

ANNUAL REPORT 2007



Daring to think further

Annual Report 2007

The Annual Report and Annual Review can be obtained in both Dutch and English. In the event of textual differences between the English and the Dutch version, the latter will prevail. The 2007 Annual Report and the 2007 Annual Review can be found on the internet: www.strukton.com.

This Annual Report is published in digital form only. To increase its readability and functionality, the Annual Report has been placed on the website in a dynamic pdf version. The complete Annual Report can also be downloaded in PDF format.

In printed format, Strukton's Annual Review 2007 outlines the main developments in the year. The theme of the Annual Review is corporate social responsibility. If you are not on our mailing list, a printed copy of the Annual Review can be requested via the internet.

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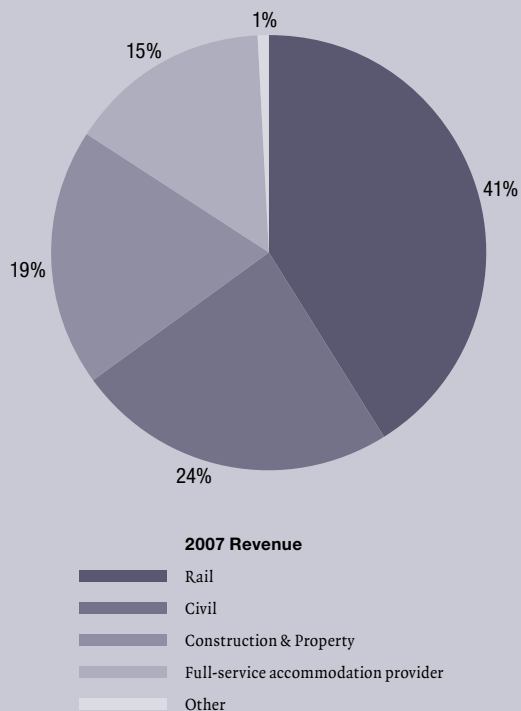
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The Annual Review can be ordered as a separate document

Strukton is a full-service provider of infrastructure and accommodation solutions. Its ambition is to enable end users to travel in comfort and to live, work and enjoy their free time in a pleasant environment.

Strukton's activities are organised into five areas:

- **PPP concessions:** innovative and integrated solutions in the fields of government buildings, care, education and infrastructure, based on the total lifecycle of the infrastructure or built environment.
- **Rail:** full-service provider of railway systems, specialising in infrastructure, railway equipment, information systems, data capture and data management.
- **Civil:** the design, build, maintenance and management of infrastructure projects, with specific expertise in underground construction, road building, viaducts, stations, noise barriers, immersion techniques and the environment.
- **Construction & Property:** development, construction and maintenance of property with an integrated vision of accommodation and management to produce an above-average price/quality ratio.
- **Full-service accommodation provider:** integrated solutions in the fields of property management, facility services, building services and hard services, based on the belief that people perform at their best if they enjoy their working and living environments and with a view to retaining the property's value.



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Profile

The Strukton companies are all knowledge-intensive full-service providers in their own disciplines. They are flat and decentralised organisations so that effective decisions can be taken at the bottom. To meet demand, the companies seek alliances inside and outside the group. This combined strength produces demonstrable cost savings for the client and creates a fertile ground for further knowledge development, innovation, synergy and integrated solutions.

The Strukton companies together rise to the challenge of going further than simply building and delivering infrastructure and buildings. Strukton wants to be an advisory partner that oversees the entire chain and is capable of playing an active role throughout the process from concept to management. It enters into long-term relationships that can be sustainable only if there is complete transparency. Where other forms of contracting are necessary, Strukton is pioneering concession-related projects and alliances.

A long history, a wealth of experience, a solid financial position and a high standard of know-how enable Strukton to create added value for its clients, in the manner and contract form appropriate to the challenge. The total lifecycle approach that this demands means clients must set appropriate criteria. Within the organisation, Strukton communicates its vision under the motto 'Challenging Clients'. Strukton wants to be challenged by its clients and in turn be challenged by them. Based on mutual confidence and respect. This means we understand, advise and question our clients to build the kind of partnerships that are decisive for lasting success.

Strukton's distinctive strength reflects the attitude of the people who work for it. Well trained in their professions, they also take the initiative to present novel and innovative solutions. The culture is defined by ambition, innovation, curiosity and openness.

Corporate social responsibility (CSR) is an integral part of Strukton's day-to-day operations. In all strategic, tactical, operational and personal decisions, commercial considerations are inseparable from sustainability. Strukton couples CSR one-to-one to product and process innovation, recognising that it is an opportunity to create added value. It is an additional incentive to be an efficient, competitive and attractive employer.

In 2007, Strukton achieved revenue of EUR 1,145 million, employing an average workforce of more than 5,600.

Amounts in millions of euros

	EU-IFRS			NL GAAP	
	07	06	05	04	03
	EU-IFRS	EU-IFRS	EU-IFRS	NL GAAP	NL GAAP
Revenue	1,144.8	955.0	827.0	719.6	639.0
Operational result (EBITDA)*	50.6	58.3	74.8	44.2	39.4
Operating result (EBIT)*	26.2	39.2	54.9	23.3	21.7
Result for the period	15.3	30.6	37.9	12.2	13.6
- Operating activities	58.4	24.3	12.7	58.1	49.4
- Investing activities	(39.5)	(123.4)	(12.6)	(17.1)	(26.0)
- Financing activities	(2.6)	77.3	(7.2)	15.9	1.6
Total cash flow	16.3	(21.8)	(7.1)	56.9	25.0
Acquisition of property, plant and equipment	30.3	21.1	22.6	13.9	12.6
Depreciation/impairment of property, plant and equipment	24.4	19.1	19.9	20.9	17.7
Balance sheet total	798.3	716.6	461.7	403.2	314.6
Total equity	181.2	173.8	143.1	106.9	95.0
Capital employed*	231.0	232.0	109.0	114.4	111.4
Net cash (debt)	(49.7)	(58.2)	36.8	(7.5)	(16.5)
Key figures					
Return on capital employed	11.3	16.9	50.4	20.3	19.5
Net result as a % of average total equity	8.6	19.6	30.5	12.2	15.8
Net result as a % of revenue	1.3	3.2	4.6	1.7	2.1
Solvency	22.7	24.2	31.0	26.5	30.2
Order book at year-end	1,210.8	1,014.2	824.7	1,008.0	831.6
Non-financial indicators					
Average number of employees	5,514	4,592	3,641	3,636	3,522
Absenteeism	5.8%	6.1%	7.2%	6.9%	6.5%
Accident frequency (IF index)*	8.2	11.4	11.0	15.8	12.1
Average duration of absenteeism	16	20	26	26	31
Accident figure*	14.8	20.5	19.9	28.4	18.6
Frequency figure*	0.8	1.1	1.1	1.6	0.5
Expenditure on management development and training % of staff reviewed	7.8	5.3	4.0	3.7	4.5
	87.1%	88.5%	88.8%	88.3%	86.7%

* For an explanation, see the glossary on page 98.

The world of Strukton

PPP CONCESSIONS Innovative and integrated solutions based on the total lifecycle of the infrastructure or built environment

Full-service contract and cooperation forms such as alliances and DBFMO (Design, Build, Finance, Maintain and Operate)

RAIL European full-service provider of rail systems (maintenance, renewal and construction)

CIVIL Development, design, construction, maintenance and management of civil infrastructure projects

CONSTRUCTION & PROPERTY Property development, construction and maintenance

FULL-SERVICE ACCOMMODATION PROVIDER Integrated provider of property management services, facility services, building services and hard services

CORE ACTIVITIES

- Development, management and equity investment in PPP concession projects
- Further development of PPP, market consultations and unsolicited proposals

- Construction, renewal and maintenance of rail infrastructure (systems)
- Passenger and operator information systems
- Data capture and data management
- Development and integration of rolling stock systems
- Energy systems

- Hydraulic and civil engineering (in situ, bored and immersed tunnels, bridges, stations, roads and road maintenance)
- Urban centres
- Construction at complex locations
- Industrial construction
- Water management and water treatment
- Specialisations: immersion techniques, compacting, shearing and jacking techniques, car parks, foundations, pre-stressing and noise barriers

- Property development
- Urban renewal
- General construction and housing
- Renovation, reconstruction and planned maintenance
- Technical management
- Parking solutions

- Technical services, management and maintenance
- Construction and renovation of technical installations
- Acquisition, design, build and operation based on concessions, performance-related agreements and outsourcing of technical services
- Building management: integrated facility services and property management
- Main contracting
- Consultancy and interim management
- Development and supervision of construction and renovation projects, accommodation plans, rental and leasing plans

CLIENTS

- National governments (Ministries of Finance and Defence, Government Buildings Agency, Directorate-General for Public Works and Water Management)
- Provincial and municipal authorities, water boards
- Educational institutions
- Healthcare institutions

- Infrastructure managers, chiefly in west Europe
- Transport operators (municipal, regional, national)
- Equipment suppliers

- Directorate-General for Public Works and Water Management
- ProRail
- Seaports, airports
- Major cities and government bodies
- Industrial clients (warehousing, utility, waste processing and water treatment companies)
- Transport operators

- End users, tenants
- Business service providers
- Housing associations
- Property developers
- Healthcare institutions
- Educational institutions
- National government and municipalities

- Business and financial service providers
- Educational institutions
- Healthcare institutions
- Entertainment industry
- Manufacturing
- Government
- Transport sector

MARKET CHARACTERISTICS

- Developing and rapidly expanding market, especially in Europe
- Complex projects and project environments
- Quality driven (sustainable, socially responsible)
- Opportunity for private initiatives

- Niche market
- European market with differences depending on country
- High entry threshold due to knowledge and capital intensity
- Still a limited number of players
- Focus on quality and safety at a good price

- Competitive
- Cyclical
- Fragmented market with limited top end and many regional/local players
- Changing role of clients, shift towards new contract and tendering forms

- Focus on quality and added value
- Shift towards new contract and tendering forms
- Fragmented market with limited top end and many regional/local players
- Cyclical

- Developing and expanding
- High degree of complexity and risk
- Focus on service mindset: Challenging Clients
- Focus on value retention
- Knowledge intensive
- Increased outsourcing
- Increased complexity and risk

STRUKTON COMPETENCES

- Authority on PPP projects
- High quality solutions
- Project management, contract management and financial engineering
- Management and promotion of cooperation in integrated contracts
- Lifecycle approach and long-term responsibility

- Data capture and data management
- Consulting and engineering
- Equipment and logistics
- International project management
- Rolling stock

- Project management
- Wealth of technological know-how (in-house engineering and specialised skills)
- Knowledge of innovative contract forms
- Specialist in underground construction
- Project execution during uninterrupted operation of client processes

- Optimisation of costs and benefits with strong client focus
- Integrated and property-oriented approach to the construction process, from project planning to management
- High-rise construction

- Lifecycle/Total cost of ownership approach
- Securing the operation of processes supporting the clients' core activities. Creating working and living environments in which people can excel
- Consideration of both common interests and conflicting interests of property owners and users
- Client focus
- Powerful buying position for facility services
- Professional methods and means
- Knowledge of the clients' core processes



GERRIT A. WITZEL (1951)



RAYMOND T.A. STEENVOORDEN (1964)

Report of the Group Management Board to the shareholders, clients, partners and staff

For Strukton, 2007 was a year of growth and consolidation. We again expanded in all markets and retained our leadership in Public Private Partnerships (PPPs). The strategy of international expansion at Strukton Rail and extending and broadening Strukton's presence in the supply chain was pursued through a series of acquisitions and by strengthening cooperation within the group. Revenue increased to EUR 1.1 billion in 2007, up 20% from EUR 955 million in 2006. Half this increase was attributable to organic growth and half to Strukton Worksphere, which contributed to revenue for a full year, and a number of smaller acquisitions. The breakdown of revenue also reflects the strategic goal of optimising the balance between management and maintenance services on the one hand and project-based activities on the other in order to improve the long-term quality of profit. The proportion of non-project income increased again during the year, up to 27.3%. Quantitative and qualitative indicators suggest that most Strukton companies performed above the market average in 2007. We are also pleased that the staff strengthening and management rejuvenation achieved at many places in the group have lowered the average age of the workforce across the board.

Result out of step with revenue

The result for 2007 did not keep pace with the increase in revenue. There were two causes. Firstly, subcontracting and material prices at Strukton Construction & Property increased sharply, especially on a number of general construction projects that were taken on in 2005. In contrast to 2006, these one-off setbacks were not offset by non-recurring income in 2007. Secondly, as we foresaw in our forecast for 2007, substantial costs were incurred to tender for PPP projects. Final decisions on many of the tenders submitted in 2007 will not be taken until 2008. The EUR 10 million we invested in them, however, is recognised in full in the result for 2007. This gives a distorted view. Strukton has since been appointed preferred bidder in two of the three PPP tenders submitted at the end of 2007. The tendering costs for these projects will therefore be recouped. For that reason Strukton can look back on a good year, which it closed with a well-filled order book worth EUR 1.2 billion.

Combining strengths, learning, innovating and initiating

Strukton continued to implement its strategy in 2007. Sharing the operating units' know-how and skills internally has strengthened the synergy with WorkspHERE, not only for Construction & Property but also for PPP projects. WorkspHERE makes a significant contribution to the preparation of PPP tenders and the learning curve in the execution phase is also growing in importance. In line with our ambition of marketing our combined know-how and skills externally, we are planning to locate shared offices to accommodate the Strukton units in the north and south of the country and in the western part of the Randstad conurbation. Major steps were also taken during the year to strengthen the group through acquisitions, extending and broadening the position in the supply chain and international expansion.

Strukton Integrated Projects was involved in a total of 12 PPP projects in 2007, nine in the Netherlands (six in the tendering phase and three already in execution) and three abroad, in the United Kingdom, Belgium and Sweden. Strukton Integrated Projects has accordingly grown strongly. In early 2008, Strukton was appointed preferred bidder for the European PPP concessions to build a new detention centre in Rotterdam and offices for Information Management Group and the Tax Administration in Groningen. Such large and complex projects play a key role in Strukton's strategy. They demand major investments that only companies with sufficient scale can make. Strukton identified further growth opportunities in 2007. It has already ensured that financing arrangements are in place for growth. Strukton has a committed credit facility and thus sufficient funding to continue its growth strategy.

Strukton Rail gained a strong foothold in the Germany railway market with the acquisition of Georg Reisse. In Scandinavia, Strukton Rail strengthened its position by increasing its interest in Jernbaneservice AS, one of the four railway construction and maintenance companies in Norway, from 65% to 100% and by acquiring Betonmast Bane. This acquisition was completed at the end of January 2008. Strukton Rail now expects to become the leader in the Norwegian railway market. In Sweden, Strukton increased its interest in Svensk Banproduktion, the second largest player in Sweden, from 60% to 100%. All engineering and consulting activities within the rail infrastructure group were combined during the year to form Strukton Rail Consult, which will also spread its wings as an engineering consultant in Europe. In 2007, Strukton Rail faced under-investment in the Dutch market but in Europe it experienced growth and growing interest in its concepts and innovations.

Strukton Civil worked on its ambition of becoming a leading player in renewing the infrastructure. It won projects with new contract forms during the year, such as the alliance contracts for the Holland Bridge on the A1/A6 motorways. Strukton Civil also has many large, long-term and complex projects on its books. Reef Infra, the road builder acquired in 2006, has now been fully integrated. Through the acquisition of parts of Duik Combinatie Nederland (DCN) in 2007, Strukton Civil broadened its position in the supply chain by obtaining access to specialised underwater techniques and soil injection techniques. Strukton Civil also took steps on the international stage by carrying out tunnel projects in Busan (South Korea) and Limerick (Ireland) and strengthened its leadership in immersion techniques.

Strukton Construction & Property reported a 30% increase in volume. The company launched a programme to strengthen its internal organisation. The number of employees increased sharply and fruitful cooperation was established with Strukton WorkspHERE. Definite synergy benefits have been generated for clients and the two companies are providing joint building and technical maintenance services to a growing number of clients.

The synergy gains Strukton sought from the acquisition of Worksphere are making a very valuable contribution to PPP tendering processes and the know-how and skills that Strukton Worksphere provides enable Strukton to take a total lifecycle approach to accommodation projects. The company is growing and experiencing scarcity on the labour market. Recruiting and retaining the right people is critical for further growth.

Giving shape to Challenging Clients

The lifecycle approach taken by Strukton calls for another way of working with clients. The client relationship is founded on understanding, advising and questioning, understanding society, partnership and co-creatorship. This requires a special attitude, one that Strukton expresses in the motto 'Challenging Clients'. This is the new promise of the Strukton brand.

In 2007, the promise was worked out into five core values: understanding, innovation, initiative, sustainability and transparency. Understanding means that Strukton does not answer a client's question with a technical explanation but gets to grips with the problem; perhaps Strukton can think up a better solution than the one proposed by the client. Innovation is a core value that enables Strukton to stand out and the core value initiative expresses the ambition of bringing new concepts and solutions to the clients' attention. Our most recent example of this is the 'AMFORA' initiative that we presented at the end of January 2008 at a congress on underground building. It received many – positive – reactions. Sustainability is becoming increasingly important in every respect. It dovetails with Strukton's vision and strategy. Transparency is the core value that stands for another way of working with clients. Strukton's closer cooperation with clients will call for greater equality, openness and transparency. To have suppliers, clients and staff rise to the motto 'Challenging Clients', Strukton has established an annual Challenging Clients Award.

The new brand promise increases Strukton's attractiveness to staff and potential employees because it is also a challenge that they have to live up to. That is why Strukton invests so much in people, not only in training, education and management development programmes but also in a network for young professionals and organisation forms that encourage personalised assistance. This is reflected in our training budget, which increased by 47% to EUR 7.8 million in 2007. The starting point is that staff must have every opportunity to think further, grow further and develop themselves further. Furthermore, their work is the outcome of the Strukton strategy: complex, challenging projects in the Netherlands, such as the North/South metro line, and elsewhere in the world, such as the immersion project in Korea.

Sustainability is business

The sustainability policy that Strukton outlined in 2006 was implemented in 2007 in the form of a policy declaration and a CSR policy plan. The plan considers all aspects of corporate social responsibility and explains how they can be applied in day-to-day practice. Strukton's ambition of being a socially responsible player makes sustainability an unquestionable part of its operations, and not only because it is required by law. Firstly, that is the way it should be, for society, for clients and, of course, for our own people. Secondly, it is the long-term future of Strukton itself.

Energy savings, more efficient construction methods, less use of materials, alternative energy sources, lower CO₂ emissions, the prevention of accidents, reduced absenteeism, virtually all the aspects named in the CSR policy, contribute to Strukton's long-term competitiveness. It is a question of business. Enthusiasm is evidently important but in the final analysis it is chiefly a matter of common sense.

Last but not least, the CSR policy supports Strukton's goal of being a preferred employer. Corporate social responsibility makes a demonstrable contribution to achieving this preferred position. Society expects Strukton to do more than just talk about sustainability and young people in particular have a growing urge to make a concrete contribution.

Opportunity for enterprise

Although the market picked up last year, investment levels are still weak in places and there are signs of under-investment in the public sector. The second Coen tunnel has still not been awarded and the extension of the A4 motorway has been cancelled. Discussions and regulations regarding the climate, particulates and air quality are delaying factors. If they lead to an impasse, the booming market could turn into a very competitive one again. In the Dutch railway market, there are signs of under-investment but they are not due to particulates or the climate. A variety of jobs are not coming to market. This is regrettable, especially with a view to sustainability. The strategy of international growth in the railway market will enable Strukton to deploy its capital-intensive equipment and its people efficiently and apply best practices from the various countries. But the Strukton strategy is also directed at modernising the Dutch construction industry and working on sustainability through a total lifecycle approach. A precondition to achieve this goal is opportunity for enterprise in the Netherlands.

Nevertheless, Strukton is looking forwards with confidence. The order books at all the operating companies are well filled and the Strukton companies are increasingly applying synergy benefits to devise distinctive and more effective solutions for their clients' increasingly complex demands. It is exceptionally fertile ground for further growth. Strukton can look back on a year in which the results should make every member of staff proud and confident about the future. We would like to thank them all for their commitment, know-how, skills, experience and professionalism. And we would like to thank our shareholder, clients and partners for their support and confidence.

Utrecht, 4 March 2008

The Group Management Board

G.A. Witzel, chairman

R.T.A. Steenvoorden

Strategic framework

Policy principles

- Profitability above revenue growth: concentration on activities that stand out favourably for their revenue margins and return on capital.
- Distinctive in all operations.
- Know-how and skills shared internally and mobilised externally (combined use of activities).
- Efficient organisation with an inspiring working environment and attractive development opportunities for staff.
- Corporate social responsibility as an integral part of our activities.

Key points of strategy

- Organic growth.
- International growth of Strukton Rail through selective acquisitions and partnerships.
- Increase in scale through selective acquisitions in construction, civil infrastructure, property and related services.
- Business excellence through investment in quality systems, innovation, knowledge development, education and training.
- Optimal combination of service and maintenance with project-based activities.
- Move from project-based activities towards service and maintenance-based activities.

Goals

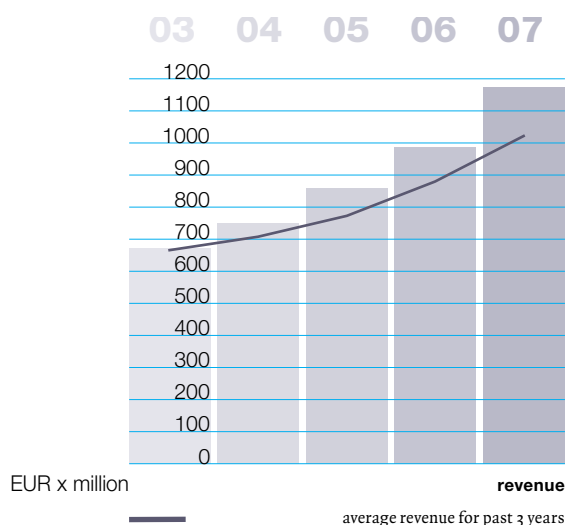
- European leadership in rail infrastructure.
- Top three in selected segments.
- Leader in concession-related projects.
- Preferred employer.

Strukton again achieved significant revenue growth at all operating companies in 2007. Losses at Strukton Construction & Property and high tendering costs for PPP concession projects, however, meant the result for the year did not increase at the same pace. In early 2008, Strukton was appointed preferred bidder in two of the three PPP projects it had tendered for at the end of 2007. The tendering costs for these projects will therefore be recouped. The order book was closed at a historically high level of EUR 1.2 billion.

Revenue and order book

Revenue for the year increased by EUR 190 million to EUR 1,145 million, up 20% in comparison with 2006 (EUR 955 million). The increase was attributable chiefly to strong organic growth at Strukton Construction & Property and Strukton Civil and to the contribution from Strukton WorkspHERE, which contributed to revenue for the whole year in 2007.

