

Report by the Supervisory Board to the shareholders

Financial statements and dividend proposal

We hereby present the 2008 financial statements, duly prepared by the Executive Board, to the General Meeting of Shareholders for approval.

The financial statements have been audited by the Group's external auditor, PricewaterhouseCoopers Accountants NV; the auditor's unqualified report is included on page 171 of the annual report. The Supervisory Board has discussed the financial statements with the Executive Board in the presence of the external auditor. The Supervisory Board is of the opinion that the financial statements and the report by the Executive Board form a good basis on which to hold the Executive Board accountable for the management policies pursued and the Supervisory Board accountable for its supervision of the management policies pursued. The members of the Supervisory Board have signed the financial statements in accordance with their statutory obligations under Article 2:101(2) of the Netherlands Civil Code.

The General Meeting of Shareholders to be held in Amsterdam on 21 April 2009 will be invited to declare a dividend for 2008 of €0.50 (2007: €0.90) in cash per ordinary share. A cash dividend of €0.37086 per share will be paid on the convertible financing preference shares. A cash dividend of €0.38346 per share will be paid on the non-convertible Class F preference shares.

Composition of the Supervisory Board

On 7 May 2008, the General Meeting of Shareholders reappointed Mr J.A. Dekker to the company's Supervisory Board for a period of four years.

In 2009, it is the turn of Mr A. Baar to resign by rotation as a member of the Supervisory Board, in connection with the end of his terms of appointment. In the absence of any nominations from the General Meeting of Shareholders, the Supervisory Board intends to propose Mr Baar for reappointment by the General Meeting of Shareholders on 21 April 2009 as one of the company's supervisory directors for a period of four years. As the former director of a major construction company, Mr Baar has a great deal of experience and expertise relevant to management of a major organisation. His experience in the construction industry is of major importance to the company. As a manager in this sector, Mr Baar has a very clear understanding of the social and organisational aspects that have to be addressed by a large construction group.

On 30 December 2008, Mr H. van Rompuy resigned as a member of the Supervisory Board (of which he had been a member since May 2001) following his appointment as Prime Minister of Belgium. Mr Van Rompuy was a highly valued supervisory director, due in part to his international experience, particularly as regards his knowledge of Belgian society (Belgium is one of the Group's most important markets), and his expertise in the field of social developments. The Supervisory Board and the Executive Board are deeply grateful to Mr Van Rompuy for his involvement in the Group and for the expert and valuable contribution he made in his role as a supervisory director of the company. BAM has parted company with Mr Van Rompuy with deep regret but also with the pride that is more than due, bearing in mind the important position he now occupies for his country.

If the General Meeting of Shareholders has no recommendations to make, the Supervisory Board intends, with a view to filling the vacancy caused by Mr Van Rompuy's departure, to propose on 21 April 2009 that Mr H. Scheffers should be appointed by the General Meeting of Shareholders as a supervisory director for a period of four years.

As a former company director, Mr Scheffers has a great deal of experience and expertise as regards managing a large organisation. He has held various management positions in multinational companies and acquired his extensive knowledge and experience of financial administration and accounting at a number of different large organisations.

During the 2008 financial year, the Supervisory Board consisted of six members. The Supervisory Board takes the view that around six to seven members is an appropriate number in the present circumstances, given the size and the international nature of the Group.

There is a profile of the Supervisory Board, which shareholders may examine at the company's office and that is also published on the company's website. This profile was discussed with shareholders at the General Meeting of Shareholders on 9 May 2005 in the context of the recommendations of the Dutch corporate governance code (hereafter the Code). The Supervisory Board will further assess this profile during the 2009 financial year, partly in the light of the amended version of the Code that came into effect on 1 January 2009. The adjusted profile will be discussed with shareholders in the General Meeting of Shareholders on 21 April 2009.

In the Board's assessment, its composition is balanced and in line with its current profile. The members possess the experience that is needed to function effectively in a large construction group with international operations, as well as being able to assess the main points of overall policy, act critically and independently with regard to the other members of the Supervisory Board and the members of the Executive Board, perform the tasks of the Supervisory Board as laid down by law and by the company's Articles of Association, and provide the Executive Board with solicited and unsolicited opinions as well as advice.

