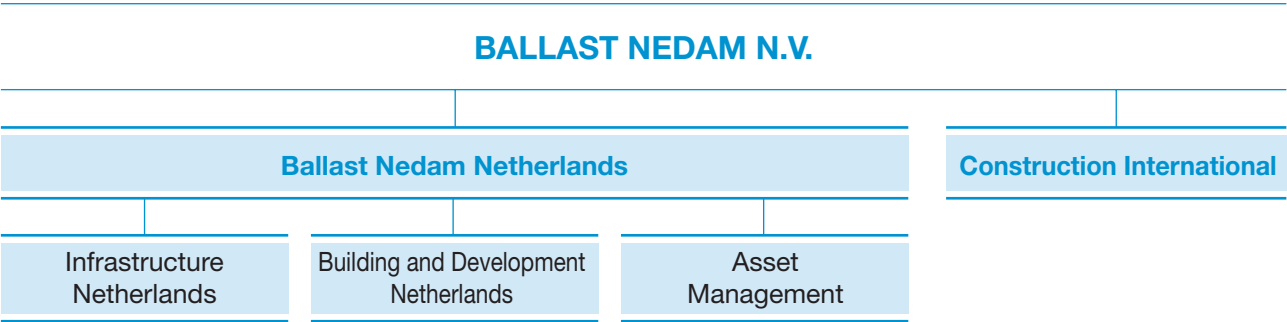
At every level of the organisation, we wish to offer our customers effort and quality, along with expertise, reliability and flexibility. We aim to offer our employees a challenging working environment and, in all our activities, to contribute to the quality of the environment in which we work. Our activities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

COMPANY PROFILE

In 2004, Ballast Nedam generated turnover of 1.2 billion euros; almost 90% of this was earned in the Netherlands. The group employed an average of around 4 000 people during the year.

Ballast Nedam's main activities are civil engineering (national and international), development and construction of homes and other buildings, plus directly-related services, raw materials and products.

GROUP STRUCTURE



The following changes were made in the group structure in 2004 (for a full overview see the section 'Organisation chart').

The Industry and Supply division was split up and divided among the two construction divisions Infrastructure and Building and Development. The individual companies from the Industry and Supply division are now directly linked to their internal clients and partners within the group. This enables them to take more effective advantage of the commercial and professional interrelationship between the construction and supply activities. The lines of communication are shorter; the construction divisions have become responsible for the results of 'their' Industry and Supply companies. This reorganisation, which took place in the first half of 2004, had an immediate positive impact.

In the light of this change in the group structure, the historical financial information of Infrastructure Netherlands and Building and Development Netherlands have been adjusted in this report for comparison purposes.

At the end of 2004 the concrete renovation and repair companies Ivacon and Bruil/Nieuwenhuis were sold, as was the wood fibre concrete producer Durisol.

The restructuring that resulted from the dismantling of the international division proceeded more quickly and more smoothly than expected. In 2002 it was decided to phase out the Ballast Nedam International division; the international projects market was proving too risky to be structurally profitable. In the future Ballast Nedam will only pursue international activities in specialist fields. Two major projects were completed in 2004 (in India and Taiwan), and Ballast Nedam International will complete the final ongoing major project in 2005.

Ballast Nedam will however remain internationally active in the market for its existing specialisms (e.g. sea-based wind farms).

Ballast Nedam International's expertise in major civil engineering projects was amalgamated with that of Ballast Nedam Infra with effect from 1 January 2005.

The efficiency programme continued in 2004. Staffing levels were adjusted in parts of the business which are suffering from overcapacity owing to reduced (profitable) market volumes.

KEY FIGURES

x € 1 000 000	2004	2003	2002	2001	2000
Turnover and result					
Turnover	1 164	1 619	2 307	2 326	2 098
the Netherlands	1 042	1 132	1 242	1 267	1 083
international	122	487	1 065	1 059	1 015
Order book	971	1 046	1 833	2 489	2 660
EBITDA	45	33	(70)	23	91
Impairment	(7)	(6)			
Depreciation	(17)	(23)	(46)	(44)	(43)
EBITA	21	4	(116)	(21)	48
Amortisation	(2)	(4)	(6)	(2)	-
EBIT	19	-	(122)	(23)	48
Result before taxation	15	(6)	(135)	(32)	34
Net result before amortisation	10	50	(137)	(48)	22
Net result	8	46	(143)	(50)	22
Investments					
Investments	17	19	67	345	123
Divestments	20	26	218	226	14
Net investments	(3)	(7)	(151)	119	109
Capital structure					
Capital employed	(11)	(2)	(16)	205	378
Shareholders' equity	109	102	56	215	276
Interest bearing long-term loans	39	27	39	93	120
Net cash	160	136	116	110	18
Ratio's					
EBIT/turnover	2%	0%	-5%	-1%	2%
Net result/omzet	1%	3%	-6%	-2%	1%
Net result/average shareholders' equity	8%	58%	-106%	-20%	8%
Shareholders' equity/assets	20%	18%	9%	22%	28%
Average number of employees	4 022	4 957	6 549	7 264	7 607
Share capital					
Number of ordinary shares (x 1 000)	10 000	10 000	10 000	10 000	10 000
Market capitalisation at year end	124	48	49	160	218
Dividend paid	-	-	11	11	11
Per share € 6 nominal (€)					
Shareholders' equity	10.87	10.21	5.56	21.50	27.60
Dividend paid	-	-	1.13	1.13	1.13
Net result before amortisation	1.03	5.02	(13.70)	(4.85)	2.24
Net result	0.79	4.62	(14.30)	(5.01)	2.24

SUMMARISED BALANCE SHEET

x € 1 000 000	2004	2003	2002	2001	2000
Fixed assets					
Intangible fixed assets	22	23	27	63	-
Tangible fixed assets	98	125	162	321	308
Financial fixed assets	59	65	35	43	46
	179	213	224	427	354
Current assets					
Work in progress	(52)	(76)	(131)	(110)	(64)
Stocks and receivables	213	259	395	538	627
Cash	191	159	138	114	80
	352	342	402	542	643
Current liabilities					
Bank loans	(31)	(23)	(22)	(4)	(62)
Other liabilities	(296)	(339)	(462)	(585)	(485)
	(327)	(362)	(484)	(589)	(547)
Working capital	25	(20)	(82)	(47)	96
Total	204	193	142	380	450
Long-term loans	39	27	39	93	120
Provisions	55	59	42	65	54
Minority interest	1	5	5	7	-
Shareholders' equity	109	102	56	215	276
Total	204	193	142	380	450

BOARD OF MANAGEMENT AND SUPERVISORY BOARD

BOARD OF MANAGEMENT

R.H.P.W. Kottman (59), Chairman
T.A.C.M. Bruijninx (43)

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

Mr Bruijninx 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. Bruijninx	Chief Financial Officer
R. Malizia	Ballast Nedam Infra (Infrastructure)
R.L.M. Jacobs	Ballast Nedam Bouw en Ontwikkeling (Building and Development)
A. Kok	Ballast Nedam International

The Concern Council considers group-wide matters. Decision-making authority rests with the Board of Management.

SUPERVISORY BOARD

P.C. van den Hoek, Chairman
H-P. Keitel, Vice-Chairman (until 1 July 2004)
H.C. Broeksma, Vice-Chairman
N. Kroes (until 1 September 2004)
M.H.O. Rohr (until 1 July 2004)
R.B. Schermer (until 28 April 2004)
A.N.A.M. Smits (as of 8 September 2004)

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

PERSONAL PARTICULARS OF THE SUPERVISORY BOARD

P.C. VAN DEN HOEK

(Chairman)

Mr Van den Hoek was born in 1939. He is a Dutch national. He is a lawyer in Amsterdam, partner in Stibbe.

He is member of the Supervisory Board of the following companies: AON Groep Nederland B.V. (Chairman), ASMI N.V. (Chairman), Buhrmann N.V. (Chairman), Euronext N.V., Robeco Groep N.V. (Chairman), (and Robeco N.V., Rolinco N.V., Rorento N.V.), Financieele Dagblad Holding B.V. (Chairman) and Wavin B.V. (Chairman).

Mr Van den Hoek was first appointed to the Supervisory Board of Ballast Nedam in 1988.

His current term of office ends on 1 July 2005.

H.C. BROEKSMA

(Vice-Chairman)

Mr Broeksma was born in 1945. He is a Dutch national. Until October 1999 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. and on behalf of NPM Capital N.V. of Royal Auping B.V., Blauwhoed Holding B.V. and Moving People 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 first appointed to the Supervisory Board of Ballast Nedam in 1994.

His current term of office ends on 1 July 2005.

A.N.A.M. SMITS

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. Mr Smits 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.

REPORT OF THE SUPERVISORY BOARD

We look back on the past financial year with a sense of satisfaction. In the previous annual report we wrote that the company's performance in 2003 held out the prospect for our shareholders and employees that the company would enter quieter waters in 2004. At the same time we noted that Ballast Nedam had not yet entirely drawn a line under the past. In particular the problems in the United Kingdom, where Ballast Plc went into administration, were a source of concern. The reduction of our international activities to a much more limited scale could also have given rise to fresh setbacks. In addition the question arose as to how our Dutch core activities would perform in a difficult market. Finally it was known that Hochtief had decided to dispose of its 48% interest in Ballast Nedam's share capital. A change in ownership of such a major shareholding is of necessity always associated with uncertainty and unrest.

It has now become clear that Ballast Nedam has performed well under these circumstances. The operating result, excluding fines in connection with the NMa (Netherlands Competition Authority) investigation, has risen from break-even point to 37 million euros. The policy of not chasing turnover but of accepting new projects cautiously and selectively has borne fruit.

The rationalisation of the international activities has produced a number of positive developments that appreciably boosted the result. The winding up of the UK subsidiary proceeded in line with expectations. Settlements were agreed in respect of the most important claims against the parent company, which remained within the provisions formed for this purpose. Hochtief transferred its interest to TCN Property Projects B.V. and Wedge International Holdings B.V., who each acquired 24% of Ballast Nedam's capital.

Ballast Nedam has been co-operating successfully with TCN in a growing number of projects to the benefit of both parties. Finally it may be noted that the NMa took a decision in January 2005 concerning the underlying principles for calculating the fines payable by our company in connection with violations of the Competition Act. A provision has been formed for this purpose in the annual accounts.

The Supervisory Board met six times during the year, devoting detailed attention on these occasions to the subjects noted above. In addition we discussed the current performance of the company on the basis of the reports regularly submitted to the Board of Management. At these meetings the managing directors of the divisions briefed the Supervisory Board on the performance of their respective divisions, thereby providing the Board with a good impression of developments at operational level. The financing of the company was also a recurrent topic for discussion, as was the amendment of the pension system that was prepared in 2004 and introduced in 2005.

The Board of Management briefed us on its vision of the corporate strategy and the risks associated with the company and presented its assessment of the structure and operation of the internal risk management and control systems.

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 semi-annual 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. Although staff numbers continued to fall, it fortunately proved possible to avoid further large-scale compulsory redundancies such as those in recent years.

As noted above, in the year under review the size of our Board was reduced. Having reached the retirement age, Mr R.B. Schermer stood down after the meeting of shareholders. Messrs H-P. Keitel and M.H.O. Rohr retired from the Board as from 1 July 2004 in connection with the sale of its shareholdings by Hochtief. Finally we lost Mrs N. Kroes to the European Commission in September.

We thank all those who have retired from the Board for the dedication they have displayed over many years. They did so each in their own way but in all cases with the interests of Ballast Nedam in mind and in constructive consultation with the other members of the Supervisory Board and the Board of Management. They too will undoubtedly note with satisfaction that our company has emerged successfully from a difficult period.

The Supervisory Board was strengthened in September by the addition of Mr A.N.A.M. Smits, who was appointed at the nomination of the Central Works Council to fill the vacancy left by the departure of Mr Schermer. Messrs Broeksma and Van den Hoek will be retiring by rotation in 2005. Mr Broeksma has made himself available for reappointment, while Mr Van den Hoek has not. It is proposed to fill the resultant vacancy by the appointment of Mr R.M.M. Boelen. The Board has decided to continue for the present on its current (limited) scale.

We hereby submit the annual report for the financial year 2004, 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., Amstelveen. The auditor's report appears on page 79 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.

We would like to conclude this report with a word of thanks to all our employees, whose input and dedication has been responsible for the fact that our company has managed to achieve a good result in the face of the difficult external circumstances in which we have been operating. We consider that Ballast Nedam has laid the foundations for sound development in the coming years.

Nieuwegein, 10 March 2005

Supervisory Board

P.C. van den Hoek
H.C. Broeksma
A.N.A.M. Smits

REMUNERATION REPORT

REMUNERATION POLICY

The remuneration of Board of Management members is determined by the Supervisory Board.

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 and the risk profile. 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 is paid after the end of the financial year to which it related.

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

- 2/3 of the bonus is determined by financial criteria (net result and average capital employed)
- 1/3 of the bonus is determined by non-financial criteria, laid down and assessed by the Supervisory Board.

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.

REMUNERATION OF MEMBERS OF THE BOARD OF MANAGEMENT

The fixed salaries of the members of the Board of Management as at 1 January 2005 were as follows:

- R.H.P.W. Kottman, Chairman, 403 000 euros (399 000 euros on 1 January 2004)
- T.A.C.M. Bruijninx, 311 000 euros (308 000 euros on 1 January 2004)

In 2004 the members of the Board of Management have been paid a bonus (Mr Kottman, 129 000 euros and Mr Bruijninx, 91 000 euros), because the targets set for the financial year 2003 had been realised. No options were granted in 2004.

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. New contracts will be drawn up in compliance with the Tabaksblat Code.

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. In the notes to the profit and loss account the individual remunerations are reported. Supervisory Board members receive an allowance for costs incurred. Since 1998 the remuneration has not changed. An increase is proposed to the General Meeting of Shareholders (members: an increase from 20 000 euros to 30 000 euros per year; the 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 company's own shares repurchased is 138 820 (2003: 121 301).

Of the total of Ballast Nedam shares, depositary receipts have been issued for 41.1%.

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 2004

The share price moved as follows:

Closing price on 31 December 2003	€ 4.80
Highest price (5 October 2004)	€ 12.65
Lowest price (5 January 2004)	€ 4.65
Closing price on 31 December 2004	€ 12.44
Closing price on 1 March 2005	€ 14.75

BALLAST NEDAM N.V. SHAREHOLDERS:

Stichting Administratiekantoor van aandelen Ballast Nedam	41.1%
TCN Property Projects B.V.	24.0%
Wedge International Holdings B.V.	24.0%
Various ING-companies	5.5%
Stichting Werknemersparticipatie	3.0%
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 31 December 2004:

- Aviva Plc.
- Driessen Beleggingen B.V.