At Strukton Rail, revenue (excluding acquisitions) remained at the same level as in 2006. Lower revenue in the Netherlands as a result of under-investment was offset by higher revenue in other European countries. Several acquisitions were made during the year. The acquired companies' revenues and results are recognised as from the date of the share transfer. The acquisition parts of DCN and DMI (50%) by Strukton Civil and of Georg Reisse by Strukton Rail added EUR 25 million to revenue for the year. The increase in Strukton Rail's majority interest in Svensk Banproduktion of Sweden (from 60% to 100%) and in Jernbaneservice of Norway (from 65% to 100%) had no impact on revenue because these companies were already recognised in full.

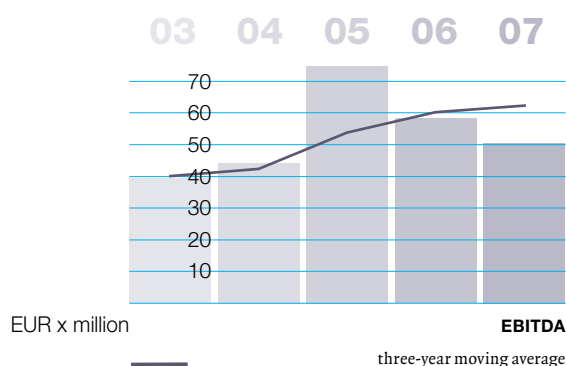


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Financial performance

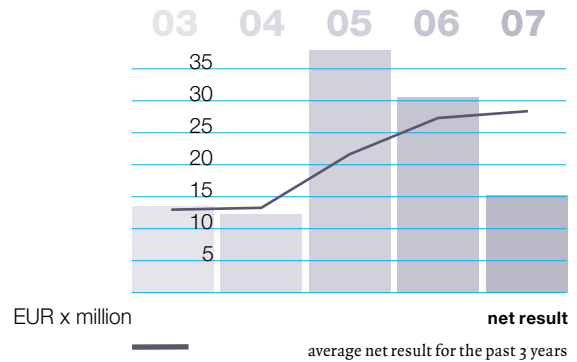
The goal of shifting the focus from project-based income to regular income led to a further increase in the proportion of recurring revenue, up from 25.8% to 27.3%. This shows that Strukton is on course to reduce its dependence on the volatile construction project market and is making good progress in shifting the emphasis to service-related activities.

At the end of 2007, the order book stood at EUR 1.2 billion, more than 20% higher than a year earlier (EUR 1.0 billion). There is also a high volume of ongoing work developing sites and PPP tenders that will come into production in the course of 2008.



Results

The operational result (EBITDA) declined by EUR 7.7 million during the year to EUR 50.6 million (2006: EUR 58.3 million). In contrast to 2006, there was no non-recurring income in 2007 (2006: EUR 5.3 million). The operational results of all operating companies improved in comparison with 2006. Construction & Property's result was again influenced by losses on a number of projects. They were the outcome chiefly of cost increases on several long-term projects that could not be passed on to clients. A large number of these projects have since been handed over. Strukton Construction & Property's result improved on 2006 but was still negative.



Strukton Rail's results were slightly higher. The results of the units operating in the Netherlands remained at virtually the same level as in 2006. The acquisition of Georg Reisse in Germany made an immediate contribution to the result during the year. Good results were achieved in Belgium and Italy. The results in Scandinavia were lower than in 2006. Substantial investments were made during the year in staff training and further strengthening Strukton Rail's position in this region. The acquisition of the Norwegian railway company Betonmast Bane in January 2008 made Strukton a leader in the Norwegian market for railway maintenance and modernisation.

Strukton Civil again reported a sharp increase in results. Its revenue and results are spread widely over a variety of disciplines. All business units made a positive contribution to the result. Strong growth in revenue and result was also achieved by the 2006 acquisition, Reef Infra.

Strukton Construction & Property again incurred a loss for the year. In the difficult general construction market, Construction & Property has nearly doubled its revenue since 2005. This substantial growth and the pronounced ambitions in these activities prompted a further strengthening of senior and middle management. In 2008, attention will be concentrated on further strengthening of the organisation in order to achieve the required controlled growth.

The integration of Strukton WorkspHERE into the Strukton group is progressing well. This business unit operates autonomously but usually in collaboration with the other business units. It generates significant added value in PPP tenders for accommodation projects. WorkspHERE will make a decisive contribution to the PPP projects in which Strukton has already been appointed preferred bidder. WorkspHERE consolidated the platform for further growth in the past year. A dedicated project organisation was set up to advise on major projects such as PPP concessions. Despite the clear increase in demand and the tight labour market, prices in the maintenance market remained low. In consequence, WorkspHERE's results were slightly below expectations.

Strukton Integrated Projects also grew strongly and was involved in nine Dutch PPP projects in 2007, six in the tendering phase and three in the construction phase, and three in PPP activities in the United Kingdom, Belgium and Sweden. Not surprisingly, it enjoyed strong growth during the year. The high level of PPP tendering costs, which were recognised in 2007 (EUR 10 million) even though the projects will not be awarded until 2008, placed severe pressure on the operational result. Since Strukton has been appointed preferred bidder for two of the three tenders already submitted, these costs will be recouped.

In addition to the developments described above, the operating result (EBIT) was depressed by a sharp increase in depreciation and amortisation. On the one hand, this was due to the high level of expenditure on advanced rail equipment in recent years and on the other to the amortisation of intangible assets at acquisitions following the introduction of IFRS – 3 (Purchase Price Allocation model). Amortisation amounted to EUR 5.6 million (2006: EUR 2.9 million). In consequence, the operating result (EBIT) came to EUR 26.2 million.

The net result for the year was EUR 15.3 million (2006: EUR 30.6 million). The debt contracted to finance acquisitions and the higher working capital requirement led to an increase in interest expense. Net financial income and expense came to EUR 4.7 million (2006: EUR 0.3 million). The higher working capital requirement was due to a number of protracted cases regarding the final settlement of projects already delivered. The tax burden for 2007 increased by 8.6 percentage points to 28.8% (2006: 20.2%). The lower effective rate in 2006 was due chiefly to the recognition of EUR 3.4 million in income on account of the lower tax rate.

Investments

Substantial investments were made in new equipment in 2007. With a view to Strukton Rail's larger market in Europe, capital expenditure was again higher than depreciation. Strukton Rail invested in a renewal train and a video inspection train and in large mechanical rail equipment. At Strukton Civil, the equipment fleet was enlarged with specialised pile-driving equipment for Terracon and a submersible vessel for Specialised Immersion Techniques.

Cash flow and financing

At EUR 231 million, capital employed remained virtually the same as in 2006 (EUR 232 million) even though EUR 15.6 million was required for acquisitions during the year. The new tax legislation introduced on 1 January 2007, which brought the recognition of profit on long-term projects for tax purposes into line with its recognition for accounting purposes, increased tax payable by EUR 17.3 million. Despite this substantial remittance, there was a significant increase in working capital on account of the considerable cash inflow from operating activities. Strukton concluded a committed EUR 325 million facility in mid-2006 to finance its growth strategy. At year-end 2007, EUR 80.5 million had been drawn down on this facility.

Financial position

Total equity increased to EUR 181 million (2006: EUR 174 million); as a percentage of the balance sheet total it declined to 22.7% (2006: 24.2%). The balance sheet total was higher, the outcome of net amounts payable on work in progress (progress payments higher than the value of production) on the one hand and net amounts receivable on work in progress (production value higher than progress payments) on the other. It will be proposed to the annual general meeting that a dividend be declared of EUR 6 million (2006: EUR 7.7 million).

Outlook

Strukton expects further organic growth in revenue in the coming year. The forecast is based in part on the well-filled order book. The appointment as preferred bidder on two major PPP accommodation projects will also make an important contribution to the revenue growth. In addition, Strukton will pursue its strategy of growth through selective acquisitions. Strukton will again invest in PPP projects in 2008. The greater part of the tendering costs will be financed chiefly from current – successful – tenders. A further ambition is to return Strukton Construction & Property back to the black. We therefore expect an increase in the result for 2008.

In all its operations Strukton's goal is to provide professional solutions that fully answer both the wishes of the client and the final user and the interests of the environment. In our vision, corporate social responsibility (CSR) is an integral part of our day-to-day operations. In 2006 we laid solid foundations to express this vision in a CSR policy plan, which we transformed in 2007 into the CSR chart shown below. It shows that Strukton looks upon CSR as a mindset attitude: everyone must strike the right balance between people, planet and profit. The chart is known as the Strukton CSR Balance. In 2007 Strukton appointed a coordinator to roll out Strukton's ambition throughout the group and introduce measures at all levels to achieve this goal.

Corporate social responsibility

Socially responsible tendering

The Strukton CSR Balance works out Strukton's CSR mission into a number of concrete programmes. It clearly explains what is expected from everyone and how and where current and new initiatives will contribute to the overall CSR policy. It is not Strukton's intention to act prescriptively and look only at the end result. Instead, every member of staff must be fully versed in CSR so that they have a broader context in which to take decisions. The model and the programmes therefore focus sharply on Strukton's core activities and safe working practices. The brand promise, Challenging Clients, is a perfect complement to the CSR Balance. By challenging clients to expect more than the obvious solution and to opt for a lifecycle approach, Strukton is making a real contribution to sustainability. If management and operation are factored into a project when it is on the drawing board, sustainable materials and energy-saving designs are chosen more often. By promoting a lifecycle approach, Strukton is promoting 'socially responsible tendering'. The CSR Balance is designed to work as an action plan: every Strukton company can align the programmes to its own priorities and policy plan and at a later stage set its own indicators in its annual plan to monitor its performance.



Keeping promises

Programmes were launched in all three areas – people, planet, profit – in 2007 to create a safe and healthy working environment, to position Strukton as a preferred employer and to promote individual responsibility for the climate and sustainability. Two striking examples of the way in which Strukton bears its corporate responsibility are its decisions to lease only cars that have an A, B or C energy label and to sign a contract for green electricity; electricity generated from hydropower will be used first at the head offices and ultimately at all Strukton locations. Strukton has been a member of the particulate trap coalition since 2005. A plan was also drawn up in 2007 to save energy and reduce CO₂ emissions at the head office; the same will be done at all Strukton's buildings in 2008.

With a recently signed policy declaration and stricter code of conduct, the foundations have been laid to implement the CSR model with regard to integrity and environmental awareness. It is Strukton's ambition to treat suppliers and clients in the same way that Strukton itself wants to be treated by its clients. A discussion has therefore been started in the central purchasing body to implement the policy declaration in the purchasing conditions. The general purchasing conditions will be reviewed, Strukton's main criterion being that it must be possible in practice to keep every promise.

Integrated innovation

One of the innovation initiatives is the establishment of the Strukton Innovation Forum. This is an important step towards the goal of integrated innovation across the operating companies. The complex and integrated problems of the future will demand integrated solutions. The challenge is to apply Strukton's strength as a whole and to express it in its own initiatives. The Innovation Forum will act as a catalyst. All the operating companies will contribute by extending and broadening their positions in the supply chain and by working with each other when necessary. But separately from the projects, they must also have an opportunity to think about how they can make optimal use of the combined know-how and skills. The Innovation Forum will provide structure and encourage the development of innovations and initiatives. Strukton uses its own initiatives chiefly to present its vision, not to market a particular product. The goal is to offer complete solutions at a conceptual level to social problems.

In 2007 Strukton developed its own initiative for the northern ring road in Utrecht. It is also studying ways of increasing the capacity of the Eindhoven-Amsterdam rail corridor. Working on such initiatives helps the organisation think differently about tenders and projects and to take a different approach to them. In this sense, new contract forms such as PPP contracts are also learning curves, for both Strukton and our clients and during both preparation and execution. In this light, the renovation of the Ministry of Finance in The Hague is a concrete example of process innovation. Such forms of cooperation are still not universally accepted but they are inevitable because projects are becoming more complex.

The only way to prevent things going wrong is to do them together. An example of this is the Museum Park garage, where everything went wrong until an alliance contract provided the solution. If only for its CSR mission, Strukton is an advocate of contract forms that permit such cooperation.

Learning organisation

A development that complements this goal of cooperation and fundamental change in the industry is the establishment of the Strategy & Development department at Strukton Civil. It has been set up specifically to cultivate the learning organisation and to make sure people make time for learning instead of working from project to project and from tender to tender. Alliances constantly change and today's competitor can be tomorrow's partner. But collaboration means sharing know-how and therefore giving away a knowledge advantage. Becoming a learning organisation and consciously learning from experience is the only way to retain a knowledge advantage. This is a major challenge not only to Strukton but to the entire construction industry.

To promote external knowledge sharing, and contribute to innovation, Strukton works with the technical universities of Delft, Eindhoven and Twente and research organisations such as TNO and is a member of a variety of working groups, committees and international projects such as the Centre for Underground Construction, InteGRail (a European body engaged in the development of the electronic railways of the future) and INCOSE, the international platform for the development and exchange of knowledge and systems engineering.

Strukton is also one of the driving forces behind the Virtual Construction Platform, a working group set up by Dutch Construction. This platform is working on the further implementation in the Dutch construction industry of the Building Information Model (BIM). A state-of-the-art intelligent software application for virtual construction, BIM is a universal model that includes all design and construction data so that all the participants work with the same data. In 2007, Strukton was co-sponsor of the BIMCaseweek 2007 in the Bouwhuis.

Sustainable solutions

In the day-to-day work of the Strukton companies, innovation can be seen in the many sustainable solutions to social problems. The preventive maintenance and electronic renovation concepts offered by Strukton Rail make a significant contribution to the sustainable use of materials and equipment by preventing their early replacement and extending their useful lives. A telling example of this is the application of eddy current techniques to detect cracks in rails before they become visible. They are so small when detected that the rail can be polished instead of replaced ahead of schedule. This can increase a rail's life by between 50% and 100%.

Strukton Rail also develops train traction systems that reduce energy consumption and is engaged in several studies to lower train energy consumption. On its own initiative, it has also developed a system that can quickly and safely take a section of a railway line out of service. This makes the best possible use of the scarce time available on the railways and increases safety for those working on the line.

Strukton Workspere developed Energy Total Monitoring, an innovative system to reduce energy consumption and introduce sustainable solutions to limit CO₂ emissions. Strukton also uses this system to reduce energy consumption in its own buildings.

At Strukton Construction & Property, the goal of sustainability is reflected chiefly in the pursuit of new forms of collaboration to implement the lifecycle approach. At Strukton Civil, Reef Infra developed a new material with Shell Global Solutions that combines the properties of both asphalt and concrete. Known as C-Fix, it fits perfectly into Strukton's CSR vision. It is very strong, flexible, crack resistant, impervious and acid and salt resistant and because it can be used soon after it has been laid, C-Fix saves time. From a sustainability point of view, it is exceptionally beneficial because the C-Fix binder is produced from carbon-rich oil fractions. These fractions are used in heavy heating oil and are responsible for relatively high CO₂ emissions when used as a fuel. Using these heavy refinery fractions in C-Fix fixes a substantial volume of carbon and therefore CO₂ that would otherwise have been emitted. On construction of, for example, a bus lane or industrial estate, a CO₂ certificate will be issued stating how many tonnes of CO₂ have been fixed in the surface. In the longer term, these certificates could be included in the CO₂ emissions trading system.

ReefInfra has also developed clinker concrete that does not need maintenance for 25 years and remains intact when driven over by heavy agricultural vehicles. Clinker concrete combines the best of two worlds: the attractive appearance of clinkers and the permanence of concrete. The cost of laying it is no higher than that of laying ordinary concrete. Other applications are the noise barriers developed by Strukton Civil that absorb more noise, a study of self-sealing concrete and the ambition of re-using rail ballast as a secondary foundation material.

Very healthy working environment

In December 2007, Strukton set out its vision of working conditions and its environmental policy in a new policy declaration. It is one of the pillars in Strukton's programme to be a preferred employer and has prompted another way of looking at the cost of working conditions. The standard contract of employment has made way for a contract that enables us to take a more preventive approach and allow for everyone's needs.

The goal of a healthy working environment also underpins the Strukton-wide campaign Zero Accidents. Like the CSR policy and the Challenging Clients brand promise, this campaign, too, calls for a new mindset. Achieving zero accidents requires more than just recording incidents; processes must be designed so that we can learn from incidents and take immediate action to prevent future incidents. Zero Accidents was launched in 2007 with a management declaration; momentum for the campaign was created at the operating companies and a pilot scheme entitled Building Site Safety was evaluated at Strukton Civil. The campaign will be rolled out in 2008 and if the pilot proves a success the Strukton building site standards will be introduced throughout the group. The goal is to have the safest building sites in the Netherlands, enforced by systematic safety checks by our own staff. To reduce incidents, safety will be a standard part of our working procedures. Not only will a well-managed building site increase staff safety, health and wellbeing, it will also reduce failure costs and unnecessary loss of or damage to equipment and will make a trustworthy and professional impression on clients and the surroundings.

There was a decline in the number of lost-time accidents across the board in 2007. Strukton Rail and Strukton Construction & Property stood out for their good performance. On the whole, the operating companies also succeeded in reducing the number of days lost to absenteeism. Strukton Civil and Strukton Construction & Property even managed to halve the figure in comparison with 2006.

Preferred employer

Corporate social responsibility in combination with Challenging Clients calls for a learning organisation that offers its staff good working conditions, challenging work and excellent training opportunities geared to learning, innovating and initiating. For the staff, Strukton's ambitions make the work more complex and more integrated. This requires another way of meeting clients' demands and consideration for social issues and will make great demands on the staff's problem-solving abilities. To underpin the cultural transformation into a full-service provider, Strukton's personnel policy is geared to creating a learning organisation.

A matter of some concern is the tight labour market, particularly for technically trained specialists. The scarcity justifies Strukton's additional efforts to position itself as a preferred employer and to use all appropriate channels to show potential members of staff and young talent that they will enjoy challenging work, good development prospects and excellent career opportunities here. All operating companies invested a great deal of energy in the recruitment and selection of new staff and in training and education. The number of staff increased at all operating companies. At Strukton Rail and Strukton Construction & Property, the increase was accompanied by a rejuvenation of the management. To bring about the open culture required within Strukton, enthusiastic young people from the operating companies set up a young employee network, Scope, in early 2006. Scope is a platform to challenge each other, gain inspiration, help each other, share information and come up with fresh new ideas on subjects that are directly and indirectly related to the work. Scope holds network meetings and debates and organises visits inside and outside the group. The members get to know each other, both professionally and personally, and become familiar with the operating companies. By helping the staff explore the opportunities within Strukton, Scope adds to Strukton's positive image.

Strukton also positions itself by means of its many contacts and activities with training centres. In 2007, for example, Strukton was the main sponsor of a unique project involving four civil engineering students at Delft University. As part of their masters project in Costa Rica, the students devised a load-bearing structure for a high-rise, 57-storey construction and designed a school building. Strukton Rail started a training course in cooperation with the ASA regional training centre in Utrecht and Rail Opleiding in Amersfoort. If the course proves successful, Strukton Rail will introduce the concept at more regional training centres.

Strukton Integrated Projects serves the growing market for innovative and integrated solutions based on a project's total lifecycle in the fields of government buildings and the care, education and infrastructure sectors. It is engaged in the development, management and equity participation in PPP projects. Strukton Integrated Projects combines the know-how and expertise available within Strukton and works with Dutch and international partners. Involvement in nine Dutch PPP projects, six of which are in the tendering phase and three in the execution phase, and activities in the United Kingdom, Belgium and Sweden created strong growth at Strukton Integrated Projects.

Operations

2007: investment in market leadership

Through its consortia, in 2007 Strukton became one of the final three bidders to be still in contention for all six of the Dutch PPP projects in the tendering phase. At the beginning of 2008, the DC16 and DUO2 consortia, of which Strukton is a member, won the PPP projects for a new detention centre in Rotterdam and offices for Information Management Group and the Tax Administration in Groningen. Strukton is now one of the top three in the Dutch PPP market.

PPP concessions require long preparation. The substantial tendering costs are recognised in the year in which they are incurred but the projects usually do not start until the following year or even later. This obviously has an impact on Strukton Integrated Projects' results. The substantial investments made in 2007 are not expected to generate revenue until the longer term.

During the year, priority was given to retaining and consolidating the company's leadership in the Dutch PPP market. Strukton Integrated Projects also has the ambition to become a player in the international (west European) market. To achieve this ambition, it has prioritised an increase in the organisation's capacity, cooperation with consortium partners and technical partners, participation in and winning PPP concessions, open projects, and the development and management of market consultations and own initiatives.

Internationally, Strukton Integrated Projects was involved in several PPP tenders, including tenders for a school in Great Britain (Birmingham) and, in cooperation with Strukton Rail, light rail projects in Belgium (Antwerp) and Sweden (Stockholm). Strukton will use the further growth of the European PPP market to gain know-how and experience.

Market growth and professionalism

Although no new PPP projects came to market in 2007, there was an increase in the professionalism of the Dutch PPP market during the year. The Government Buildings Agency called for tenders for new offices for the Tax Administration in Doetinchem, offices for Information Management Group and the Tax Administration in Groningen and a new detention centre in Rotterdam. The tender for the tax office in Doetinchem has been completed. The DC16 and DUO2 consortia, of which Strukton is a member, have been appointed preferred bidders for the other two projects. At the end of December Strukton submitted a final tender for accommodation for the staff of the Army Command at the site of the Kromhout barracks in Utrecht. In all these projects, the client – the government – makes relatively high demands on the buildings' durability. This agrees with Strukton's total lifecycle approach and its Challenging Clients positioning.

In the infrastructure and development market, too, 2007 was a year of further professionalisation, although the number of projects remained limited. The tendering procedure for the project to increase the capacity of the Coen tunnel has been completed but a decision by the Supreme Court following a study of air quality has delayed the signing of final contracts. The same environmental problem prompted the Directorate-General for Public Works and Water Management to postpone two PPP projects that had been announced but not yet brought to market. The projects were the A12 Utrecht-Veenendaal motorway and the A15 Maasvlakte-Vaanplein motorway. The tendering procedure for these projects is expected to start in the course of 2008.

The number of national projects will remain limited. The Directorate-General for Public Works and Water Management thinks a year is successful if one or two projects come to market. In Strukton's opinion, however, this is not enough to gain sufficient know-how and expertise. To broaden the position further, local and regional projects will be sought for provinces and municipalities.