The Board has among its members a financial expert with experience in both the finance and accounting disciplines in a listed company. Other, specific criteria applied by the Board to its composition are a general, broad-based understanding of business, knowledge of the construction industry, experience in the management of large, preferably international companies and expertise relating to issues with a social dimension and concerning society at large.

The retirement schedule for the members of the Supervisory Board is shown on page 29 of the annual report, and is also published on the company's website. In accordance with the Code, Supervisory Board members can in principle serve a maximum of three four-year terms of office. Their reappointment for another term of office will obviously be put forward to shareholders on each occasion.

The particulars of the members of the Supervisory Board are shown on page 28 and 29 of the annual report, and constitute part of the Supervisory Board's report.

The shareholders' meeting on 7 May 2008 set the annual remuneration of the members of the Supervisory Board at €50,000.– for the chair, €45,000.– for the deputy chair and €40,000.– for the other members of the Board, with a bonus of €5,000.– for each member who is on any of the Committees set up by the Supervisory Board, with a maximum of one bonus per member. The shareholders' meeting also approved the company's proposal not to place the remuneration of the members of the Supervisory Board on the agenda for shareholders' meetings unless any proposals were submitted to adjust this remuneration. The remuneration of the members of the Supervisory Board does not depend on the company's results or on any change of control of the company.

The Supervisory Board members do not have any other relationships of a business nature with the company. In the opinion of the Supervisory Board, the requirement of the Code with regard to independence is met. In the person of Mr Van Vonno, as former Chairman and former member of the Executive Board, the company has one member of its Supervisory Board who is not independent in the meaning of the Code, which does not present any conflicts with the Code.

None of the Supervisory Board members is a member of the Supervisory Board of more than five Dutch listed companies. The Supervisory Board is not aware of any conflicts of interest between the company and members of the Supervisory Board, or between the company and natural persons or legal entities that hold at least 10 percent of the shares in the company.

Executive Board

During the financial year, the Executive Board consisted of four members until the General Meeting on 7 May 2008 and then, following the appointment of Mr R.P. van Wingerden, of five members. An Executive Board consisting of four or five members is considered appropriate in the present circumstances, bearing in mind the size and international nature of the Group.

On 7 May 2008, Mr J. Ruis, Chief Financial Officer within the Executive Board, was reappointed as CFO and member of the Executive Board for a period of four years.

With effect from 21 April 2009, Mr P.B. Brooks will step down as a member of the Executive Board to retire. Mr Brooks worked for BAM Nuttall for over forty years. In 1988 Mr Brooks was appointed director civil engineering contracts, in 1991 deputy managing director and in 1994 managing director of BAM Nuttall. In 2004 he was appointed CEO of BAM Nuttall and of the British group company BAM Construct UK. Mr Brooks has been a member of the Executive Board of Royal BAM Group since 2007 and because of his extensive experience of the British construction market he played an important role in the directions given to the operating companies on the markets in the United Kingdom, Ireland and outside Europe. The Supervisory Board would like to express its considerable appreciation to Mr Brooks for his valuable contribution to the Group.

The Supervisory Board of Royal BAM Group nv is intending to appoint Mr M.J. Rogers, currently Chief Executive of BAM Nuttall, member of the Executive Board for a period of four years with effect from 21 April 2009.

During the financial year 2008, the Supervisory Board has again assessed the performance of the Executive Board and of the individual members of that Board. The Supervisory Board considers that the Executive Board performed well in 2008, which is also apparent from the company's good operating results for the 2008 financial year. This also applies to the individual members of the Executive Board.

Members of the Executive Board are appointed for a period of four years. They retire after the conclusion of the first Annual General Meeting of Shareholders to be held in the fourth year after the year in which they were appointed. The contractual agreements with members of the Executive Board who were appointed before the Code came into effect will be honoured; their appointment is for an indefinite period.

The retirement schedule for the members of the Executive Board is shown on page 30 of the annual report, and is also published on the company's website.

