

**Information for our shareholders**

**Notes to the agenda for the annual general  
meeting of shareholders to be held on  
3 May 2006**

## Contents

Call to order and announcements	3
Report on the 2005 financial year	3
Ratification of the decisions by the members of the Executive Board	3
Ratification of the supervision exercised by the members of the Supervisory Board	3
Discussion of policy on reserves and dividends	3
Adoption of dividend	3
Issuing authority of the Executive Board	3
Repurchasing authority of the Executive Board	4
Amendments to the Articles of Association	4
Supervisory Board	4
Executive Board	5
Reappointment of external auditor	7
Any other business	7
Adjournment	7

## Dear Shareholder,

The purpose of this letter is to allow the Supervisory Board and the Executive Board of Royal BAM Group nv to clarify several items on the agenda for the annual general meeting of shareholders. With this shareholders' meeting, we will close the 2005 financial year. Royal BAM Group nv can look back upon a successful 2005, in which our Group achieved a net profit of €153.3 million with a turnover of €7.4 billion.

We would particularly like to thank our shareholders for their confidence and support, as evidenced – again – last year by the favourable development of our share's listing on the Amsterdam Midkap index.

In our annual report, for the first time, we present our financial accounting in accordance with the IFRS reporting guidelines. This means that the composition of our financial statements is radically different, and considerably more elaborate. In our previous annual report and in the presentations of our quarterly results, we already devoted a great deal of attention to discussing the consequences of applying the International Financial Reporting Standards (IFRS) to our figures. We hope and expect that in doing so we provide all our stakeholders with a comprehensive picture of the financial processes of our Group, both now and in the future.

Toward the end of 2005, business relations and staff bade farewell to Dr W. van Vonno, who led BAM for 23 years. Various opportunities have been taken to point out his great services to our company. We are grateful for the inspiring and amicable way in which he shaped BAM's development. It was a privilege to be able to work with him.

Royal BAM Group is a multi-faceted construction enterprise. This is evident from the scope of our services. The recent transaction with AM – after the balance sheet date – emphasises once more the direction which our development should take.

Finally, we wish to draw your attention to our company's website, [www.bam.nl](http://www.bam.nl), where you can access the various documents that will be discussed during the shareholders' meeting. Shareholders can also request copies of these documents free of charge from the company's office.

Bunnik, the Netherlands, 3 April 2006

**G.-J. Kramer**  
*Chairman*  
*of the Supervisory Board*

**J.A.P. van Oosten**  
*Chairman*  
*of the Executive Board*

## **Item 1**

### **Call to order and announcements**

## **Item 2**

### **Report on the 2005 financial year**

#### **a. Discussion of the report by the Executive Board**

Please refer to page 30 of the Annual Report.

#### **b. Discussion of the report by the Supervisory Board**

Please refer to page 16 of the Annual Report.

#### **c. Discussion and adoption of the 2005 financial statements**

The 2005 financial statements are submitted to the General Meeting of Shareholders for adoption.

## **Item 3**

### **Ratification of the decisions by the members of the Executive Board in their conduct of the business during 2005**

Discharge pertains exclusively to management as shown in the Annual Report, the financial statements and the announcements at the General Meeting of Shareholders. Discharge is granted to those persons who held the office of member of the company's Executive Board during the 2005 financial year.

## **Item 4**

### **Ratification of the supervision exercised by the members of the Supervisory Board during 2005 in respect of the management conducted by the Executive Board**

Discharge pertains exclusively to the supervision of management conducted by the Executive Board as shown in the Annual Report, the financial statements and the announcements at the General Meeting of Shareholders. Discharge is granted to those persons who held the office of member of the company's Supervisory Board during the 2005 financial year.

## **Item 5**

### **Discussion of policy on reserves and dividend**

The profits realised in any given financial year are used first to distribute the dividend on the cumulative preference shares. The Supervisory Board then decides, based on a proposal by the Executive Board, what portion of the profits, after deduction of the dividend on the preference shares, will be added to the reserves. The profits after deduction of the dividend on the preference shares and after the allocation to the reserves are at the disposal of the General Meeting of Shareholders. Dividends are generally paid out in cash.

The introduction of the IFRS reporting guidelines has increased the portion of the net profits accruing to holders of ordinary shares. In connection with an expected increase in the volatility of the net results under IFRS, Royal BAM Group strives to distribute between 30 percent and 50 percent of the net profit as dividend. The portion of the net profit that is not distributed will, in principle, be added to the general reserves.