Innovate by initiating

During the year, Strukton successfully developed one of its own initiatives for the northern ring road in Utrecht. The proposal has been submitted to the Ministry of Transport (the appropriate body for initiatives from industry and private individuals) and the Utrecht Regional Administration (BRU). Strukton believes its plan will contribute to a comprehensive, sustainable and achievable solution to improve Utrecht's accessibility. Strukton was also one of the seven players to take part in the consultation procedure for Project Main Corridor South (PMZ). PMZ's aim is to improve accessibility and thus the quality of life in the A4 motorway corridor between Rotterdam and Antwerp (part of the Randstad Urgent programme). At the end of August 2007, Strukton and the First STEP Partnership consortium, which also includes TNO and Egis of France, submitted a plan that also considers the scope for a feasible business case and the form of collaboration, the public conditions and the organisation of the further process. The process extends to a possible request for the private operation of the A4 corridor, including the privately financed A4 South..

The PMZ project management held the 'Pit Stop PMZ' conference for more than 150 public and private participants on 28 November. The results of the seven market players were presented during the Pit Stop and the public parties signed a letter of intent for Mainport Corridor South. This was an important and visible step en route to achieving the corridor's ambitions. The Mainport Corridor South Project is currently in the preparation phase.

Thinking stimulates

Many clients have little if any experience of PPP, especially in the care and education sectors. In the care sector, the situation is slowly improving but clients have still not taken any concrete initiatives. PPPs in the care sector have a great deal of potential for Strukton. To encourage thinking about PPP, Strukton Integrated Projects took the initiative to work out care concepts in 2007. In the education sector, no new projects have come to market but the establishment of the Education Buildings Service Centre is a positive development. An initiative of, amongst others, the Ministry of Finance and the Ministry of Education, Culture and Science, the centre promotes innovative and integrated tenders that improve the standard of buildings in the education sector.

Strukton seeks early and active participation in these sectors and Strukton Integrated Projects actively enhances the group's expertise through all forms of knowledge sharing. In early 2007, it was a founding partner of the Netherlands PPP Network, an independent platform that helps public parties take the right investment decisions: PPP or not. Strukton Integrated Projects is also active in working groups and task forces and gives presentations, guest lectures and readings. By developing innovative concepts and its own initiatives, Strukton is stimulating thinking about PPP.

Growing interest

The new Harnaschpolder water purification plant was opened by Prince Willem-Alexander in early 2007. This is a PPP project involving Delfland water board and an international consortium, Delfluent, one of whose members is Strukton. Delfluent designed, financed and built the plant and will operate it for the next 30 years. Renovation of the Ministry of Finance in The Hague also commenced in early 2007. Construction work is progressing well and this prestigious PPP project is being followed closely by many potential clients. The building is scheduled to be taken back into service at the end of 2008.

At the Moutaigue Lyceum, valuable experience was gained with the client during 2007. This is the first PPP accommodation project that we are managing. We expect to see a further increase in the number of projects in 2008, both in the Netherlands and internationally. International PPP projects will relate chiefly to light rail projects. Strukton Integrated Projects expects further professionalisation among both clients and contractors and will continue to put quality first. The ultimate goal is to take mobility, education and care a step further.

STRUKTON RAIL

Strukton Rail is a full-service provider of infrastructure and systems in the public transport sector. It is a European player with a mission to build an attractive rail product and a passion to find problems before they result in a malfunction or disruption. In addition to flawless operation through prevention, safety has the highest priority. Safety standards at Strukton Rail are determined by the company's many decades of experience in the most heavily used rail network in Europe – the Dutch network. The company is now active through its own locations in seven European countries. Strukton Rail also works on a project basis in the United Kingdom, Switzerland and elsewhere.

Focus on Europe

In financial, quality and safety terms, Strukton Rail performed better in 2007 than in 2006. Strukton Rail stands out from other rail contractors that build, renew and maintain the rail infrastructure by concentrating on five complementary areas: consulting & engineering, data capture, machinery & logistics, international projects and rolling stock. Growth was achieved in four of these five competences in 2007. In the field of machinery and logistics, weakness on the Dutch market led to a modest decline in the total. Activity and growth outside the Netherlands were firm but could not make up in full for the contraction at home. In line with the strategy, the company continued to develop a matrix organisation based on the competences and further geographical spread in Europe. In the Netherlands, Strukton Rail strengthened its position by introducing new products and services and initiating innovations. In west Europe the company is seeking organic growth and will also increase its international presence through selective acquisitions and partnerships. Owing to the substantial investments in equipment and innovative concepts, Strukton Rail is a very capital-intensive company. Having the right size is a precondition for profitable investments and competitive pricing. In recent years, the company has enlarged its geographical market and grown into a European operator. A benefit of this is that it can apply best practices from several European countries.

The five core activities are steered centrally; they are a binding factor throughout Europe and offer promising opportunities for growth. At a local level, Strukton Rail's country organisations work directly with local clients, generally providing them with a complete package of services; these operations are therefore not considered part of the international projects. This strategy was successfully continued in 2007.

In Germany Strukton Rail acquired the rail company Georg Reisse, giving it a permanent foothold in the German market. Strukton Rail has established itself in Kassel and Erfurt. This expansion increases the company's potential to transfer people and machinery at a European level. In Norway Strukton Rail further strengthened its position by acquiring Betonmast and increasing its interest in Jernbaneservice AS from 65% to 100%. In Sweden Strukton acquired the remaining interest in Svensk Banproduktion, the second largest player in the Swedish market. The Strukton companies in Scandinavia have operated under the name Strukton Rail since October 2007.

Attractive rail product

Strukton Rail Consult was established during the year and officially commenced operations on 1 January 2008. This business unit combines the engineering and consulting activities available within Strukton Rail. Strukton Rail Consult works on all engagements in which Strukton Rail is responsible for engineering and/or consultancy. The engagements are chiefly design and build, with a focus on all aspects of maintenance engineering and rail improvements. Timely preventive maintenance and uninterrupted train operations determine the rail product's quality. To promote both, Strukton Rail has developed the GAB automated system to show when a section of the railway line is out of service. The company wants to offer this open platform to all parties that have an interest in the information so that they can coordinate their operations more efficiently to planned maintenance periods.

VolkerRail and BAM Rail have since taken this system into operation.

Incidents on the railways inevitably inconvenience train passengers but the Dutch rail infrastructure is not in poor condition, as some suggest. The Dutch railway infrastructure is at the forefront in Europe. Strukton Rail applies all its know-how and skills to maintain and further improve the quality. To increase efficiency, a study was started with TNO of the high-frequency pre-heating of railway lines so that they can be brought back into service more quickly.

At EU level, Strukton Rail worked with other rail infrastructure providers, consultancies and train suppliers on the InteGRail project. The aim is to develop an integrated approach to intelligent maintenance that cuts costs and increases reliability. Strukton Rail is also working within the International Union of Railways (UIC) on the future of European legislation in its field.

Knowledge development and education are obviously critical to Strukton Rail. The company systematically invests in them and received grants from the European Social Funds for several training programmes in 2007. With ProRail and other maintenance contractors, Strukton Rail is participating in the Rail Knowledge Alliance. In addition to encouraging technical cooperation, this platform promotes innovative projects. Strukton Rail also promotes knowledge sharing at many congresses and conferences by means of readings and other contributions. Strukton Rail again made substantial investments in rail maintenance and renewal equipment during the year that will be used throughout Europe. Positive experience with two Deutz locomotives on the Betuwe line led us to purchase a further two. Four new measuring trains were also purchased (see also the section entitled Objectivity and safety).

Transparency

To continue the European strategy successfully, Strukton Rail has defined five critical success factors. The company must have a flexible workforce, with people who are willing and able to work in several countries and who can preferably be used in as many positions and disciplines as possible. Technically, the company must demonstrate its excellence not only through its performance but also through its development of concepts that generate definite added value for the client. Other critical success factors are a strong financial position and excellent logistics to ensure equipment and materials are in the right place at the right time, which is key to the efficient use and maximum profitability of the very capital-intensive equipment fleet. A track & trace module was developed for the fleet in 2007. The final, but certainly not the least critical success factor is transparency. For clients and social and political stakeholders, the rail infrastructure is often a black box. Strukton Rail opens up the black box and makes its contents transparent to the outside world. Transparency enables Strukton to manage maintenance work more effectively and clients to operate more efficiently. Clients are increasingly outsourcing maintenance and renewal work in order to optimise their budgets. Strukton's concepts make outsourcing so transparent that it can be managed by output. This is in keeping with the trend of drafting maintenance contracts to emphasise outputs and give the contractor more freedom to decide how the required availability and safety levels will be achieved.

Strukton Rail's measuring equipment and analysis software are increasingly being used to prioritise infrastructure work in a maintenance strategy and to improve the quality of the work at lower cost. Demand for Strukton Rail's experience in the privatisation of maintenance is also high.

Objectivity and safety

The great demand for experience and transparency regarding the quality of the infrastructure are key to the success of measuring, monitoring and video inspection concepts. Automated video inspection trains and fixed video inspection cameras, for example, not only produce objective data but also increase safety by making physical on-the-spot manual inspections unnecessary. Furthermore, the early detection and reporting of defects reduces unplanned train disruptions. The number of video inspection trains was increased from one to four during the year.

The POSS preventive maintenance and fault diagnosis system gives rail infrastructure providers an insight into the condition of their infrastructure so that they can base their maintenance strategies on objective measurement data that are precisely tailored to achieving the required availability outputs. A growing body of rail transport companies in both the Netherlands and Europe are using POSS. In the Netherlands POSS has reduced the number of points failures by 30%. POSS was further refined and improved in 2007. Strukton Rail is authorised to issue formal in-control statements. It had already been able to do so informally but stricter conditions were introduced in 2007 on the statement's use. If such a statement is not issued there are consequences for the availability of the infrastructure.

New contracts and forms of cooperation

Strukton Rail concluded a three-year contract with Keyrail to manage and maintain the Betuwe line in 2007. The contract took effect on 1 January 2008 and will be converted into a five-year contract if the cooperation produces cost savings and performance improvements after two years. Tendering for the maintenance of the Betuwe line was subject to new rules. In Sweden, Strukton Rail won an important maintenance contract. For the Swedish national rail manager, Banverket, Strukton Rail will maintain a 430-kilometre section of the main line between Stockholm and Malmö. In Denmark, a major renewal project began in 2007. Good performance might lead to a five-year maintenance contract.

Other international contracts include an international energy project in Surinam, the renewal of overhead wires and systems for a public transport system in Brussels and a five-year agreement with the Swiss rail provider, initially for measuring and inspection services and later also for maintenance services..

The engagement won in 2006 to replace the drive systems on 15 trains for O'Hare Airport Transit System (OATS) in Chicago was completed in January 2008. Strukton worked on the modernisation of these fully automated trains with the Canadian company Converteam. The activities in this niche market were continued through cooperation with BHEL of India, a large electrical engineering group. Together with BHEL, Strukton is competing to win an order to deliver 200 units to the Indian rail operator.

STRUKTON CIVIL

Strukton Civil, formerly known as Strukton Betonbouw, is an established player in the field of civil infrastructure. It builds, maintains and manages projects principally in the Netherlands. In particular, Strukton Civil is at home in underground construction, such as boring tunnels, immersing tunnel elements, and building viaducts, stations and noise barriers.

Successful year

Strukton Civil can look back on a good year with strong organic growth and a strengthening of its activities. Revenue increased by 20%, with the result advancing at the same rate. All Strukton Civil's business units contributed to the growth. The good result was earned in a weaker market and was attributable chiefly to the ongoing activities generating a steady supply of work and to the involvement in project control in general and risk management in particular. The goal of achieving growth while maintaining profitability was achieved not only in the result for the year but also in the new business wins. Significant new acquisitions and interesting forms of cooperation, such as alliances, were also realised. The order book is well filled with complex projects that will generate work for several years and the proportion of maintenance work was again higher.

Strukton Civil specifically wants to be a leader in renewing the complete infrastructure sector. Clients are increasingly delegating responsibility and management to market players. This calls for a new approach. Strukton Civil is meeting the demand with a strategy that is geared to winning complex projects, extending and broadening its position in the supply chain, and contract forms that facilitate integrated solutions, such as alliance contracts and PPP concession contracts. This strategy will maximise the added value generated for clients, strengthen the organisation by adding know-how and experience and match operational management to the provision of integrated solutions.

Strategically filled order book

In 2007 Strukton Civil won several major engagements that will help it achieve its goal of extending its position in the supply chain, particularly in road building. Examples include major maintenance of the Afsluitdijk and the BLOKDOOS project, part of the Directorate-General for Public Works and Water Management's KOSMOS programme (civil engineering maintenance in cooperation with the market under system-oriented contract control). BLOKDOOS is the second project in this programme that Strukton Civil has won. Strukton Civil also took the initiative to resolve mobility problems with the Holland Bridge by forming an alliance with the Directorate-General.

Strukton Civil also achieved growth in the specialised disciplines in which it is seeking to broaden its position in the supply chain. In early 2007, it acquired some of the activities and equipment of Duik Combinatie Nederland (DCN): both the Dutch and the German DMI Injectietechniek businesses and the specialised underwater activities for the immersion specialist, Strukton Afzinktechnieken, operating under the name Mergor. Shortly after this acquisition, Strukton Civil announced that it had signed a contract to immerse the first immersed tunnel in South Korea. The project is part of the Busan-Geoje Fixed Link to help resolve mobility problems in this densely populated country.

Our pursuit of the most integrated form of cooperation with the client resulted in our winning two alliance contracts. One is for the A1/A6 motorway connection, the other for the Museum Park in Rotterdam. In autumn, Strukton Civil presented one of its own initiatives as an unsolicited proposal for the northern ring road in Utrecht. This road is an important link between the A2 and A27 motorways; the solution devised by Strukton would improve traffic flow. The initiative should act as a catalyst to accelerate the planning procedure.

Innovative and stimulating

Internally, the pursuit of innovation is supported by targeted activities in the Challenging Clients programme. With many years' success, the matrix structure makes allows us to assist and train people so that they can develop the new mindset required for 'New Construction'. Above all, what is required is healthy entrepreneurship combined with the nerve to take responsible risks. An additional benefit of the matrix structure is that intensive assistance, not only technical but also in personal development terms, is an effective great tool to recruit and retain personnel. In the tight labour market, this is a significant benefit.

Strukton Civil's strong commitment to PPP projects and new forms of cooperation with the other Strukton companies led to the integration of virtually all Technology & Engineering Consult (T&E Consult) into Strukton Civil during the year. As part of the integration it was agreed that Strukton Construction & Property would later enlarge its knowledge centre using the same model. Strukton Civil encourages rejuvenation and knowledge development by actively participating in many platforms and by establishing the Systems Engineering training course.

Reef Infra, Strukton Civil's road building company, introduced updated products during the year such as sustainable and environmentally friendly clinker concrete and the new material C-Fix, which fixes a great deal of carbon and prevents CO₂ emissions. As one of the parties responsible for the new foundations under Amsterdam Central Station, Strukton Civil shared the prestigious Fleming Award, a UK prize for excellent geotechnical design and construction. The Holland Bridge Consortium, consisting of Strukton Civil BV, Reef Infra BV and the Civil Engineering Division of the Directorate-General for Public Works and Water Management, was rewarded by the Directorate-General with the accolade, Team of the Year. The choice was unanimous and there was particular praise for the execution of the project and the implementation of mobility management.

Market in a difficult phase

The volume of potential engagements in the infrastructure market is high but the particulate discussion and, to a lesser extent, the government's hesitancy about road charging led to the postponement of several projects. Air quality has been a sticking point for more than two years and has delayed three quarters of all new projects. It is one of the impediments to following up PPP projects. It is not a problem on urban projects since air quality in cities has not deteriorated.

There is still no sign of price recovery, or even price stability, on major infrastructure works. A modest price recovery has been seen only at regional level and on engagements worth less than EUR 10 million. Where prices are slowly recovering, there are also consequences on the purchasing side. The market in which Strukton Civil operates is still in a difficult phase. This is an additional incentive for a strategy geared to maintenance and new forms of cooperation based on integration and sustainability. Strukton Civil will therefore concentrate on opportunities presented by new contracting forms (design & construct; design, build, finance & maintain; design, finance, build & operate and alliances) on the one hand and the further exploitation of product/market combinations on the other. Even greater attention will be paid to profitability than to revenue, although a healthy balance will be sought between the two in order to keep the organisation at the right qualitative and quantitative level.

AMFORA, CITY UNDER THE CITY

At the end of January 2008 Strukton presented one of its own initiatives, AMFORA: Alternative Multifunctional Underground Space Amsterdam, during the Enlightened Underground conference of the Netherlands Centre for Underground Construction. The primary goal of AMFORA, also known as the 'city under the city', is to improve the spatial and visual quality of Amsterdam. AMFORA is a highly innovative and sustainable solution with far-reaching potential to improve the quality of life in Amsterdam and is technically and economically feasible. It will return a sense of former glory to the experience of Amsterdam without ignoring the needs of today's society. AMFORA is a multifunctional underground space requiring a multidisciplinary approach. Strukton devised the concept and is responsible for overall coordination, design, execution and the business case. The project will draw on the latest technological advances in the Building Information Model (BIM) and 3D modelling, safety systems, lighting and projection systems, and energy and climate concepts. AMFORA will be designed primarily for aboveground urban redevelopment through the use of underground spaces. The concept was developed with the aid of, amongst others, the landscape architects DelftTech (3D laser scanning technique) and the Traffic Engineering, Transport & Planning faculty of Delft University.

AMFORA shows how an underground system of corridors can be created under the canals in that part of Amsterdam that is enclosed by the North Sea Canal, the River IJ and the southern part of the Aro ring road. The system would consist of several levels. The upper level would be determined by the bottom of the canals, about 3.5 metres below sea level, and the lower level by a layer of clay at about 32 metres below sea level. With a construction height of about five metres, AMFORA would consist of six layers constructed as column-free spaces having a maximum span of 30 metres so that they can be used flexibly for a variety of functions. AMFORA could be completed in accordance with the 'polder principle'. This has the great advantage that piles do not have to be driven and the construction work therefore causes little or no vibration and minimal inconvenience.

'If only there were more visionary ideas for underground construction in the Netherlands. It would then be at least a bit nicer to live aboveground,' so opened an article by Maaïke Bezemer in Trouw newspaper on the Netherlands Centre for Underground Construction's conference.

Strukton Construction & Property is a medium-sized construction company in volume terms but one of the leading national players in project terms.. The company concentrates on the complete construction process and its management from blueprint and development to management and maintenance. It stands out for its pursuit of value creation, preferably based on a total lifecycle approach. With a complete package of building and technical management and maintenance services, Strukton Construction & Property works with Strukton Worksphere to meet demand in this segment of the market.

Back on Track

Strukton Construction & Property increased its volume by 30% in 2007. This organic growth was due chiefly to several large new projects. The maintenance market was also firm. Nevertheless, a loss was incurred, entirely on account of setbacks on projects dating from 2005 on which Strukton Construction & Property could not pass on sharp increases in the cost of subcontracting and materials. The number of employees grew strongly from 350 to 425. The Back on Track programme was completed during the year. Its principle aim was to strengthen the organisation, with a strong accent on project management and controlled growth and development. Operational priority was given to the efficient execution of engagements and management by effectiveness and efficiency. The management team was strengthened with the appointment of Mr N.J. van der Moolen, Construction Director, and Mr B.A.P. Nijdam, Finance Director. Their appointment will also permit more controlled growth. Operationally, high priority was given to safety, order and tidiness on building sites and a great deal of attention was paid to implementing and communicating standards on quality, working conditions and the environment. Strukton Construction & Property closed 2007 with a well-filled order book of high quality engagements.

DBM authority

During the year Strukton Construction & Property paid a great deal of attention to the organisation's response to the lifecycle approach and the Challenging Clients positioning. Demand for client and market-specific work and integrated solutions is growing. This, in combination with the trend among clients to withdraw from the construction process and entrust management to the contractor, is increasing demand for integrated solutions. The proportion of design, build, maintain and finance & operate contracts and other integrated contract forms is increasing. Strukton Construction & Property wants to be the authority in design, build & maintain. This ambition was facilitated in 2007 through the Challenging Clients positioning and the adoption of associated core values and their implementation in conduct goals that will be rolled out across the entire organisation.

The lifecycle approach requires members of staff to adopt a different mindset. They must be willing to take responsibility and act as entrepreneurs and communicate with the client. New members of staff are selected on these characteristics. All members of staff must think and act so that the Challenging Clients positioning becomes second nature. This means that they must dare to say 'No' to clients, refuse an engagement if they do not have the capacity and prepare projects in detail before construction begins.

A company-wide training plan was launched during the year and will be rolled out further in 2008. All members of staff will take competence and/or skill-based courses in the fields of client focus, management/coaching, active personnel policy and the like. The knowledge centre was also strengthened. It now combines all know-how and skills in costing, logistics, long-term operations and process management that are necessary at project level. Knowledge development concentrates on virtual (3D/4D) construction, new contract forms and the development of concepts for, in particular, the care sector and inexpensive housing. To win orders, Strukton Construction & Property has focused on projects and contracts that complement the lifecycle strategy, in particular by seeking design & build, design, build & maintain and build & maintain contracts and long-term maintenance contracts. Owing in part to the substantial market supply and the firm maintenance market, the company was in a good position to make the right decisions in the light of its positioning.

Strukton Construction & Property has identified promising opportunities to strengthen its position in the care market. The market is particularly promising where care is combined with housing, both now and in the future. An innovative concept was developed in 2007 to extend the position in the supply chain and to encourage new contract forms with clients in the care sector.

Attractive employer

A less encouraging consequence of the favourable market is the scarcity on the labour market. Strukton Construction & Property's personnel policy recognises the importance of recruiting, inducting and retaining members of staff with the right attitude and competences. Several senior management positions were also filled during the year. As a result, the number of staff increased by 10%.

A great deal of attention was paid to Strukton Construction & Property's profile on the labour market. The Strukton name and the type of projects in the order book increase Strukton Construction & Property's attraction and maximum use is made of our employees as ambassadors for the company. In both our communications on the labour market and our personnel policy, we emphasise the company's long-term relationship with staff. We put the conditions in place to ensure there are sufficient challenges in combination with good employee benefits and excellent personal development and career opportunities.

Advances were made during the year with projects to prevent absenteeism, increase work safety, guarantee employment for older workers, make the work more flexible and develop management potential. Management potential is realised chiefly through management development courses directed at employability and cooperation. A preventive absenteeism policy and the appointment of an absenteeism coordinator resulted in a decline in absenteeism from 4.9% in 2006 to 3.8% in 2007.

Full order book

Strukton Construction & Property's order book is well filled, with both its own engagements and engagements that will be carried out in cooperation with other Strukton companies. This is partly the outcome of the increase in the number of inner city projects and the growing demand for distinctive integrated solutions. Cooperation with other Strukton group companies has increased significantly. In addition to the productive cooperation with Strukton Worksphere, Strukton Construction & Property worked with several Strukton Rail business units on projects for NedTrain in 2007. These projects had been won jointly through public tendering. Examples of projects recently won with Strukton Civil are Damsterdiep in Groningen (parking, housing and work), the Centre for Life Sciences at Groningen University and the Inverdan council offices in Zaandam. Strukton Construction & Property was also involved in the execution of the PPP project to renovate the Ministry of Finance, a PPP project in the tendering phase and the two PPP projects for which Strukton has already been appointed preferred bidder.