The Executive Board rules are published on the company's website.

The remuneration of the members of the Executive Board is presented on page 23 of the annual report.

The members of the Executive Board are not members of the Supervisory Boards of any listed companies.

The Supervisory Board has no evidence of any conflicts of interest between the company and members of the Executive Board.

The Supervisory Board's activities

The Supervisory Board held six meetings in the year under review in the presence of the Executive Board. The Supervisory Board also met a number of times without the Executive Board being present. The meetings were almost always fully attended. Each of the meetings of the Supervisory Board featured a report on what had been discussed in meetings of the Board's committees. In addition, the Executive Board reported in each case on the state of affairs, the financial situation and market developments for the operating companies and the risks that they face, each report being based on the operating plan for the relevant financial year. Matters also discussed included the financial statements for 2007, the quarterly statements for 2008, reserve and dividend policy and the dividend proposal for 2007, corporate governance, the importance to the Group of corporate social responsibility, the

various effects of IFRS (International Financial Reporting Standards) on the Group's financial reports, the Group's existing antitakeover measures, compensable losses available within the Group and the most important claims and legal proceedings involving parts of the Group. Preparations were also made for the Annual General Meeting of Shareholders, and the AGM was discussed after it had taken place. The Supervisory Board gave its approval to the use of electronic communication media for this meeting.

The Supervisory Board gave its approval to the 2009 operational plan, which sets out the Group's financial targets, the strategy aimed at realising those targets and the preconditions to be observed in connection with that strategy. The Supervisory Board also approved an amended allocation of duties for the Executive Board, following the appointment of Mr Van Wingerden.

In line with the 2007-2009 strategic agenda, which was discussed and approved during the 2006 financial year, the Supervisory Board turned its attention to a number of aspects of this agenda, including the portfolio, synergy and the future structure of the Group. An explanation of the Group's strategic agenda can be examined at page 8 of the annual report. The meetings in the absence of the Executive Board were devoted in part to the operation of the Supervisory Board itself (both as a whole and the individual members) and the separate committees set up by the Board, the composition and profile of the Supervisory Board, its relationship to the Executive Board, the Executive Board's composition and performance (both as a whole and the individual members) and the remuneration of the members of the Executive Board (including determination of the variable portion). The assessment of the performance of the Supervisory Board and its individual members was based on an enquiry undertaken by the Selection and Appointments Committee among members of the Supervisory Board. The assessment of the performance of the Executive Board and its individual members was based on discussions held between the Selection and Appointments Committee and each member of the Executive Board. The results were discussed by the Supervisory Board in the absence of the Executive Board.

The Supervisory Board also submitted a Remuneration Committee proposal to the General Meeting of Shareholders for adjustment of the remuneration of the members of the Supervisory Board. The Supervisory Board finalised the remuneration report compiled by the Remuneration Committee. The remuneration report is included on page 23 of the annual report as part of the report by the Supervisory Board.

At its quarterly meetings, as usual, the Supervisory Board discussed the course of business and prospects of the Group as a whole and of the respective sectors and the individual operating companies, on the basis of written reports and accompanying presentations. Areas of attention included the principal risks attached to the enterprise, the internal management and control systems, and the results of the appraisal of the Executive Board in light of these systems. The implications of the matters addressed in these contexts at the meetings of the Supervisory Board are discussed elsewhere in the annual report, including on page 48.

The Board has satisfied itself that the Group has internal risk management and internal control systems, financial reporting manuals and procedures for drawing up such reports and an established monitoring and reporting system.

In response to the crisis in the financial markets and its consequences for the economy, the Supervisory Board met several times with the Executive Board to discuss the potential effects of this crisis for the Group, and to discuss what steps to take. The discussions covered a range of issues, including the capital invested in property, the reduction in residential sales from the Group's own development projects and the scope available to the Group as regards financing. Due to the fact that the United Kingdom was the first country in Europe to be faced with the consequences of the financial crisis, the Supervisory Board held discussions with the management boards of the operating companies in the UK at a special meeting to learn from their experiences. The discussions covered the consequences that the financial crisis might entail for these operating companies and how these operating companies might adapt to the deteriorating market situation.