## **Item 6**

### **Adoption of the dividend**

The proposal to the General Meeting of Shareholders is to declare a cash dividend for 2005 of €2.00 per ordinary share (2004: €1.55). For the convertible and non-convertible class F financing preference shares, cash dividends of €1.8543 and €1.9173, respectively, will be paid out per share.

Based on these proposed dividends, and on the number of issued shares as at 31 December 2005, a total of approximately €53.8 million will be paid out to shareholders for 2005. In relation to the net profit of €153.3 million, this results in a payout of 32 percent.

## **Item 7**

### **Authorisation of the Executive Board to:**

- a. Issue shares and grant rights to acquire shares;**
- b. Restrict or exclude pre-emptive rights**

The proposal is to authorise the Executive Board for a period of eighteen months to be counted from 3 May 2006:

- subject to the approval of the Supervisory Board, to issue and/or grant rights to acquire (i) ordinary shares and/or class F cumulative preference shares up to a maximum of 10 percent plus an additional 10 percent of the number of ordinary shares and class F cumulative preference shares outstanding at the time of the Meeting, which additional 10 percent may be used exclusively in connection with mergers and acquisitions by the company or the company's operating companies, and (ii) all class B cumulative preference shares included in the authorised capital, now or after the transitional arrangement set out in the company's Articles of Association has entered into effect;
- subject to the approval of the Supervisory Board, to exclude or limit pre-emptive rights when issuing ordinary shares or granting rights to acquire ordinary shares.

These authorisations constitute a renewal of the existing authorisations.

These authorisations are not requested because the company has any specific purpose in mind, but instead to give the company the possibility of acting on short

notice, should a reason arise to do so. For example, the authorisation to issue shares was invoked in November 2005 when 2,224,000 ordinary shares were issued to finance the public takeover bid for all outstanding shares and warrants of AM NV.

The Executive Board and the Supervisory Board will treat the authorisations granted in a responsible manner.

#### **Item 8**

##### **Authorisation of the Executive Board to act on behalf of the company to acquire shares in the company's own capital**

The proposal is to authorise the Executive Board for a period of eighteen months, to be counted from 3 May 2006, to acquire, subject to the restrictions laid down by law and the Articles of Association, either on the stock exchange or in private transactions, (i) ordinary shares in the company's capital or depositary receipts thereof, up to the maximum number allowed by law and at a price between zero and ten percent above the average stock exchange price over a period of five trading days immediately prior to the day on which those shares are acquired, and (ii) class F cumulative preference shares or depositary receipts thereof, up to the maximum number allowed by law and at a price between zero and the price that the holders of the shares in question would receive based on the provisions laid down in the company's Articles of Association if the shares concerned were to be cancelled with repayment. For the ordinary shares and class F cumulative preference shares or depositary receipts thereof, this constitutes a renewal of the authorisation.

This authorisation is not requested because the company has any specific purpose in mind, but instead to give the company the possibility of acting on short notice, should a reason arise to do so. The Executive Board and the Supervisory Board will treat this authorisation, too, in a responsible manner.

#### **Item 9**

##### **Amendments to the Articles of Association to reflect a share split**

The Executive Board and the Supervisory Board are of the opinion that it is advisable to split the company's shares. The proposal is to split the shares according to a ratio of 1:5.

The Executive Board and Supervisory Board's purpose with this split is to increase the accessibility of the company's share for a wider group of investors, and so to increase its marketability.

As a result of the share split, the company's Articles of Association will have to be amended. The proposal is to amend the company's Articles of Association in

accordance with the draft drawn up by De Brauw Blackstone Westbroek, as made available for examination at the company's office, among other locations, and published on the company's website on 3 April 2006, together with explanatory notes.

This proposal also covers the issuing of a power of attorney to any and all employees of De Brauw Blackstone Westbroek to execute the deed of amendment to the Articles of Association in accordance with the aforementioned draft version, with due observance of the amendments required by the Ministry of Justice.

Please refer to the three documents made available to the company's shareholders containing the text of the relevant articles in the current Articles of Association, the proposed draft amendments and additions to those articles and the notes explaining the proposed amendments.

Royal BAM Group's Executive Board and Supervisory Board recommend the proposed amendments to the Articles of Association to the shareholders and request the General Meeting of Shareholders to pass a resolution adopting the proposed amendments.