The order book also contains projects that Strukton Property Development will commence in 2008. In the summer, this division, together with Johan Matser Projectontwikkeling, won a competition to build 104 residences in the Ter Bosch planning area in Tynaarlo municipality. The winning plan comprises spatial repetitions in which residences have virtually the same appearance but are built in different settings. They will be located on or close to water in the Tuinwijk, Rietwijk and Waterwijk districts of the planning area. The construction work will be carried out in phases, beginning in 2008.

Another prestigious project to be carried out by Strukton Property Development is NieuweVoorstad. This project will redevelop an old industrial estate in Nijmegen into the bustling heart of new and existing housing districts on the edge of the town centre. The comprehensive solution that has been devised provides for a living environment in which the residents have all the necessities of life close at hand. The infrastructure, layout and services are designed so that people experience the area as lively and safe both during the day and at night. The varied supply of housing in combination with housing for the elderly makes NieuweVoorstad an attractive area that will be suitable for all ages.

Strukton Worksphere is a full-service accommodation provider in the fields of building services, technical maintenance and energy management and is increasingly working with the other Strukton companies to offer clients turnkey solutions and implement Challenging Clients. The know-how and skills that Strukton Worksphere adds from its own disciplines are of key importance to Strukton's lifecycle approach. Servica Facilitair's activities were transferred to this business unit in 2007.

Result lags growth in volume

Strukton Worksphere's results for 2007 were slightly lower than those for 2006. Both order receipts and revenue, however, were higher than in the previous year, with a definite increase in long-term projects. This improvement was achieved in all four disciplines: electrical engineering, mechanical engineering, safety & security, and lifts. Growth was held back, however, not only by lack of personnel but also by very large investments in PPP projects and tenders for several other long-term contracts. These contracts complement Worksphere's growth strategy.

Price levels in the market for major newbuild projects are not yet in line with the staff shortage. Prices increased slightly in 2007 but not by enough to make up for sharp falls in previous years. Furthermore, more and more existing competitors are turning their attention to long-term maintenance, which has led to a marked fall in prices. This had little if any impact on Worksphere's growth but it did depress the margin. Although contract salary increases were limited in 2007, pressure on the market accelerated the rise in general salary levels. Temporary appointments to fill the vacancies also increased personnel expenses.

Staff shortage holds back growth

Strukton Worksphere makes a general distinction between projects and service management and maintenance. Service management and maintenance are concerned with customer intimacy. This calls for an organisation with locations close to the client and staff who can stand in the client's shoes and understand its processes. To operate successfully in this area, the company needs people with a flair for service and good communication skills. In project-based maintenance, the staff need to be multifunctional. In both areas, the labour market is tight and people with the specific qualities sought by Strukton Worksphere are particularly scarce. This means that growth opportunities are determined largely by Strukton Worksphere and Strukton's success in attracting, recruiting and binding good people. Staff satisfaction, training and education were accordingly recognised as priority areas in 2007. The training budget for 2007 was EUR 3.3 million.

The One company, One system, Two processes strategy plays an important role in recruiting and retaining good people. This strategy includes the further implementation of the Strukton-wide Challenging Clients approach. It makes a significant contribution to the staff's career opportunities because Strukton encourages entrepreneurship on the work floor and invests in staff competences and in a high level of 'fit to position'. Worksphere took steps in 2007 that will be continued in 2008. An Enterprising Management course was developed and is currently being rolled out so that everyone will have taken it by mid-2008. The course is a standard requirement for both managers and team leaders and is part of the management development programme. This approach also draws on the synergies available within Strukton. The fact that Strukton Worksphere works for many high-profile clients also increases its attraction as an employer.

Trend towards complete outsourcing

One feature of 2007 was the acceleration in the trend among large companies to outsource all their facility organisations, with many clients preferring to place responsibility for maintenance with a single provider. The opportunities for cooperation within Strukton enable Worksphere to respond effectively with a turnkey offer, often in cooperation with Strukton Construction & Property.

The outsourcing trend can also be seen at manufacturing companies but they tend to retain responsibility for the maintenance of their primary process equipment and outsource maintenance of their secondary process equipment. This requires very close cooperation between the maintenance departments of the manufacturer and of the hard service provider's management organisation.

On PPP concession projects, Strukton WorkspHERE is responsible for all services during the management phase. The lines between operational management, facility management (soft and hard services) and hard service management are blurring. It was therefore a logical step to combine all management activities for facility services in one organisation and to transfer Servica Facilitair's activities to Strukton WorkspHERE.

In the newbuild and renovation market clients are demanding more design, build, operate and maintain contracts. Given the increased sustainability and accompanying improvements in energy efficiency, this is a very welcome development in the light of corporate social responsibility. To meet the resultant demand, Strukton WorkspHERE considerably strengthened its project management organisation and set up a separate design department. The technical organisation was further strengthened with a dedicated management team and the hard services consultancy office was strengthened with an energy management and operational management consultancy service.

Knowledge growth through cooperation

Strukton WorkspHERE has a long-term collaborative relationship with Eindhoven University. In 2007, three installation architect students worked in the Solutions for Hard Services department on a project that also involved students from the ADMS faculty (Architectural Design Management Systems). Their task was to work out an innovative functional building concept for a service sector such as the care sector.

With a view to corporate social responsibility, a new contract was signed during the year with the supplier of the energy management package, Engage Active Energy Management, to improve the supply and analysis of energy consumption data in order to identify energy savings on the projects and sites. Several inspectors were also trained in the preparation of energy certificates in the general construction industry (EPA-U).

In partnership with KPN (fast optic fibre connections) and C&N (incident room technology), Strukton WorkspHERE developed an innovative turnkey concept for intelligent close circuit camera surveillance. Dedicated software and intelligent cameras record images at two incident rooms so that a single observation system can show the public domain and private space separately.

Good prospects through strong formulas

Most of the contracts with established clients were renewed for one or more years during 2007. Clients know from experience that Strukton WorkspHERE's performance is excellent. The growing number of contracts evaluated by means of performance indicators shows that we keep our promise time after time and our performance-based contracts offer better value for money than a simple delivery contract. The trend towards performance-based contracts is expected to continue in 2008.

The total volume of long-term contracts in the portfolio increased significantly during the year. An illustrative example is the five-year management and maintenance contract signed at the beginning of 2007 for all the buildings of Equens Nederland B.V. (formerly Interpay). This turnkey contract for integrated services at both tactical and operational level is also expected to provide interesting newbuild and renovation engagements. In the course of the year an engagement was won from Stork SP Aerospace for the complete electrical engineering, mechanical engineering and safety and security services for an 11,000m² new office and production complex. At the Catharina Hospital in Eindhoven, Strukton WorkspHERE will renovate and enlarge the operating rooms in order to optimise the OR complex.

A satisfyingly large number of projects were won with Strukton Construction & Property and Strukton Civil in 2007. The joint concept has proven to be a particularly good formula for car parks. In maintenance, too, Strukton successfully won a number of large tenders after submitting a joint proposal. Joint tenders were submitted for four large PPP projects during the year. They intensified the cooperation but contributed chiefly to the development of knowledge on lifecycle costs in a variety of building-related environments. Strukton WorkspHERE expects to complete the final phase of a completely automated maintenance process in 2008. It will enable the company to offer complete transparency to users and clients and deliver real-time information on every step in the maintenance and disruption process.

Strukton WorkspHERE expects market developments in 2008 to be similar to those in 2007. There will be a reasonable increase in volume but only a limited improvement in prices and therefore margins. This will be aggravated by the year's delay between the indexation of many long-term maintenance contracts and actual cost developments. Nevertheless, the expected increase in volume, particularly in projects and long-term contracts, means the result should be distinctly higher than that for 2007.



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CORPORATE GOVERNANCE

Sound business practices, integrity, respect, supervision, transparent reporting and accountability are the pillars of the corporate governance policy at Strukton. For Strukton, corporate governance is determined by legislation, case law and codes of best practice from the countries in which it operates. Strukton voluntarily observes the Dutch Corporate Governance Code prepared by the Tabaksblat Committee for companies listed in the Netherlands even though a number of points are not applicable to it.

Strukton Groep NV is a limited company incorporated under Dutch law. It is managed by the Group Management Board and supervised by the Supervisory Board. All the shares in Strukton Groep NV are held by NS Groep NV.

Management

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Organisation of the company

Management

The Group Management Board has final responsibility for the entire company. It is responsible for management of the company. It sets the vision and the associated mission, strategy and goals. The business units' management teams are responsible for the formulation and implementation of their operating companies' strategies. Responsibility for management and day-to-day decisions at the business units also lies with the business unit's managers. The directors of the business units and the Group Management Board together form the Group Council. The Group Council prepares policy and advises the Group Management Board.

The Group Management Board is responsible for the transparent management of the company. To this end, management regulations have been drawn up and approved by the Supervisory Board. The Group Management Board conducts its tasks in the interests of the company. The Group Management Board provides the Supervisory Board with the information and resources it needs to carry out its task correctly on a timely basis.

The Group Management Board reports on the results for the past year once a year at the annual general meeting.

Supervisory Board

The Supervisory Board is responsible for supervising the Group Management Board, the policy conducted and general matters within the company and the companies associated with it. It also advises the Group Management Board. The Supervisory Board's performance is laid down in the regulations drawn up for the Supervisory Board.

1. Strukton is not listed and the 'one tier' provisions are not applicable. Furthermore, the provisions on the issuance of depositary receipts for shares are not applicable to Strukton.

The Supervisory Board evaluates the strategy and the related organisational structure and results. Responsibility for the correct conduct of its tasks lies with the Supervisory Board as a whole. The Supervisory Board conducts its tasks in the company's interests and to that end takes all the company's interests into account. The Supervisory Board is responsible for the quality of its own performance.

The Supervisory Board reports to the shareholder once a year on the supervision it conducted during the past year.

Relation with external stakeholders

In keeping with the company's importance and position, Strukton regularly publishes its results and announces important events by means of press releases and publications on its website.

Requirements and compliance

Appointment and remuneration of the Group Management Board

The members of Strukton's Group Management Board are appointed by the shareholder. In derogation from the Corporate Governance Code, the current members were appointed for an indefinite period of time and their service agreements will be respected. The shareholder sets the remuneration of the members of the Group Management Board after receiving the advice of the Supervisory Board.

Appointment, expertise and composition of the Supervisory Board

The Supervisory Board is appointed by the annual general meeting after consultation with the Central Works Council. The company has a Supervisory Board, the number of members being set by the annual general meeting. The following is taken into consideration when deciding upon the number of members:

- the size of the company;
- the composition of the company's portfolio of activities.

The Supervisory Board currently has three members. No special committees have been appointed. Strukton satisfies the provision of the Corporate Governance Code requiring all Supervisory Directors, with the exception of one at most, to be independent. By virtue of his position as member of the general management board of NS Groep NV (shareholder), Mr M. Niggebrugge does not qualify as an independent Supervisory Board member within the meaning of the Corporate Governance Code.

The Supervisory Board periodically evaluates the profile drawn up for it. In accordance with the Supervisory Board's profile and regulations, a Supervisory Board member may be appointed for a maximum of three terms of four years each. Upon reappointment, the performance of the Supervisory Board member concerned is evaluated. The Articles of Association and the Supervisory Board regulations also lay down that members must periodically stand down in agreement with a retirement schedule set by the Supervisory Board. The chairman is responsible for the correct performance of the Supervisory Board. The chairman also organises the introduction and training programme for the members and initiates the evaluation of the performance of the Supervisory Board and the Group Management Board. The chairman of the Supervisory Board may not be a former member of the Group Management Board.

Conflicts of interest/transactions with associated parties

The Supervisory Board is responsible for resolving any conflicts of interest between members of the Group Management Board, members of the Supervisory Board and the external auditor on the one hand and the company on the other. All decisions to enter into a transaction that might entail a conflict of interest with a member of the Group Management Board or Supervisory Board that is of material importance to the company and/or the member of the Group Management Board concerned shall require the approval of the Supervisory Board. Members of the Group Management Board and Supervisory Board shall immediately inform the chairman of the Supervisory Board (and the other members of the Group Management Board where a member of the Group Management Board is concerned) of any conflict of interest or potential conflict of interest of importance to the company and/or the members themselves and shall provide all relevant information. Transactions with the shareholder are limited and are conducted on arm's length conditions.

External auditor

The external auditor is appointed by the annual general meeting. The Supervisory Board is directly responsible for supervising the work of the external auditor. Together with the Group Management Board, the Supervisory Board evaluates the performance of the external auditor once every four years. The annual general meeting is informed of its conclusions. The external auditor attends meetings of the Supervisory Board that consider the external auditor's report on the audit of the financial statements and the adoption of the financial statements. The external auditor also attends the meeting of the Supervisory Board that considers the half-year results. The Group Management Board and the Supervisory Board took measures several years ago to ensure the auditor's objectivity and independence by restricting the other engagements awarded to it.

Regulations

Strukton has several sets of regulations regarding the performance of the various bodies or the rules applicable within Strukton. Information on the various bodies, regulations and the code of conduct applicable to the employees of Strukton can be found on the website www.strukton.com under 'Corporate Governance'. The regulations are reviewed from time to time and amended where necessary.

The regulations are:

- Articles of Association of Strukton Groep NV
- Code of conduct
- Procedures for dealing with suspected unethical conduct ('whistleblower scheme')
- Personal particulars of the Group Management Board members

The following have also been placed on the website:

- Profile of the Supervisory Board members
- Retirement schedule for the Supervisory Board members
- Personal particulars of the Supervisory Board members
- Regulations of the Supervisory Board

Like other companies, Strukton faces a range of commercial, operational and financial risks that are inherent in its operations. The company mitigates these risks through its focused market approach, flat organisational structure and strong emphasis on cooperation with clients and suppliers and among the Strukton companies.

Risk profile

Strategic Risk management

Risks within the company in relation to the strategy conducted are systematically identified and addressed. To identify and eliminate duplications, inconsistencies and gaps in existing risk management activities and internal controls, use is made of the COSO framework (Committee of Sponsoring Organizations of the Treadway Commission). Certain risks were again analysed during the past year and the main ones were evaluated. The main risks facing Strukton in relation to the agreed strategic objectives are:

Safety

This concerns the risk of operating activities leading to accidents, bodily injury, loss of reputation or being carried out in breach of health and safety regulations. From a technical point of view, Strukton's safety precautions fully comply with the highest standards. All parts of the company are ISO certified. In addition, the major business units have been awarded the VCA safety, health and environmental checklist certificate for construction companies. The quality, health & safety and environmental (KAM) systems are accessible to all employees. Externally accredited and certified institutions regularly audit these systems. Prevention is the top priority, and the safety policy considers human conduct as a risk factor (awareness). This risk is reduced to a minimum through careful planning and preparation, analyses of near misses and toolbox meetings.

Project management

Strukton frequently carries out work for third parties on a project basis. The complexity and extent of the work and hence of the size of the engagement can vary substantially. Depending in part on the form of contract, inaccurate estimates can lead to losses and negative cash flows. As part of its project monitoring procedures, Strukton has been using an advanced system for several years to identify and quantify risks. Using this model, the Group Management Board regularly assesses the company's risk profile.

Labour market and staff competences

To operate successfully, Strukton needs to have enough people with the right competences. The shortage on the labour market is a growing risk for the recruitment and retention of the right numbers of the right people. Strukton therefore invests in its position as preferred employer, especially in the creation of an attractive working environment in which people have an opportunity to develop their talents to the full.

Client wishes

Strukton depends on projects put out to tender by public and semi-public authorities for a large part of its revenue. Delays in political decision-making and adjustments in the investment budgets of public authorities influence the number of projects put out to tender. To create broad public support, Strukton focuses a great deal of attention during preparations on providing public information and advice. In addition, an increasing proportion of the revenue is derived from the private market and Strukton's own developments.

Capacity utilisation

Strukton is a capital-intensive company that manages a large, specialised equipment fleet, particularly in the field of rail infrastructure. Most of the equipment is owned by Strukton. The associated costs are depreciated over the useful life of the equipment. If Strukton is unable to use the equipment profitably, there is no immediate cash outflow but there is a negative impact on the result. In addition, a large proportion of Strukton's staff are employed on a permanent basis. If staff cannot be deployed on projects at profitable rates, for example because there is insufficient work, this has a negative impact on the company's profitability and cash flow. Strukton Rail compensates for this through international expansion in the European market and by deploying equipment and staff internationally. The strategy of international expansion entails cooperation with local partners.

In a number of cases, major capital investments are shared with partners. Moreover, Strukton limits the risk of underutilisation through its policy of continuously increasing the proportion of non-project-related activities. This strategy is also reflected in the lifecycle approach adopted at all Strukton companies.

Economic cycle

Strukton's operations generally follow the level of economic activity at some delay. An economic downturn can have a negative impact on business investments and thus on revenue. Because Construction & Property and Workspere frequently work for private clients, these activities are the most sensitive of all Strukton's operations to the economic cycle. The company therefore seeks a situation in which a substantial proportion of revenue is generated by long-term and recurrent engagements.

Strategic planning process and references

This concerns the risk of weaknesses in the strategic planning process and Strukton's competences preventing the timely formulation and implementation of new, promising long-term targets and strategies. Furthermore, this risk highlights the growing importance of having sufficient relevant references (track record) to be considered when work is contracted. Consolidation of companies in certain market segments can influence competitiveness.

Internal control systems

The Group Management Board is responsible for the company's internal risk management and control system and for evaluation of the system's effectiveness. Strukton has an internal control system to manage the risks associated with the operations and the achievement of corporate goals, to monitor the effectiveness and efficiency of business processes and the consistency of accounting processes.

The risk management framework is implemented throughout the group. Responsibility for the control system lies primarily with the business units themselves. Risk assessments are an integral part of the company's annual planning and control cycle, which is discussed annually with the Supervisory Board.

The risk management and control system for accounting purposes is based on the Strukton code of conduct; clear accounting rules are laid down in the Strukton Reporting Manual and in the standardised reporting structure. The main business units are subject to audit as though they had an autonomous duty of publication. The external auditor's activities are carried on with a view to issuing a report on the financial statements each year. The external auditor is appointed by the shareholder and reports to the Supervisory Board. The activities required for the auditor's report are agreed in consultation with the Group Management Board and are extended to cover specific risks, business processes or locations that the Supervisory Board or Group Management Board believes require more detailed work. Recommendations arising from the external audit are reported at every level to and followed up by the Group Management Board. The Group Management Board reports thereon to the Supervisory Board.

Risk management framework

Relevant parts of the risk management framework include the code of conduct, the Group Management Board regulations, the power of representation, the planning and control cycle and the reports thereon.

Code of conduct

The code of conduct is posted on the Strukton website. The code of conduct was recently revised and distributed to all members of staff. The code of conduct includes the whistleblower scheme. The whistleblower scheme enables members of staff to report suspected irregularities to a counsellor, the Group Management Board or the Supervisory Board.

Regulations of the Group Management Board and power of representation

Regulations are in place for the Group Management Board and the managers of the business units. In addition to provisions on tasks, responsibilities and approval procedures, they include provisions on the power of representation. Each member of the Group Management Board has personal power of representation, including the power to sign documents, as do officers designated by the Group Management Board, with due regard for the restrictions lodged with the Chamber of Commerce.

Reporting structure

The reporting structure within Strukton agrees with the management structure at the individual business units. Responsibility for introducing and ensuring the effectiveness of controls lies with the Group Management Board. The success of the controls is measured by means of self-assessment by the managers of the business units and by the regular determination of the adequacy of the internal control system by means of exception analysis.

Conclusions on the performance of the risk management and control system

In the light of the systems described above, the frameworks put in place and the associated reporting structure, in our opinion the risk management and control system is adequate and operated correctly during the year. The Group Management Board is also of the opinion that the financial statements do not include any material inaccuracies. There are no indications at present that the risk management and control system will not operate correctly in 2008.

Utrecht, 4 March 2008

The Group Management Board

G.A. Witzel, chairman

R.T.A. Steenvoorden

We are pleased to present the 2007 financial statements of Strukton Group as prepared by the Group Management Board. The financial statements were audited by the external auditor, KPMG Accountants NV. The unqualified auditor's report is reproduced on page 93. The financial statements were discussed with the Group Management Board in the presence of the external auditor. Based on this meeting, we have concluded that the financial statements form a sound basis for our Board's accountability for the supervision it conducted. We recommend that the shareholder adopt the 2007 financial statements and approve the proposal to declare a dividend for 2007 of EUR 6 million (payout ratio of approximately 40%) and to add the remaining amount of EUR 9.3 million to general reserves. We propose that you endorse the Group Management Board's management in the past year and the Supervisory Board's supervision thereof.

Report of the Supervisory Board

Result and strategy

As noted in the report of the Group Management Board, it is disappointing to note that the result for the year was lower than that for 2006. This was due in part to the very high cost of open PPP projects and the fact that a number of non-recurring income items had been recognised in 2006. Despite the Back on Track programme introduced in 2006, Construction & Property again reported a disappointing result in 2007. We shall closely follow the additional measures that have been taken.

The company's strategy was reviewed in the past year and the Supervisory Board found that it had been implemented consistently. Despite the lower result for 2007, profitability has on the whole improved in recent years. With the order book standing at EUR 1.2 billion at the end of 2007, Strukton is in good shape and the company is making good progress with its targeted implementation of the strategy. The company has identified growth areas and has the necessary financial resources to achieve further growth. Progress was again made towards the long-term goal of moving away from project-based activities towards more service and maintenance-based activities. We are therefore confident of the future.

Supervision and consultation

The Supervisory Board and the Group Management Board met on eight occasions during the year, with no member being frequently absent. In the exercise of the Supervisory Board's supervisory tasks, the regular meetings considered the company strategy and related choices, the general course of affairs, the development of the result, the remuneration of directors, investments and corporate governance. In respect of good governance, the tenders for a number of large and complex projects were discussed with the Group Management Board. Particular attention was paid during the year to a variety of acquisition and international expansion opportunities. The acquisition of DCN (diving activities), DMI (soil injection) and the German company Georg Reisse (railway construction) and the increase in the interests in Jernbaneservice of Norway and Svensk Banproduktion of Sweden to 100% were discussed in detail with the Group Management Board.

The Supervisory Board considered the negative development of Construction & Property's results in detail. In addition to the international expansion of Strukton Rail, the integration of Worksphere into the Strukton organisation was discussed. Items considered included the further strengthening of the project organisation and the problems in the labour market facing the company. The Supervisory Board consulted the external auditor to discuss its audit findings.

Several informal meetings were held among the Supervisory Directors themselves. The performance of the Group Management Board, the Supervisory Board and the individual members was discussed at a meeting not attended by the Group Management Board. One of the subjects discussed was the further training or education of the members of the Supervisory Board. As is customary, there was frequent contact between the chairman of the Supervisory Board and the chairman of the Group Management Board.