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, not to pay a dividend for 2004 in order to strengthen the solvency ratio.

AGENDA

11 May 2005	Annual General Meeting of Shareholders
15 September 2005	Publication half-year results 2005

INFORMATION

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WORKING



VISION

In 2002 we 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 has not changed in 2004: Ballast Nedam is concentrating on the Dutch market with core activities in development, construction and infrastructure, plus directly-related services and products.

On the basis of this vision seven objectives were formulated. Targets were set for each objective in past years: 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. The seven objectives are discussed below.

OBJECTIVES

The current position in relation to each of the seven objectives in 2004 is set out below: what have we achieved and are we continuing the policy or modifying it?

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

This objective means that Ballast Nedam is systematically pursuing market segments, products and contract forms with a high added value and that it wishes to improve the risk profile.

Targets

- At the 2004 shareholders meeting the Board of Management formulated the target of a sharp improvement in the operating result for 2004 in comparison with the break-even situation in 2003. In doing so the Board indicated that the net result would be substantially lower, in that the result in 2003 had been heavily influenced by a number of non-recurrent tax credits totalling 54 million euros.
- In addition the Board of Management formulated the target of a further scaling down of the International division and the winding up of the Construction United Kingdom division.

2004 update

These targets were achieved where possible in 2004. The operating result turned out at 19 million euros, after a provision of 18 million euros had been formed for the Netherlands Competition Authority (NMa) proceedings. The net profit of 8 million euros compares with a profit of 46 million euros in 2003. In that year there were, however, non-recurrent tax credits of 54 million euros.

The rationalisation of the Ballast Nedam International division has gone faster and better than expected. In combination with the completion of a large number of foreign projects, this was to the benefit of the 2004 result.

The Construction United Kingdom division is now in the process of being wound up.

In early 2005 the Netherlands Competition Authority announced its fines arrangement for the violations of the Competition Act during the period 1998 - 2001. On the basis of these principles Ballast Nedam puts the total financial consequences of all proceedings in the civil and hydraulic engineering, roadbuilding, non-residential construction and other segments at 18 million euros. A provision for this amount has been formed, which has been charged to the 2004 annual result. This has to a significant extent eliminated the uncertainty surrounding the outcome of these proceedings, with a substantial improvement in Ballast Nedam's risk profile.

The risk profile has also been substantially improved by the introduction of the new pension system. This change means that the company no longer runs the risk that Ballast Nedam will need to provide cover if the pension fund is unable to meet its commitments.

Further efforts were made in 2004 to increase added value throughout the chain. Partly through our co-operation with the property developer and manager TCN, we are placing greater emphasis on the earlier and later stages of

building and project life-cycles. In particular this concerns concept and project development, maintenance, facility management and property management.

Targets for 2005

The following targets were set for 2005:

- a substantial increase in the operating result;
- the addition of units by means of active portfolio management in order to provide Ballast Nedam with a distinctive profile and to increase shareholder value.

2. *The company's reputation must be enhanced, both for customers and in the labour market.*

Targets

- improve awareness of the Ballast Nedam name;
- position Ballast Nedam as an attractive construction company in the graduate recruitment market.

2004 update

The outside world is also taking note of the recovery process at Ballast Nedam. Performance and reputation are closely interlinked, so that the improved results in 2004 will also have a beneficial effect on the company's reputation. External reactions (particularly on the part of customers) confirm this, showing that Ballast Nedam has a good professional reputation and high level of name recognition. This also applies to college and university graduates. The number of requests for traineeship placements increased sharply in 2004.

In addition Ballast Nedam sponsors university facilities in its area of expertise.

The Ballast Nedam Building and Development division was included in a reputation survey in 2004 (the Building Business Reputation Monitor). The most important characteristics associated with Ballast Nedam Building and Development are: large company, good company/good name, large projects, expertise/professional.

The construction industry is well aware that its image has suffered in recent years from the violations of the Competition Act during the period 1998 – 2001. In line with the rest of the industry, Ballast Nedam has made it totally clear internally that the legislation and regulations must be strictly observed. Among other things these agreements have been laid down in a code of conduct (including sanctions) and in internal procedures; the top and middle management is also focusing its attention on these aspects. By completing the NMa proceedings Ballast Nedam will also be drawing a financial line under the previous period and will be able to enhance its reputation still further.

Targets for 2005

- The two targets listed above are unchanged for 2005.

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 its objectives, Ballast Nedam is making vigorous efforts to secure a structural improvement in its competencies. It is doing so not just by broadening and deepening its internal knowledge and expertise but also by entering into strategic alliances with other specialist companies.

Targets

- 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.

2004 update

During the year, our innovation efforts again led to a number of successful new discoveries. There is further information in the 'Innovation' section.

A strategic alliance was entered into in 2004 under the name of Ultra Alert. Ballast Nedam's partners in this alliance are Vodafone, HP, Enertel, UltraWaveDesign and Falck Security & Services. Together the partners have worked on an advanced cordless CCTV system for securing large areas (e.g. docksides, industrial sites, shopping centres and inner-city areas). The system can also be used to regulate traffic flows on highways, waterways and railways.

In addition we have entered into an alliance for 'Twinparker' parking boxes, i.e. automated underground car parks for the consumer market.

Targets for 2005

- The targets listed above remain in place for 2005.

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.*

2004 update

In 2004 Ballast Nedam also ranked among the top five Dutch construction groups.

Targets for 2005

- This objective is being maintained.

5. *Structural improvement in the organisation in order to guarantee the sustainability of the company's standards - a vital precondition for the continuity of our market position.*

Targets

- complete the run-down of the international activities of Ballast Nedam International and Ballast Plc;
- align the organisation to the worsened market conditions;
- place the emphasis on cost measures (especially in a number of pre-cast concrete companies);
- cost savings from a group-wide procurement structure;
- achieve greater synergy between the divisions (and especially between the Industry and Supply companies and the construction companies). Units which have structurally low profitability and little if any synergy with the core business will be disposed of at an appropriate time.

2004 update

In 2004 we continued energetically to work towards the targets noted. The international reorganisation projects have been completed. Ballast Plc is in the process of being wound up.

Capacity has been selectively reduced in all divisions. In some regions and in the Industry and Supply companies, this was achieved in part by compulsory redundancies. Staff numbers at the holding company were also reduced further.

In 2004 we split up the Ballast Nedam Industry and Supply division, placing it with the two other construction divisions. As a result the individual supply companies have become directly linked to their internal customers, which now share responsibility for the results of the supply companies. The benefits already became clear in the first six months after the split-up: the commercial lines have become shorter, intercompany business has increased and where necessary capacity has been reduced commensurately. The loss-making concrete renovation companies of Ivacon, Bruil and Nieuwenhuis were, for example, disposed of at the end of 2004.

Purchasing activities are increasingly being pooled under the coordination of Ballast Nedam Purchasing Services. Substantial savings have been made on the purchasing of electricity, fuel, telecommunications, paper and lease vehicles; in addition framework contracts have been concluded for supply materials. Ballast Nedam has also made a start on electronic auctioning. In addition to its use in procurement, e-business has become an essential element in sales, especially of housing.

Targets for 2005

The following targets have been formulated for 2005:

- give heed to the winding up of the UK subsidiary;
- vigorously pursue the policy of pooled purchasing;
- display entrepreneurship and mastery in production in respect of all the activities supplied across a broad front in the organisation in order to optimise quality.

6. *We want to retain the specific Ballast Nedam mentality: hard work and a strong focus on solutions, daring and indomitability.*

2004 update

The objective of maintaining Ballast Nedam's vigorous mentality has certainly been achieved. This is evident for example from the way in which Ballast Nedam has tackled the problems in recent years and from the mental resilience it has displayed. Ballast Nedam is confident about the further development and growth of the company now that the ominous problems have been effectively tackled by far-reaching measures. The results show that Ballast Nedam is on the right path.

7. *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.*

2004 update

An internal code of conduct has been drawn up stipulating fundamental rules for employees on integrity in day-to-day activities. Every employee has been personally informed of the code of conduct. This topic is being systematically addressed in management training at three levels within the organisation. In addition Ballast Nedam is supporting social projects on both a centralised and decentralised basis. Ballast Nedam staff are for example helping to build a school and an orphanage in Ghana sponsored by the company.

Targets for 2005

- Ballast Nedam formulated policies and took measures in 2004 in order to bring it into compliance wherever possible with the Corporate Governance Code (Tabaksblat Code). Policy in this area will continue unchanged (see the section on Corporate Governance).

KEY ASPECTS OF STRATEGY 2005

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 2005.

1. *Further increasing the profitability and hence enhancing the financial strength*

This means:

- achieving a substantial increase in the operating result in relation to 2004 (19 million euros);
- sustaining the efficiency drive;
- agreeing new financing arrangements in 2005. This objective was achieved in February 2005 by means of a new financing agreement covering a longer period and on better terms.

2. *Conducting active portfolio management*

In particular this means identifying activities that need to be deleted 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 as described above make up the strategy at group level. Each division's strategy is set out elsewhere in this annual report. We also want to point out the strengths and (remaining) weaknesses in these units, and their consequences for operations.

SOCIAL RESPONSIBILITY

PRINCIPLES AND AGREEMENTS

Business activities affect the world we live in. This rightly imposes obligations, sets limits and requires certain standards and values. As a company, Ballast Nedam is well aware of this. 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;
- ensuring 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 still there are 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. To this end, Ballast Nedam is in active discussions with the Dutch government and other Dutch businesses in those countries.

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.

STRICTLY REGULATED COMPETITION

The Parliamentary Committee of Enquiry into the Construction Industry has shown that the industry has regularly infringed competition regulations over a period of years, including cartel formation for the distribution of capacity and pricing. After the first reports of these practices emerged (at the end of 2001), the Ballast Nedam Board of Management tightened up its internal procedures, for example by requiring all employees to comply strictly with the competition rules and putting in place sanctions including disciplinary procedures, up to and including suspension and dismissal, for infringements. To ensure that employees comply with the rules, Ballast Nedam has also drawn up an internal code of conduct, containing fundamental rules designed to foster the integrity of employees in their day-to-day activities. The code of conduct 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.

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 give account to all stakeholders for its actions.

THE ANNUAL REPORT AS AN ACCOUNTABILITY TOOL

One of the ways that it does this is through the annual report. Not only did Ballast Nedam win the top prize in 2003, in 2004 Ballast Nedam also scored well in the annual assessment of annual reports by the Scenter agency. Scenter again praised Ballast Nedam for the transparency and openness of its account of its strategy and business operations. 'The transparency is at the same level as in the previous year', according to Scenter.

Ballast Nedam also scores highly on the Transparency Benchmark of the Dutch Ministry of Economic Affairs. The company is in the top 20 of the 100 listed and 75 non listed companies surveyed which published transparent reports on their efforts in the area of corporate social responsibility.

TABAKSBLAT CODE

The text of the Tabaksblat Code was finalised at the end of 2003. The Board of Management and Supervisory Board decided to comply with the Code already in 2004 as far as possible. This means that Ballast Nedam operated in compliance with the Code, to the extent that it did not do so already. For information on our risk management and internal control systems, please refer to the section 'Risk management'. In 2005 the following, most important exceptions, are:

1. The current members of the Board of Management have indefinite employment contracts, which will be respected. The Supervisory Board will reconsider this point on the appointment of new members.
2. The severance pay for Board of Management members is currently at variance with the provisions of the Tabaksblat 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.
3. In each separate case the Supervisory Board will assess the number of Supervisory Board positions and the weight of such positions its members can hold. It is required that the members are able to fulfil their tasks in the Supervisory Board appropriately. Any departures from the Tabaksblat Code will be explained in the annual report and, if required, the Board will account for them to the General Meeting of Shareholders.



INDUSTRY



REPORT OF THE BOARD OF MANAGEMENT

UPWARD PATH

The financial year 2004 was a good one for Ballast Nedam. Against the trend of contraction in the market the results staged an improvement for the second year in succession. In 2003 we recorded an operating result at break-even level; in 2004 this in fact rose to 37 million euros. In early 2005 the Board of Management decided to form a provision of 18 million euros in respect of the Netherlands Competition Authority proceedings. As a result of this provision the operating result amounted to 19 million euros.

Ballast Nedam's core business (i.e. the Dutch divisions) performed well, with a 19% increase in the operating result. The radical rationalisation of our international activities has now been completed. This operation went more rapidly and successfully than we had anticipated. The result in 2004 benefited from the completion of a number of large projects. The core figures for 2004 clearly indicate that Ballast Nedam made a further substantial advance in 2004. The Board of Management is confident that we will be able to sustain this upward path in the future.

POLICY PURSUED: RETURN BEFORE TURNOVER

In 2004 Ballast Nedam's market remained heavily affected by the weakness of the economy and the low price levels, especially in the infrastructure market. Ballast Nedam's policy is to be highly selective in accepting large multi-year projects if the price is too low: return comes before turnover. This is reflected in the fall in turnover in the Dutch market and the higher operating result. As a result of this policy we have, however, been obliged to reduce the number of jobs in certain areas.

SPLIT UP INDUSTRY AND SUPPLY SHOWS RESULTS

In the course of the financial year we split up the Ballast Nedam Industry and Supply division. The supply companies were transferred to the two building divisions, Building and Development and Infrastructure. In doing so we have kept the lines between the supply companies and their internal customers as short as possible. The building divisions have consequently become responsible for the results of the supply companies. This also strengthens the need to make internal use of the potential for synergy. The reorganisation was already showing positive results in the second half of 2004.

As in preceding years a number of pre-cast concrete companies completed a difficult year. Overcapacity and price pressure forced the companies to restructure. This included an impairment of 7 million euros at two pre-cast concrete factories. The Board of Management currently detects signs of a cautious recovery in this segment of the market.

TCN/WEDGE

The property developer and manager TCN Property Projects B.V. and the investment company Wedge International Holdings B.V. each acquired a 24% stake in Ballast Nedam in 2004 by buying up the shares held in Ballast Nedam by Hochtief. In relation to this transaction TCN and Wedge expressed the intention that they jointly wished to acquire a majority interest in Ballast Nedam. Although both shareholders and the company subsequently consulted carefully on this issue, this did not result in an arrangement enjoying the consent of all parties. Key issues were the divergent interests of the shareholders, a possible swap value and other conditions. TCN and Wedge indicated in March 2005 that they had consequently dropped their intention of acquiring a majority interest.

TCN and Ballast Nedam later stated that they would be intensifying the operational co-operation that has evolved. Since April 2004 TCN and Ballast Nedam have successfully been collaborating on 10 projects. This collaboration indicates that the two organisations are able to complement one another effectively. The two parties have decided to structure their future co-operation in the form of a joint venture. This strategic alliance is consistent with Ballast Nedam's policy of strengthening the early and later stages of the value chain. This policy also includes the following measures taken by Ballast Nedam: expansion of the number of land holdings in 2004, the acquisition of a project developer in Groningen in March 2005, and the drive to expand our maintenance and facility management activities.