The Supervisory Board exchanged views with the Executive Board on a number of occasions concerning working capital, liquidity levels, the equity position and the Group's capital ratios.

The Supervisory Board also held discussions with the Executive Board about the conditions under the current financing agreements and the potential need for a goodwill impairment.

The developments on the markets in which the Group operates, management development and the quality of management were also discussed. During the financial year, the Supervisory Board again arranged to be regularly updated by both the Executive Board and the external auditor on the course of business at the operating companies. The Supervisory Board again paused to give special consideration during this financial year to developments in the Group's Property and PPP activities.

The Supervisory Board took cognizance of the reports of the external auditor and the 2007 management letter and discussed these documents with the external auditor and the Executive Board. The Supervisory Board also discussed the follow-up to the external auditor's findings with the Executive Board. The Supervisory Board also considered the relationship with the external auditor and prepared the proposal to the general meeting of shareholders to charge PricewaterhouseCoopers with the audit of the financial statements for the financial year 2008. An assessment of the performance of the external auditor, which happens every four years, also took place during the financial year.

The Supervisory Board exchanged thoughts with the Executive Board at a number of meetings regarding the 21.5 percent stake held by the company in the dredging firm Van Oord. The Supervisory Board gave its approval to the proposal by the Executive Board to investigate the possibility of selling the stake in Van Oord. Discussions with the joint shareholders in Van Oord were suspended in the second half of the financial year due to the financial crisis. The company's intention remains to sell its minority interest in Van Oord. This proposed sale was monitored by the Supervisory Board in the form of an ad hoc committee comprising the chairman and Mr Van Vonno. At the company's request, Mr Van Vonno holds a supervisory directorship at Van Oord. In order to avoid any potential conflict of interest he suspended his activities as a supervisory director at Van Oord during the period when discussions were ongoing with the other parties regarding the sale of BAM's 21.5 percent interest in Van Oord.

The Supervisory Board approved the acquisition of the Belgian mechanical and electrical contracting group FED and the Netherlands-based telecommunications specialist Digacom. The Supervisory Board also consented to the company, with effect from 1 February 2009, exercising its call option on the remaining 49 percent interest in AM, which is held by a consortium of banks. The Supervisory Board approved the sale of Fort Unitbouw.

The Supervisory Board, together with the Executive Board, spent several days visiting the Belgian operating companies in September 2008, and took the opportunity to exchange views with the management of those companies. The Supervisory Board visits some of the Group's operating companies every year, while working visits are also occasionally made to current projects being carried out by the Dutch companies. Thus, a visit was made to AM in February 2008.

The Supervisory Board agreed that the company should grant Stichting Aandelenbeheer BAM Groep the right under Article 2:346(c) of the Netherlands Civil Code to submit a petition as defined in Article 2:345 of the Civil Code (right of enquiry) to the Enterprise Chamber.

The Supervisory Board consulted with the Executive Board on a number of occasions about the two-tier regime.

Because the majority of the staff employed by the Group now work outside the Netherlands, BAM is no longer classified as a company for which the two-tier regime is mandatory. The Supervisory Board and the Executive Board will accordingly submit a choice of three options to the General Meeting of Shareholders on 21 April 2009: voluntary maintenance of the two-tier regime; application of the 'mitigated two-tier regime'; or abolition of the two-tier regime.

Delegations from the Supervisory Board, consisting of different members on each occasion, again took part in two consultation meetings with the Central Works Council. The usual

informal annual meeting of the Supervisory Board and the Executive Board with the Central Works Council was held in September 2008.

The Supervisory Board rules and committees

The Supervisory Board has a set of rules, governing the composition, duties and procedures of the Board and its dealings with the Executive Board, the General Meeting of Shareholders and the Central Works Council. The rules of the Supervisory Board and those of the Supervisory Board committees mentioned below, as well as the composition of those committees, can be found on the company's website.