The Supervisory Board was represented at two meetings of the Central Works Council. The Supervisory Board also paid a working visit to CLF Spa. This Italian railway company in which Strukton has a 40% interest has grown strongly in recent years. The Supervisory Board also attended strategy meetings in the presence of the Group Management Board and the directors of the main business units.

There were no conflicts of interest within the meaning of the Dutch Corporate Governance Code during the year. Revenue for the year from the shareholder's business units amounted to only EUR 49 million, with prices being set on applicable market conditions.

Composition of the Group Management Board and the Supervisory Board

There were no changes in the composition of either the Group Management Board or the Supervisory Board of Strukton Groep NV in 2007. Strukton's profile and disciplines are clearly reflected in the composition of the Supervisory Board. The Supervisory Board has three members, two of whom are independent within the meaning of the Corporate Governance Code. In view of his position at the shareholder, Mr Niggebrugge cannot be deemed to be independent within the meaning of the Corporate Governance Code. Particulars on each member of the Supervisory Board are given on page 40 of this annual report. A fixed item on the annual agenda is the evaluation of the Supervisory Board's profile and regulations. Both have been updated and published on the Strukton website. Given the current size of the Supervisory Board, the Supervisory Board has decided to exercise its tasks collectively and not to appoint specialist committees.

At the annual general meeting of 8 March 2007, Mr De Ruyter was reappointed for a period of four years. The terms of Messrs Niggebrugge and Den Besten will end at the annual general meeting in 2009.

Under the motto Challenging Clients, Strukton again achieved strong growth in 2007. We have every confidence that the company is in good condition and is on course to rise to the challenges of the future. This is all thanks to the efforts of the Group management Board and all members of staff, for which we are extremely grateful.

Utrecht, 4 March 2008

M. Niggebrugge, chairman

R. den Besten

C.A. de Ruyter

GROUP MANAGEMENT BOARD

Gerrit A. Witzel (1951)

Chairman

Nationality	Dutch
Joined Strukton	1998
External positions	Supervisory Board chairman, G. Wijma & Zonen Advisory Board member, P3BI (research consultancy specialising in spatial development, construction and the infrastructure) Board member NABU (Association of Dutch building contractors with interests abroad) Board Member EIC (European International Contractors) TSM Business School, Governing Board, Executive MBA for the construction industry
Previous positions	Managing Director Ballast Nedam International

Raymond T.A. Steenvoorden (1964)

Member

Nationality	Dutch
Joined Strukton	2002
External positions	Supervisory Board member, Energy Capital Partners Board member FINEM (financial and economic management association)
Eerdere functies	Ernst & Young Accountants Ballast Nedam NV Independent consultant in the United Kingdom

Composition of the Group Management Board and Supervisory Board

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SUPERVISORY BOARD

M. Niggebrugge (1950)

Chairman

Nationality	Dutch
First appointment	2001
Position	Managing Board member, N.V. Nederlandse Spoorwegen
Supervisory directorships/ other positions	Koninklijke Boskalis Westminster N.V. Eurofima Zwitserland (president) Executive Board member, VNO-NCW Advisory Board member NS Vastgoed Supervisory Board member, Diakonessenhuis
Previous positions	Koninklijke Shell Groep

R. den Besten (1940)

Nationality	Dutch
First appointment	2001
Supervisory directorships/ other positions	NH Hoteles (chairman) Stena Line Holland Advisor Macquarie European Investment Fund Supervisory Board chairman, Nederlands Scheepvaart- museum Amsterdam Various consultancies
Previous positions	Management Board chairman, NV Nederlandse Spoorwegen President & CEO, NV Luchthaven Schiphol Non-executive director, Network Rail Ltd. (UK)

C.A. de Ruyter (1943)

Nationality	Dutch
First appointment	1999
Supervisory directorships/ other positions	Non-executive director Medanito Groep (Argentina) Non-executive director Het Grote Wiel Ltd. Delta Sunergy i.o. BV CEO
Previous positions	General director, NBM President, Kvaerner Chemicals and Polymers (Engineering) (Londen) Executive Board chairman, IHC Caland Advisory Board member, ABN-AMRO

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Consolidated balance sheet

(x EUR 1,000)

	Notes	31-12 07	31-12 06
ASSETS			
Non-current assets			
Property, plant and equipment	(1)	128,464	117,005
Intangible assets	(2)	95,508	96,306
Investment property	(3)	3,270	3,249
Associates	(4)	18,462	14,650
Other investments	(5)	21,638	11,176
Deferred tax assets	(6)	1,587	1,708
		268,929	244,094
Current assets			
Inventories	(7)	32,585	37,868
Trade and other receivables	(8)	250,547	262,414
Construction work in progress	(9)	112,306	84,395
Current income tax assets		190	1,288
Cash and cash equivalents	(10)	133,762	86,587
		529,390	472,552
Total assets		798,319	716,646
EQUITY AND LIABILITIES			
Issued capital		2,269	2,269
Other reserves		163,651	140,580
Retained earnings		15,310	30,611
Equity attributable to equity holders of the company		181,230	173,460
Minority interest		-	291
Total equity	(11)	181,230	173,751
Non-current liabilities			
Loans and borrowings	(13)	111,310	96,796
Provisions	(14)	5,077	3,930
Deferred tax liabilities	(6)	10,813	29,520
		127,200	130,246
Current liabilities			
Trade and other payables	(15)	300,726	295,319
Bank overdraft		46,234	15,351
Construction work in progress	(9)	135,476	92,756
Current income tax liability		6,659	8,056
Provisions	(14)	794	1,167
		489,889	412,649
Total equity and liabilities		798,319	716,646

Consolidated income statement

(x EUR 1,000)

	Notes	07	06
Revenue	(16)	1,144,797	954,976
Cost of raw materials, equipment and outsourced work	(17)	598,614	526,748
Personnel expenses	(18)	306,320	239,086
Other operating expenses	(19)	192,283	133,192
Total operating costs		1,097,217	899,026
Result of associates	(4)	2,978	2,396
Operational result (EBITDA)		50,558	58,346
Amortization of intangible assets and depreciation of property, plant and equipment	(1)(2)	24,213	18,734
Impairment of intangible assets and property, plant and equipment	(1)(2)	150	400
		24,363	19,134
Operating result (EBIT)		26,195	39,212
Finance income	(20)	3,463	4,117
Finance expenses	(20)	8,167	4,463
Profit before income tax (EBT)		21,491	38,866
Income tax expense	(21)	6,181	7,837
Profit for the period		15,310	31,029
<i>Attributable to:</i>			
Equity holders of the company		15,310	30,611
Minority interest		-	418
Profit for the period		15,310	31,029

Consolidated statement of recognised income and expense

(x EUR 1,000)

	07	06
Issued capital	2,269	2,269
Other reserves	140,580	102,857
Retained earnings	<u>30,611</u>	<u>37,925</u>
Equity attributable to equity holders of the company at year-begin	173,460	143,051
Minority interest	<u>-</u>	<u>-</u>
Total equity at beginning of the year	173,460	143,051
Result for the period attributable to:		
Equity holders of the company	15,310	30,611
Minority interest	-	418
Profit for the period	<u>15,310</u>	<u>31,029</u>
Effective portion of changes in fair value of cash flow hedges	1,160	(202)
Exchange differences	(572)	-
Exchange differences of minority interest	-	86
Other changes	<u>(478)</u>	<u>-</u>
Income and expenses recognised directly in equity	110	(116)
Total recognised income and expense for the period	15,420	30,913
Dividend distributed	(7,650)	-
Recognition minority interest	-	202
Derecognition minority interest	<u>-</u>	<u>415</u>
Total equity at year-end	181,230	173,751
Minority interest	<u>-</u>	<u>291</u>
Equity attributable to equity holders of the company at year-end	181,230	173,460

Consolidated statement of cash flows

(x EUR 1,000)

	Notes	07	06
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before income tax		21,491	38,866
Income tax expense		6,181	7,837
		15,310	31,029
Depreciation, amortization and impairment losses		24,363	19,134
Movements in provisions		(19,335)	5,589
		5,028	24,723
Result of associates net of dividend		(2,978)	(2,396)
Movements in working capital:			
- Construction work in progress / other inventories		23,929	7,998
- Accounts receivable		42,057	(55,473)
- Current liabilities, excluding bank overdraft		(24,923)	18,454
Cash flow from operating activities		58,423	24,335
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisitions of intangible assets		(4,921)	(90,600)
Acquisitions of property, plant and equipment		(30,258)	(21,085)
Acquisitions/disposals of group companies		(8,328)	(9,017)
Acquisitions/disposals of associates		33	-
Disposals of property, plant and equipment, including other changes		3,287	2,846
Other changes in shares in associates		58	(150)
Decrease/increase in other investments		642	(5,448)
Cash flow from investing activities		(39,487)	(123,454)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of subordinated loans		-	(5,672)
Drawn interest-bearing loans		6,781	86,598
Repayment of interest-bearing loans		(4,538)	(1,962)
Dividend distributed		(7,650)	-
Other changes		2,763	(1,616)
Cash flow from financing activities		(2,644)	77,348
Recapitulation of cash flow			
From operating activities		58,423	24,335
From investing activities		(39,487)	(123,454)
From financing activities		(2,644)	77,348
TOTAL CASH FLOW		16,292	(21,771)
Cash and cash equivalents at year-begin		71,236	93,007
Cash and cash equivalents at year-end		87,528	71,236
Change in cash and cash equivalents	(24)	16,292	(21,771)

Notes to the consolidated financial statements

ACCOUNTING POLICIES

Reporting entity

Strukton Groep N.V. is a holding company that directly or indirectly owns participating interests in a number of companies collectively known as Strukton. Strukton Groep N.V. has its registered offices in Maarsse and is based in Utrecht.

The 2007 consolidated financial statements of the company include the company and its subsidiaries (collectively referred to as the "Group") and the interests of the Group in associates and entities over which joint control is exercised. The core activities of Strukton cover the areas of Rail, Civil, Construction and Property, Full Service Accommodation Provider and Integrated Projects. A list is filed with the trade register at Utrecht of the group companies and other participating interests of Strukton Groep N.V. showing the companies that are involved. A statement of joint and several liability has been filed for a number of group companies. nv Nederlandse Spoorwegen owns all the shares of Strukton Groep N.V.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use within the European Union (EU-IFRS). The consolidated financial statements were issued on 4 March 2008 by the management.

Policies applied for the consolidated financial statements

The consolidated financial statements are presented in euros, serving as the company's functional currency. All the financial figures in euros have been rounded to the nearest thousand. The consolidated financial statements are prepared on the basis of historical cost, unless otherwise indicated.

The policies for financial reporting set out below have been applied consistently to all the periods presented in these consolidated financial statements.

The entities that belong to the Group have consistently applied the accounting policies.

Consolidation principles

Subsidiaries (full consolidation)

Subsidiaries are those entities controlled by the company. The company is supposed to control an entity when the Group is in the position, directly or indirectly, to determine the financial and operating policy of an entity so as to obtain benefits from the entity's activities. The financial statements of the subsidiaries are fully incorporated in the consolidated financial statements as from the date that control commences until the date that control ceases.

Joint ventures (proportional consolidation)

Joint ventures are those entities in which the Group has joint control with third parties, with this control laid down in an agreement. The consolidated financial statements include the proportionate share of the Group in the assets, liabilities, income and expenses of the entity, with items of a similar nature being combined on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

Associates (equity method)

Associates are entities in which the Group has significant influence on the financial and operational policy, but over which it does not have control. The consolidated financial statements include the Group's share in the overall result of non-consolidated investments in accordance with the equity method, after adjustment of the policies in accordance with the Group's policies, from the date that significant influence commences until the date that significant influence ceases.

Participating interests without significant influence

Participating interests without significant influence are stated at fair value. If the fair value cannot be determined reliably, valuation is at cost.

Elimination of transactions on consolidation

Intra-group balances and any unrealised gains and losses on transactions within the Group or income and expenses from similar transactions are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses from transactions with investments are eliminated in accordance with the equity method in proportion to the Group's share in the investment.

Foreign Currency

Foreign currency transactions

Transactions denominated in foreign currency are translated into euros at the foreign exchange rate applying at the date of transaction. Foreign currency monetary assets and liabilities are translated into euros at the foreign exchange rate applying at the balance sheet date. Translation gains and losses are taken to the income statement.

Non-monetary assets and liabilities in foreign currency and measured at historical cost are translated at the exchange rate applicable at the transaction date.

Financial statements of foreign operations

The assets and liabilities of foreign operations are translated into euros at the applicable exchange rate as at balance sheet date. Exchange differences are taken directly to the reserve for exchange differences in capital and reserves. Translation differences are transferred upon the full or partial disposal of foreign subsidiaries, joint ventures and participating interests to the income statement account. Income and expenses of foreign operations are translated into euros at the approximated exchange rate at transaction date.

Derivative financial instruments

The Group uses interest rate swaps to hedge interest rate risks arising from group and project financing. The interest rate swaps are carried at fair value, which is equal to the present value of the expected future cash flows.

Hedge accounting is generally applied with respect to the agreed interest rate swaps in accordance with the cash flow hedging guidelines. Changes in the fair value of interest rate swaps that serve to hedge the interest rate risk arising from future interest rate payments are taken directly to equity to the extent that the hedge can be classified as effective. The deferred amounts in equity are taken to the income statement as soon as the future interest coupons are taken to the result. For the portion of which the effectiveness of the hedge cannot be shown, the change in the value is taken to the income statement. When the interest rate swap is sold or terminated, or if the transaction can no longer be shown to be effective, the cumulative gains or cumulative losses at that moment are taken to equity until the basic hedged position is settled. At that moment, the cumulative gains or cumulative losses will immediately be transferred to the income statement.

Property, plant & equipment

Recognition and measurement

Property, plant and equipment are measured at cost, less cumulative depreciation and impairment losses. The cost of self-constructed assets includes materials and equipment, direct labour and a reasonable proportion of the indirect production overheads and - where relevant - the estimated cost of dismantling and removing the asset and restoring the site on which the asset is located. Purchased software that forms an integral part of the operation of the related equipment is capitalised as part of relevant equipment.

When property, plant and equipment consist of components that have different useful lives, these components are accounted for as separate items (significant components) under property, plant and equipment.

Costs after first-time inclusion

The cost of replacing a component of property, plant and equipment is included in the carrying amount of that asset if it is probable that the future economic benefits of the asset in question will accrue to the Group and if the cost of the assets can be reliably determined. The costs of the day-to-day maintenance of property, plant and equipment are charged to the income statement when incurred.

Depreciation

Depreciation is charged to the income statement according to the straight-line method based on the estimated useful life of each component of property, plant and equipment. Every component of an item of property, plant and equipment with a substantial cost in relation to the overall cost of the asset is depreciated separately, except for:

- Land, which is not depreciated (except for paved surface);
- Assets under construction, which are stated at incurred costs.

Depreciation methods, useful life and residual value are reassessed at the reporting date.

Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill is recognised in the acquisition of subsidiaries, associates and joint ventures. Goodwill equals the difference between the cost of the acquisition and the fair value of the net identifiable assets and liabilities at the moment of the transaction. Each year, an impairment test is carried out.

Negative goodwill from an acquisition is taken directly to the income statement.

Other intangible assets

Other intangible assets with a finite life acquired by the Group are stated at cost, less cumulative amortization and cumulative impairment losses.

Expenses after initial recognition

Subsequent expenditure on capitalised intangible assets is capitalised only if the future economic benefits contained in the specific assets to which the expenditure relates are increased. All other expenses, including internally generated goodwill and trademarks, are charged to the income statement when they are incurred.

Amortization

Amortization is charged to the income statement on a straight-line basis over the estimated useful life of the intangible assets, with the exception of goodwill, from the date of becoming operational.

Investment property

Recognition and measurement

Investment property is property which is held either to earn rental income or for capital appreciation, or for both.

Investment property is measured at cost, less cumulative depreciation and impairment losses. Investment property for own use is reclassified as property, plant and equipment.

The fair value of the investment property is disclosed in the notes to the consolidated financial statements. The fair value is based on the market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Depreciation of investment property

Depreciation is charged to the income statement according to the straight-line method based on the estimated useful life of each component. Depreciation rates correspond with those of the categories of property, plant and equipment. The method of depreciation, useful life and residual value are reassessed at the reporting date.

PPP receivables

PPP receivables concern concession payments still due from public bodies (authorities) in connection with PPP concession projects. The non-current portion of the PPP receivables is recognised as financial assets. The non-current portion of the PPP receivables is accounted for under trade and other receivables. Upon initial recognition in the consolidated financial statements, PPP receivables are stated at fair value and subsequently at amortised costs using the effective interest rate method. The interest rate applied is virtually equal to the interest rate (after hedging) of the associated non-recourse PPP loan.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and cost of selling. The cost of the inventories is based on the average purchase or cost price and includes expenses incurred in acquiring the inventories and the associated costs of purchase. The cost of manufactured inventories includes an appropriate share of the indirect overheads based on normal production capacity.

Construction work in progress on behalf of third parties

Construction contracts concern the gross amount to be invoiced for the contract work performed to reporting date still to be collected by the client. This item is stated at cost plus profit recognised to date, less invoiced instalments and recognised losses. The cost comprises all the expenses directly attributable to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal production capacity. Projects are presented on the balance sheet as receivables from or payables to the client for the contract. A receivable is created if the amount of the expenses incurred (including the recognised result) exceeds the amount of the invoiced instalments. It constitutes a payable if the amount of the expenses incurred (including the recognised result) is lower than the invoiced instalments.

Trade and other receivables

Trade and other receivables are stated at cost, less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

Assets held for sale

Non-current assets (or groups of assets and liabilities being sold) of which the carrying amount is expected to be primarily realised through a sales transaction rather than through their continued use, are classified as 'held for sale'. Immediately before this classification, the assets (or the components of a group of assets being sold) are revalued in accordance with the Group's accounting policies. Subsequently, the assets (or a group of assets to be sold) are stated at the lower of carrying amount and fair value (less cost of selling in both cases). An impairment loss on a group of assets for sale is allocated to goodwill in the first instance, and subsequently in proportion to the remaining assets and liabilities. Impairment losses arising from the initial classification and gains or losses from revaluation after initial recognition are taken to the income statement.

Impairment

Financial assets

A financial asset is considered to be impaired if there are objective indications that one or more events has had a negative effect on the expected future cash flows of that asset. An impairment loss for a financial asset carried at amortised cost is calculated as the difference between the carrying amount and the present value of the expected future cash flows, discounted at the original effective interest rate. An impairment loss for a financial asset held for sale is calculated on the basis of the current fair value.

All impairment losses are charged to the income statement. A cumulative loss in respect of a financial asset available for sale that was previously charged to equity, is transferred to the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. With respect to financial assets stated at amortised cost, the reversal is added to the income statement. In the case of financial assets available for sale, the reversal is taken directly to equity.

Non-financial assets

The carrying amount of the Group's non-financial assets, except for investment property, inventories and deferred tax credits, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there are such indications, an estimate is made of the recoverable amount of the asset in question. For goodwill and intangible assets that have an infinite useful life, or that are not yet operational, an estimate of the recoverable amount is made at each balance sheet date.

An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds the recoverable amount. Impairment losses are taken to the income statement.

The recoverable amount of an asset or a cash-generating unit equals the higher of the going-concern value and the fair value net of selling costs. In assessing the going-concern value, the estimated future cash flows are discounted to their present value using a discount rate that reflects both the current market assessments of the time value of money and the specific risks with respect to the asset.

Impairment losses on goodwill are not reversed. For other assets impairment losses recognised in prior years are assessed at each balance sheet date for indications that the loss may have decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Capital and reserves attributable to equity holders of the company

Reserves

The reserves comprise a reserve for exchange differences, a statutory reserve for participating interests, a hedging reserve and an actuarial reserve. The reserve for exchange differences covers all the gains and losses from the translation of the net investments of Strukton in foreign subsidiaries.

The statutory reserve for participating interests consists of undistributed results of participating interests, the distribution of which is bound by restrictions. The hedging reserve comprises the cumulative change in the fair value of hedging instruments related to hedged transactions that have not yet occurred or the hedged position not yet terminated. An actuarial reserve is formed for the cumulative change in the fair value of pension commitments resulting from changes in the actuarial assumptions.

Retained earnings

This item concerns the cumulative results from prior financial years net of the agreed dividends.

Subordinated loans

A loan is classified as a subordinated loan if subordinated to all the other recognised loans. Upon initial recognition in the consolidated financial statements, subordinated loans are stated at fair value (net of transaction costs) and subsequently at amortised cost using the effective interest rate method.

Loans and borrowings

Loans and borrowings concern liabilities for financing property projects, bank credit facilities, financial derivatives (non-current portion), employee benefits and other loans and borrowings. Redemptions falling due within one year have been stated under current liabilities.

Liabilities for financing property projects, bank credit facilities and other loans and borrowings

Upon initial recognition in the consolidated financial statements, liabilities for financing property projects, bank credit facilities, and other loans and borrowings are stated at fair value (net of transaction costs) and subsequently at amortised cost using the effective interest rate method.

Employee benefits

a. Defined contribution plans:

For defined contribution plans, the Group pays contributions on a mandatory, contractual or voluntary basis to pension funds or insurance companies. Apart from paying contributions, the Group has no other liabilities. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statements when the contributions are due.

b. Defined benefit schemes:

Defined benefit schemes are post-employment benefit plans other than defined contribution plans. The Group's net obligation for defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have accrued in return for their services in the current and prior periods. These benefits are discounted to determine the present value, and the fair value of the plan assets deducted from this. The yield as at balance sheet date of gilt-edged corporate bonds of which the term approaches that of the Group's obligations serves as the discount rate. The calculation is made by an accredited actuary in accordance with the 'projected unit credit' method. This method takes account of future salary increases as a result of employees' career opportunities and general wage trends, including adjustments for inflation. When the benefits of a plan are improved, the portion of the improved benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the entitlements vest immediately, the expense is recognised immediately in the income statement.

The Group takes actuarial gains and losses with respect to defined benefit plans directly to equity. When the plan assets exceed the obligations, the recognition of the assets is limited to the net total of any unrecognised past service pension costs and the present value of any currently available future refunds from the fund or lower future pension premiums.

c. Other non-current employee benefits:

The Group's net obligation for long-term employee benefits, other than pension plans, is the amount of future entitlements, such as long-service awards, bonuses and gratuities, that employees have accrued in return for their service in the current and prior periods. The liability is calculated using the 'projected unit credit method' and is discounted to the present value. The discount rate is the yield as at balance sheet date of gilt-edged corporate bonds of which the term approaches that of the obligations of the Group.

Any actuarial gains or losses are recognised in the income statement in the period in which they occur.