The following sections summarise market developments, Ballast Nedam's strategy, progress in 2004 and the prospects for 2005 for each sector.



MOBILITY



INFRASTRUCTURE NETHERLANDS

x € 1 000 000	2004	2003*	2002*	2001*	2000*
Turnover	522	603	647	646	507
Order book	340	484	557	665	731
EBITDA	30	27	26	36	31
EBITA	12	11	12	21	17
EBIT	11	8	10	21	17
EBIT/turnover	2.1%	1.3%	1.5%	3.3%	3.4%
Capital employed	20	3	33	66	113
Average number of employees	2 048	2 267	2 281	2 303	2 142

* adjusted for comparative purposes

MARKET

The market in which Ballast Nedam Infra operates is to a large extent a tendering market that is heavily dependent on government investments. Despite the less favourable economic conditions in the Netherlands there has been no decline in the number of invitations to tender in 2003, although 2004 did see a price war. A partial return to calm took place in the course of 2004, with prices returning to more normal levels. The Civil and Hydraulic Engineering sector is expected to continue recovering gradually in 2005.

Given the importance of good infrastructural facilities for the Dutch economy, the maintenance and improvement of the infrastructure will continue to call for investment. There is still a social need for spatial planning and restructuring. The market is demanding solutions to mobility, urban regeneration and water infrastructure problems. In order to generate and implement these solutions, knowledge, creativity and innovation are required: competencies which customers will increasingly be expecting of market players.

These market developments offer the private sector scope to take the initiative to develop and build infrastructure projects. This will lead to more non-traditional ventures with the public sector in the form of DBMF (Design, Build, Maintain and Finance) contracts and public-private partnerships (PPP). The financial involvement of the private sector will be greater than in earlier years. This market in particular offers opportunities for companies to handle and solve infrastructure issues comprehensively. Ballast Nedam Infra did so in 2004 and is poised to exploit further market opportunities.

STRATEGY

In 2004 Ballast Nedam Infra concentrated less on its role as a traditional contractor. Apart from contracting for and building projects we are increasingly thinking in terms of concepts and providing solutions for (complex) infrastructure issues. Our main concern is to solve problems or to meet a need. This therefore means that we no longer always regard the realisation of projects or subprojects as a goal in its own right.

Ballast Nedam Infra's strength lies in its know-how and expertise in managing the entire chain, from initiative and feasibility studies (plan development), via design, acquisition and raw materials extraction to construction up to and including maintenance and recycling, where appropriate including financing and management.

Ballast Nedam Infra concentrates on specialisms that help generate a distinctive market profile and deliver added financial value. In areas in which other players are able to offer a better price or quality, it works together with reliable (strategic) partners.

In addition, we see it as our task to export the professional specialisms by which Ballast Nedam Infra differentiates itself in the Netherlands. To do this we use the substantial international knowledge and experience available at Ballast Nedam. The exporting of professional specialisms has been placed with the Projects business unit.

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

OPERATIONS

Ballast Nedam Infra improved its operating result in 2004. Various points may be noted:

- The results of Ballast Nedam Infra 2004 include those of a number of supply companies that formed part of the Ballast Nedam Industry and Supply division in 2003. Among other things the result includes an impairment of 7 million euros for two pre-cast concrete factories.
- Ballast Nedam Infra's results in 2004 benefited from the fact that we successfully completed a number of large, multi-year projects. This positive effect will not be repeated on the same scale in 2005.
- Apart from these special factors the Ballast Nedam Infra division has coped well in the difficult market conditions. To this end we have, however, been required to bring the workforce in line with the change in demand.

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 2004 and show how Ballast Nedam Infra is putting the strategy noted above into practice.

Mobility

As part of the Wâldwei consortium, we are actively involved in the design, building and financing of highway N31 in Friesland. A maintenance period of 20 years forms part of the DMBF contract.

In 2004, Ballast Nedam Infra participated in designing and building the re-routing of the N273 at Haelen. This contract also includes maintenance of the road for ten years.

In The Hague we embarked on the preparations for the Beatrixlaan railway station project, in which Ballast Nedam Infra will be responsible for both the design and construction of a viaduct plus station (forming part of RandstadRail).

As part of the expansion in the number of eco-ducts in the Netherlands, Ballast Nedam Infra will be undertaking the design and construction of an eco-duct linking up Het Groene Woud forest between Best and Boxtel. This will be the first ecological bridge in the southern Netherlands. We have also built an eco-duct in Hilversum linking up the Spanderswoud and Bussumerheide nature conservation areas.

Together with its partner Eenzet Carwash, Ballast Nedam Infra is involved through ETW (European Traffic Wash) in the cleaning of public transport conveyances. In 2004 we constructed two train wash facilities on behalf of Netherlands Railways on a turnkey basis. We are currently exploring how this integral concept might be exported.

Urban regeneration

Ballast Nedam Infra and the municipality of Leeuwarden have set up a public-private partnership (PPP) for urban regeneration. The aim of the partnership is an ongoing process for improving the quality of housing and of the urban district.

Ballast Nedam Infra is working on the construction of an automated underground car park in Staringplein in the Oud-West district in Amsterdam. Once we have completed the car park we will also be altering the layout of the square above ground.

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.

Water infrastructure

Together with the Waterway alliance, Ballast Nedam Infra is helping to come up with solutions for waste water purification in thinly populated rural areas in the Netherlands. We will then be implementing and financing the solutions.

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 the expansion of a waste processing company.

We have now taken our first 'own' 2 Megawatt windmill into use. This provides power for the energy company NUON. Ballast Nedam Infra will be installing further windmills in the course of 2005. Each windmill generates sufficient electricity for around 1 500 households.

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.

In 2004, Ballast Nedam Infra also worked on the construction of the High-Speed Rail Line (HSL) South, the Betuwe freight railway line and the completion of the tram tunnel in The Hague. The Caland Tunnel was opened on 18 June 2004.

Pre-cast concrete

By integrating a number of pre-cast concrete companies in 2004, Ballast Nedam Infra has shortened the lines with a number of internal suppliers. This measure was already producing the desired effect in the course of 2004. The internal co-operation has been stepped up as a result.

Capacity was adjusted in line with the difficult market conditions being faced by a number of pre-cast companies. In a number of instances this led to compulsory redundancies. A cautious recovery was discernible in late 2004 and early 2005.

Raw materials

Ballast Nedam Infra substantially strengthened its strategic raw materials position in 2004, for example by increasing the number of concessions for gravel extraction in Belgium. Apart from the concessions in Belgium, Ballast Nedam Infra also has concessions in the Netherlands and Norway.

PROSPECTS

The government's investment plans for the infrastructure offer excellent opportunities. The specific objective for the highway network is to maintain maintenance at the required level and to reduce the maintenance backlog by 45% by the end of 2007. A sum of 600 million euros is available until 2010 to eliminate the backlog. This will involve the replacement of 1 300 kilometres of traffic lanes. In 2005 the main concern will be with regular maintenance, with a spurt in 2006-2007 in order to replace the remaining 1 100 kilometres.

Among other things, the national anti-congestion plan (Fileplan ZSM) is concerned with increasing capacity at peak hour 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 peak-hour 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 2004, however, Ballast Nedam Infra is also well placed to turn its competitiveness to advantage in relation to smaller and less complex projects.

Ballast Nedam Infra is assuming that the pre-cast concrete market will return to normal, even though the recovery will not be rapid. We are expecting the results to remain under pressure. The raw materials market is in good shape.

Although the order book for 2004 is well filled, the decline in large multi-year infrastructure projects means that it is smaller than in past years.

We are expecting a slight improvement in the result in 2005.



HOUSING

All Ballast Nedam housing projects, both completed and under development, can be found on www.woongeluk.nl



BUILDING AND DEVELOPMENT NETHERLANDS

x € 1 000 000	2004	2003*	2002*	2001*	2000*
Turnover	524	546	539	570	542
Order book	568	455	559	463	449
EBITDA	24	23	21	23	27
EBITA	21	19	17	20	24
EBIT	20	18	16	19	24
EBIT/turnover	3.8%	3.3%	3.0%	3.4%	4.4%
Capital employed	(32)	(12)	(8)	(31)	(27)
Average number of employees	1 728	1 908	2 020	1 863	1 836

* adjusted for comparative purposes

MARKET

The housing and general building market is heavily affected by government measures. We are expecting the coming years to see the simplification and relaxation of legislation, together with the introduction of various stimulatory measures. The market is also heavily affected by demographic trends (especially ageing) and social developments such as leisure activities and urban problems. The characteristic developments in the housing and general building segments and the concrete factories of Ballast Nedam Bouw en Ontwikkeling (BNBO; Ballast Nedam Building and Development) are set out briefly below.

House-building

New construction

The level of house-building in the Netherlands has fallen in recent years. This has been primarily because housing corporations have been building fewer dwellings for rent, while the construction of owner-occupied housing has been declining. These developments have in turn been brought about by the slowness of government procedures and the associated issuing of building permits, together with the lack of trading-up in the owner-occupied market.

For the next few years we are expecting moderate growth depending among other things on cyclical factors (including the development of interest rates and purchasing power and a stabilisation of land prices towards more realistic levels). The breakdown according to buyer segment shows a picture of extremes, with a structural shift in the construction of new housing towards the more expensive segment and a marked need for cheap rental dwellings for those entering the housing market for the first time.

Maintenance and facility management

Housing corporations 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 is faced by growing oversupply and has become primarily a replacement market. Office construction is evolving in two ways: on the one hand measures are being taken to convert offices that have long been empty into dwellings, while on the other there remains a (relatively small) market for new offices meeting the requirements of the office user. Developers and investors are becoming increasingly aware that the trend towards the conversion of offices into residential accommodation is unavoidable. If the relevant regulations are relaxed, this trend could assume significant proportions.

Greater movement is evident in other sectors of general building, due in particular to the previously noted demographic and social shifts. Investment is being stepped up in health care on account of ageing. In the case of education new investment mainly centres around the desire to expand and improve the existing facilities. The leisure market is also continuing to grow; some parts of the cultural sector are working on the basis of growing visitor numbers.

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 position in the market by delivering high-quality made-to-measure concrete elements.

STRATEGY

The Building and Development Netherlands division's marketing approach 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).

Development company

Ballast Nedam Ontwikkelingsmaatschappij (BNO) concentrates on the acquisition of strategic land holdings for subsequent development and sale. The volume of land holdings was substantially expanded in 2004 (from around 337 hectares to 520 hectares).

These 520 hectares provide BNO with a development potential of approximately 2.8 billion euros divided over more than 8 800 dwellings, 240 000 square metres of office space and 155 000 square metres of other commercial space. A number of interesting sites were acquired in 2004: Sonniuswijk in the municipality of Son en Breugel (24 hectares), Delft railway tunnel (15 hectares) and Hazerswoude (14 hectares). This consists of a mix of positions of owned land, purchase commitments, options and building rights.

BNO concentrates on comprehensive development projects. This has given rise to a number of trendsetting projects, such as the expansion of the Driemaster office complex in Nieuwegein (involving development, building and facility management). In 2004 the turnover from own development amounted to 26% of building and development turnover (in 2003 this was just 20%).

Building

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.

The central region company is for example working on the Parkrand project in Amsterdam. When completed Parkrand will provide 224 dwellings, of which 194 will be owner-occupied and 30 low-cost rental housing. The car park has 104 spaces. The building has been constructed around spacious see-through indoor gardens that are open to all.

In addition BNB has a national company, Special Projects, which specialises in large-scale and complex projects. An example is the construction of two new buildings for the Trinitas College in Heerhugowaard, offering facilities for 2 900 students.

Bouwborg

The unit Bouwborg provides facility services at regional and national level. Long-term contracts have been concluded with a number of large housing corporations for the daily maintenance of the housing stock. Bouwborg is currently renovating 136 dwellings on behalf of the Het Oosten Housing Corporation in Amsterdam. Bouwborg has now also been responsible for the day-to-day technical maintenance of the Amsterdam Arena for ten years.

Concrete

BNBO operates on the basis of a comprehensive market approach. Among other things this is evident from the fact that we set up a concrete business unit in 2004 in the Building and Development division. This was a logical step since both companies involved specialise in the delivery of made-to-measure concrete elements. By drawing these companies into the value chain at an early stage (i.e. the initiative and design phase), we create possibilities for the optimal management of logistic and production processes in the value chain through co-makship. The first signs of success are already evident.

OPERATIONS

Ballast Nedam Building and Development achieved a better result in 2004 than the year before. It can, accordingly, look back on 2004 with satisfaction. Over the past year some 2 100 homes were completed, twice the number in 2003. The percentage of homes built under the company's own management has increased, while the order book has also grown sharply. This trend continued strongly in the first few months of 2005. The division is therefore optimistic about the prospects in the near term.

Residential building (units)	2004	2003
Under construction (opening)		
Third-party orders	1 427	1 807
Own management	702	660
	2 129	2 467
Started		
Third-party orders	1 262	388
Own management	634	210
	1 896	598
Handed over		
Third-party orders	1 423	768
Own management	666	168
	2 089	936
Under construction (closing)		
Third-party orders	1 266	1 427
Own management	670	702
	1 936	2 129

At year-end 2004 Building and Development did not have a portfolio of any significance of unsold dwellings built at own risk and account.

Sassenheim

A luxury residential neighbourhood is in the process of being built on the outskirts of Sassenheim. The houses are grouped around a massive rectangular building. This is an impressive bulb shed dating from 1928, which has been completely restored by BNB and converted into an apartment complex. As an example of 'traditional industry', the listed building could not be allowed to make way for the development project. BNO therefore came up with a plan for restoring the brickwork facades and so retaining the external appearance. Internally, the former storage area for flower bulbs now provides space for 12 exceptionally fine apartments. Marked interest has, however, also been displayed in the surrounding Villapark Overteylingen Sassenheim. The number of potential buyers for these exclusive 42 villas was so great that a ballot had to be conducted.

Football stadiums

Ballast Nedam was involved in the development and construction of three of the seven new football stadiums in Portugal, and was appointed as process manager from the outset. On the basis of our experience (we have now built 30 stadiums worldwide) we first of all drew up a business plan for the management and conducted a feasibility study before making a start on the development process as such. We were also responsible for overseeing and managing the full range of risks in the course of construction. It therefore comes as no surprise that governments and football clubs throughout the world, ranging from Turkey to South Africa, draw on Ballast Nedam's experience. In the Netherlands, Ballast Nedam is currently working on the new Euroborg stadium in Groningen; in autumn 2005 we expect to make a start on the ADO stadium in the Hague.

