

# Back on track



12 July 2005

# Topics

1. Introduction
2. Profile Ballast Nedam
3. Trading update Q1 2005 and outlook
4. Appendix

# Introduction

- All-round Dutch construction company with strong market position in home market and international niches
- Turnover 2004 €1.2 billion of which €637 million realised through Infrastructure projects and €523 million through Building & Development projects
- Current order book approx. €1.080 million improved from €971 million as per year-end 2004
- 
- Approx. 4,000 employees
- Founded in 1877
- (Re)listed in 1994

# Successful turnaround

- **Back on track after drastic reorganization (2001-2004) of loss-making international operations**
- **Good financial performance in 2004**
- **Upward trend: Q1 2005 confirms the substantial expected increase (30-45%) of EBIT compared to 2004**
- **Positive impact on future cash flows by tax loss carry forwards of €225-240m, which can be carried forward indefinitely in the Netherlands**
- **Confirmation of the intention to resume payment of dividend again over 2005; dividend pay-out of 50% of net result**
- **Strategic focus on profitable growth and increase of recurring income base**

# Recent developments

- **Successful secondary placement of Ballast Nedam shares held by TCN/Wedge (48%)**
- **Placement was over-subscribed; 46 new shareholders (all investment companies); 13 nationalities**
- **Successful operating alliance between Ballast Nedam and TCN further intensified in the form of a joint venture**
- **Contracts for new landmarks projects**
- **Removal of remaining voting restrictions for holders of depository receipts**
- **Cartel investigation into Dutch building industry**
  - **Fines determined**
  - **Settlement reached with Dutch government**
- **New pension system as per 1-1-2005 (from Defined Benefit to Defined Contribution)**

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# Company profile



**Ballast Nedam**

- Net sales '04 €1.164m\*
- EBIT '04 €19m
- FTE YE '04 4,022

## Infrastructure

## Building & Development

### Activities

- Mobility (incl. Road-works)
- Urban renovation
- Water infrastructure
- International projects:
  - near-shore activities
  - water & waste facilities
  - advanced foundation technology
  - bridges
- Infra consult & engineering
- Prefab-concrete: factories (6)
- Industrial building
- Raw materials (sand & gravel pits)

- Real estate development
- Residential and non-residential (offices, education, healthcare, public administration, retail) building
- Facility management
- Maintenance
- Stadiums