Provisions

A provision is formed on the balance sheet if the Group has a legal or constructive obligation as a result of an event in the past and of which a reliable estimate can be made, and it is probable that, to settle the obligation, an outflow of economic benefits will be required. Provisions are determined by discounting the estimated future cash flows.

The applied discount rate reflects the current market assessments of the time value of money and the risks specific to the obligation.

Reorganisation provisions

A reorganisation provision is formed if there is a detailed formal reorganisation plan and those who will be affected have valid expectations that the reorganisation will be effected by starting with the implementation of the plan or that the main features of the plan have been announced to those affected.

Guarantee commitments

A guarantee provision is recognised if the underlying products or services have been sold and delivered. This provision is formed for the costs that will have to be incurred to rectify deficiencies that become evident after the delivery, yet during the guarantee period. The provision is based on specific claims, with all the possible outcomes being weighed on the basis of the probability that they will indeed occur.

Other provisions

The other provisions comprise provisions for specific guarantees issued when participating interests are sold, risks of legal proceedings against Strukton Groep N.V. and/or its operating companies, redundancy arrangements and other relatively minor risks.

Trade and other payables, amounts payable to credit institutions and current income tax liability

Trade and other payables, amounts payable to credit institutions and current income tax liability are recognised at cost.

Revenue

Construction contracts

Contract revenues and costs are recognised in the income statement in proportion to the stage of completion of the contract with reference to a reliable estimate of the outcome of the relevant construction contract. Contract revenue comprises the amount agreed in the contract, variations in the work due to changes in the agreement, claims and performance bonuses to the extent that it is probable that these will generate income and can be reliably determined.

The stage of completion is assessed by reference to the ratio of the recognised costs to the total expected costs. If the outcome of a project cannot be estimated reliably, income is only recognised to the extent that the contract expenses in all probability can be recovered.

Expected losses on projects are taken directly to the income statement.

Service and maintenance contracts

Revenues from service and maintenance contracts are recognised in the income statement in proportion to the stage of completion of the transaction as at balance sheet date. The stage of completion is assessed by reference to surveys of work performed.

Revenue from inventory

Revenue from the sale of inventory is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration due is likely, the associated costs or possible returns of goods can be estimated reliably and when there is no ongoing management interest in the goods.

Concessions

During the operational phase, revenues from concession management comprises:

- the fair value of the delivery of the contractually agreed services;
- the interest income related to the investment in the project.

Revenue is recognised as soon as the related services are delivered. Interest is recognised as income in the period to which it relates.

Other

Other operating income includes results on investments, transaction results of participating interests, property transaction results and property, plant and equipment transaction results. Results on investments are recognised as soon as the right to receive payment is established. Transaction results are recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is likely, the associated costs can be estimated reliably and there is no ongoing management involvement in the relevant assets anymore.

Expenses

Lease payments under operational leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Finance income and expenditure

Finance income and expenditure comprises interest receivable on invested funds, exchange rate gains and gains on hedging instruments that are recognised in the income statement. Finance expenses comprise interest payable on borrowings, interest added to provisions, exchange rate losses, impairment losses on financial assets and losses on hedging instruments that are recognised in the income statement. Finance income and expenses that are directly attributable to the acquisition, construction or production of a qualifying asset are recognised as income/expense in the period in which they are incurred.

Government grants

Government grants are recognised if there is reasonable assurance that the entity will comply with the conditions attached to them and that the grants will be received. Government grants are deducted from the associated costs.

Tax on profits

Income tax comprises current and deferred income tax. Income tax is recognised in the income statement, except to the extent that it concerns items stated directly in capital and reserves, in which case the tax is recognised in equity. Current income tax liability for the financial year and losses carried forward and back is the tax expected to be paid on taxable income for the financial year, based on tax rates enacted or substantially enacted at the balance sheet, and any adjustments to tax payable for prior years.

Deferred tax liabilities are recognised using the balance sheet liability method, with a provision formed for temporary differences between the carrying amounts of assets and liabilities for financial accounting purposes and the amounts used for taxation purposes. Deferred tax liabilities are not recognised for the following temporary differences: the initial recognition of goodwill, initial recognition of assets and liabilities in a transaction that does not involve a business combination and that affects neither the accounting nor the taxable profit, and differences relating to investments in subsidiaries and entities over which joint control is exercised to the extent that they are unlikely to be settled in the foreseeable future.

Deferred tax liabilities are measured using tax rates expected to apply when the temporary differences are reversed, based on legislation enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available for the realisation of the temporary difference. At each balance sheet date, deferred tax assets are reviewed and reduced to the extent that it is no longer probable that the corresponding tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Strukton Groep N.V., with the majority of its wholly-owned domestic participating interests, forms part of the tax entity of nv Nederlandse Spoorwegen: On the grounds of this tax entity, the company is jointly and severally liable for the tax debt of the tax entity as a whole. Within the tax entity, Strukton Groep N.V. is treated as an autonomous taxable entity.

Discontinued operations

Discontinued operations are part of the Group's activities which represent an important separate activity of a separate important geographic business area that is sold or held for sale, or a subsidiary that was acquired with the sole aim of selling it on. Discontinued operations are qualified as such upon disposal or, if earlier, when the business activity satisfies the criteria for classification as held for sale. When an activity is classified as discontinued, the comparative figures in the income statement are restated as if the activity had been discontinued at the beginning of the comparative period.

New standards and interpretations not yet applied

The following standards and interpretations not yet effective in 2007 were not applied to these financial statements:

- IFRS 8 - Operating Segments. This standard does not apply to Strukton Groep N.V. and would therefore not have resulted in adjustments if it had already been applied in 2007;
- IAS 23 - Borrowing Costs. In the revised version of IAS 23 the existing option to report finance charges immediately as finance expenses or to capitalise them disappears. According to the revised regulations an entity should capitalise as part of the costs of an eligible asset the finance costs directly attributable to the acquisition, construction or production of that asset. In 2009 the revised version of IAS 23 becomes compulsorily applicable to the annual financial statements of the Group and will represent a system change for the Group. In accordance with the transitional provisions the Group will apply the revised IAS 23 to eligible assets for which capitalisation of the finance expenses commences on or after the date of entry into effect;
- IFRIC 11 - Group and Treasury Share Transactions. This interpretation does not apply to Strukton Groep N.V. and would therefore not have resulted in adjustments if it had already been applied in 2007;
- IFRIC 12 - Service Concession Arrangements. This 'interpretation' provides guidelines for certain valuation and processing aspects of the reporting of concession agreements in the case of public-private partnerships. This standard will become compulsorily applicable in 2008. If this interpretation had already been applied in 2007, it would not have resulted in material changes in the financial statements;
- IFRIC 13 - Customer Loyalty Programmes. This 'interpretation' deals with the reporting of customer loyalty programmes applied by entities or in which they participate in another manner. The interpretation deals with the reporting of programmes in the case of which the customer can exchange loyalty points for awards such as free or cheaper goods or services. IFRIC 13, which becomes compulsorily applicable to the Group's financial statements in 2009, will not affect the consolidated financial statements;
- IFRIC 14 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. (Restriction of the assets by virtue of agreed pension plans, minimum cover requirements and their interrelationship.) This interpretation clarifies when refunds or lower future pension contributions under agreed pension plans are regarded as available and deals with the impact of minimum funding requirements on such assets. It also indicates when a minimum funding requirement can result in the inclusion of an obligation. In 2008 IFRIC 14 will become compulsorily applicable to the Group's annual financial statements and has to be applied retrospectively. Application of this interpretation will not result in material changes to Strukton Groep's annual financial statements.

Policies for the consolidated cash flow statement

The cash flow statement is drawn up according to the indirect method. Exchange gains and losses are taken directly to the items concerned. The inventories, receivables, debts, provisions, and debts to credit institutions included in acquisitions are incorporated in the cash flow statement under investing activities.

SIGNIFICANT ESTIMATES AND ASSUMPTIONS IN THE CONSOLIDATED FINANCIAL STATEMENTS

The preparation of the consolidated financial statements requires the management to make judgements, estimates and assumptions that influence the application of the policies and the reported values of assets and liabilities and of income and expenses. The estimates and corresponding assumptions are based on experiences from the past and various other factors that could be considered reasonable under the circumstances.

The actual outcomes may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised or in future periods if the revision has consequences for these periods.

The most important elements of the estimation uncertainties are listed below.

Results taken on projects

As soon as the outcome of a project can be estimated reliably, contract income and expenses are recognised in the income statement in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to the ratio of the recognised costs to the total expected costs. Loss provisions on projects are recognised if it is known that the costs will exceed the revenues of a project. For each project, the project leader and the management assess this on a regular basis. This assessment is based on the project accounting, the project monitoring system, project files and the knowledge and experience of those involved. Using estimates is an inherent part of this process. Especially long-term projects run the risk of reality differing from the estimates. The past has shown that the assessments on which the project provisions are based are generally sufficiently reliable.

Performance bonuses and claims on projects

Bonuses on projects are taken if projects have made sufficient progress, the amount of the bonus can be reliably determined and it is probable that specified performance standards will be met or that they will be exceeded. Claims are recognised if the amount of the claim can be determined reliably.

Reorganisation provision

The recognised reorganisation provision is based on a detailed formal reorganisation plan. A reorganisation provision is only recognised if a reliable estimate can be made.

Guarantee commitments

The provision for guarantee commitments is based on specific claims, with all the possible outcomes being weighed on the basis of the probability that they will indeed occur.

Provision for bad debts

The provision for bad debts is calculated statistically based on an individual assessment of all the outstanding receivables, with an estimate being made of the risk of uncollectibility of each of the receivables. This estimate is based on historical experiences, information about the relevant debtor among those involved, correspondence, etc.

Defined benefit plans and employee benefits

The most important actuarial principles at the basis of the recognised pension obligations and other employee benefits are included in the notes to the relevant items.

Investment property

The main principles for determining the fair value of the investment property are included in the notes to this item.

Intangible assets

Goodwill is subject to annual impairment tests. In accordance with the business plan agreed for the next five years, the expected cash flows of each business unit are considered. With reference to a representative peer group for each business unit, a weighted average cost of capital (WACC) is calculated. The identified cash flows and the WACC form the basis of the discounted cash flow method for testing the goodwill. The Group has developed a standard method for this.

Impairment

In order to ascertain whether assets are impaired it is necessary to make an estimate of the recoverable amount. The recoverable amount of an asset or a cash-generating unit equals the higher of the going-concern value and the fair value net of cost of selling. If possible the fair value net of cost of selling is calculated on the basis of a binding sales contract in a commercial and objective transaction between independent parties. If there is no binding sales contract, but the asset is traded on an active market, the fair value net of cost of selling is equal to the market price of the asset net of cost of selling. If there is neither a binding sales contract nor an active market for an asset, the fair value net of cost of selling is based on the best information available to agree a price that could be achieved at balance sheet date from the sale of the asset in transaction between properly informed, willing and independent parties, net of the cost of selling. When calculating this value, account is taken of the results of recent transactions involving similar assets in the same business sector.

In assessing the going-concern value, the estimated future cash flows are discounted to their present value using a discount rate that reflects both the current market interest rate and the risks specific to the asset. The cash flow forecasts are based on reasonable and substantiated assumptions representing the best estimates by the management of the economic circumstances that will exist during the residual useful life of the asset.

FINANCIAL RISK MANAGEMENT

The Group pursues a strict policy focused on mitigating and managing present and future risks as best as possible and minimising the finance costs. This is achieved by general control measures - such as internal procedures and instructions - and specific measures focused on managing defined risks.

The financial risks facing The Group primarily concern interest rate risks, exchange rate risks and credit risks. The risk of fluctuations in currency rates and interest rates is hedged with the aid of various derivatives, with risks faced by the primary financial instruments being transferred to other contract parties. Interest rate and exchange risks are predominantly managed centrally. No speculative positions are taken.

Credit risk

The majority of clients consist of public organisations (public authorities) as a result of which the credit risk is minimal. In the case of delivery to commercial clients at values higher than a specific amount the credit risk is also included in assessment of the contract. A provision is formed in the case of uncollectibility.

Interest rate risk

Variable interest credits are exposed to changes in cash flows due to interest rate changes. The Group's policy is intended to conclude interest-bearing loans and borrowings, in this case financing and acquisitions, at a fixed rate. Interest rate swaps are agreed to this end.

Currency risk

The bulk of the Group's operations take place in the Euro zone. Incidental foreign currency positions are hedged with forward exchange contracts. The foreign currency risk in respect of the capital and reserves of foreign subsidiaries (not established in Euro countries) and long-term loans granted to such subsidiaries, the so-called translation risk, is not hedged.

Cash risk

Financial covenants have been agreed with financial institutions. The Group satisfied these objectives as at balance sheet date 31 December 2007. Among other things, the Group has a committed facility of EUR 325 million at its disposal. At 31 December 2007 EUR 80.5 million of this had been drawn (2006: EUR 80.5 million).

1. PROPERTY, PLANT AND EQUIPMENT	Land	Business buildings	Plant and machinery	Other equipment	Assets under construction	Total
As at 1 January 2006						
Cost	3,234	34,085	147,573	5,250	14,388	204,530
Cumulative depreciation and impairment	194	11,803	91,407	4,317	-	107,721
Book value	3,040	22,282	56,166	933	14,388	96,809
2006						
Carrying amount as at 1 January Consolidated through business combinations	3,040	22,282	56,166	933	14,388	96,809
Investments	1,900	7,938	4,672	2,348	14	16,872
Disposals	-	785	24,251	345	(4,296)	21,085
Impairment	113	1,288	475	165	-	1,981
Depreciation	-	-	-	-	-	-
Exchange differences	31	1,680	13,073	1,003	-	15,787
Deconsolidation	-	-	260	-	86	346
Other changes	-	-	-	-	-	-
	(88)	(6)	(136)	12	(121)	(339)
Book value as at 31 December	4,708	28,091	71,665	2,470	10,071	117,005
As at 31 December 2006						
Cost	4,933	44,441	179,216	17,780	10,071	256,441
Cumulative depreciation and impairment	225	16,350	107,551	15,310	-	139,436
Book value	4,708	28,091	71,665	2,470	10,071	117,005
2007						
Carrying amount as at 1 January Consolidation through business combinations	4,708	28,091	71,665	2,470	10,071	117,005
Investments	-	420	2,671	41	-	3,132
Disposals	1,014	3,572	26,949	1,982	(3,259)	30,258
Impairment	-	196	3,086	48	-	3,330
Depreciation	-	-	-	-	-	-
Exchange differences	45	1,783	15,378	1,358	-	18,564
Deconsolidation	-	-	(248)	-	(30)	(278)
Other changes	-	-	-	-	-	-
	140	26	(269)	345	(1)	241
Book value as at 31 December	5,817	30,130	82,304	3,432	6,781	128,464
As at 31 December 2007						
Cost	6,087	48,729	204,878	14,900	6,781	281,375
Cumulative depreciation and impairment	270	18,599	122,574	11,468	-	152,911
Book value	5,817	30,130	82,304	3,432	6,781	128,464

'Plant and machinery' includes:

- Plant and machinery used for production;
- Equipment used for carrying out contracts;
- Office equipment, computer equipment, telephone equipment, etc.

The 'assets under construction' item consists primarily of instalments for the acquisition of equipment that is not yet operational.

EUR 0.6 million is included under property, plant and equipment as surety for banks and/or other lenders (2006: 6.4 million)

Depreciation periods are based on the anticipated economic life of the assets.

- Foundations / Structural building work / Other 50 years
- Roofs / Heating / Ventilation 15 years
- Window frames / External walls / Gas / Electricity / Lifts 25 years
- Plant and machinery 3-10 years
- Other equipment 3-10 years

2. INTANGIBLE ASSETS

As at 1 January 2006

	Goodwill	Other intangible assets	Total
Cost	21,543	1,002	22,545
Cumulative amortization and impairment	13,167	428	13,595
Book value	8,376	574	8,950

2006

Carrying amount as at 1 January	8,376	574	8,950
Consolidated through business combinations	-	43,842	43,842
Investments	46,517	170	46,687
Disposals	-	-	-
Impairment	400	-	400
Depreciation	-	2,884	2,884
Exchange differences	117	-	117
Other changes	-	(6)	(6)
Book value as at 31 December	54,610	41,696	96,306

As at 31 December 2006

Cost	68,177	45,008	113,185
Cumulative amortization and impairment	13,567	3,312	16,879
Book value	54,610	41,696	96,306

2007

Carrying amount as at 1 January	54,610	41,696	96,306
Consolidated through business combinations	-	22	22
Investments	4,517	595	5,112
Disposals	-	-	-
Impairment	150	-	150
Depreciation	-	5,591	5,591
Exchange differences	(154)	-	(154)
Other changes	-	(37)	(37)
Book value as at 31 December	58,823	36,685	95,508

As at 31 December 2007

Cost	72,540	45,588	118,128
Cumulative amortization and impairment	13,717	8,903	22,620
Book value	58,823	36,685	95,508

The consolidation of intangible assets relates to the fair value adjustment of an acquired company, see section 30. The investment of goodwill concerns goodwill drawn on acquisitions, see section 30.

Impairment tests for cash flow generating units containing goodwill:

The Group measures its intangible assets in accordance with IAS 38 and IFRS 3.

In accordance with IAS 36, the Group performs an impairment test on capitalised goodwill at cash generating units. The discounted cash flow method is applied, assuming an infinite useful life. The cash flows are based on the relevant unit's business plans for a period of five years. For each cash generating unit, a discount rate (weighted average cost of capital (WACC)) has been determined with reference to a representative peer group. The forecast takes account of cash flows after tax.

The cash flows have been discounted at a net WACC (WACC after tax).

In accordance with IAS 36.44, the forecast years do not take account of expansion investments.

Goodwill per cash generating unit	Country	2007	2006
Group/Worksphere	Netherlands	44,437	44,437
Svensk Banproduktion	Sweden	4,571	2,803
Jernbaneservice	Norway	3,104	2,197
Colijn	Netherlands	3,830	3,830
La Mondiale	Belgium	1,192	1,343
Reisse	Germany	1,689	-
		58,823	54,610

The main assumptions and the method of quantifying per cash generating unit are:

Group/Worksphere

The 2006 financial statements inadvertently failed to state that the allocation of the goodwill acquired on acquisition of Worksphere was provisional in nature. This goodwill, which was acquired in 2006 on acquisition of Worksphere, has now been definitively allocated to Strukton Group as cash-flow-generating unit.

The test was performed on future cash flows in the Netherlands.

The cash flows are discounted at a net WACC of 11.0%.

Further growth was assumed for the business plan period and the residual value period.

Revenue of EUR 1,445 million is expected at the end of the business plan period.

The calculated recoverable amount exceeds the carrying amount of the recognised goodwill. The Group therefore did not recognise any impairment of the goodwill for Worksphere in this financial year.

Svensk Banproduktion

The test was performed on future cash flows in Sweden.

The cash flows are discounted at a net WACC of 11.1%.

Further growth was assumed for the business plan period. No further growth was included in the residual value period.

Revenue of EUR 133 million is expected at the end of the business plan period.

The calculated recoverable amount exceeds the carrying amount of the recognised goodwill. The Group therefore did not recognise any impairment of the goodwill for Svensk Banproduktion in this financial year.

Jernbaneservice/Colijn/Reisse

The test was performed on future cash flows.

The cash flows are discounted at a net WACC varying from 11.1% to 12.0%.

Further growth was assumed for the business plan period. No further growth was included in the residual value period.

The calculated recoverable amount exceeds the carrying amount of the recognised goodwill. The Group therefore did not recognise any impairment of the goodwill for Jernbaneservice, Colijn and Reisse in this financial year.

La Mondiale

La Mondiale involves a property project and therefore a limited life span of the cash flows.

This means the recognised goodwill was written off at the end of the property project.

The annual impairment of the goodwill corresponds with the revenue and profit recognition of the project.

In 2007, this impairment was EUR 0.2 million (2006: EUR 0.4 million).

3. INVESTMENT PROPERTY

	2007	2006
As at 1 January		
Cost	10,522	11,464
Cumulative amortization and impairment	7,273	7,280
Book value	3,249	4,184
Changes in financial year		
Carrying amount as at 1 January	3,249	4,184
Consolidated through business combinations	-	-
Investments	79	17
Disposals	-	-
Impairment	-	-
Depreciation	58	63
Exchange differences	-	-
Deconsolidation	-	-
Other changes	-	(889)
Book value as at 31 December	3,270	3,249
As at 31 December		
Cost	10,601	10,522
Cumulative amortization and impairment	7,331	7,273
Book value	3,270	3,249

The fair value of the investment in property as at 31 December 2007 is EUR 3.3 million (2006: EUR 3.2 million). This value was assessed independently and professionally.

The investment property relates exclusively to two investment properties in Belgium.

Depreciation is based on the expected useful life of the assets:

- Foundations / Building shells / Other 50 years
- Roofs / Heating / Ventilation 15 years
- Casing / Exterior walls / Gas / Electricity / Lifts 25 years

4. ASSOCIATES (EQUITY ACCOUNTED INVESTEES)

The Group has investments in (unlisted) associates:

In 2007 the Group had a 40% interest in Construzione Linee Ferroviarie S.p.A. in Bologna (Italy) (2006: 40%). In addition, the Group has interests in a number of small companies.

	Assets	Obligations	Balance	Revenue	Result
2006					
Construzione Linee Ferroviarie S.p.A.	39,539	25,263	14,276	41,208	2,382
Other			374		14
			14,650		2,396
2007					
Construzione Linee Ferroviarie S.p.A.	64,000	46,820	17,180	38,720	2,905
Other			1,282		73
			18,462		2,978

The amounts indicated represent the relative share in the participating interests.

A statutory reserve is maintained at Construzione Linee Ferroviarie S.p.A..

In view of the 40% interest, this reserve amounts to EUR 0.2 million in 2007 (2006: EUR 0.2 million).

5. OTHER INVESTMENTS

	Non-current receivables	PPS-receivables	Investments	Financial derivates	Total
As at 1 January 2006	889	82	5,200	-	6,171
Investments	-	-	300	-	300
Disposals	-	-	-	-	-
Consolidated through business combinations	-	-	-	-	-
Loans extended	2	4,686	-	-	4,688
Repayment of loans	-	-	-	-	-
Exchange differences	-	-	-	-	-
Deconsolidation	-	-	-	-	-
Other changes	16	-	1	-	17
As at 31 December 2006	907	4,768	5,501	-	11,176
As at 1 January 2007	907	4,768	5,501	-	11,176
Investments	-	-	-	-	-
Disposals	-	-	-	-	-
Consolidated through business combinations	-	-	-	-	-
Loans extended	-	-	-	-	-
Repayment of loans	419	-	-	-	419
Exchange differences	-	-	-	-	-
Deconsolidation	-	-	-	-	-
Other changes	9,534	(77)	-	1,424	10,881
As at 31 December 2007	10,022	4,691	5,501	1,424	21,638

The PPP receivable concerns a payment due from a concession agreement in the Netherlands.