Elite sport swimming pool in Eindhoven

On 22 November 2004 the first pile for the National Swimming Centre in Eindhoven was driven under the direction of Olympic swimming champion Pieter van den Hoogenband. This swimming pool will be unique in Europe. The existing Tongelreep swimming pool is being renovated and three new pools are being added: a 10-lane 50-metre pool (three

metres deep), suitable for top international competitions; a four-lane 50-metre training pool (three metres deep), fitted with a number of above-water and underwater cameras; and a 25-metre pool with a 10-metre diving tower and a movable bottom, suitable for international diving competitions. The swimming arena will also have stands with space for 3 500 spectators.

The Kunstlinie in Almere

The Kunstlinie will provide accommodation for the City Theatre (Stadsschouwburg) and the Centre for Cultural and Artistic Education (CKV) in Almere. The Stadsschouwburg comprises a large auditorium with space for 1 300 spectators and a small auditorium with space for 400 spectators. The CKV consists of a low-rise building with classrooms and a tower with a large music room capable of holding 250 people. The building covers an area of approximately 110 by 100 metres. Of this 60% has a basement. Of this 60%, half is in the Weerwater lake. The piling, sheet piling and underwater concrete for the basements are being supplied by Ballast Nedam Infra. Ballast Nedam's pre-cast concrete company Haitsma will be supplying the piles. The building will be officially opened at the end of 2006.

Smarter purchasing

In collaboration with the Trudo housing corporation the 'Slimmer kopen' ('Smarter purchasing') product has been developed. This product is designed to provide people on lower incomes with the opportunity to acquire their own home. This entails buying a home at a substantial discount, made possible by the combination of highly efficient building and standardised choice.

Royal Living

In the near future there will be a marked demand among the over-55s for customised living products. We are seeking to anticipate this together with other players, for example in the form of a 'Vorstelijk Wonen' (royal living) housing product, which offers the opportunity of living comfortably and independently for as long as possible with a wide range of services and facilities at hand. At the end of 2005 we will be setting up three pilot projects in Sassenheim, Leidsche Rijn and Nunspeet. The projects will be very different in nature but have one thing in common: the care infrastructure will be in place.

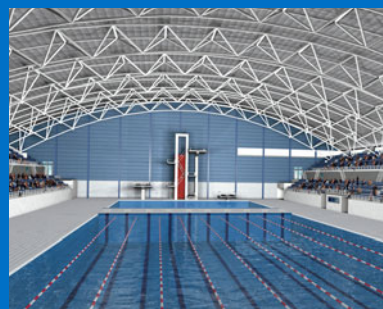
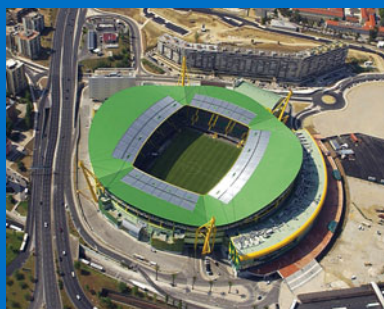
PROSPECTS

Ballast Nedam Building and Development is approaching the coming years with confidence. That confidence is based on the size (a 25% increase on 2003) and quality of the order book, the virtual absence of any vacancy risks in relation to development under our own management, the well-balanced holdings of land and a manageable risk profile when it comes to implementation. We will be stepping up the co-operation with the project developer TCN. The successful co-operation in ten projects in 2004 and 2005 creates positive expectations. The operating result is set to grow further.

The European Football Association UEFA has designated the José Alvalade Stadium in Lisbon as a textbook example of a good stadium. To illustrate this, the stadium has received five stars in the UEFA ranking system, the maximum number that can be awarded to a stadium. The stadium was developed by Ballast Nedam. All 52,000 seats are covered thanks to an innovative roof structure. The good acoustic properties mean that concerts and other events can also be organised in the stadium. The construction of the stadium was combined with a commercial development, thus ensuring its financial viability as well. In 2005 the stadium will play host to the UEFA cup final.



SPORTS





INTERNATIONAL

Water management



Mobility



Leisure



CONSTRUCTION INTERNATIONAL

x € 1 000 000	2004	2003	2002	2001	2000
Turnover	122	216	329	320	270
Orde book	63	107	340	494	604
EBITDA	18	7	(97)	(30)	9
EBITA	17	4	(103)	(35)	4
EBIT	17	4	(103)	(35)	4
EBIT/turnover	13.8%	1.8%	-31.2%	-10.9%	1.3%
Capital employed	(6)	(14)	2	69	148
Average number of employees	151	678	760	809	1 481

MARKET

In 2002 Ballast Nedam decided radically to slim down its loss-making international activities. This rationalisation has been successfully completed. Ballast Nedam will in future no longer be operating on a large scale in foreign markets as principal contractor: the risks posed by such projects are out of proportion to the margin we need to achieve.

STRATEGY

Our policy is one of accepting new projects on a selective basis where these involve a limited risk. This is being implemented by a newly established unit within Ballast Nedam Infra pooling the knowledge and expertise of the dismantled Ballast Nedam International division with that of Ballast Nedam Infra. Examples of niches include harbour facilities, water distribution systems, tunnel elements and specialist foundation techniques. We will therefore be placing the emphasis increasingly on our role as a specialist subcontractor, on engineering, on process and project management, and on the input of unique equipment. Ballast Nedam will, however, continue to act as the main contractor in respect of projects being co-financed by the Ministry of Development Co-operation (under the Dutch government's Development-Related Export Transactions program ORET) and offshore windfarms in Europe.

Ballast Nedam will continue to provide maintenance activities in Saudi Arabia, as it has been doing for many years. With establishments in various European countries, Ballast Nedam International Product Management (BNIPM) is largely engaged in the construction and renovation of petrol stations. This company also realises infrastructural projects for the telecommunications industry. The first development stage of the Kicking Horse Mountain Resort (KHMR) ski-resort in Canada has successfully been completed. The resort is now fully operational. Both BNIPM and KHMR have been placed with Ballast Nedam Asset Management B.V.

OPERATIONS

The restructuring of the international activities within Ballast Nedam continued apace in 2004. This has resulted in a radical diminution in the remaining order book. Construction International made a significant contribution towards Ballast Nedam's result in 2004. The successful completion of large-scale projects provided a substantial (one-off) boost to the result.

Of the three large projects outstanding at the start of 2004, one (a bascule bridge in Palm Beach, Florida) remains to be completed. The bridge will be delivered in the first half of 2005. A number of water distribution projects have been successfully completed in Ghana and are likely to generate follow-up orders.

PROSPECTS

We will be delivering the project in Florida in the first half of 2005. The maintenance contracts at airports and the toll bridge in Saudi Arabia have so far been running satisfactorily and will in all probability be continued. Ballast Nedam International Product Management sees particular expansion possibilities with respect to alternative fuels. The development of the ski resort in the Canadian Rocky Mountains is proceeding well. The hotel accommodation forming part of the first stage has now been taken into use.

As noted above, the other international activities have been integrated with Ballast Nedam Infra.

FINANCIAL RESULTS

TURNOVER AND OPERATING RESULT

Turnover

x € 1 000 000	2004	2003*	2002*	2001*	2000*
Infrastructure Netherlands	522	603	647	646	507
Building and Development Netherlands	524	546	539	570	542
	1 046	1 149	1 186	1 216	1 049
Construction International	122	216	329	320	270
Construction United Kingdom	-	264	568	582	629
Other	(4)	(10)	224	208	150
Total	1 164	1 619	2 307	2 326	2 098

* adjusted for comparison purposes

Turnover totalled 1 164 million euros compared with 1 619 million euros in 2003. This reduction was due to the progress made in implementing the strategy of reducing the international activities. Turnover in the Dutch divisions fell in 2004 due to continued adherence to a policy whereby profitability is given priority over turnover. The Infrastructure Netherlands division, in particular, was conservative in accepting long-term projects because of price erosion in the last two years.

Ebit

x € 1 000 000	2004	2003*	2002*	2001*	2000*
Infrastructure Netherlands	11	8	10	21	17
Building and Development Netherlands	20	18	16	19	24
	31	26	26	40	41
Construction International	17	4	(103)	(35)	4
Construction United Kingdom	-	(26)	(67)	(32)	1
Other	(29)	(4)	22	4	2
Total	19	-	(122)	(23)	48

* adjusted for comparison purposes

The operating result improved from break-even in 2003 to 19 million euros in 2004.

The operating result of the Dutch construction divisions rose 19%, from 26 million euros in 2003 to 31 million euros in the year under review. This operating result includes an impairment of 7 million euros on two prefabricated concrete production facilities.

The high operating result achieved by Construction International, at 17 million euros compared with 4 million euros in 2003, was achieved thanks to the successful completion of the number of large projects.

A provision of 18 million euros was formed to cover the consequences of all ongoing procedures and investigations of the Netherlands Competition Authority NMa. This provision was taken under Other, which in 2003 also included a non-recurring pension gain of 9 million euros.

Margin

	2004	2003*	2002*	2001*	2000*
Infrastructure Netherlands	2.1%	1.3%	1.5%	3.3%	3.4%
Building and Development Netherlands	3.8%	3.3%	3.0%	3.4%	4.4%
	3.0%	2.3%	2.2%	3.3%	3.9%
Construction International	13.8%	1.8%	- 31.2%	- 10.9%	1.3%
Construction United Kingdom	0.0%	- 9.9%	- 11.9%	- 5.5%	0.2%
Total	1.6%	0.0%	- 5.3%	- 1.0%	2.3%

* adjusted for comparison purposes

Ebit structure 2003

x € 1 000 000	2004	2003	2002	2001	2000
Infrastructure Netherlands 2003	18	10	11	12	7
Building and Development Netherlands 2003	20	16	12	14	20
Industry and Supply 2003	(7)	-	3	14	14
	31	26	26	40	41

The management structure was modified in 2004 so that the Dutch activities now comprise Infrastructure Netherlands and Building and Development Netherlands, which incorporate the companies from the former Industry and Supply division. When compared on a like-for-like basis with the 2003 management structure, the operating result of the Dutch companies was boosted primarily by Infrastructure Netherlands and Building and Development Netherlands.

NET RESULT

Net result

x € 1 000 000	2004	2003	2002	2001	2000
EBIT	19	-	(122)	(23)	48
Interest income and charges	(4)	(6)	(13)	(9)	(14)
Result before taxation	15	(6)	(135)	(32)	34
Taxation	(7)	52	(8)	(18)	(12)
Net result	8	46	(143)	(50)	22

The result before tax increased by 21 million euros, from a loss of 6 million euros in 2003 to a profit of 15 million euros in 2004. This improvement was due to the 19 million euros higher operating result in 2004 (2003: break-even) as well as a reduction of 2 million euros in interest charges (2003: 6 million euros).

The net result came in at 8 million euros. The net result in 2003 totalled 46 million euros, largely owing to a considerable non-recurring tax credit of 52 million euros, which consisted mainly of a prior-year result of 11 million euros and a gain of 43 million euros due to the capitalisation of a deferred tax asset.

At year-end 2004, Ballast Nedam had 125 million euros of losses available which may be carried forward indefinitely in the Netherlands. A value was attributed to this total amount at year-end 2004 and, allowing for the reduction in tax rates, this resulted in a deferred tax asset of 38 million euros (2003: 43 million euros). If Ballast Plc is wound up as expected in 2006, it is anticipated that between 100 million and 115 million euros will be added to the losses which may be carried forward indefinitely.

ORDER BOOK

Order book

x € 1 000 000	2004	2003*	2002*	2001*	2000*
Infrastructure Netherlands	340	484	557	665	731
Building and Development Netherlands	568	455	559	463	449
	908	939	1 116	1 128	1 180
Construction International	63	107	340	494	604
Construction United Kingdom	-	-	377	544	465
Other	-	-	-	323	411
Total	971	1 046	1 833	2 489	2 660

* adjusted for comparison purposes

The order book stood at 971 million euros at year-end 2004, 75 million euros lower than a year earlier. This reflected the further reduction in the international activities.

The progress achieved on major long-term infrastructural works, combined with reticence in taking on work in view of prices in this market, reduced the 340 million euros order book of Infrastructure Netherlands. The order book of Building and Development Netherlands increased by 113 million to 568 million euros.

FINANCING AND LIQUIDITY

Shareholders' equity amounted to 109 million euros at year-end 2004 (2003: 102 million euros). The solvency ratio increased to 20% from 18% at year-end 2003. Capital employed fell by 9 million euros compared with 2003.

The cash inflow in 2004 was 24 million euros compared with 20 million euros in 2003. The cash flow from operating activities amounted to 14 million euros in 2004 (2003: 16 million euros), while the cash flow from financing activities was 7 million euros in 2004 (2003: negative cash flow of 3 million euros).

The positive cash flow from investment activities amounted to 3 million euros in the year under review (2003: 7 million euros) and was made up of investments totalling 17 million euros and divestments amounting to 20 million euros. The divestments included the sale of equipment by Construction International and the sale of the installation kit at the head office in Nieuwegein to the tenant.

The loss-making companies Durisol B.V., Ivacon B.V. and Nieuwenhuis Betonreparatie B.V. were sold in 2004.

Net cash rose from 136 million euros in 2003 to 160 million euros in 2004. Ballast Nedam has a 40 million euros facility which runs until February 2007. The increase in long-term debt from 27 million euros in 2003 to 39 million euros in 2004 consisted of 17 million euros in drawn down loans relating to projects and a repayment of 5 million euros on the long-term loan from Stichting Pensioenfonds Ballast Nedam.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

An analysis was performed in 2004 of the potential impact on the presentation of results and financial position following the introduction of the IFRS standards. Given the present status of these standards and their interpretation, only a qualitative approximation can be given at this juncture.

The main changes relate to the disclosure of projects with a pre-financing element under Current liabilities rather than under Work in hand, the capitalisation of leases which are currently disclosed off-balance sheet and the ending of the capitalisation of interest from externally financed projects. This changed presentation will lead to a considerable reduction in the solvency ratio.

HUMAN RESOURCES

IMPACT OF REORGANISATIONS

The restructuring of the international activities announced in 2002 was completed at the end of 2004. The holding company was also rationalised further in 2004. The Ballast Nedam Industry and Supply division was split up in mid-2004 and divided among the Infrastructure and Building and Development divisions. A number of jobs were shed due to restructuring at several of the supply companies affected. The loss-making supply companies Durisol, Ivacon, Bruil and Nieuwenhuis were sold.

Capacity in the local and regional construction divisions was adjusted where necessary to take account of changed market demand. In some cases this led to compulsory redundancies. Ballast Nedam agreed a new redundancy plan with the trade unions to cover forced redundancy as a result of restructuring. The total workforce was reduced by approximately 900 in 2004.