Turnover '04 €637 million

€523 million

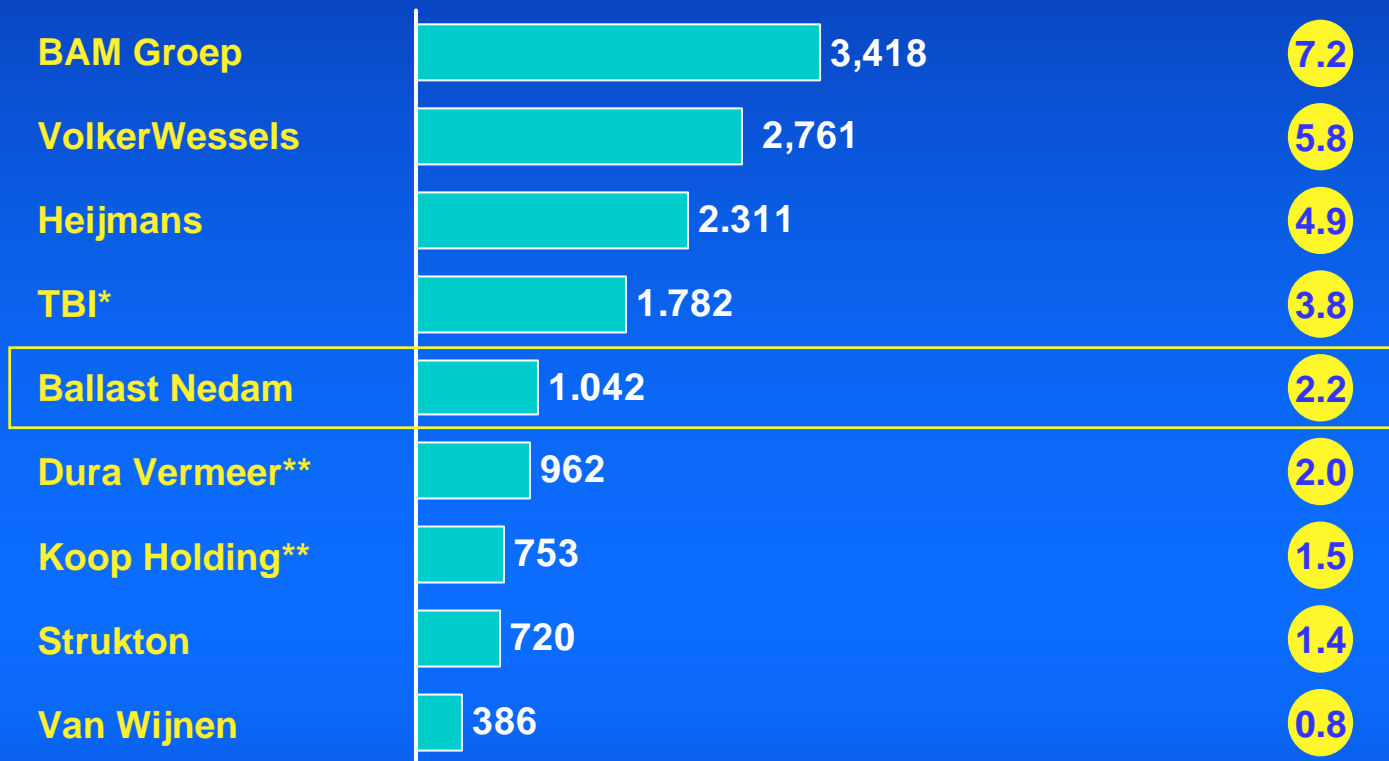
\* Including €4m 'other sales'



**Ballast Nedam**

# Market position

Net sales Dutch construction companies in the Netherlands, 2004  
*In € million* Market share %



\* Including TBI Techniek

\*\* 2003 figures

Source: annual reports, websites

# Successful completion of restructuring and refocusing programme

## Actions

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- In Q4 2001, start of a drastic restructuring programme focused on under-performing international activities:
  - To reduce exposure to high-risk projects
  - To continue international activities only in specialised markets with attractive returns
  - To restructure the loss-making UK subsidiary; in administration in 2003; liquidation started in 2004 (completion in 2006)
- Significant head count reduction in 2002-2004:
  - Total head count reduction ca. 2,500 employees (excluding divestment dredging)
  - 70% reduction of holding staff
- In Q4 2002, sale of 33%-stake in dredging joint venture with HAM (BAM subsidiary), which substantially strengthened the balance sheet
- Further operational improvement in 2004

## Results

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- 2003: back in black
- Substantial improvement of Ballast Nedam's financial and risk profile due to recovery programme
- Total tax losses of €225 – 240 million after completion of liquidation UK subsidiary in 2006, which can be carried forward indefinitely in the Netherlands