#### **Item 10**

##### **Supervisory Board**

###### **Appointment and reappointment of Supervisory Board members**

In a press release issued on 15 September 2005, the company announced that a vacancy had arisen on the Supervisory Board after Mr R.J.N. Abrahamsen stepped down at the end of his term.

That press release also announced the Supervisory Board's intention to put forward Mr R.J.N. Abrahamsen and Mr W. van Vonno for membership of the company's Supervisory Board.

The Supervisory Board offers the General Meeting of Shareholders the opportunity to make recommendations to the Supervisory Board.

If the Meeting does not wish to make any recommendations, it is the Supervisory Board's intention to put forward the following nominees for approval by the General Meeting of Shareholders.

The Supervisory Board intends to put forward Mr Abrahamsen for reappointment to the company's Supervisory Board by the General Meeting of Shareholders. Mr Abrahamsen possesses a great deal of financial expertise and experience managing an international company.

The Central Works Council has announced that it does not wish to exercise its right to recommend people for

appointment to the Supervisory Board in connection with the vacancy caused by Mr Abrahamsen stepping down from the Board.

The Supervisory Board also intends to nominate Mr W. van Vonno, who resigned from the company's Executive Board on 1 January 2006 upon his retirement, for appointment by the General Meeting of Shareholders as a member of the company's Supervisory Board. Mr Van Vonno possesses a great deal of know-how and experience concerning the company and the sector in which the company operates.

The reinforced right of recommendation as laid down in Article 2:158(6) of the Netherlands Civil Code applies to this appointment. The Central Works Council has invoked that reinforced right and recommended Mr Van Vonno for appointment to the Supervisory Board.

The members of the Supervisory Board have discussed the intended nominations among themselves, and in so doing noted the report by the Board's Chairman on his interviews with each of the candidates. The members of the Supervisory Board have noted that Mr Abrahamsen took part in the Board's activities with great dedication, made valuable contributions to those activities and functioned within the Board to the complete satisfaction of his colleagues. The members of the Board are also of the opinion that Mr Van Vonno, with his extraordinary knowledge of the company, will constitute a valuable addition to the expertise that the Supervisory Board already possesses. The members of the Supervisory Board have therefore come to the conclusion that both gentlemen should be appointed.

The information as referred to in Article 2:142(3) of the Netherlands Civil Code is available for inspection at the company's office, and reads as follows:

Mr Abrahamsen was born on 16 July 1938, and is currently 67 years of age.

Mr Abrahamsen graduated from Erasmus University Rotterdam with a degree in economics and spent a year studying international economics at the University of Wisconsin in the United States of America.

Mr Abrahamsen, who began his career at Nedbank Ltd in Johannesburg, South Africa, has spent most of his working life in the financial world. In 1989 he joined what was then the Algemene Bank Nederland N.V. in Amsterdam. By the time he left the ABN Amro Bank in 1994, he had become Senior Executive Vice President for the General Global Clients Directorate and the General Asset Management & Trust Directorate. In 1994 Mr Abrahamsen joined the Royal Dutch Airline, KLM, as a member of the Board of Directors, with special responsibility for financial policy. He held that position until he reached retirement age in 2001.

Mr Abrahamsen is a Dutch national.

Mr Abrahamsen also holds the following additional offices: member of the Supervisory Board of ANP; member of the Supervisory Board of Fluor Daniel; member of the Supervisory Board of Port of Rotterdam; member of the Supervisory Board of Madurodam; Chairman of the Supervisory Board of Optimix Vermogensbeheer; member of the Supervisory Board of Pon Holdings; member of the Supervisory Board of TNT Group; Chairman of the Supervisory Board of Trans Link Systems; member of the Supervisory Board of Vitens. Mr Abrahamsen was appointed as a member of the company's Supervisory Board in 2002.

Mr Van Vonno was born on 1 January 1941, and is currently 65 years of age.

Mr Van Vonno graduated as a physical sciences engineer in 1965 and in 1968 he was admitted to the Degree of Doctor of Technical Sciences, both qualifications being gained at the Technical University of Delft.

From 1968 to 1973 Mr Van Vonno worked for Raadgevend Technisch Buro Van Heugten in Nijmegen. From 1973 to 1982 he worked for Bredero in Utrecht as operating company director and later as divisional director.