The term of the PPP receivable is 26 years. Of this amount, some EUR 3.9 million has a term of more than five years. The interest rate on the PPP receivable is 5.73% (2006: 5.73%).

Other changes includes a reclassification of EUR 9.5 million. This reclassification relates to loans advanced to partially consolidated subsidiaries.

The investments include the interests in Voestalpine Railpro bv, Delfluent bv and Safire B.V.

6. DEFERRED TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities can be specified as follows:

	Accounts receivable		Liabilities		Balance	
	2007	2006	2007	2006	2007	2006
Property, plant and equipment	-	-	735	1,368	(735)	(1,368)
Intangible assets	-	-	9,155	10,494	(9,155)	(10,494)
Construction work in progress	-	-	302	17,658	(302)	(17,658)
Financial derivatives	56	132	363	-	(307)	132
Value for tax purposes of recognised losses carried forward	1,450	1,429	-	-	1,450	1,429
Other	81	147	258	-	(177)	147
Total	1,587	1,708	10,813	29,520	(9,226)	(27,812)

Changes in the balance of deferred tax assets and liabilities for 2006 can be specified as follows:

	Balance at 01-01-06	Withdrawn in tax burden 2006	Withdrawn in equity	Acquired through business combinations	Other changes	Balance at 31-12-06
Property, plant and equipment	-	314	-	(1,902)	-	(1,588)
Intangible assets	-	784	-	(11,278)	-	(10,494)
Construction work in progress	(15,034)	(2,590)	-	(3,453)	-	(21,077)
Financial derivatives	412	(204)	(91)	37	-	154
Other	49	(189)	-	275	-	135
Total	(14,573)	(1,885)	(91)	(16,321)	-	(32,870)
Change in tax rate for temporary differences	-	3,617	13	-	-	3,630
Tax value of recognised losses carried forward	756	(172)	-	2,122	(1,278)	1,428
	756	3,445	13	2,122	(1,278)	5,058
Total	(13,817)	1,560	(78)	(14,199)	(1,278)	(27,812)

Changes in the balance of deferred tax assets and liabilities for 2007 can be specified as follows:

	Balance at 01-01-07	Withdrawn in tax burden 2006	Withdrawn in equity	Acquired through business combinations	Other changes	Balance at 31-12-07
Property, plant and equipment	(1,368)	633	-	-	-	(735)
Intangible assets	(10,494)	1,339	-	-	-	(9,155)
Construction work in progress	(17,658)	17,356	-	-	-	(302)
Financial derivatives	132	(41)	(398)	-	-	(307)
Other	147	(226)	-	-	-	(79)
	(29,241)	19,061	(398)	-	-	(10,578)
Tax value of recognised losses carried forward	1,429	(37)	-	-	(40)	1,352
	1,429	(37)	-	-	(40)	1,352
Total	(27,812)	19,024	(398)	-	(40)	(9,226)

Pursuant to the amendment to Dutch tax legislation on 1 January 2007, a deferred amount of EUR 17.3 million in respect of work in progress has become due in 2007.

7. INVENTORIES	31-12-2007	31-12-2006
Raw materials and consumables	3,895	8,345
Finished product	772	950
Goods for resale	3,586	4,182
Property development	24,332	24,391
	32,585	37,868

Property development concerns the unsold portion of property development projects already under construction.

8. TRADE AND OTHER RECEIVABLES	31-12-2007	31-12-2006
Debtors	166,907	173,063
Accounts receivable from related parties	4,907	11,066
Other receivables, prepayments and accrued income	78,733	78,285
	250,547	262,414

For the bad debt risk see item 23.

9. CONSTRUCTION WORK IN PROGRESS	31-12-2007	31-12-2006
Costs net of provisions for losses and risks plus pro rata profit taking	1,050,921	822,273
Less: invoiced instalments	1,074,091	830,634
	(23,170)	(8,361)
The balance of construction work in progress is composed as follows:		
Positive balance of construction work in progress	112,306	84,395
Negative balance of construction work in progress	135,476	92,756
	(23,170)	(8,361)

The positive balance of construction work in progress includes all the construction projects of which the costs incurred, plus the recognised profit, less the recognised losses exceed the invoiced instalments. The positive balance of construction work in progress is recognised under current assets.

The negative balance of construction work in progress includes all the construction projects of which the costs incurred, plus the recognised profit, less the recognised losses are less than the invoiced instalments. The negative balance of construction work in progress is recognised under current liabilities.

The increase in the 'costs net of provisions for losses and risks, plus pro rata profit taking' is explained primarily by project overruns into 2008.

The increase in invoiced instalments is explained primarily by the receipt of additional instalments in 2007.

10. CASH AND CASH EQUIVALENTS	31-12-2007	31-12-2006
Bank and cash balances	133,762	86,587
Demand deposits	-	-
	133,762	86,587

Cash and cash equivalents includes funds from groups of contractors and clients amounting to EUR 26.3 million (2006: EUR 33.3 million) and funds received on guarantee accounts of EUR 0.7 million (2006: EUR 1.2 million).

These funds are not freely available to the company. The other cash and cash equivalents are entirely freely available.

11. CAPITAL AND RESERVES

Capital and reserves attributable to equity holders:

	Issued and paid-up capital	Reserve for exchange differences	Statutory reserve, participating interests	Hedging reserves	Actuarial reserves	Retained profits	Undistributed earnings	Shareholders' equity attributable to equity holders of the parent company	Minority interest	Total capital and reserves
2006										
As at 1 January 2006	2,269	(100)	370	(195)	96	102,686	37,925	143,051	-	143,051
Appropriation of 2005 profit	-	-	-	-	-	37,925	(37,925)	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	-	-
Total result	-	-	-	(202)	-	-	30,611	30,409	504	30,913
Other changes	-	262	-	-	-	(262)	-	-	(213)	(213)
As at 31 December 2006	2,269	162	370	(397)	96	140,349	30,611	173,460	291	173,751
2007										
As at 1 January 2007	2,269	162	370	(397)	96	140,349	30,611	173,460	291	173,751
Appropriation of 2006 profit	-	-	-	-	-	30,611	(30,611)	-	-	-
Dividend paid	-	-	-	-	-	(7,650)	-	(7,650)	-	(7,650)
Total result	-	(572)	-	1,160	-	(478)	15,310	15,420	-	15,420
Other changes	-	-	4	-	83	(87)	-	-	(291)	(291)
As at 31 December 2007	2,269	(410)	374	763	179	162,745	15,310	181,230	-	181,230

Issued and paid-up capital

The authorised capital of Strukton Groep N.V. in 2007 comprises 500 ordinary shares with a nominal value of EUR 4.538 each (2006: 4.538). The issued capital of Strukton Groep N.V. in 2007 comprises 500 ordinary shares with a nominal value of EUR 4.538 each (2006: 4.538). All issued shares are fully paid up.

Reserve for exchange differences

The reserve for exchange differences covers all the gains and losses from the translation of the net investments of Strukton in foreign subsidiaries. In 2007 an amount of EUR 0.6 million was debited to the reserve for exchange differences (2006: EUR 0.3 million credited).

Statutory reserve of participating interests

The statutory reserve at two foreign subsidiaries remained virtually unchanged in 2007 and 2006.

Hedging reserve

The hedging reserve comprises the cumulative change in the fair value of hedging instruments related to hedged transactions that have not yet occurred or the hedged position not yet terminated. In 2007 the reserve was increased by an amount of EUR 1.2 million (2006: EUR -0.2 million).

Actuarial reserve

The actuarial reserve comprises the cumulative change in the fair value of pension commitments as a result of changes in the actuarial principles. The actuarial reserves increased by EUR 0.1 million in 2007 (2006: increase nil).

Retained earnings

In 2007 EUR 7.65 million in dividend was distributed to nv Nederlandse Spoorwegen (2006: nil).

Minority interest

As a result of the acquisition of a 100% interest in Jernbaneservice, there was no longer a minority interest at 31 December 2007.

12. SUBORDINATED LOANS

At year-end 2007 no subordinated loans had been taken up and repaid (2006: EUR 5.7 million repaid).

13. LOANS AND BORROWINGS

	31-12-2007	31-12-2006
Liabilities for financing of property development	10,786	2,528
Bank credit facilities	84,056	83,078
Financial derivatives (long-term part)	221	516
Employee benefits	3,789	3,542
Lease commitments	135	176
PPP liabilities	4,520	4,826
Other non-current liabilities	7,803	2,130
	111,310	96,796

The long-term debt for employee benefits concerns a deferred liability for long-service awards at various group companies and a specific deferred benefit liability at one of the operating companies.

The actuarial calculation of these amounts is based on a discount rate of 5.5% (2006: 4.7%).

The repayment schedule of the loans and borrowings is as follows:

	< 1 year	1-5 years	> 5 years	Total
Liabilities for financing of property development	1,687	-	9,099	10,786
Bank credit facilities	-	84,056	-	84,056
Financial derivatives (long-term part)	-	-	221	221
Employee benefits	159	1,041	2,589	3,789
Lease commitments	82	53	-	135
PPP liabilities	167	679	3,674	4,520
Other non-current liabilities	-	2,482	5,321	7,803
	2,095	88,311	20,904	111,310

Of the total debt, EUR 20.9 million (2006: EUR 60.2 million) has a term longer than five years.

For more information about the interest and exchange rate risks, reference is made to the section on financial instruments and the section on financial risk management.

14. PROVISIONS

Summary of the changes in 2007:

	Reorganisation provision	Pension- provision	Guarantee commitments	Other provision	Total
Balance as at 1 January 2007	400	3,866	86	745	5,097
Consolidation/deconsolidation	-	505	-	-	505
Exchange rate differences	-	(151)	-	-	(151)
Addition	72	823	8	231	1,134
Withdrawal	270	-	-	-	270
Release	50	10	79	311	450
Provision for adding interest	-	-	-	-	-
Other changes	-	6	-	-	6
Balance as at 31 December 2007	152	5,039	15	665	5,871
Non-current portion	-	5,039	-	38	5,077
Current portion	152	-	15	627	794
	152	5,039	15	665	5,871

The provision for guarantee commitments is for contingent liabilities arising within the agreed guarantee periods. The other provisions comprise provisions for specific guarantees issued when participating interests are sold, risks of legal proceedings against Strukton Groep N.V. and/or its operating companies, redundancy arrangements and other relatively minor risks.

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Pension commitments

The pension plans of the following pension funds apply to the staff of the Strukton group companies, with an indication of the numbers of affiliated active members as at 31 December 2007:

- Industrial pension fund for Construction sector (1,292)
- Industrial pension fund for Concrete production sector (19)
- Industrial pension fund for Installation technique sector (1,475)
- Industrial pension fund for Railway sector (2,212)
- Zwitserleven group insurance (13)
- Nordea pension plan (54)
- Alecta pension insurance plan Sweden ITP scheme (100)
- Alecta pension insurance plan Sweden SAF-LO scheme (278)
- Axa pension insurance Belgium (33)

The above-mentioned first three pension schemes concern the schemes of industrial pension funds. In all cases where there is an affiliation with industrial pension funds, Strukton group companies do not have any obligation in the case of a deficit at the industrial pension fund, to pay additional amounts other than to pay the future contributions.

Furthermore, the Strukton group companies are not entitled to claim any surpluses in the funds. As a result of this, these pension plans are accounted for in these financial statements as defined contribution plans.

With respect to the pension plan for the railway sector, which is accommodated with the Spoorwegpensioenfond, employer and employee representatives in this sector reached agreement on a new pension plan in 2005. This new plan came into effect on 31 December 2005, and qualifies as a defined contribution scheme for the financial accounts.

The distinguishing characteristic of this pension fund is that the company is obliged to pay a previously determined annual premium. The premium that has been agreed with the Spoorwegpensioenfond is an annually increasing percentage of the payroll total. The percentage will eventually increase from 14% in 2007 to a break-even level of 16.6%. After payment of the agreed premium, the company has no obligation to pay additional amounts should there be a deficit at the pension fund. Likewise, the Strukton group companies are not entitled to claim any surpluses in the funds. The actuarial risks and the investment risks are for the pension fund and its participants.

The pension plans at Zwitserleven, Nordea and Alecta ITP scheme qualify as defined contribution plans.

The pension provision is composed as follows:

	31-12-2007	31-12-2006
Strukton Rail AB	4,034	3,702
Axa pension insurance Strukton Railinfra NV Belgium	356	150
Georg Reisse Bauunternehmung GmbH & Co. KG	649	-
Other	-	14
	5,039	3,866

The Alecta pension insurance SAF-LO scheme is a defined pension plan. Alecta does not, however, provide any information to facilitate the calculation of the pension commitment. As a result of this, the plan is treated as a defined contribution scheme. Before the acquisition of the 60% share in Strukton Rail AB (formerly Svensk Banproduktion AB), the pension plan was accommodated with a group plan for the public sector. Part of this pension scheme is a defined pension plan. The present value of this commitment is included in the balance sheet of the company. The plan now only involves a number of employees and no new employees are joining anymore. This commitment is accounted for under the pension provisions item. Georg Reisse Bauunternehmung GmbH, acquired in 2007, has a limited defined benefit scheme for its employees. A provision has been made for this on the company's balance sheet in the amount of EUR 0.7 million. The fair value of this provision still has to be determined. The change in relation to the book value will be limited.

The pension insurance for the employees of Strukton Railinfra NV in Belgium is in the form of a defined benefit plan. The deficit between pension commitments and pension capital is included under the pension provisions item. The pension commitments and pension capital are based on actuarial calculations as at 31 December. The principles, composition and the movement of the pension commitment and the pension capital with respect to the defined benefit plan for the employees of Strukton Railinfra NV Belgium are shown below:

Basic principles:

	31-12-2007	31-12-2006
Discount rate	5.5%	4.5%
Expected return on plan assets in the long term	4.0%	4.0%
Expected return on plan assets in the coming year		
Pay rise	3.5%	3.5%
Pension increase	2.0%	0.0%
Inflation	2.0%	2.0%

Life expectancy table

Mortality tables as prescribed by the Belgian authorities.

Composition:

Fair value of the plan assets
Present value of the pension commitments

Adverse balance

31-12-2007	31-12-2006
224	187
484	332
(260)	(145)

Movement:**Pension capital as at 1 January**

Expected return
Pension contributions
Paid pensions
Difference between actual return and expected return
Other changes

Pension capital as at 31 December

31-12-2007	31-12-2006
187	175
11	7
44	44
(11)	(45)
-	(1)
(7)	7
224	187

Pension commitments as at 1 January

Pension contributions
Interest charges
Paid pensions
Net actuarial gain or loss
Other changes

Pension commitments as at 31 December

332	320
34	25
23	13
(11)	(45)
(100)	5
206	14
484	332

Composition of pension capital:

Shares
Fixed-interest securities

Total

45	37
179	150
224	187

Pension charge components in connection with defined benefit schemes:

Pension contributions
Interest charges
Expected return on investments

Total pension charges in the income statement

2007	2006
206	25
23	13
(8)	(8)
221	30

Actuarial results

Actual investment income
Expected investment income
Difference between actual and expected investment income

11	7
8	8
3	(1)

The expected contribution to the pension plan in 2008 amounts to EUR 0.06 million (2007: EUR 0.04 million).

15. TRADE AND OTHER PAYABLES

	31-12-2007	31-12-2006
- Debts to suppliers	137,925	122,547
- Amounts owed to related parties	403	799
- Taxes and social security contributions	30,815	33,238
- Pension contributions	7,922	9,744
- Other debts, accruals and deferred income	123,661	128,991
	300,726	295,319

The other debts, accruals and deferred income consist for a large part of invoices still to be received for work.

No security is provided for the other interest-bearing loans and borrowings and bank overdraft institutions, other than the security stated under off-balance sheet commitments.

16. REVENUE

The revenue per operating company amounts to:

	2007	2006
Rail	496,654	475,094
Civil	280,217	230,723
Construction & Property Development	220,639	168,489
Fullservice accommodation provider	184,304	90,508
PPP concessions	1,302	6,158
Other	3,897	10,776
	1,187,013	981,748
Elimination of internal revenues	(42,216)	(26,772)
	1,144,797	954,976

EUR 90 million of the increase in revenues was caused by inclusion for a full year of the acquisitions made in 2006 and EUR 100 million by organic growth.

Breakdown of revenue categories

	2007	2006
Construction contracts	821,968	692,298
Service, maintenance and concessions	312,394	246,701
Revenue from inventory	5,322	6,102
Other	5,113	9,875
	1,144,797	954,976

The share of service, maintenance and concession assignments in total revenue in 2007 was 27.3% (2006: 25.8%).

17. COST OF RAW MATERIALS, EQUIPMENT AND OUTSOURCED WORK

Cost of raw materials, equipment and outsourced work concerns external overheads directly attributable to the production process.

18. PERSONNEL EXPENSES

	2007	2006
Wages and salaries	245,976	194,137
Social security charges	40,447	34,369
Defined contribution plans	18,152	9,827
Defined benefit plans	1,453	520
Long-service awards	292	233
	306,320	239,086

EUR 5.3 million of the increase in costs for the 'defined contribution plan' is caused by the liquidation of Pensioenstichting Strukton, which in 2006 generated a one-off income item. The remaining increase is caused primarily by pension costs of companies acquired in 2006, which have been included for a full financial year in 2007. In 2007, the category 'defined contribution plan' includes EUR 17.4 million in connection with defined benefit plans incorporated as defined contribution plans (2006: EUR 9.1 million).

19. OTHER OPERATING EXPENSES

In 2007, a total of EUR 2.8 million was received in subsidies (2006: EUR 1.3 million). The subsidies in question were deducted from the costs to which the grant relates. The subsidies received concern ESF subsidies and WBSO subsidies.

The exchange difference recognised in the income statement in 2007 amounts to EUR 0.1 million (2006: EUR 0.1 million). Research and development costs (excluding training costs) for 2007 amount to EUR 4.3 million (2006: EUR 3.0 million.)

20. FINANCIAL INCOME AND EXPENSE

	2007	2006
Finance income		
Third-party interest income	3,300	3,432
Group company interest income	-	-
Change in derivatives	163	685
	3,463	4,117
Finance expenses		
Third-party interest charges	8,167	4,069
Group company interest expenses	-	394
	8,167	4,463

The higher interest expense in relation to 2006 is explained by the inclusion for a full year of the acquisition loan taken up in 2006 and by a higher average level of capital invested in 2007.

21. INCOME TAX EXPENSE

	2007	2006
Taxes payable	25,205	9,397
Deferred tax	(19,024)	(1,560)
	<u>6,181</u>	<u>7,837</u>

The income tax accounted for differs from the amount that would in theory be payable using the average tax rate (25.5%) that applies to the results of the consolidated companies.

The difference can be explained as follows:

	2007	2006
Profit before tax	21,491	38,866
Nominal Dutch income tax rate	5,480	11,505
Effect of different tax rates in various countries	452	528
Effect of rate cut on deferred tax liabilities and assets	-	(3,445)
Participation exemption	(752)	(819)
Impairment of goodwill	104	118
Amortization of intangible assets	1,339	784
Adjustment with respect to previous years	-	247
Release of deferred taxes	(1,339)	(784)
Other including non-deductible costs	897	(297)
Effective tax burden	<u>6,181</u>	<u>7,837</u>
Effective tax burden %	28.8%	20.2%

The increase in the effective tax burden was caused to a substantial extent by the effect of the rate cut on deferred tax liabilities and assets in 2006 in the amount of EUR 3.4 million.

22. WORKFORCE

In 2007 an average of 5,514 personnel were employed (2006: 4,592), of whom 693 abroad (2006: 521).

The breakdown is as follows:

	2007	2006
Rail	2,910	2,798
Civil	726	612
Construction & Property Development	397	371
Full service accommodation provider	1,433	712
PPP concessions	16	10
Other	32	89
	<u>5,514</u>	<u>4,592</u>

The average number of personnel includes the personnel from the companies acquired in 2007 from the date of acquisition. At year-end 2007 the total number of employees was 5,751 (2006: 5,435).

23. FINANCIAL INSTRUMENTS

Credit risk

Maximum credit risk	31-12-2007	31-12-2006
Associates without significant influence	5,501	5,501
Other long-term accounts receivable	16,300	7,383
Trade accounts receivable	171,814	184,129
Other accounts receivable	191,229	163,968
Cash and cash equivalents	133,762	86,587
Used for hedging: interest rate swaps	1,424	-
	520,030	447,568

The majority (96%) of the maximum credit risk consists of current receivables and cash (2006: 97%).

Breakdown of trade accounts receivable	31-12-2007	31-12-2006
Netherlands	128,097	144,399
Euro zone	21,584	21,369
Other Europa	18,638	18,351
Other	3,495	10
	171,814	184,129

The majority (87%) of the trade accounts receivable are located in the Euro zone (2006: 90%).

Ageing analysis of accounts receivable	31-12-2007		31-12-2006	
	Gross	Provided	Gross	Provided
Not yet due	81,135	480	97,821	189
Due in 0-30 days	48,915	107	31,883	163
Due in 31-120 days	37,336	594	49,738	474
Due in 121-180 days	2,778	153	3,713	324
Due in 181-360 days	1,389	2	1,377	32
Due in more than a year	3,825	2,228	2,822	2,043
Total	175,378	3,564	187,354	3,225
Net accounts receivable		171,814		184,129

The share of trade accounts receivable due for payment increased in 2007 to 54% (2006: 48%).

Change in provision for bad debts

	2007	2006
Position as at 1 January	3,225	2,292
Additions	1,872	2,668
Used	131	94
Released	1,483	1,176
Other changes	81	(465)
Position as at 31 December	3,564	3,225

Liquidity risk**Liabilities**

				31-12-2007		31-12-2006	
	Currency	Nominal interest rate	Expiry date	Nominal value	Book value	Nominal value	Book value
Long-term liabilities							
Bank finance	EUR	4.98%	>2012	84,722	84,056	83,842	83,078
Mortgage loan	EUR	5.50%	2033	15,306	15,306	7,354	7,354
Financial lease commitments	EUR			135	135	176	176
Derivatives	EUR			221	221	516	516
Other liabilities	EUR			27,482	27,482	39,122	39,122
Subtotal				127,866	127,200	131,010	130,246
Current liabilities							
Owed to banks	EUR		2008	46,234	46,234	15,351	15,351
Other liabilities	EUR		2008	443,655	443,655	397,298	397,298
Subtotal				489,889	489,889	412,649	412,649
Total				617,755	617,089	543,659	542,895

The majority (79%) of the liabilities are current and consist of trade accounts payable and amounts owed to banks (2006: 76%). Part of the mortgage loan relates to the provision of long-term security in the context of a PPP project.