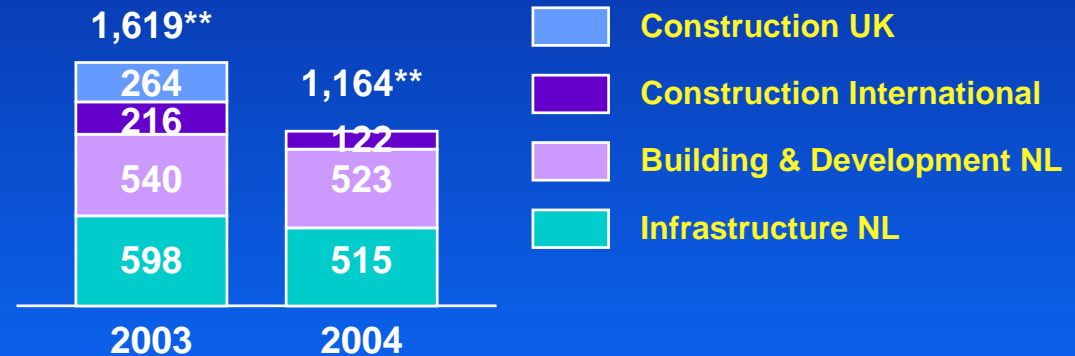


# Key performance 2004

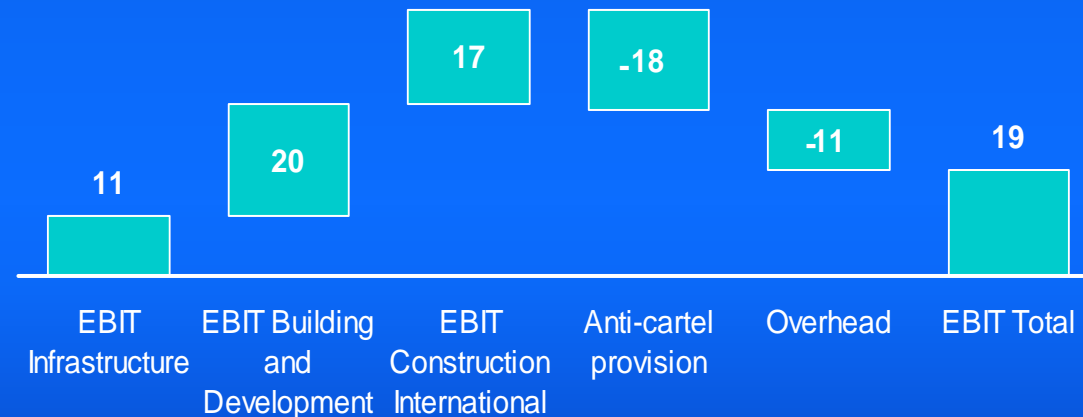
## Highlights

- 2004 marked a significant improvement of financial performance (EBIT improved to €19 million\* in 2004 from €0 in 2003)
- Dutch operations showed a strong increase in operating results (+ 19%) under challenging market conditions
- Restructuring of international portfolio is largely completed with positive financial effects

Net sales 2003-2004  
€ million



Break-down EBIT 2004  
€ million



\* Including extraordinary results

\*\* Including 'other sales' (2003: €1m; 2004: €4m)

# Strategy

## Strategic focus points

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- Backward and forward integration across value chain
- Focus on margins instead of turnover
- Improvement of operational activities
- Active portfolio management

## Actions

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- Considerable land bank with attractive positions (520 ha or a building potential of approx. 9,000 houses and 400,000 square metres of commercial real estate)
- Recent acquisition of project developer
- Formation of PFI joint venture with TCN
- Increase in 'design-build' and build-maintain' contracts
- Selective tendering: no offers below target profitability in tender procedures infrastructure market
- Continuous efficiency drive
- Tight operational control
- Disposal and/or acquisition of business units/activities

# Dutch market conditions

- **Infrastructure:**
  - Market volume good and expected to remain solid in the years to come
  - Low price levels due to fierce price competition
- **Residential:**
  - Good outlook
  - Gradual recovery of housing production with clear long term growth perspective
  - Land bank instrumental to secure volumes
- **Non-residential:**
  - Considerable growth expected in 2005 in public investments in buildings for public authorities, healthcare, education and other public services
  - Office market not expected to pick up in the short-term given the substantial oversupply in the market; longer-term growth driven by replacement rather than expansion
- **New contractual frameworks (PFI) provide opportunities**
- **Broadening of positioning in the value chain by construction company: initiatives and development (“upstream”) and O&M and facility management (“downstream”)**

# Cartel investigation Dutch building industry

## Authority

## Explanation

- | Authority   | Explanation   |
|---|---|
| <ul style="list-style-type: none"><li>Dutch Competition Authority (NMa)</li></ul> | <ul style="list-style-type: none"><li>Has been investigating price fixing system in Dutch construction industry</li><li>It has imposed fines on the industry including Ballast Nedam with respect to its infrastructure activities up to 2001</li><li>Fines for housing &amp; utility construction based on same principles as fines for infrastructure</li></ul> |
| <ul style="list-style-type: none"><li>Dutch government</li></ul>                  | <ul style="list-style-type: none"><li>In April 2005 settlement reached for</li><li>€73.5 million to be borne by sector<ul style="list-style-type: none"><li>Concludes civil claims for the sector</li><li>Accelerates restoration of trust between (local) government and building sector</li></ul></li></ul>   |