NEW PENSION PLAN

A new pension scheme came into effect at Ballast Nedam on 1 January 2005. The new plan is a collective defined contribution scheme, in which fixed contributions are invested each year. These contributions, added to the investment results, form the capital from which the pensions are paid. In principle, the new plan will not be index-linked unless sufficient funds are available. This means that the pension fund does not set aside additional money to increase the conditional entitlements. The new scheme brings to an end the situation where the company is required to top up the pension fund where there is a shortfall in cover. It also means that Ballast Nedam cannot withdraw money from the pension fund and that no contribution discounts can be offered in a situation of surplus cover.

COMPLIANCE WITH CODE OF CONDUCT

In order to supervise the compliance of all employees with the code of conduct, we have created a system of supervisors. These persons also function as the point of contact for the newly introduced whistleblowers' scheme. No reports were made in the year under review which led to sanctions being imposed.

SMOKING POLICY

All Ballast Nedam buildings (offices, building site huts, workplaces, etc.) have been smoke-free since 1 January 2004. Where possible, designated areas are set aside for smokers. In order to comply with the non-smoking scheme, we will evaluate the smoking policy in early 2005. Our first impressions are that employees are applying the scheme exceedingly well.

CONSULTATIONS WITH THE WORKS COUNCIL

The Board of Management held the usual consultative meetings with the Central Works Council in 2004. True to the tradition of Ballast Nedam, these meetings provided an opportunity for frank discussion of all important topics affecting the group: strategy, results, restructuring programmes, employee schemes, integrity procedures, the new pension plan and all other topics raised by employee representatives.

ABSENTEEISM

The absenteeism rate was roughly the same in 2004 as in 2003 (5.5%). Reducing the absenteeism rate remains very difficult despite the policy of responding both proactively and reactively to absenteeism and the risks of absenteeism and the importance given to the role of local management and immediate superiors. We will complete the absenteeism analysis in 2005 and consider whether supplementary measures may be effective.



EDUCATION



RISK MANAGEMENT AND RISK PROFILE

The Board of Management is responsible for the design and operation of the internal risk management and control systems in use within our company. The 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 business is exposed are identified and assessed, first at operating company level and subsequently in conjunction at divisional level. These risks are then catalogued together with the risks identified by the Board of Management and 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 to its clients in 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 divisional 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 relevant legislation and regulations and the 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.

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 have to be approved by the Board of Management before a contract can be concluded and 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 tangible fixed assets, and entering into long-term liabilities. The divisions then report on these projects separately in 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 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 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 sale or rental. As a rule this is at least 70% for residential buildings and the criterion for commercial real estate projects is 100%.

During the construction phase, 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 for risks during construction. Credit risk during the construction of a project is largely avoided by specifying instalments in the contract in line with the progress made.

Financial risks are managed as far as possible by systematic reporting and responsible financing methods. The same applies to operational risks and the risks of non-compliance with legislation and regulations. The financial reporting

system follows the business plan, phased over thirteen periods during the year. The report consists of a daily liquidity report, a regular financial report and a 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 being paid to compliance with the competition rules and regulations and that in conjunction with support by actively adhering to the internal code of conduct.

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 sets ethical standards for the conduct of Ballast Nedam employees and contains rules covering areas such as gifts. The code also lays down the internal procedure for reporting infringements and the whistleblowers' scheme and specifies the sanctions which may follow infringements. Compliance with the competition rules and regulations is being 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 (SBIB), a special body that performs independent supervision on compliance with the rules.

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 pre-payments on projects. This may create a liquidity risk if fewer pre-payments 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 organised as such.

The Board of Management began a project in 2005 involving the systematic analysis and evaluation of the internal risk management and control systems. The changes that result from this exercise are likely to relate mainly to monitoring instruments to enable the effectiveness of these systems to be established. After implementation of these changes, it is likely that the provisions on management reporting regarding the effectiveness of the internal risk management and control systems will be met. All this is being done in the realisation that internal risk management and control systems cannot offer absolute certainty that our objectives will be achieved, nor that these systems will entirely prevent all inaccuracies of material importance, losses, fraud and infringement of laws and regulations. The Board of Management will of course take action immediately if any opportunities for improvement present themselves.

OTHER RISKS

Competition risks

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

Various local authorities have submitted a total of 150 pro forma claims to the Board of Arbitration alleging that they have suffered losses because of price-fixing. Ballast Nedam considers these claims without merit and will contest them if the envisaged industry fund is not created or if claims are only partially settled.

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. It is uncertain as to whether a fine will be imposed and, if it is, how high it will be.

In early 2004, the NMa prepared a report on the involvement of a former subsidiary in possible price fixing in the ready-mixed concrete segment. It is uncertain as to whether a fine will be imposed and, if it is, how high it will be.

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

Ballast Plc

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

Ballast Ham Dredging arbitration

An arbitration procedure with HBG is ongoing on guarantees issued in November 2001 on the merger of the dredging companies of HBG and Ballast Nedam. Ballast Nedam issued a bank guarantee of 30 million euros on 30 December 2002. Ballast Nedam does not expect the outcome of this procedure to affect the profit and loss account.

Ballast Nedam International

At the moment, Ballast Nedam International is completing its last major international project (see the 'Construction International' section).



Laudy, an operating company of Ballast Nedam Bouw in the Province of Limburg, renovated the Glaspaleis ('glass palace') in Heerlen. The renovation earned the first edition of the Bouwfonds Award voor Vitale Monumenten. This prize will be awarded each year to a historic building which has acquired a new purpose following restoration and which has become accessible to the public. A total of 96 buildings competed for the Bouwfonds Award in 2004. The Glaspaleis dates from 1935 and has been transformed into a multifunctional cultural centre. The revitalisation of the former department store presented a number of challenges: the large, crystal clear glass facade had to be restored to its original condition and a manageable internal climate had to be created.

INNOVATION

Ballast Nedam focused its innovation policy more specifically on developing its market in 2004. By restructuring our R&D programmes and intensifying the cooperation between research, design and implementation, we can shorten the lead time from development to market. A good deal of attention was also devoted in the year under review to making the knowledge present within the company accessible as rapidly as possible.

NEW FORMS OF CONTRACTING

Traditional contract forms rapidly gave way in 2004 to more integrated contracts, in which creativity and innovation in design and implementation help to determine the outcome of the tender process. Ballast Nedam successfully tendered for a number of design and construct projects in which the design (both in terms of appearance and dimensioning) was a decisive factor in winning the contract. We believe that other aspects will become increasingly important in the assessment of tenders besides the purely economic element, such as aesthetics, innovation, sustainability and ecological quality. Ballast Nedam is investing in this trend through research into the recycling of materials (bottom ash from waste incineration plants) and alternative methods of sand extraction.

INNOVATION DAY 2004

Senior head office and management staff of Ballast Nedam met on 25 November 2004 to exchange experiences and listen to presentations about successes achieved by Ballast Nedam companies in the area of innovation in the market. The more than 250 people at this meeting learned about new types of products, contract forms, measuring techniques for better project control as well as new concepts for mobility (see next section) such as innovative approaches to parking, traffic management and safety.

MOBILITY

In the area of mobility we are looking for new ways of promoting the flow of traffic. We have entered into partnerships to this end in the fields of digital wireless information management techniques and in relation to parking. These partnerships bring us into contact with new clients and enable new products to find their way to existing clients. We have also achieved new successes with the production and laying of quieter and longer-lasting asphalt. Special new products include the 'parking box' ('Twinparker', an underground parking facility aimed at consumers) and the train scrubber unit (an automatic unit developed in partnership which greatly increases the efficiency of train cleaning).

HOUSING

We are continually looking to improve our housing concepts and tailor them to the demands of the market. For example, we are developing housing concepts focusing on specific target groups as well as concepts for living on water. We are also developing flexible solutions in the form of homes that can be designed and configured to suit the wishes of individual clients.

PROCESS IMPROVEMENTS

Using ICT enabled us to step up the accessibility and availability of information again in the year under review. Positive results were achieved for example with construction site automation, synchronisation of procurement and personnel systems and in the areas of Enterprise Resource Planning and Product Data Management. We also achieved results in improving the three-dimensional construction design techniques.

In 2004 we achieved a situation whereby all employees with access to the intranet can access all digitally available knowledge within Ballast Nedam via a single entry point, known as KennisWijzer. The increasing digitisation of construction sites has created new opportunities for seeking out the knowledge-carriers and experts in this field more quickly and effectively. All divisions of Ballast Nedam are contributing to this.

PROCUREMENT

Our efforts to improve our procurement system continued unabated in 2004. Central to these activities was 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. We entered into a number of group-wide framework contracts with suppliers in 2004, and have already achieved significant savings on the purchasing of energy, paper, telecom services, fuel, ICT, lease vehicles and work clothing.

Professionalisation of the procurement function is a core focus in the procurement training programme, for which we launched a pilot in 2004. Further improvements in the (management) information supply in the procurement process are in the pipeline for 2005. We made a good start on this in 2004 by setting up a procurement portal on our intranet (Insite) as a starting point for all procurement questions and activities by Ballast Nedam employees.

Initiatives aimed at the further digitisation of the procurement process are still important. Ballast Nedam made further strides in this area in 2004 by carrying out three electronic auctions and an electronic tender process. We also carried out trials with electronic invoice settlement. The results are highly encouraging, and further roll-out of the digitisation of the procurement process (e-tender, e-auctions, e-ordering and external e-payment) is on the agenda for 2005.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

Although cost reduction remains an item on the agenda for the Information and Communication Technology (ICT) department, 2004 was mainly dominated by new initiatives and exploitation of opportunities. Since the setting up of our internal service unit Ballast Nedam ICT (BNICT, 2001), the costs per workstation have reduced by 30%, while the range of services offered is expanded and deepened every year.

As part of the move to raise efficiency, the mobile telephony services throughout the company were placed with a single service provider in 2004. At the same time we introduced technology enabling our handheld computers to be connected to back office systems via the mobile network (UMTS/GPRS), for example for e-mail and diary management. Person-specific services such as PCs, workstations, telephones, lease cars and refuelling cards are being brought together in a single management concept, leading to ever improving and more transparent management information.

We also introduced the websphere application B'Next, which was developed in-house to enable internal transactions between systems to be settled direct on the basis of XML, for example enabling our equipment service and the person-specific services referred to above to be invoiced. We will expand this facility in the near future to enable our information to be exchanged directly with external parties (such as major suppliers and housing corporations) as well.

In addition the personnel system PrinSys has now been implemented throughout the company, creating an integrated personnel database. The Ballast Nedam Infra division also made all personnel files available in digital form. The PrinSys data will be integrated in greater detail in 2005. Contract employees have automatic access to the intranet partly on the basis of this database. To promote communication, our pension fund launched a special website for pensioners and former employees based on a similar technique.

Consultants and software engineers who were formerly employed in various parts of the company have now been brought together within a single section within BNICT. This has pooled the technical know-how in relation to information systems (such as Baan and Eniac) at a single location within the company. We are currently working to give tangible form to this section in close collaboration with the information managers of the operating companies.

Development of the construction site automation system continued in 2004, with the addition among other things of electronic recording and processing of commitments and hours. A workers' diary will also henceforth form part of this solution. In 2005 the roll-out of these extensively tested systems will be continued to construction sites, where they will be put into practice.

A technique was introduced in the BNICT service unit to enable our software to be distributed more quickly, more efficiently and more effectively. We hope this will enable an optimum balance to be achieved between ergonomics (software in the workplace) and reliability.

In 2005 we will devote a good deal of attention to the layout of the new head office. The product selections resulting from this offer ample opportunity for the application of the latest technological insights, for example in the field of access control and communication within buildings.

Other focus areas for 2005 are:

- the content management of our external websites;
- the roll-out of a new management information system;
- the selection of a new generation of workplace software which among other things includes a low-threshold document management function. A number of pilot projects were run for this in 2004.

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 a 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 Arbodiensten (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 health and safety risks are systematically surveyed 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.

The number of accidents has fallen in recent years and this trend continued in 2004. Furthermore, we continue to bring down our targets for accident statistics.

ENVIRONMENTAL PROTECTION

Environmental protection is important in all sectors of industry but the construction industry is especially concerned with the most important elements of the environment: the soil, air and water. Ballast Nedam's environmental policy is aimed particularly at preventing environmental pollution, by taking appropriate measures. These include:

- limiting the damaging effect of the company's activities on the environment;
- using ecologically sound construction methods including the use of sustainable materials;
- saving energy and water;
- ensuring a proper indoor environment;
- preventing drop out
- minimising, segregating and recycling waste.

Sustainable building is an important area of attention for Ballast Nedam's engineering unit, with the focus on four aspects in particular:

- sustainable development of rural and urban areas;
- intensive urban construction;
- development of sustainable business parks;
- use of sustainable materials.

Above we explained Ballast Nedam's awareness of the ethical, social and environmental effects of its activities. One way of expressing that awareness is the package of measures in the GRI (Global Reporting Initiative) guidelines. Ballast Nedam has imposed a duty on itself to meet the key indicators in the guidelines as far as possible.

Also in 2004 significant progress was made and the objective is to prepare a full sustainability report for 2005 based on GRI indicators. Internal analysis and assessment has shown that Ballast Nedam rates towards the top of the market.

PROSPECTS

MARKETS IN 2005

There are some signs of a recovery at macroeconomic level. Aside from this, the Building and Development division is optimistic about the near future. The order book is extremely well filled and is of good quality.

In the infrastructure market, the results achieved by Ballast Nedam Infra will be determined more by prices than market volume. It is unclear at present how prices will evolve in 2005, though Ballast Nedam does not expect to see further price falls.

PROSPECTS FOR BALLAST NEDAM

The Board of Management is optimistic regarding the development of the result in 2005. We expect the operating result to improve considerably compared with the result of 19 million euros in 2004. A more precise profit forecast cannot be given at this point in time.