Mr Van Vonno became Chairman of the Executive Board of Royal BAM Group nv in 1982. He retired on 1 January 2006. Mr Van Vonno is a Dutch national.

Mr Van Vonno also holds the following additional offices: member of the Supervisory Board of AM; Chairman of the Supervisory Board of Convest; member of the Supervisory Board of Optimix Vermogensbeheer; member of the Supervisory Board of Van Oord; member of the Executive Committee of Stichting Continuïteit ING Groep; member of the Board of NEN; member of the investment committee of NPM Capital; arbitrator for Stichting Raad van Arbitrage voor Metaalnijverheid en -Handel; member of the Executive Committee of the Association of Securities-Issuing Companies (VEUO).

Neither Mr Abrahamsen nor Mr Van Vonno holds any shares in the capital of Royal BAM Group.

## **Item 11 Executive Board**

### **Adoption of remuneration policy for members of the Executive Board**

At the Remuneration Committee's proposal, the Supervisory Board has prepared a remuneration report. That remuneration report sets out various matters for adoption by the General Meeting of Shareholders, including the company's remuneration policy. On the Remuneration Committee's recommendation, and within the framework of the remuneration policy adopted by the General Meeting of Shareholders, the Supervisory Board determines the remuneration of the individual members of the Executive Board. This

individual remuneration for 2005 is presented on pages 25 and 127 of the Annual Report.

The following remuneration policy, which also covers the coming years, is submitted to the General Meeting of Shareholders for adoption.

#### *Points of departure*

The purpose of the remuneration policy is to attract, retain and motivate qualified individuals in order to realise the objectives of Royal BAM Group. Experience with the Group's national and international activities and the necessary management qualities play a central role in this respect.

The policy is also aimed at ensuring the growth of the company's value, at motivating people and at interesting highly qualified officers, including those from other industries, in Royal BAM Group as an employer. The height and structure of the remuneration is determined in part by the development of the results, and other developments that are relevant to the company.

In order to realise these points of departure, the policy is aimed at positioning the remuneration at a competitive level on the general Dutch remuneration market for managers of large enterprises. For members of the Executive Board, the comparable remuneration market in their respective countries of residence is also taken into account.

The Supervisory Board will assess the remuneration package on a regular basis to verify that the package meets the points of departure of the remuneration policy. The remuneration policy itself will also be assessed regularly; changes in policy will be presented to the General Meeting of Shareholders for adoption.

#### *Remuneration package*

The total remuneration of the members of the Executive Board of Royal BAM Group is made up of an annual salary, a variable remuneration, pension and other secondary employment conditions and exit plans at the end of employment. The company has decided to base this total on the median of the remuneration market as defined above. The company does not distribute any shares to the members of its Executive Board, nor to other individuals working for the Group. Nor are these people granted any rights (options) to acquire shares.

#### *Annual salary*

Upon appointment, the annual salary of the individual member of the Executive Board who comes from within the company is usually under the standard salary for this Board appointment. The Supervisory Board determines the salary development, the principle being that this difference between starting salary and the standard salary will be bridged in approximately three years if the Board Member performs properly.

The annual evaluation and change in the annual salary occur as at 1 January of each year. The evaluation considers personal performance, the results of the past year, the extent to which the Board Member's current salary is below the standard salary and the general changes in the remuneration market.

#### *Variable remuneration*

Each member of the Executive Board is eligible for variable remuneration, with the level depending on the achievement of targets agreed beforehand between the Supervisory Board and the Executive Board that support the execution of Royal BAM Group's strategic agenda.

The maximum annual variable remuneration is sixty percent of the Board member's annual salary. The variable remuneration depends on the achievement of previously set, measurable targets. The portion of the variable remuneration that is related to financial targets is at most forty percent of the member's annual salary. The budgeted annual result of Royal BAM Group is decisive in this respect. If the budgeted annual result is achieved, the variable remuneration is forty percent, and proportionally less if the budgeted result is not achieved. If the annual result is a great deal less than the budgeted figure, this part of the Board Member's remuneration is not paid out. A maximum of twenty percent of the member's annual salary is related to objectives derived from Royal BAM Group's strategic agenda. The strategic agenda defines, among other things, objectives that stimulate value creation for the shareholders, such as further growth in specific market segments, risk management (including safety), employee development and knowledge management. The variable remuneration consists of an annual cash payment and is paid out in the following year. The Supervisory Board determines the level of the variable remuneration based on advice from the Remuneration Committee.