- Ballast Nedam included a €18m provision for cartel penalties/claims in 2004 results
- No further negative impact on results expected

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# Trading update Q1 2005 and outlook

- **Developments in Q1 2005 confirming expected significant improvement of financial performance stated in March 2005**
- **Outlook for 2005: 30-45% increase of EBIT (i.e. €25 – 28 million) compared to EBIT 2004 of €19 million\***
- **Order book well-filled and large projects in the pipeline**
- **Intention to resume dividend again over 2005; dividend pay-out of 50% of net result**
- **At completion of liquidation of UK subsidiary Ballast Plc in 2006, the tax losses will further increase with €100 – 115 million leading to an additional deferred tax asset of approx. €30 – 35 million, in addition to deferred tax asset of €38 million per ultimo 2004**
- **Introduction new pension plan on the basis of defined contribution plan: fixed payment and no payment obligation if plan is under-funded**

\* Including extraordinary results

# Current order book

- **Q1 2005 order book approx. €1.080 million improved from €971 million as per year-end 2004**
- **Infrastructure:**
  - Currently €352 million versus €340 million as per year-end 2004
  - New order (30/05/05) offshore windmill park (€95 million) not included
  - Pipeline includes highway A2 reconstruction
- **Building & Development:**
  - Currently €675 million versus €568 million as per year-end 2004
  - Good quality order book
  - Strong growth in Q1 2005 (incl. €176 million of new large projects)
  - Contracts signed with city of Almere for the development and construction of a new city district (turnover ca. €1 billion in 50/50% joint-venture)

# Ballast Nedam continues to benefit from expected tax loss carry forwards

- End 2004 Ballast Nedam has €125 million of tax losses, which can be used indefinitely in the Netherlands and which lead to a deferred tax asset of €38 million
- UK subsidiary Ballast PLC went into administration in 2003; in liquidation in 2004; completion of liquidation in 2006
- At completion of liquidation of UK subsidiary Ballast Plc in 2006, the tax losses will further increase with €100 – 115 million leading to an additional deferred tax asset of approx. €30 – 35 million
- Positive impact on future cash flows as no Dutch corporate taxes are expected to be paid in the coming years; therefore cash earnings are higher than reported earnings

Note: Subject to changing fiscal regulations and tax rates

# Dividend outlook

- It is Ballast Nedam's policy to pay out dividends equal to 50% of net profit
- In 2003 and 2004 dividends were cancelled in relation to the corporate restructuring and to strengthen the balance sheet
- Currently, the corporate restructuring has been finalised and the balance sheet has improved considerably
- Based on the current outlook, the realisation of expected significant increase of 2005 EBIT compared to 2004 will enable Ballast Nedam to resume its dividend policy

# Ballast Nedam – Back on track

- **Successful restructuring completed**
- **Good financial performance in 2004**
- **Positive outlook, supported by:**
  - Recovery of construction market
  - Continuous drive for efficiency
  - New initiatives (TCN joint venture, integration in value chain)
- **Positive outlook confirmed by Q1 2005 results**
- **Well-filled current order book, further increased since 2004**
- **Positive impact on cash flows from tax loss carry forwards**
- **Dividend payments resumed over 2005: 50% of net profit**

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  - A. Financial performance 2004
  - B. Land mark projects
  - C. Shareholder structure
  - D. IFRS

## Appendix A: Financial performance 2004

# Profit & Loss Statement 2004

## Profit & Loss statement

<i>x €m</i>	2004	2003
Turnover	1,164	1,619
EBIT	19	-
Interest income and changes	(4)	(6)
Result before taxation	15	(6)
Taxation	(7)	52
Net result	8	46

## Comments

- EBIT before extraordinary items from break-even in 2003 to €37 million in 2004
- Provision of €18 million for cartel penalties resulting in a 2004 EBIT of €19 million
- Net result €8 million; 2003 net result highly influenced by a one-off tax gain of €54 million

# Financial performance 2004 Dutch divisions

## Infrastructure x €m

	2004	2003*	2002*
Turnover	515	598	647
Order book	340	484	557
EBIT	11	8	10
EBIT-margin	2.1%	1.3%	1.5%