Nieuwegein, 10 March 2005

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



ANNUAL ACCOUNTS

CONSOLIDATED BALANCE SHEET

before profit appropriation

x € 1 000 000

31 December 2004

31 December 2003

Fixed assets

Intangible fixed assets	22	23
Tangible fixed assets	98	125
Financial fixed assets	59	65
	179	213

Current assets

Work in progress	(52)	(76)
Stocks	29	25
Debtors	184	234
Cash	191	159
	352	342

Current liabilities

Bank loans	(31)	(23)
Current part of long-term loan	(5)	(5)
Trade creditors	(159)	(180)
Taxation	(3)	(3)
Other liabilities	(129)	(151)
	(327)	(362)

Working capital	25	(20)
	204	193

Long-term loans	39	27
Provisions	55	59

Minority interest	1	5
Shareholders' equity	109	102
	204	193

CONSOLIDATED PROFIT AND LOSS ACCOUNT

x € 1 000 000	2004	2003
Turnover	1 164	1 619
Raw materials and subcontractors	(818)	(1 256)
Wages and salaries	(214)	(229)
Social security costs	(30)	(37)
Depreciation and amortisation (in)tangible fixed assets	(19)	(27)
Impairment (in)tangible fixed assets	(7)	(6)
Other operating expenses	(59)	(64)
Operating expenses	(1 147)	(1 619)
Operating result	17	-
Interest income and similar income	2	1
Interest charges and similar charges	(6)	(7)
	(4)	(6)
Income from participating interests	2	-
Result before taxation	15	(6)
Taxation	(7)	52
Net result	8	46
Net result per share (€)	0.80	4.67
Diluted net result per share (€)	0.78	4.54

EBIT

Operating result	17	-
Income from participating interests	2	-
EBIT	19	-

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

x € 1 000 000

	Share capital	Share premium	Repurchased own shares*	Other reserves*	Results	Share- holders' equity	Minority interest	Total Equity
1 January 2003	60	55	-	84	(143)	56	5	61
Translation differences	-	-	-	1	-	1	-	1
Gains and losses recognised directly in equity	-	-	-	1	-	1	-	1
Net result	-	-	-	-	46	46	-	46
Dividend	-	-	-	-	-	-	-	-
Profit appropriation 2002	-	-	-	(143)	143	-	-	-
Other	-	-	(1)	-	-	(1)	-	(1)
31 December 2003	60	55	(1)	(58)	46	102	5	107
Translation differences	-	-	-	(1)	-	(1)	-	(1)
Gains and losses recognised directly in equity	-	-	-	(1)	-	(1)	-	(1)
Net result	-	-	-	-	8	8	-	8
Dividend	-	-	-	-	-	-	-	-
Profit appropriation 2003	-	-	-	46	(46)	-	-	-
Other	-	-	-	-	-	-	(4)	(4)
31 December 2004	60	55	(1)	(13)	8	109	1	110

*adjusted for comparative purposes

The authorised share capital is € 113 million. The issued share capital comprises 10 000 000 ordinary shares of € 6 nominal value. Out of the share premium account, an amount of € 25 million is distributable free of tax in the Netherlands.

The 138 820 company's own shares repurchased (2003: 121 301) are included at purchase price.

Movement of the minority interest concerns the share in the ski resort Kicking Horse Mountain Resort in Canada.

CONSOLIDATED CASH FLOW STATEMENT

x € 1 000 000	2004	2003
Operations		
Net result	8	46
Depreciation	17	23
Impairment	7	6
Amortisation	2	4
Result from deconsolidation	-	2
Movements in deferred tax asset	5	(43)
Movements in work in progress	(24)	(51)
Movements in provisions	(4)	18
Movements in other working capital	(3)	11
Net cash flow from operating activities	14	16
Net investments		
Intangible fixed assets		
investments	-	(1)
divestments	-	1
Tangible fixed assets		
investments	(15)	(16)
divestments	18	16
Financial fixed assets		
investments	(2)	(2)
divestments	2	9
Net cash flow from investment activities	3	7
Financing		
Proceeds from long-term loans	17	-
Repayments long-term loans	(5)	(3)
Movements minority interests	(4)	-
Translation differences	(1)	1
Other movements	-	(1)
Net cash flow from financing activities	7	(3)
Total net cash flow	24	20
Opening cash balance as at 1 January	136	116
Closing cash balance as at 31 December	160	136

The dividend received from the participating interests was € 2 million (2003: € 3 million). In 2004, interest of € 2 million was received and € 6 million paid (2003: € 1 million received, € 7 million paid).

ACCOUNTING POLICIES

ACTIVITIES

The activities of Ballast Nedam consist of supplying a broad range of construction-related products and services in the Netherlands and other countries. The statutory seat of Ballast Nedam N.V. is in Nieuwegein.

RISKS AND UNCERTAINTIES

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.

CONSOLIDATION PRINCIPLES

Participating interests in group companies – companies in which Ballast Nedam is able to exercise a decisive influence on policy – are fully consolidated.

Participating interests in joint ventures where the company does not have a controlling interest but policy can be influenced by the company to the same degree as by each of the other partners, including construction consortiums, are proportionally consolidated as from the effective date of acquisition and until the date of disposal.

The accounting policies of Ballast Nedam are applied as far as possible.

Internal operational transactions are in principle determined at arms' length and eliminated in the same way (proportionally) as other internal company transactions.

The liabilities of construction consortiums borne by the company by virtue of joint and several liability are only recognised if and to the extent that the financial position of the construction consortium and/or one or more of the partners in it gives rise to such action.

Use is made of the exemption provided by Section 402, Part 9, Book 2, of the Netherlands Civil Code.

Pursuant to Section 414, Part 9, Book 2 of the Netherlands Civil Code, a list of participating interests included in the consolidated figures has been deposited at the Commercial Register in Utrecht where it is open for inspection.

ACCOUNTING POLICIES

Valuation

The historical cost convention is applied, unless stated otherwise. Income and expenditure are assigned to the period to which they relate.

The valuation of fixed assets is assessed if there is an indication of possible impairment.

If the fair value of the fixed assets is lower than the book value, the difference is charged to the profit and loss account. Amounts receivable and payable are netted if permitted and there is an intention to set them off.

Intangible fixed assets

Goodwill is stated at cost less accumulated amortisation. Amortisation is generally calculated on a straight-line basis according to the expected economic life of the asset concerned, with a maximum period of 20 years.

Concessions are stated at cost less accumulated amortisation. Amortisation is generally calculated on the basis of extraction progress and according to the expected economic life of the asset concerned. In the event of a reduction in value the carrying amount of the intangible fixed asset concerned is written down to the fair value.

Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition or manufactured cost less accumulated depreciation.

Depreciation is generally calculated on a straight-line basis according to the expected economic life of the assets concerned. In the event of a reduction in value the carrying amount of the tangible fixed asset concerned is written down to the fair value.

Financial fixed assets

Non-consolidated participating interests are included on a proportional basis according to their net asset value as shown by the latest published balance sheets. In determining the net asset value and the results, the Ballast Nedam accounting policies are applied as far as possible.

Other interests are stated at cost.

In the event of a reduction in value, as shown by the periodical review, the carrying amount of the financial fixed asset concerned is written down to the fair value.

Results of participating interests are recognised in the annual accounts from the effective date of acquisition and up to the date of disposal. Amounts receivable from participating interests are stated at face value less any necessary provisions.

Impairment or disposal of fixed assets

The reduction in value of assets in use is determined by the book value of an asset compared with the future net cash flows that the asset is expected to generate. If the book value of an asset exceeds the estimated future cash flows an impairment is charged to the result equal to the difference between the book value and the fair value of the asset.

Assets available for sale are valued at the lower of book value and market value, less selling costs.

Work in progress

Work in progress relates to current projects being constructed on behalf of third parties in combination with work being carried out under the company's own management.

Work in progress is valued at manufactured cost, being the full cost plus the profit in proportion to the progress of the project and less the invoiced instalments. The full cost comprises the acquisition costs of raw and ancillary materials, direct labour costs and other costs directly assignable to the production. The full cost also includes a reasonable element of the indirect costs. It does not include interest, with the exception of projects that have been externally financed and are being executed in combination. For practical reasons, unless it would have a material effect on the financial position and results, profit is in fact recognised on completion in the case of projects lasting less than one year. Expected losses are calculated up to the end of the project and are charged directly to the result in the form of provisions.

Stocks

Stocks of finished goods are stated at cost, excluding interest charges. Stocks of raw materials are stated at cost. Expected losses are recognised immediately in the form of provisions.

Other assets and liabilities

Other assets are stated at face value less any necessary provisions. Other liabilities are stated at face value.

Provisions

Provisions relate to obligations and losses existing at the balance sheet date and for which the amount can reasonably be estimated. Provisions are stated at face value.

Turnover

Turnover represents production during the year stated at net realisable value. For the companies engaged in supply activities, turnover is the total of the invoiced deliveries.

Pensions

The pension scheme set up by Ballast Nedam N.V. is administered by Stichting Pensioenfonds Ballast Nedam. Pension premiums are based on assigned entitlements and are included in the annual accounts as pension charges, for which actuarial principles have been taken into account.

A financing agreement has been concluded between the two parties establishing the mutual financial rights and obligations.

Taxation

Tax is calculated on the result on ordinary activities at the current rate, allowing for tax-exempt items.

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

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

Foreign currency translation

Assets and liabilities of participating interests denominated in foreign currencies are translated at the rates of exchange prevailing at the balance sheet date, with profit and loss account items being translated at the average rates for the year. Exchange differences on the capital invested in these participating interests and the differences between results translated at average exchange rates for the year and at year-end exchange rates are accounted for in shareholders' equity.

Foreign currency receivables and payables are translated at the prevailing rates at the balance sheet date.

Transactions in foreign currency are translated at the exchange rate applying at the transaction date. The resulting currency differences are recognised in the result as part of those transactions.

Euro/Foreign currency	2004		2003	
	average exchange rate	exchange rate on 31/12	average exchange rate	exchange rate on 31/12
USD	1.24632	1.36550	1.13974	1.25800
GBP	0.67890	0.70430	0.69183	0.70480

Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies are translated into euros at the average exchange rate for the year under review.

Segmentation

Additional financial information is provided for each division and geographical segment. The Other category includes the operating profit of Ballast Nedam N.V. and the assets and liabilities of Ballast Nedam N.V., the result on the sale/deconsolidation of participating interests and the elimination of intercompany items.

PRESENTATION

The notes to the profit and loss account include the items EBITDA (earnings before interest, taxation, depreciation and amortisation), EBITA (earnings before interest, taxation and amortisation) and EBIT (earnings before interest and taxation). This presentation in the notes is in line with the customary format in the construction industry, reflects the internal management information and enhances insight into the result.

FINANCIAL INSTRUMENTS

General

Ballast Nedam uses financial instruments and derivative financial instruments in the course of its ordinary activities. These are financial instruments that are shown in the balance sheet and forward exchange contracts taken out to hedge future transactions and cash flows. Ballast Nedam does not trade in financial derivatives and has procedures and policies in place all for limiting the size of the credit risk with each counterparty or in each market.

Treasury is a central responsibility at Ballast Nedam and is organised as such.

Interest rate risks

Interest rate risks are not hedged. Ballast Nedam incurs interest rate risks in respect of interest rate fluctuations relating to the Euribor. The interest rate risk is limited to the credit facility, guarantees provided and project-related financing arrangements. Loans are held to maturity.

Exchange risk management

Forward contracts are concluded with first-class banks to hedge the transaction risk on cash flows arising from ordinary activities.

The results of forward contracts are allocated to the profit and loss account over their term.

Fair value

The fair value of most of the financial instruments shown in the balance sheet, including receivables, cash and current liabilities, approximate the book value.

PRIMARY SEGMENTAL INFORMATION 2003

x € 1 000 000	Infrastructure Netherlands*	Building and Development Netherlands*	Construction International	Construction United Kingdom	Other	Total
Turnover per segment	603	546	216	264	19	1 648
Inter-segment turnover	(5)	(6)	-	-	(18)	(29)
Turnover	598	540	216	264	1	1 619
Operating costs	(571)	(517)	(209)	(289)	(7)	(1 593)
Exceptional results	-	-	-	-	7	7
Income from participating interests	-	-	-	-	-	-
EBITDA	27	23	7	(25)	1	33
Impairment	(3)	-	-	-	(3)	(6)
Depreciation	(13)	(4)	(3)	(1)	(2)	(23)
EBITA	11	19	4	(26)	(4)	4
Amortisation	(3)	(1)	-	-	-	(4)
EBIT	8	18	4	(26)	(4)	-
Interest income and charges						(6)
Taxation						52
Net results						46
Margin	1.3%	3.4%	1.8%	-9.9%	-	-
Order book	484	455	107	-	-	1 046
Capital employed	3	(12)	(14)	-	21	(2)
Assets	293	220	42	-	-	555
Investments fixed assets						
intangible	1	-	-	-	-	1
tangible	8	3	4	-	1	16
financial	1	1	-	-	-	2
Non-consolidated companies	10	2	-	-	10	22
Liabilities	175	140	47	-	27	389
Average number of employees						
employed on contract basis	109	72	592	-	3	776
permanently employed	2 158	1 836	86	-	101	4 181
	2 267	1 908	678	-	104	4 957

* adjusted for comparative purposes

PRIMARY SEGMENTAL INFORMATION 2004

x € 1 000 000	Infrastructure Netherlands*	Building and Development Netherlands*	Construction International	Construction United Kingdom	Other	Total
Turnover per segment	522	524	122	-	17	1 185
Inter-segment turnover	(7)	(1)	-	-	(13)	(21)
Turnover	515	523	122	-	4	1 164
Operating costs	(487)	(499)	(104)	-	(13)	(1 103)
Exceptional results	-	-	-	-	(18)	(18)
Income from participating interests	2	-	-	-	-	2
EBITDA	30	24	18	-	(27)	45
Impairment	(7)	-	-	-	-	(7)
Depreciation	(11)	(3)	(1)	-	(2)	(17)
EBITA	12	21	17	-	(29)	21
Amortisation	(1)	(1)	-	-	-	(2)
EBIT	11	20	17	-	(29)	19
Interest income and charges						(4)
Taxation						(7)
Net result						8
Margin	2.1%	3.8%	13.8%	-	-	1.6%
Order book	340	568	63	-	-	971
Capital employed	20	(32)	(6)	-	7	(11)
Assets	279	231	49	-	(28)	531
Investments fixed assets						
intangible	-	-	-	-	-	-
tangible	11	2	1	-	1	15
financial	1	1	-	-	-	2
Non-consolidated companies	10	2	2	-	7	21
Liabilities	171	144	48	-	3	366
Average number of employees						
employed on contract basis	54	97	16	-	6	173
permanently employed	1 994	1 631	135	-	89	3 849
	2 048	1 728	151	-	95	4 022

NOTES TO THE BALANCE SHEET

INTANGIBLE FIXED ASSETS

x € 1 000 000	Goodwill	Concessions	Total
Historical costs			
1 January 2004	16	15	31
Investments	-	-	-
Acquisitions	-	1	1
31 December 2004	16	16	32
Depreciation and impairment			
1 January 2004	5	3	8
Amortisation	1	1	2
Divestments	-	-	-
31 December 2004	6	4	10
Book value			
Infrastructure Netherlands	7	12	19
Building and Development Netherlands	4	-	4
Construction International	-	-	-
Other	-	-	-
1 January 2004	11	12	23
Book value			
Infrastructure Netherlands	6	11	17
Building and Development Netherlands	4	1	5
Construction International	-	-	-
Other	-	-	-
31 December 2004	10	12	22

The remaining weighted average amortisation period of the goodwill as at year-end is 6 years (2003: 7 years).