The Supervisory Board has three permanent committees, namely an Audit Committee, a Remuneration Committee and a Selection and Appointments Committee. It is the task of these committees to support and advise the Supervisory Board concerning the activities that are the committees' responsibility and in preparing the Supervisory Board's decisions regarding those activities. The Supervisory Board as a whole remains responsible for the way in which it performs its tasks and for the preparatory work carried out by the committees. The committees submitted reports of all their meetings to the Supervisory Board.

The Audit Committee consists of Messrs Abrahamsen, Dekker and Van Vonno, with Mr Dekker being the Chairman. The composition of the Audit Committee is in line with the provisions of the Code.

The Audit Committee supports the Supervisory Board in the performance of its tasks and drafts proposed decisions of the Supervisory Board in respect of a number of matters, which include:

- the operation of the internal risk management and control systems;
- the provision of financial information on the company's part, including the financial statements, the quarterly figures and the process through which this information is generated;
- compliance with recommendations and follow-up to comments from the external auditor;
- the audit process and the audit plan;
- the relationship with the external auditor;
- the process through which the company monitors compliance with laws and regulations and with its own code of conduct;
- policy in respect of tax planning;
- the application of ICT;
- Group financing; and
- the financial and administrative organisation.

The Committee met four times during the year with the external auditor present (for part of the meeting) on each occasion. The Chairman and the Chief Financial Officer from the Executive Board were also invited. The principal topics addressed at these meetings were the financial reporting on the 2007 annual figures and the 2008 quarterly figures; the 2007 management letter; the follow-up to the external auditor's recommendations; the risks and risk management and control systems, including those concerning property development, public-private partnerships and the developments at the German operating companies; the Group's dividend policy and tax planning; the activities and fee of and the relationship with the external auditor; the audit plan for 2008; the 2009 operational plan; the ICT policy; the Group's funding and solvency; the ratios in the funding agreements; banking relationships; the movement of the working capital and liquidity level; the available compensable losses within the Group, particularly in Germany; the financial and administrative organisation; some effects of IFRS on financial reporting, including the method of accounting for goodwill on acquisitions and a potential goodwill impairment.

The Audit Committee also held an extra meeting with the Chairman and Chief Financial Officer of the Executive Board concerning the expected consequences of the financial crisis for the Group.

The audit committee met with the external auditor on one occasion without the Executive Board being present, and reported to the Supervisory Board on the relationship with the external auditor. This year, the report also contained a four-yearly assessment of the external auditor's performance.

The Remuneration Committee consists of Messrs Baar and Wiechers, with Mr Baar being the Chairman. The composition of the Remuneration Committee is in line with the Code.

One of the tasks of the Remuneration Committee is to make proposals to the Supervisory Board with regard to company remuneration policy, as well as the remuneration structure, the level of remuneration and the terms of employment of members of the Executive Board and the remuneration of the members of the Supervisory Board. The Committee also consults the Chairman of the Executive Board about the policy on terms of employment for operating company managers and executives of equivalent rank. The Remuneration Committee also proposes a remuneration report on the way in which remuneration policy has been implemented in practice.

The Remuneration Committee met four times during the past financial year. The Chairman of the Executive Board was present at these meetings. The Committee members consulted with each other a number of times outside of the context of a formal meeting.

The Remuneration Committee made a proposal regarding company remuneration policy for 2008 and subsequent years. The Committee prepared a proposal for the Supervisory Board for amendment of the remuneration of the members of the Supervisory Board. The Remuneration Committee also discussed conditions relating to the remuneration of operating company management teams and staff directors. The Committee submitted a proposal to the Supervisory Board relating to the remuneration of members of the Executive Board, and criteria for the variable remuneration in 2009.

Pending the publication of the final text of the Dutch Corporate Governance Code 2008, the Remuneration Committee took note of a summary of proposed amendments to the text of the remuneration section in the Code, and exchanged views on the subject. The Remuneration Committee also prepared the remuneration report. The Remuneration Committee did not use external advisers during the financial year.