## Comments

- Better result (+38%) with lower turnover (-13%) reflecting selective tendering
- Impairment prefab (€7 million); slight improvement of market
- Positive results on long-term Infra projects in completion phase; this will not be the case in 2005

## Building and Development NL x €m

Turnover	523	540	539
Order book	568	455	559
EBIT	20	18	16
EBIT-margin	3.8%	3.3%	3.0%

- Further improved results in Building & Development
- Substantial increase in order book

\*Restated for comparative purposes

# Financial performance 2004 international activities

## Construction International\*

<i>x €m</i>	2004	2003	2002
Turnover	122	216	329
Order book	63	107	340
EBIT	17	4	(103)
EBIT-margin	13.8%	1.8%	(31.2%)

## Comments

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- Successful restructuring
- Completion of large projects, leading to a substantial increase of results (+ €13 million)
- Continuing with profitable niches in the international market

\* As of 2005 included in 'Infrastructure'

# Consolidated balance sheet

## Consolidated balance sheet\*

x € 1,000,000	2004	2003	2002
<b>Fixed assets</b>			
Intangible fixed assets	22	23	27
Tangible fixed assets	98	125	162
Financial fixed assets	59	65	35
	179	213	224
<b>Current assets</b>			
Work in progress	(52)	(76)	(131)
Stocks and receivables	213	259	395
Cash	191	159	138
	352	342	402
<b>Current liabilities</b>			
Bank loans	(31)	(23)	(22)
Other liabilities	(296)	(339)	(462)
	(327)	(362)	(484)
<b>Working capital</b>	25	(20)	(82)
<b>Total</b>	204	193	142
<b>Long-term loans</b>	39	27	39
<b>Provisions</b>	55	59	42
<b>Minority interests</b>	1	5	5
<b>Shareholders' equity</b>	109	102	56
<b>Total</b>	204	193	142

## Comments

- Equity and solvency improvement
- Net cash position
- €18 million for cartel penalties included in provisions
- Deferred tax asset of €38 million, in 2006 expected additions to deferred tax assets of approx. €30 million

## Appendix B: Landmark projects

# A history of landmark projects

## Past land mark projects

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- 85% of all large tunnels in the Netherlands
- All large dikes and dams in the Netherlands
- 23 km bridge Saudi Arabia – Bahrain Causeway
- Four other 'XXL' bridges in Canada, Denmark and the Netherlands
- High speed railway in the Netherlands and Taiwan
- Schiphol and other international airports
- The Peace Palace in the Hague



# Current landmark projects

## Current landmark projects

## Description

### Almere Poort

- Contract of 50/50% joint venture Ballast Nedam / BAM with city of Almere for the development and realisation of a new city district
- 10 year contract includes:
  - 1,600 houses and apartments
  - 40,000 square metres of commercial buildings
  - 115,000 square metres of office buildings
  - 60,000 square metres of other facilities
- Turnover: €1 billion

### Motorway N31

- PFI joint venture with BAM and Dura Vermeer (each holding 33.3%) for the design, construction and maintenance of motorway N31 (8 km)
- 2 year contract; 20 years maintenance
- Total budget €81 million

### Highway A2 reconstruction

- Preferred bidder for €49 million contract
- 6 km reconstruction of A2 ring-road Den Bosch

# Current landmark projects (cont'd)

## Current landmark projects

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## Description

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### Offshore Windmill park North Sea