In order to achieve long-term aims a place has been found for a long-term bonus plan in the remuneration policy for members of the Executive Board. If a 3.5 percent margin (before tax and before amortisation of goodwill) is realised on Group turnover during the period from 2005 to 2007 inclusive, each member of the Executive Board will be eligible for an additional variable remuneration in that year of fifty percent of his annual salary. No payments will be made if this profit margin is not achieved. This long-term plan runs for three years, or until the targeted margin is realised, if sooner, after which a new cycle will start, subject to conditions to be determined.

#### *Pensions*

With respect to pensions, the sector regulations will be adopted wherever possible, with surplus schemes based on defined premiums and contributions from the participants.

The members of the Executive Board are covered by the same pension scheme as the other employees, but with a separate surplus scheme. Pension premiums are paid annually, including any back service payments.

Participant contributions of at least five percent are withheld from the pensionable salaries of the members of the Executive Board.

One new, standard pension scheme came into force for all of Royal BAM Group on 1 January 2005. Because of the transitional arrangements, this scheme does not apply to the current members of the Executive Board.

This pension scheme is currently being adjusted to reflect the new legislation that entered into force on 1 January 2006, including the Early Retirement (Adjustment of Tax Treatment) and Life Course Savings Scheme Act (Wet VPL).

#### *Other secondary conditions of employment*

As for all the other employees, Royal BAM Group has a competitive package of secondary conditions of employment for the members of the Executive Board. This includes such matters as schemes for health care insurance and incapacity for work, personal accident insurance, a car scheme and directors' liability insurance.

Royal BAM Group does not provide loans, warrants and the like to members of the Executive Board or to other employees, with the exception of the arrangements set out below.

Current and former members of the Supervisory Board and current and former members of the Executive Board are covered by the indemnity, under the Articles of Association, against claims made against them in respect of actions or omissions before 1 January 2005 in the performance of the duties of their position, unless said actions or omissions constituted wilful, deliberately reckless or seriously culpable conduct. This facility applies to all employees and former employees of Royal BAM Group.

The company has taken out directors' and officers' liability insurance under market terms and conditions for the members of the Supervisory Board, the members of the Executive Board, the operating company managers and all other directors and officers in Royal BAM Group.

#### *Employment contracts*

Since 1 January 2004 new members of the Executive Board have been appointed for a period of four years. If the company prematurely terminates the contract of a new Board member the maximum redundancy payment will be one annual salary. If that is clearly unreasonable for a member of the Executive Board who is made redundant during his first term on the Board, that Board member will be eligible for a redundancy payment of a maximum of twice his annual salary. The Supervisory Board can decide on a higher payment if the Board

member concerned has been employed by Royal BAM Group for a long period of time prior to his appointment to the Executive Board.

Given Mr J. Ruis' long period of employment with the company, redundancy compensation in the amount of €800,000 was agreed on his first appointment to the Executive Board. No redundancy compensation schemes have been agreed with the other members of the Executive Board.

The employment contracts of members of the Executive Board are for an indefinite period. New Board members appointed from outside the Group are given four-year employment contracts. The statutory notice periods apply for those members of the Executive Board who were appointed before 1 January 2004. In the case of the members of the Executive Board appointed after 1 January 2004, the applicable notice period is six months for the company and three months for the members of the Executive Board.

#### *Securities regulations*

The company has regulations relating to possessing and trading in securities; these regulations also include a set of rules for members of the Executive Board and the Supervisory Board relating to possessing and trading in securities other than those issued by the company. These rules have been published on the company's website.

## **Item 12**

### **Reappointment of external auditor**

The proposal to the General Meeting of Shareholders is to appoint PricewaterhouseCoopers as the external auditor responsible for auditing the 2006 financial statements.

As part of its consideration of the 2005 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.

The proposal to the shareholders' meeting is therefore that PricewaterhouseCoopers Accountants N.V. be reappointed as external auditor responsible for auditing the Group's 2006 financial statements.

## **Item 13**

### **Any other business**

## **Item 14**

### **Adjournment**



**Royal BAM Group nv**

Runnenburg 9

Postbus 20

3980 CA Bunnik

The Netherlands

Telephone +31 (0)30 659 89 88

**[www.bam.nl](http://www.bam.nl)**