Ballast Nedam owns concessions for high-grade primary raw materials in Belgium, Norway and the Netherlands. The remaining weighted average amortisation period for concessions as at year-end is 22 years (2003: 21 years). The acquisition of concessions concerns a reclassification from financial fixed assets.

TANGIBLE FIXED ASSETS

x € 1 000 000	Land and buildings	Plant and equipment*	Other tangible fixed assets†	Total
Historical costs				
1 January 2004	76	173	54	303
Investments	5	5	4	14
Acquisitions	-	2	-	2
Divestments	(17)	(18)	(9)	(44)
31 December 2004	64	162	49	275
Depreciation and impairment				
1 January 2004	27	108	43	178
Acquisitions	-	1	-	1
Impairment	1	3	3	7
Depreciation	2	11	4	17
Divestments	(6)	(11)	(9)	(26)
31 December 2004	24	112	41	177
Book value				
Infrastructure Netherlands	25	46	7	78
Building and Development Netherlands	11	10	2	23
Construction International	1	8	1	10
Other	12	1	1	14
1 January 2004	49	65	11	125
Book value				
Infrastructure Netherlands	28	37	4	69
Building and Development Netherlands	11	9	1	21
Construction International	1	3	1	5
Other	-	1	2	3
31 December 2004	40	50	8	98
Depreciation period in years	10-30	5-20	2-10	

* adjusted for comparative purposes

† other tangible fixed assets employed in the production process

€ 11 million of the disposals of land and buildings relate to the sale of assets by Ballast Nedam Services B.V.

Disposals of other plant and equipment are mainly sales of equipment by Constuction International.

The impairment relates to the assets of two prefabricated concrete plants of Infrastructure Netherlands as a result of deteriorating market circumstances.

FINANCIAL FIXED ASSETS

x € 1 000 000	Participating interests	Amounts owed by participating interests	Deferred tax asset	Total
Historical costs				
1 January 2004	15*	7*	43	65
Investments	1	1	-	2
Acquisitions	-	1	-	1
Divestments	(1)	(2)	-	(3)
Results	2	-	-	2
Dividends received	(2)	-	-	(2)
Other	-	-	(5)	(5)
31 December 2004	15	7	38	60
Depreciation and impairment				
1 January 2004	-	-	-	-
Acquisitions	-	1	-	1
Divestments	-	-	-	-
31 December 2004	-	1	-	1
Book value				
Infrastructure Netherlands	6	4	-	10
Building and Development Netherlands	-	2	-	2
Construction International	-	-	-	-
Other	9	1	43	53
1 January 2004	15	7	43	65
Book value				
Infrastructure Netherlands	6	4	-	10
Building and Development Netherlands	-	2	-	2
Construction International	2	-	-	2
Other	7	-	38	45
31 December 2004	15	6	38	59

* adjusted for comparative purposes

The disposals include a concession of € 1 million which has been reclassified from receivables from participating interests into intangible fixed assets.

The deferred tax asset relates to the capitalisation of unused tax losses. The movement of € 5 million is the balance of an additional capitalisation of € 5 million, the use of € 5 million in tax losses and a € 5 million downward adjustment in value of the deferred tax assets as a result of a reduction in tax rates.

CURRENT ASSETS

x € 1 000 000

	2004	2003
Work in progress		
Project costs	2 468	2 207
Invoiced instalments	(2 520)	(2 283)
	(52)	(76)
Own development	43	103
Third parties	(95)	(179)
	(52)	(76)
Overvalues	(219)	(242)
Undervalues	167	166
	(52)	(76)
Received instalments	2 399	2 136
Outstanding instalments	116	129
Retentions	5	18
Invoiced instalments	2 520	2 283
Stocks		
Finished goods	19	18
Raw materials	10	7
	29	25
Receivables		
Invoiced instalments	121	147
Trade debtors	49	55
Other debtors	13	24
Prepaid expenses	1	8
	184	234
Net cash		
Cash	191	159
Bank loans	(31)	(23)
	160	136
Unrestricted cash balances	88	56
Proportionally consolidated	72	80
	160	136

The cash of € 191 million consisted of € 231 million credit balances and a € 40 million overdraft.

Per 25 Februari 2005 Ballast Nedam has a € 40 million facility available with ABN AMRO Bank/ING Bank (interest rate Euribor + 200 basis points) maturing in two years.

OTHER LIABILITIES

x € 1 000 000	2004	2003
VAT, payroll tax and social security contributions	20	15
Pension contributions	-	1
Charges relating to work in progress	20	10
Other liabilities	89	125
	129	151

LONG-TERM LOANS

x € 1 000 000	2004	2003	Expiration	Rate
Stichting Pensioenfonds Ballast Nedam	16	21	2009	5.45%
Project related financing				
BC Transportation Financing Authority/ CBT Golden Peaks Development Corp.	6	6	2009 - 2021	8% - 15%
Nederlandse Investeringsbank/ Bank Nederlandse Gemeenten	3	-	2008	(3 months) Euribor + 25 - 85 basis points
Bank Nederlandse Gemeenten	9	-	2014	3.57%
				Euribor
FGH Bank	2	-	2009	+ 125 basis points
Other	3	-		
	39	27		

The fair value of the long-term loans does not differ materially from face value.

PROVISIONS

x € 1 000 000	Reorganisation	Deferred taxation	Warranties*	Other provisions*	Total
1 January 2004	36	4	14	5	59
Addition	11	-	9	22	42
Release	(1)	(1)	(5)	(2)	(9)
Withdrawal	(30)	-	(6)	(1)	(37)
31 December 2004	16	3	12	24	55
short-term (< 1 year)	10	-	5	12	27

*adjusted for comparative purposes

A € 9 million reorganisation provision has been formed for the winding down of the international activities and the concrete renovation activities. Among other things the reorganisation provision includes an estimated sum for the costs of settling guarantees in respect of Ballast Plc. Talks are currently being held with the receiver concerning the settlement of the liquidation of Ballast Plc. Of the withdrawal of € 30 million, € 25 million related to the reduction in the international activities.

The deferred tax provision relates essentially to future tax liabilities resulting in part from timing differences between the commercial and fiscal equity valuations.

The item Warranties concerns completed projects.

The addition of the Other provision consists of € 18 million for the consequences of breaches of the Competition Regulations during the period 1998 – 2001.

CONSOLIDATED CAPITAL EMPLOYED, ASSETS AND LIABILITIES

x € 1 000 000	2004	2003
Capital employed		
Fixed assets	179	213
Working capital ¹	(135)	(156)
Provisions	(55)	(59)
	(11)	(2)
Assets		
Fixed assets	179	213
Current assets	352	342
	531	555
Liabilities		
Current liabilities	327	362
Long-term loans	39	27
	366	389

¹ Excluding net cash

COMMITMENTS AND CONTINGENT LIABILITIES

GUARANTEES

x € 1 000 000	2004	2003
Guarantees	245	294
Surety bonds	42	53
	287	347

Guarantees include third-party letters of intent and guarantees issued in connection with the performance of projects and advance payments. Surety bonds are guarantees on projects in the United States and cover the full contract value.

An arbitration procedure with HBG is ongoing on guarantees issued on the formation of Ballast Ham Dredging in 2001. The guarantee of € 30 million issued to HBG in 2002 is included in the item Guarantees.

x € 1 000 000	< 1 year	2004 1 - 5 year	> 5 year	< 1 year	2003 1 - 5 year	> 5 year
Lease commitments						
Offices	6	29	39	6	29	41
Other fixed assets	8	14	-	11	13	-
	14	43	39	17	42	41
Rental commitments						
Offices	2	4	-	3	10	-
Purchase commitments						
Land purchases	4	12	-	8	14	-

The lease commitments on offices are with affiliated parties. The income from the subleasing of offices is expected to amount to € 3 million in 2005.

The operating lease costs were € 20 million in 2004 (2003: € 20 million).

Liability

Operating companies are jointly and severally liable for projects carried out in the form of a general partnership.

Certain operating companies are jointly and severally liable for commitments to banks.

Under credit and guarantee facilities there is an obligation not to furnish any security in the form of charges on fixed assets.

Operating companies which are members of the Ballast Nedam fiscal entities in respect of corporation tax and value added tax purposes in the Netherlands are jointly and severally liable for the liabilities of the fiscal entities.

Competition regulations

About 150 claims have been submitted to the Board of Arbitration by local authorities and companies who assert that they have suffered losses from the breaches of the Competition Regulations in 1998 – 2001. Ballast Nedam has received summons in respect of these claims by the Board of Arbitration. Ballast Nedam sees no merit in these claims and will contest them in the courts.

A competition case has been instituted in the civil courts against a subsidiary of Ballast Nedam. Ballast Nedam, however, disputes the competence of the civil courts in this case.

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. It is uncertain as to whether a fine will be imposed and, if it is, how high it will be.

In early 2004, the NMa prepared a report on the involvement of a former subsidiary in possible price fixing in the ready-mixed concrete segment. It is uncertain as to whether a fine will be imposed and, if it is, how high it will be.

NOTES TO THE PROFIT AND LOSS ACCOUNT

x € 1 000 000	2004	2003
Turnover		
<i>Secondary segmentation</i>		
The Netherlands	1 042	1 132
United Kingdom	15	275
Other European countries	25	43
Middle East	22	14
Southeast Asia	23	103
Other parts of the world	37	52
	1 164	1 619
Operating costs		
Raw materials, consumables and other costs	859	1 327
Wages and salaries	197	214
Social security costs	30	37
Pension costs	17	15
	1 103	1 593
Exceptional results		
NMa provisions	(18)	-
Deconsolidation Ballast Plc	-	(2)
Pension fund	-	9
	(18)	7

In early 2005, the Netherlands Competition Authority (NMa) formulated the definitive principles for the package of sanctions to be applied in respect of breaches of the Competition Act during the period 1998 – 2001. On the basis of these principles Ballast Nedam has formed a provision totalling € 18 million for the settlement of all pending NMa proceedings in the civil and hydraulic engineering, general building and other segments.

Ballast Plc was deconsolidated on 15 October 2003. It is expected that the winding up of the companies in the Construction United Kingdom division will be completed in 2006.

The majority of the pension liabilities is managed by Stichting Pensioenfonds Ballast Nedam. The pension gain of € 9 million in 2003 concerned an adjustment of the contribution to the pension fund in 2003.

The exceptional income and expenses are included in Other operating expenses.

RESULT PER SHARE

	2004	2003
Number of ordinary shares		
Shares issued per 1 January	10 000 000	10 000 000
Issued this year	-	-
Repurchased own shares	(138 820)	(121 301)
Shares outstanding per 31 December	9 861 180	9 878 699
Maximum of shares to be issued on options	200 000	300 000
Number of shares diluted	10 061 180	10 178 699
Average number of shares outstanding	9 869 940	9 882 227
Average number of shares outstanding (diluted)	10 119 940	10 182 227
Net result	8	46
Net result per share	0.80	4.67
Net result per share (diluted)	0.78	4.54

Taxation

The tax charge was € 7 million (2003: € 52 million tax gain), of which € 5 million related to the Dutch fiscal entity. Ballast Nedam has € 125 million of unused tax losses available which may be carried forward indefinitely in the Netherlands, € 125 million of which has been capitalised. In 2004 € 5 million of the deferred tax assets was realised and an additional € 14 million of tax losses taken up. The deferred tax assets were reduced by € 5 million in connection with the reduction of corporation tax rates. It is expected that € 6 million of the deferred tax assets will be realised within a year.

x € 1 000 000	2004	2003
Reconciliation nominal and effective tax burdens		
Results before taxation	15	(6)
Nominal tax (35%)	5	(2)
Reduction tax rate	5	-
Additional capitalised unused tax losses	(5)	(41)
Tax outside the fiscal entity	3	3
Prior-year adjustment	-	(10)
Movement in the deferred tax provision	(1)	(2)
Effective tax	7	(52)

Specification effective tax

Taxation

Use of tax losses carry forward	5	-
Tax outside the fiscal entity	3	3
Prior-year adjustment	-	(10)
	8	(7)

Deferred tax

Capitalised unused tax losses	(5)	(43)
Movement in the deferred tax provision	(1)	(2)
Reduction tax rate	5	-
	(1)	(45)
Effective tax	7	(52)

COMPANY BALANCE SHEET

before profit appropriation

x € 1 000 000

31 December 2004

31 December 2003

Fixed assets

Financial fixed assets	248	426
	248	426

Current assets

Receivables	2	7
Net cash	1	10
	3	17

Current liabilities

Intercompany debts	(85)	(285)
Other liabilities	-	(2)
	(85)	(287)

Working capital	(82)	(270)
	166	156

Intercompany long-term loans	29	29
------------------------------	----	----

Provisions	28	25
------------	----	----

Share capital	60	60
Share premium	55	55
Other reserves	(14)	(59)
Retained result	8	46

Shareholders' equity	109	102
	166	156

COMPANY PROFIT AND LOSS ACCOUNT

x € 1 000 000

2004

2003

Result from participating interests	32	(7)
Other results	(24)	53
Net result	8	46

NOTES TO THE COMPANY BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The company financial statements have been prepared according to the accounting policies for the consolidated financial statements.

FINANCIAL FIXED ASSETS

x € 1 000 000	Participating interests in group companies	Amounts owed from group companies	Deferred tax asset	Total
Historical costs				
1 January 2004	228	155	43	426
Result	32	-	-	32
Net investments	-	-	-	-
Dividends received	(199)	-	-	(199)
Other	(2)	(4)	(5)	(11)
31 December 2004	59	151	38	248
Book value				
1 January 2004	228	155	43	426
31 December 2004	59	151	38	248

The dividends received from group companies have resulted in a reduction in the amounts owed to those companies.

The deferred tax asset relates to the capitalisation of unused tax losses. The movement of € 5 million is the balance of an additional capitalisation of € 5 million, the use of € 5 million in tax losses and a € 5 million downward adjustment in value of the deferred tax assets as a result of a reduction in tax rates.

INTERCOMPANY LONG-TERM LOANS

x € 1 000 000	2004	2003	Expiration	Rate
Ballast Nedam Nederland B.V.	29	29	2009	5.45%

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
Release	-	-	-
Withdrawal	(21)	-	(21)
31 December 2004	8	20	28
short-term (< 1 year)	7	12	19

A € 4 million reorganisation provision has been formed for the wind down of the international activities. Among other things the reorganisation provision includes an estimated sum for the costs of settling guarantees in respect of Ballast Plc. Talks are currently being held with the receiver concerning the settlement of the liquidation of Ballast Plc.

The addition of the Other provision consists of € 18 million for the consequences of breaches of the Competition Regulations during the period 1998 – 2001.