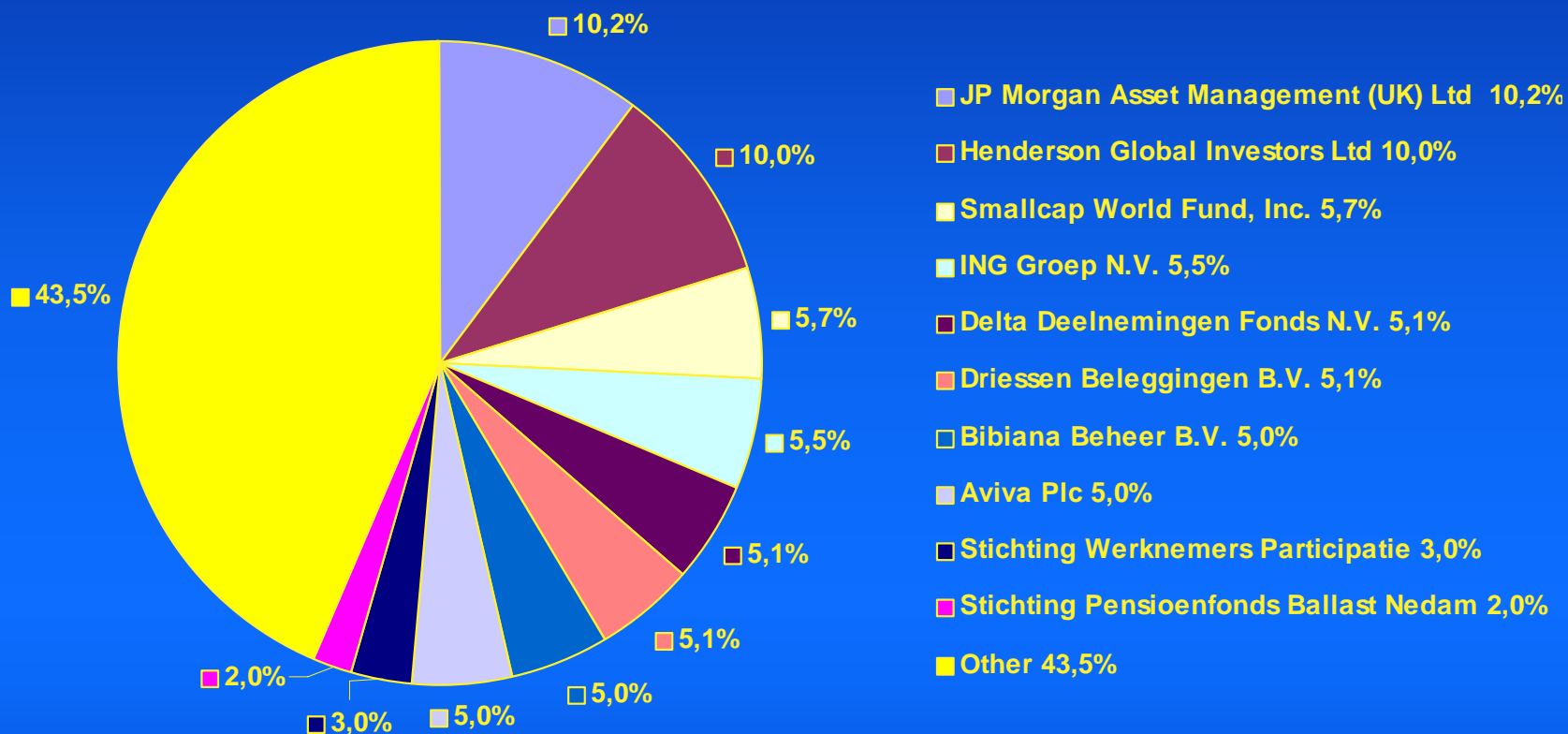


- 36 windmills (70 metres high)
- 11 km offshore
- Client Shell-Nuon
- Unique selling point: own specialized lifting vessel (100 metres high)
- BN part €95 million

## Appendix C: Shareholder structure

# Shareholder structure

Current shareholder structure Ballast Nedam  
100% = 10 million shares



## Appendix D: IFRS

# IFRS

- **Ballast Nedam is currently finalising its investigation of the impact of IFRS; results expected with H1 2005 figures**
- **The solvency ratio will be considerably lower (from 20% to 12-15%) mainly due to lengthening of balance sheet**
- **Ballast Nedam's actual financial position will not be altered**
- **Most significant changes:**
  - **Accounting for prospects with pre-financing in "Current liabilities" rather than in "Work in progress" (Balance sheet grossing up)**
  - **Capitalization of leases currently not shown in the balance sheet (Balance sheet grossing up)**
  - **No longer capitalizing interest on projects financed externally**

# Heavy lift vessel Svanen on Öresund project



# Stadium Lisbon