The Selection and Appointment Committee consists of Messrs Baar and Wiechers, with Mr Wiechers acting as chair. One of the tasks of the Selection and Appointments Committee is to make proposals to the Supervisory Board with regard to:

- selection criteria and appointment procedures with regard to members of the Supervisory Board and members of the Executive Board;
- the size and composition of the Supervisory Board and the Executive Board and a profile of the Supervisory Board;
- assessment of the performance of individual members of the Supervisory Board and members of the Executive Board;
- (re-)appointment of members of the Supervisory Board and members of the Executive Board;
- an Executive Board member's acceptance of membership of the Supervisory Board of a listed company;
- possible conflicts of interest arising in connection with the acceptance of other positions by members of the Supervisory Board.

The Committee also monitors the Executive Board's policy on selection criteria and appointment procedures for senior management.

The Selection and Remuneration Committee met once during the past financial year. Members of the committee held discussions outside the confines of an official meeting on a number of occasions.

During the financial year, the Committee discussed the current and future size and composition of the Supervisory Board and the Executive Board. The Supervisory Board also held an enquiry among members of the Supervisory Board in the context of assessing the performance of the Supervisory Board and its individual members. The Committee held individual talks with the members of the Executive Board in the context of assessing the Executive Board.

The Committee prepared the reappointment of Mr Dekker as a member of the Supervisory Board, the reappointment of Mr Ruis as a member of the Executive Board and the appointment of Mr Van Wingerden as a member of the Executive Board during the financial year.

Corporate governance

The company's corporate governance structure was discussed with the shareholders during the General Meeting of Shareholders on 9 May 2005, at which meeting the proposals to bring the company's Articles of Association into line with the Code were also approved. The Articles of Association were amended shortly thereafter.

The Supervisory Board reconsidered the company's corporate governance structure during the financial year 2008. This also included consideration of the corporate governance views of some institutional investors. None of this led to any substantial amendments to the company's corporate governance structure. It was satisfying to note that the company would score outstandingly well in any comparable investigation relating to this topic in the Netherlands. During the financial year 2009, the Supervisory Board and the Executive Board will examine the corporate governance structure in light of the amended Dutch Corporate Governance Code, which came into effect on 1 January 2009. The corporate governance structure will be discussed with the shareholders at the General Meeting of Shareholders on 21 April 2009.

The Supervisory Board and Executive Board are convinced that Royal BAM Group's corporate governance remains well organised, not least because of the application of the amended corporate governance code.

Please refer to the explanation provided on page 37 of the annual report concerning the company's compliance with the Code.

External auditor

Both in its discussion of the 2007 annual figures and its discussion of the 2008 interim results, the Supervisory Board – as is usual – called on the external auditor to provide additional information. The Board noted that the external auditor had received the financial information on which the quarterly figures, the interim results, the results and the other interim financial reports were based and that he had been given the opportunity to respond to that information. The external auditor was present at the General Meeting of Shareholders on 7 May 2008. As part of its consideration of the 2008 annual report and financial statements, the Supervisory Board assessed the relationship with the external auditor based on a report from the Executive Board and the Audit Committee.

Given the Board's good experience with the external auditor and the external auditor's expertise with regard to the construction industry in general and the Group in particular, the Supervisory Board sees no reason to propose to the shareholders that the external auditor be changed. A proposal will therefore be put to the shareholders' meeting on 21 April 2009 that PricewaterhouseCoopers Accountants N.V. be reappointed as external auditor, responsible for auditing the Group's 2009 financial statements.

The Supervisory Board has established that the consequences of the credit crunch in 2008 have only had a limited impact on the Group's operational activities. However, although the consequences were confined mainly to property activities and residential sales from the group's own development projects, these consequences had a major impact on both of these sectors in the second half of the financial year. The picture looks uncertain for 2009. A great deal will depend on how the economy develops over the course of this year. In light of the Group's healthy operational and financial starting position and also due to the dedication and commitment of so many people within the Group, the Supervisory Board is extremely confident that Royal BAM Group will cope well with the consequences of the credit crunch in 2009.

The Supervisory Board would like to express its considerable appreciation to the Group's Executive Board, managers and employees with regard to their efforts during the year under review.

Bunnik, Netherlands, 4 March 2009
Supervisory Board