SHAREHOLDERS' EQUITY

x € 1 000 000

	Share capital	Share premium	Repurchased own shares*	Other reserves*	Result	Shareholders Equity
1 January 2003	60	55		84	(143)	56
Translation differences	-	-	-	1	-	1
Gains and losses recognised directly in equity	-	-	-	1	-	1
Net result	-	-	-	-	46	46
Dividend	-	-	-	-	-	-
Profit appropriation 2002	-	-	-	(143)	143	-
Other	-	-	(1)	-	-	(1)
31 December 2003	60	55	(1)	(58)	46	102
Translation differences	-	-	-	(1)	-	(1)
Gains and losses recognised directly in equity	-	-	-	(1)	-	(1)
Net result	-	-	-	-	8	8
Dividend	-	-	-	-	-	-
Profit appropriation 2003	-	-	-	46	(46)	-
Other	-	-	-	-	-	-
31 December 2004	60	55	(1)	(13)	8	109

* adjusted for comparative purposes

The authorised share capital is € 113 million. The issued share capital comprises 10 000 000 ordinary shares of € 6 nominal value. Out of the share premium account, an amount of € 25 million is distributable free of tax in the Netherlands.

The 138 820 company's own shares repurchased (2003: 121 301) are included at purchase price.

The Board of Management proposes, with the approval of the Supervisory Board, not to pay a dividend for 2004 in order to strengthen the solvency ratio.

COMMITMENTS AND CONTINGENT LIABILITIES

GUARANTEES

x € 1 000 000	2004	2003
Guarantees	150	204
Surety bonds	42	53
	192	257

Ballast Nedam N.V. has filed a declaration of joint and several liability within the meaning of Section 403, subsection 1, under f, 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 regulations

About 150 claims have been submitted to the Board of Arbitration by local authorities and companies who assert that they have suffered losses from the breaches of the Competition Regulations in 1998 – 2001. Ballast Nedam received summons in respect of these claims by the Board of Arbitration. Ballast Nedam sees no merit in these claims and will contest them in the courts. It is uncertain as to whether a fine will be imposed and, if it is, how high it will be and whether it will also be attributed to Ballast Nedam N.V.

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. It is uncertain as to whether a fine will be imposed and, if it is, how high it will be and whether it will also be attributed to Ballast Nedam N.V.

In early 2004, the NMa prepared a report on the involvement of a former subsidiary in possible price fixing in the ready-mixed concrete segment. It is uncertain as to whether a fine will be imposed and, if it is, how high it will be and whether it will also be attributed to Ballast Nedam N.V.

BOARD MEMBERS AND SUPERVISORY BOARD MEMBERS

x € 1 000	Gross salaries	2004 Bonus	Pension contributions	Gross salaries	2003 Bonus	Pension contributions
R.H.P.W. Kottman	409	129	178	380	-	67
T.A.C.M. Bruijninx ¹⁾	316	91	81	273	-	45
P.C. van den Hoek	31	-	-	31	-	-
H.C. Broeksma	20	-	-	20	-	-
C. Izeboud ²⁾	-	-	-	7	-	-
H-P. Keitel ²⁾	10	-	-	20	-	-
N. Kroes ²⁾	15	-	-	20	-	-
M.H.O. Rohr ²⁾	10	-	-	20	-	-
R.B. Schermer ²⁾	10	-	-	20	-	-
A.N.A.M. Smits ²⁾	7	-	-	-	-	-
Former board member	-	-	-	163	-	27
	828	220	259	954	-	139

¹⁾ 2003 concerned the period 11 February – 31 December

²⁾ Retired/appointed during 2004

The social security charges borne by the employer amounted in the case of R.H.P.W. Kottman to € 22 000 and in the case of T.A.C.M. Bruijninx to € 22 000.

The remaining balance of a loan made to a former director amounts to a € 0.1 million. This loan has a remaining term of five years and is subject to interest of 4.75%. The loan is being repaid in equal annual instalments.

OPTIONS BOARD MEMBERS AND STAFF

	year granted	2001
R.H.P.W. Kottman		2 000
T.A.C.M. Bruijninckx		500
Others		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 have been granted in respect of depositary receipts for shares held by Stichting Werknemersparticipatie Ballast Nedam (Ballast Nedam Employee Participation Foundation). No options have been exercised and the 142 075 options from 1999 are overdue. The members of the Supervisory Board have not been granted any options.

DEPOSITARY RECEIPTS FOR SHARES

	1 January 2004	bought	sold	31 December 2004
R.H.P.W. Kottman	286	-	-	286
T.A.C.M. Bruijninckx	532	-	-	532
Supervisory Board members	11 671	-	(6 564)	5 107
Number	12 489	-	(6 564)	5 925

Nieuwegein, 10 March 2005

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

Supervisory Board,
P.C. van den Hoek
H.C. Broeksma
A.N.A.M. Smits



SPECIALISMS

Foundations



Prefab concrete



Pre-stressing



AUDITOR'S REPORT

INTRODUCTION

We have audited the accompanying financial statements of Ballast Nedam N.V., Nieuwegein, for the year 2004. These financial statements are the responsibility of the management of Ballast Nedam N.V. 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 principles used and significant estimates made by 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

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 December 2004 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

Amstelveen, 10 March 2005

KPMG Accountants N.V.

PROFIT APPROPRIATION AND DIVIDEND PROPOSAL

PROVISIONS OF THE ARTICLES OF ASSOCIATION CONCERNING PROFIT APPROPRIATION

The provisions in the articles of association regarding profit appropriation are contained in article 21.

Article 21 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 gained 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 therefor 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 collected 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, not to pay a dividend for 2004 in order to strengthen the solvency ratio.

DEFINITIONS

EBITDA

Earnings before Interest, Taxation, Depreciation and Amortisation

EBITA

Earnings before Interest, Taxation and Amortisation

EBIT

Earnings before Interest and Taxation, operating result

NET CASH

Cash plus deposits minus bank loans and bank overdrafts

CAPITAL EMPLOYED

Fixed assets plus working capital excluding net cash but including the equalisation account and provisions

LIABILITIES

Current liabilities plus long-term loans

IFRS: INTERNATIONAL FINANCIAL REPORTING STANDARDS

As of 1 January 2005 all listed companies in the European Union have to present their consolidated annual accounts according to these new standards.

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 2004, the Stichting performed the customary activities for the administration of the shares referred to above.

The nominal amount of registered shares administered amounted to € 24 658 008 at 31 December 2004. Against this, 4 109 668 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.-.

The total costs of the activities of the trust office were € 33,255.- (including the fees paid to the members of the Board). In accordance with the Trust Conditions of the Stichting, Ballast Nedam N.V. paid these costs.

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).

In addition to administering the shares, the Board met the Board of Management to be briefed on the company's performance and general progress. There was a meeting in April 2004; in this meeting the 2002 annual figures were discussed following the publication thereof on 5 March 2004. This meeting also took place in connection with the Annual General Meeting of Shareholders on 28 April 2004.

The Board of the Stichting took part in the discussion of agenda items at the General Meeting of Shareholders held on 28 April 2004. The Board made a number of comments during the Meeting in relation to the Dutch code of corporate governance (Tabaksblat Code). The Board cast its vote on behalf of the Stichting on the relevant agenda items, basing 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 enterprise. The Board represented more than 41% of the votes cast at this Meeting.

A second meeting, scheduled for the autumn of 2004, did not take place. The Board held discussions in October 2004 with the Chairman of the Board of Management, and concluded as a result that there were no topics arising from the Extraordinary Meeting of Shareholders and the publication of the interim figures - both of which took place on 9 September 2004 - which required further explanation by the Ballast Nedam Board of Management, and that a second meeting in 2004 would therefore not be necessary.

During these discussions the Chairman of the Stichting was asked to remain in post for a further period. The Chairman declared himself willing to continue chairing the Board of the Stichting until further notice, and in any event until the General Meeting of Shareholders on 11 May 2005.

The information provided by the Board of Management contained no elements which needed to be reported to other shareholders.

The members of the Board of the Stichting did not hold any meetings which were not attended by members of the company's Board of Management.

The Board believes that it can rely on the confidence of depositary receipt holders when performing its duties.

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, 23 February 2005

The Board

ANNEX TO THE REPORT OF THE STICHTING ADMINISTRATIEKANTOOR VAN AANDELEN BALLAST NEDAM

DETAILS OF THE BOARD MEMBERS

M. Ververs, Chairman

Mr Ververs was born in Waddinxveen on 3 February 1933.

He was Chairman of the Board of Management of Wolters Kluwer N.V. and is also a member of the Supervisory Boards of CSM N.V. and Getronics. He is a member of the Board of External Advisors of Ernst & Young.

Mr Ververs was first appointed a member of the Stichting on 26 April 1994. His period of office expired on 3 February 2005 (see the report).

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

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 Guddé 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.

ORGANISATION CHART 1 MARCH 2005

BALLAST NEDAM N.V.

Ballast Nedam Nederland B.V.			
Infrastructure Netherlands		Building and Development Netherlands	
Ballast Nedam Infra B.V.		Ballast Nedam Bouw en Ontwikkeling B.V.	
Ballast Nedam Infra Noord West B.V.		Ballast Nedam Bouw B.V.	
Ballast Nedam Infra Noord Oost B.V.		Bouwcombinatie IJsseloord 2 v.o.f. (50%)	
Ballast Nedam Infra Midden B.V.		Onderhoudscombinatie Ahoy (50%)	
Ballast Nedam Infra Zuid Oost B.V.		B.V. Aannemingsbedrijf F.W. Onrust	
Ballast Nedam Infra Zuid West B.V.		Laudy Bouw en Ontwikkeling B.V.	
Ballast Nedam Infra Specialiteiten B.V.		Zomers Bouwbedrijf B.V.	
Ballast Nedam Funderingstechnieken B.V.		Bouwbedrijf van Asperdt B.V. (50%)	
Ballast Nedam Specialistisch Grondverzet B.V.		Bouwcombinatie Prinsenflats v.o.f. (50%)	
Ballast Nedam Grondstoffen B.V.		Ontwikkelingsmaatschappij De Blauwe Stad B.V. (33 1/3%)	
Infra Consult + Engineering B.V.		Bouwcombinatie Zoetermeer Oosterheem v.o.f. (25%)	
Recycling Maatschappij Feniks B.V.		Groote Dok West v.o.f. (50%)	
Ballast Phoenix Ltd. (92.5%)		V.o.f. Lambertus Zijlplein (50%)	
Ballast Nedam Milieutechniek B.V.		De Coopvaert v.o.f. (50%)	
Dibec B.V.		Bouwcombinatie Euroborg v.o.f. (25%)	
Transport- en Handelsmaatschappij van Drooge B.V.		Bouwcombinatie Prinsenhof v.o.f. (50%)	
Ballast Nedam International Projects B.V.		Bouwcombinatie Lounge 1 v.o.f. (50%)	
Ballast Nedam Ghana B.V.		Bouwcombinatie De Appelaar v.o.f. (50%)	
Ballast Nedam Infra Suriname B.V.		Bouwcombinatie Medical Park Sittard v.o.f. (33 1/3%)	
Ballast Nedam Africa B.V.		Ballast Nedam Ontwikkelingsmaatschappij B.V.	
Ballast Nedam Egmond Offshore Energy B.V.		Ballast Nedam Project Stadshart Amstelveen (5%)	
Ballast Nedam Wabau GmbH		Ballast Nedam Vleuterweide B.V.	
N.V. Algri (Belgium)		Ballast Nedam Euroborg B.V.	
Zand- en Grindhandel Verkaik v.o.f.		Nieuw Vennep Zuid III B.V. (50%)	
N.V. Immobiliën en Grindexploitatie-maatschappij		Ballast Nedam Arena B.V.	
Bichterweerd (Belgium)		Getz B.V. (17%)	
Société d'Exploitation		V.o.f. De Geuzenbaan (50%)	
des Carrières d'Yvoir S.A. (Belgium)		Ontwikkelingsmij. Centrumgebied Amsterdam	
Haitsma Beton B.V.		Zuidoost B.V. (33%)	
Lingen Beton B.V.		Ballast Nedam Bouwmaterieel B.V.	
Rademakers Gieterij B.V.		Hoco Groep International B.V.	
TBS Soest B.V.		Omnia Plaatvloer B.V.	
Waco-Liesbosch Beton B.V.			
Ingenieursbureau voor Systemen en			
Octrooien Spanstaal B.V.			
Beheersmaatschappij Fr.Bontrup B.V. /			
Bremanger Quarry S.A. (30%) (Norway)			
Ballast Nedam Bulk Grondstoffen v.o.f. (66.6%)			
Ballast Nedam Geluidwering			
Ballast Nedam Industriebouw			
Ballast Nedam Zuiveringen			
Ballast Nedam Infra Participatie B.V.			

Asset Management		Construction International	Other
Ballast Nedam Asset Management B.V. Ballast Nedam International Product Management B.V. Ballast Nedam IPM has offices in Belgium, France, Germany, Luxembourg, the Czech Republic, Spain and the United Kingdom. Ballast Nedam Installatietechnik B.V. Ardific N.V. (50%) (Belgium) Ballast Nedam International Product Management Rep.Office Beijing (China) Ballast Nedam Canada Ltd. (Canada) Ballast Nedam Equipment Services B.V.		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) Ballast Nedam Vietnam B.V. Golden Peaks Resort Inc. (Canada) Kicking Horse Mountain Development Corporation	Ballast Nedam Services B.V. Ballast Nedam Bagger Holding B.V. Ballast Plc (in liquidation)

KEY PERSONNEL 1 MARCH 2005

Ballast Nedam N.V.

Board of Management

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

Company 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 Nederland B.V.

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

Ballast Nedam Bouwmaterieel B.V.

L. Philippen

Ballast Nedam Asset Management B.V.

A. Kok

INFRASTRUCTURE NETHERLANDS

Ballast Nedam Infra B.V.

R. Malizia, P. van Zwieten

Ballast Nedam Infra Projecten	R. van Schravendijk
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Ballast Nedam Infra Specialiteiten B.V.	C.J. Luesink
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Société d'Exploitation des Carrières d'Yvoir S.A. (Belgium)	H.P. van der Meer
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Lingen Beton B.V.	H. Oomens
Waco-Liesbosch Beton B.V.	L. Mulder
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Ballast Nedam Bouw B.V.	R.L.M. Jacobs, F.P.A. de Canne, F.L. van Oorschot
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Ballast Nedam Bouw Speciale Projecten	J.A.G. van Oostrum
Ballast Nedam Bouw Noordwest/Bouwborg Noordwest	P.J. Cupido
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Zomers Bouwbedrijf B.V.	C.M.B. van Driel
Bouwbedrijf Van Asperdt B.V. (50%)	F.P.A. de Canne, F.L. van Oorschot
Hoco Beton B.V.	J.J.G. Holtackers, L.M.G.C. Peerlings
Omnia Plaatvloer B.V.	H. Sieben

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