Book value and contractual cash flows

2007	Book value	Contractual Cash flows	< 6 months	6-12 months	1-2 years	2- 5 years	> 5 years
Non-derived financial liabilities							
Bank finance	84,056	109,441	2,225	2,225	8,455	96,536	-
Mortgage loans	15,306	20,182	2,042	355	618	12,206	4,961
Financial lease liabilities	135	135	41	41	53	-	-
Accounts payable and other debts	471,138	471,138	310,953	160,185	-	-	-
Amount owing to banks	46,234	46,234	30,513	15,721	-	-	-
Derived financial liabilities							
To cover interest rate swaps used	221	535	142	142	50	151	50
Forward exchange contracts	-	-	-	-	-	-	-
	617,090	647,665	345,916	178,669	9,176	108,893	5,011
2006	Book value	Anticipated cash flows	< 6 months	6-12 months	1-2 years	2- 5 years	> 5 years
Non-derived financial liabilities							
Bank finance	83,078	102,799	4,281	1,638	3,276	9,828	83,776
Mortgage loans	7,354	10,990	271	271	395	3,885	6,168
Financial lease liabilities	176	176	44	44	88	-	-
Accounts payable and other debts	436,420	436,420	292,401	144,019	-	-	-
Amount owing to banks	15,351	15,351	10,285	5,066	-	-	-
Derived financial liabilities							
To cover interest rate swaps used	516	2,142	168	167	339	1,013	455
Forward exchange contracts	-	-	-	-	-	-	-
	542,895	567,878	307,450	151,205	4,098	14,726	90,399

In view of the policy of hedging interest rate risks, the Group has concluded four EUR interest rate swaps in order to convert variable interest-bearing loans and borrowings to fixed interest. Hedge accounting is applied in accordance with the cash flow model to two swaps. In the case of two other swaps there is an economic hedge to which no hedge accounting is applied. All changes in the value of the last two swaps are accounted for in the income statement. The carrying amounts and the net fair values of the interest rate swaps are identical to each other.

Cash flows resulting from derivatives

2007

	Book value	Anticipated cash flows	< 6 months	6-12 months	1-2 years	2-5 years	>5 years
Interest rate swaps							
Assets	1,424	2,735	234	234	468	1,404	395
Liabilities	(221)	(535)	(142)	(142)	(50)	(151)	(50)
Forward exchange contracts:							
Assets	-	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-	-
	<u>1,203</u>	<u>2,200</u>	<u>92</u>	<u>92</u>	<u>418</u>	<u>1,253</u>	<u>345</u>

2006

	Book value	Anticipated cash flows	< 6 months	6-12 months	1-2 years	2-5 years	>5 years
Interest rate swaps							
Assets	-	-	-	-	-	-	-
Liabilities	(516)	(2,142)	(168)	(167)	(339)	(1,013)	(455)
Forward exchange contracts:							
Assets	-	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-	-
	<u>(516)</u>	<u>(2,142)</u>	<u>(168)</u>	<u>(167)</u>	<u>(339)</u>	<u>(1,013)</u>	<u>(455)</u>

The portion of the cash flows by which it is expected that the profit or loss will be affected:

2007

	Book value	Anticipated cash flows	< 6 months	6-12 months	1-2 years	2-5 years	>5 years
Interest rate swaps							
Assets	-	-	-	-	-	-	-
Liabilities	(221)	(535)	(142)	(142)	(50)	(151)	(50)
Forward exchange contracts:							
Assets	-	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-	-
	<u>(221)</u>	<u>(535)</u>	<u>(142)</u>	<u>(142)</u>	<u>(50)</u>	<u>(151)</u>	<u>(50)</u>

The portion of the cash flows by which it is expected that the profit or loss will be affected:

2006

	Book value	Anticipated cash flows	< 6 months	6-12 months	1-2 years	2-5 years	>5 years
Interest rate swaps							
Assets	-	-	-	-	-	-	-
Liabilities	(383)	(520)	(40)	(40)	(80)	(240)	(120)
Forward exchange contracts:							
Assets	-	-	-	-	-	-	-
Liabilities	-	-	-	-	-	-	-
	<u>(383)</u>	<u>(520)</u>	<u>(40)</u>	<u>(40)</u>	<u>(80)</u>	<u>(240)</u>	<u>(120)</u>

Foreign currency exposure

The majority of the Group's activities take place in the Euro zone. The subsidiaries outside the Euro zone often trade in the currency of the country concerned. For transactions in foreign currencies the policy is that the net position is fully hedged by means of foreign currency contracts.

The translation risk on capital and reserves and loans to subsidiaries outside the Euro zone is not hedged.

The Group's currency exposure is limited to the foreign subsidiaries, primarily in Scandinavia, in the converted amount of EUR 20 million (2006: EUR 18 million).

The major exchange rates during the year under review were as follows:

	Average rate		Spot rate on reporting date	
	2007	2006	2007	2006
DKK	0.134	0.134	0.134	0.134
NOK	0.125	0.124	0.126	0.122
SEK	0.108	0.108	0.106	0.111
GBP	1.462	1.467	1.357	1.485

An increase of 10 percent in the euro in relation to these exchange rates at year-end would have reduced equity and profit for the period under review by EUR 2 million (2006: EUR 1.8 million). Assuming that all other variables, in particular interest rates, remained constant.

A decline of 10 percent in the euro in relation to these exchange rates at year-end would have had a comparable opposite effect.

Interest exposure

Instruments with fixed and variable interest rate

	31-12-2007	31-12-2006
	Book value	Book value
Instruments with fixed interest rate		
Financial assets	4,690	4,768
Financial liabilities	88,576	87,904
	(83,886)	(83,136)
Instruments with variable interest rate		
Financial assets	133,762	86,587
Financial liabilities	57,020	17,879
	76,742	68,708

As a result of an increase of 100 base points in the interest rate, shareholders equity and profit for the period under review would have declined by EUR 0.4 million (2006: EUR 0.2 million increase). It is assumed that all other variables, in particular the exchange rates, remain constant.

A fall of 100 base points in the interest rate would have had a comparable but opposite effect.

Book values versus actual values

There is hardly any difference between the book values and the actual values of financial assets and liabilities, reported in the balance sheet.

24. CASH FLOW STATEMENT

The breakdown of cash and cash equivalents at the beginning and end of 2007 is as follows:

	2007	2006
Cash at bank and in hand	133,762	86,587
Debts to credit institutions	46,234	15,351
	87,528	71,236

Interest received in 2007 amounts to EUR 3.3 million (2006: EUR 3.4 million).

Interest paid in 2007 amounts to EUR 8.2 million (2006: EUR 4.4 million).

Income tax paid in 2007 amounts to EUR 26.0 million (2006: EUR 13.5 million).

25. OFF BALANCE SHEET COMMITMENTS AND SECURITY PROVIDED

Contingent liabilities

Contingent liabilities are commitments that ensue from past events and whose existence can only be confirmed by the occurrence of one or more uncertain future events over which the entity does not have complete control. If it is unlikely that an outflow of resources embodying economic benefits will be required to settle the commitment, or if the amount of the commitment cannot be valued with sufficient reliability, the relevant commitments are also regarded as contingent liabilities. The contingent liabilities relate to issued guarantees, operational lease commitments and any obligations from legal proceedings against Strukton Groep N.V. and/or its operating companies, the risks and possible obligations of which cannot be reliably estimated.

Furthermore, Strukton Groep N.V. is jointly and severally liable for all liabilities of general partnerships (groups of contractors) in which it directly participates. This liability is limited to the group companies participating in the general partnerships.

No obligations in this respect are included in the financial statements.

For credits taken out by its group companies / participating interests, Strukton Groep N.V. has issued guarantees up to EUR 6.5 million. (year-end 2006: EUR 6.0 million).

As at 31 December 2007, bankers had issued guarantees and letters of intent for an amount totalling EUR 140 million (year-end 2006: EUR 117.9 million). These guarantees mainly concern obligations by virtue of construction work in progress and maintenance obligations with respect to completed projects.

In respect of projects an amount of EUR 15.3 million has been provided as security to cover loans taken up. The operating lease commitments relate primarily to future instalments in connection with the leasing of cars, delivery vans and minibuses.

Operating lease commitments

	31-12-2007	31-12-2006
Less than 1 year	19,817	16,638
More than 1 year and less than or equal to 5 years	43,220	36,230
More than 5 years	194	134
	63,231	53,002

Investment commitments

	31-12-2007	31-12-2006
Contractual obligations in connection with - acquisition of property, plant and equipment	11,176	4,701
	11,176	4,701

26. RELATED PARTY TRANSACTIONS

Identification

The following related parties of Strukton Groep N.V. can be distinguished: nv Nederlandse Spoorwegen (shareholder), subsidiaries, associates, the joint ventures, the members of the Supervisory Board of Strukton Groep N.V. and the Group Executive Board of Strukton Groep N.V., the members of the Supervisory Board and Executive Board of nv Nederlandse Spoorwegen.

Transactions with supervisory directors and managers in key positions

The remuneration of managers in key positions can be specified as follows:

	31-12-2007	31-12-2006
Short-term employee benefits	4,682	4,074
Post-employment benefits	-	-
Other long-term employee benefits	-	-
	4,682	4,074

Employee benefits for 2007 include EUR 0.9 million in pension charges (2006: EUR 0.7 million).

Remuneration of the directors amounted to EUR 1,040,398 in 2007 (2006: EUR 1,124,032).

Remuneration of the supervisory directors amounted to EUR 67,150 in 2007 (2006: EUR 67,150).

Other transactions with related parties

Transactions with subsidiaries, associates and joint ventures are conducted on a commercial basis under comparable conditions to those that apply to transactions with third parties.

In the financial year, internal deliveries were made to nv Nederlandse Spoorwegen for EUR 49.4 million (2006: EUR 35.2 million).

At year-end, the following receivables and payables were outstanding as a result of transactions with nv Nederlandse Spoorwegen:

	31-12-2007	31-12-2006
Current receivables	4,907	11,066
Current liabilities	403	799
Subordinated loan	-	-
Income tax payable	3,446	5,361

27. SUBSEQUENT EVENTS

On 25 January 2008 Strukton Rail AS acquired a 100% interest in Betonmast Bane AS. This transaction was completed by means of a cash payment and transfer of shares in Strukton Rail AS. Following this transaction Strukton Railinfra AS has a 66% interest and Bane Holding AS a 34% interest in Strukton Rail AS. The operations of Strukton Rail and Betonmast will be combined in Strukton Rail.

28. SERVICES FOR CONCESSIONS AND PPP

Strukton group companies participate in three special purpose entities for PPP concession projects. These companies have concluded a concession agreement for the services to be delivered. All three agreements are based on a Public Private Partnership, involving so-called DBFM(O) contracts (Design, Build, Finance, Maintain and Operate). The companies over which the Group has joint or full control are consolidated proportionally or fully. If the Group does not exercise control, the company is recognised as a participating interest or an investment.

The following provisions apply to all three concession agreements:

- The concession payments depend on the availability of the equipment or accommodation;
- To the extent that the payments relate to support services being provided, recognition is proportionate to the delivery of the services;
- The concession agreement contains indexation provisions and, with reference to a benchmark, certain aspects in the agreement can be altered;
- The Group is not itself the owner of the equipment or accommodation;
- The volatility of the revenues and results is limited;
- The concession agreement does not contain a renewal option.

Water treatment

The Group has a 5% participating interest in Delfuent BV.

The concession agreement concerns a DBFM contract for the construction, maintenance and operation of a waste water treatment plant in the Harnaschpolder for the 'Haaglanden' region in the Netherlands.

The concession commenced in 2003 and runs until 2033.

School

The Group has a 45% participating interest in Talentgroep Montaigne BV. The concession agreement concerns a DBFM contract for the construction, maintenance and operation of a school building for the Montaigne Lyceum in The Hague. The concession commenced in 2004 and runs until 2034.

Public buildings

The Group has a 5% participating interest in Safire BV. The concession agreement concerns a DBFM contract for the construction, maintenance and operation of the Ministry of Finance accommodation in The Hague. The concession commenced in 2006 and runs until 2033.

29. ASSETS AND LIABILITIES HELD FOR SALE

No assets and liabilities were held for sale in 2006 and 2007.

30. ACQUISITIONS

Acquisitions of new business combinations

- On 18 April 2007 **Strukton Railinfra GmbH** acquired a 100% interest in Georg Reisse Bauunternehmung GmbH & Co. KG in Germany. Georg Reisse is active in the area of construction and maintenance of rail infrastructure systems and earthworks.
- On 20 March 2007 **Strukton Betonbouw B.V.** and its operating companies acquired a 50% interest in DMI Nederland B.V. and DMI Injections Techniek GmbH in Germany. In addition, an assets liabilities transaction took place with DCN Holding B.V. DMI is active in the field of specialist activities for immersion technology and soil injection methods.

A Purchase Price Allocation has been drawn up for both acquisitions.

Identified adjustments in fair market value relate to work in progress, tangible fixed assets, client base and order portfolio.

The effect of the acquisition on the assets and liabilities of the Group as at acquisition date for each acquisition is shown below. The revenue and the net result as incorporated in the consolidated financial statements are also shown.

The revenue and results of the acquired companies are recognised from the transaction date. In addition, the estimated revenue and net result if the acquisition had taken place on 1 January and the operations had contributed to the group results for a full reporting year are also shown.

In accordance with the applicable IFRS standards, the carrying amount of the acquisition was determined immediately before the actual acquisition. Pursuant to these IFRS standards, the value of the acquired assets and liabilities was assessed on the basis of fair value. This upward value adjustment based on the fair value will result in a higher depreciation charge in the coming years.

REISSE	Book value for acquisition	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	3,057	-	3,057
Intangible assets	22	-	22
Financial fixed assets	927	-	927
Deferred tax assets	-	-	-
Inventories	-	-	-
Accounts receivable	28,346		28,346
Cash and cash equivalents	4,631		4,631
Non-current liabilities	-	-	-
Deferred tax liabilities	-	-	-
Current liabilities	(24,986)		(24,986)
Net value of assets and liabilities	11,997	-	11,997
Goodwill on acquisition	-	-	1,689
Cash price on acquisition			13,686
Acquisition expenses			-
Cash and cash equivalents acquired			4,631
Net cash outflow			9,055
EBITDA from transaction date			1,994
EBIT from transaction date			1,135
Net result from transaction date			737
Net result from 1 January 2007			837
Revenue from transaction date			21,620
Revenue from 1 January 2007			25,040

Goodwill included as a result of the acquisition is attributable primarily to synergy benefits that are expected to arise from the integration of the company with the Group's existing activities.

For Reisse the synergy benefits lie in the area of more efficient use of the equipment and the possibility of offering in Germany products and services developed elsewhere in Europe.

DMI	Book value for acquisition	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	163	276	439
Intangible assets	-	595	595
Financial fixed assets	-	-	-
Deferred tax assets	-	-	-
Inventories	111	-	111
Accounts receivable	744	-	744
Cash and cash equivalents	1,461	-	1,461
Long-term liabilities	-	-	-
Deferred tax liabilities	(313)	-	(313)
Current liabilities	(613)	-	(613)
Net value of assets and liabilities	1,553	871	2,424
Goodwill on acquisition	-	-	-
Cash price on acquisition			2,424
Acquisition expenses			1,461
Cash and cash equivalents acquired			1,461
Net cash outflow			963
EBITDA from transaction date			517
EBIT from transaction date			292
Net result from transaction date			209
Net result from 1 January 2007			234
Revenue from transaction date			2,898
Revenue from 1 January 2007			3,575

Assets and liabilities acquired from DMI Holding B.V. are focused primarily on specialist underwater activities for immersion technology and the use of underwater concrete in large cofferdams and operate under the name Onder Water Techniek Nederland (OTN). DMI is active in the area of specialist soil and concrete injection methods. The overall activities have been incorporated into the newly established company Strukton Specialistische Technieken B.V. This acquisition strengthens the position of Strukton Betonbouw in the market for specialist techniques.

Acquisitions of minority interests

- On 25 April 2007 **Strukton Railinfra AS** expanded its 65% interest in Jernbaneservice in Norway into a 100% interest. Jernbaneservice is active in the area of construction and maintenance of rail infrastructure systems.
- On 13 June 2007 **Strukton Railinfra AB** increased its 60% interest in Svensk Banproduktion AB in Sweden to a 100% interest. Svensk Banproduktion is active in the area of construction and maintenance of rail infrastructure systems.

In the case of both acquisitions the goodwill is based on the difference between the additional investment and the book value of the assets and liabilities on the transaction date.

Acquisitions of minority interests

	Book value for acquisition	Fair value adjustments	Recognised value on acquisition
Net value of assets and liabilities	6,945	-	6,945
Minority interest acquired			2,731
Goodwill on acquisition			2,828
Cash price on acquisition			5,559
Acquisition expenses			-
Net cash outflow			5,559

31. JOINT VENTURES

The activities of Strukton Group are partly performed in joint ventures (temporary and permanent). The consolidated financial statements include the following items, which correspond with the interest of Strukton Group in the revenues, assets and liabilities of the various joint ventures:

	31-12-2007	31-12-2006
Assets		
Non-current assets	23,452	23,527
Current assets	190,791	129,155
	214,243	152,682
Liabilities		
Loans and borrowings	27,740	23,610
Current liabilities	182,646	123,386
	210,386	146,996
Net assets and liabilities	3,857	5,686
	2007	2006
Revenue	207,321	209,197
Expenses	196,664	199,955
	10,657	9,242

32. SUMMARY OF MOST IMPORTANT GROUP COMPANIES AND JOINT VENTURES

The following companies are fully consolidated:

Name	Registered office	Share in issued capital
• Strukton Railinfra bv	Maarssen	100
• Strukton Railinfra Regio bv	Maarssen	100
• Strukton Railinfra Projecten bv	Maarssen	100
• Strukton Railinfra Installatietechniek bv	Maarssen	100
• Strukton Railinfra Materieel bv	Den Bosch	100
• Strukton Systems bv	Maarssen	100
• Strukton Railinfra International bv	Maarssen	100
• Strukton Railinfra NV	Merelbeke (Bel)	100
• Strukton Railinfra Development&Technology bv	Maarssen	100
• Ecorail bv		
• Strukton Railinfra AB	Stockholm (Swe)	100
• Strukton Railinfra Nordic AB	Stockholm (Swe)	100
• Strukton Rail AS	Oslo (Nor)	100
• Strukton Railinfra A/S	Kopenhagen (Den)	100
• Strukton Railinfra GmbH	München (Ger)	100
• Georg Reisse Bauunternehmung GmbH & Co KG	Kassel (Ger)	100
• Reisse Bau GmbH & Co KG	Erfurt (Ger)	100
• Strukton Civiel bv		
• Strukton Civiel Projecten bv	Maarssen	100
• Colijn Beheer bv	Werkendam	100
• Colijn Aannemersbedrijf bv	Werkendam	100
• Geocon bv	Utrecht	100
• Terracon International bv	Werkendam	100
• Funderingstechniek Terracon bv	Werkendam	100
• Terracon Spezialtiefbau GmbH	Bad Liebenwerda (Ger)	100
• Strukton Prefab Beton bv	Maarssen	100
• Strukton Afzinktechnieken bv	Maarssen	100
• Strukton Microtunneling bv	Maarssen	100
• Strukton Infratechnieken bv	Utrecht	100
• Canor Benelux bv	Utrecht	100
• Reef Beheer bv	Oldenzaal	100
• Reef Infra bv	Oldenzaal	100
• Reef Wegenbouw bv	Oldenzaal	100
• Reef Milieu bv	Oldenzaal	100
• Strukton Specialistische technieken bv	Utrecht	100
• T&E Consult bv	Maarssen	100
• Strukton Bouw & Vastgoed bv	Utrecht	100
• Strukton Projektontwikkeling bv	Utrecht	100
• La Mondiale NV	Kortrijk	100
• Strukton Bouw & Onderhoud bv	Maarssen	100
• Strukton Worksphere bv	Utrecht	100
• Strukton Integrale Projecten bv	Maarssen	100
• Strukton Vastgoedbeheer en Facility Management bv	Utrecht	100
• Strukton Materieel bv	Maarssen	100

The following companies are partially consolidated:

Name	Registered office	share in issued capital
• Europool bv	Maarssen	50
• Tribase Computer and Network Services Vof	Utrecht	33 1/3
• Tubex bv	Oostburg	50

A list of participating interests in the meaning of sections 379 and 414 of Book 2 of the Netherlands Civil Code (BW) is filed with the trade register in Utrecht.

Company balance sheet

(x EUR 1,000)

	Notes	31-12 07	31-12 06
ASSETS			
Non-current assets			
Property, plant and equipment	(1)	22,649	21,958
Financial fixed assets	(2)	<u>290,903</u>	<u>231,520</u>
		313,552	253,478
Current assets			
Accounts receivable	(3)	18,191	34,196
Cash and cash equivalents	(4)	<u>3,043</u>	<u>613</u>
		<u>21,234</u>	<u>34,809</u>
		<u>334,786</u>	<u>288,287</u>
EQUITY AND LIABILITIES			
Equity and liabilities			
Issued capital		2,269	2,269
Other reserves		163,651	140,580
Retained earnings		<u>15,310</u>	<u>30,611</u>
Total shareholders' equity	(5)	<u>181,230</u>	<u>173,460</u>
Subordinated loans	(6)	-	-
Provisions	(7)	1,251	17,614
Loans and borrowings	(8)	80,757	81,049
Current liabilities	(9)	<u>71,548</u>	<u>16,164</u>
		<u>334,786</u>	<u>288,287</u>

Company income statement

(x EUR 1,000)

	Notes	07	06
Total profit of participating interests		25,655	29,130
Other results after taxes	(10)	(10,345)	(3,861)
Extraordinary item		-	5,342
Total of other results after taxes		<u>(10,345)</u>	<u>1,481</u>
Profit for the period		<u>15,310</u>	<u>30,611</u>

Notes to the company financial statements

Strukton Groep N.V. is part of nv Nederlandse Spoorwegen.

Where reference is made in the company financial statements to transactions with group companies, this means both transactions between Strukton Groep N.V. and its subsidiaries and transactions with other group companies belonging to and related to nv Nederlandse Spoorwegen.

ACCOUNTING POLICIES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of Strukton Groep N.V. are included in the consolidated financial statements. The separate financial statements of Strukton Groep N.V. are prepared in accordance with the statutory requirements of Part 9, Book 2 BW. In this context, the company utilises the option under section 2:362(8) BW to apply the same principles for valuation and result determination to the separate financial statements as those applied to the consolidated financial statements.

In respect of the company income statement of Strukton Groep N.V. use has been made of the exemption pursuant to article 2:402, book 2 BW.

The consolidated group companies are stated at net asset value in accordance with the policies used for the consolidated IFRS financial statements of Strukton Groep N.V. The participating interests where significant influence is exercised are also valued according to these valuation principles set out in the consolidated financial statements. The same applies with respect to the principles for determining the result. Consequently, equity and the net result of Strukton Groep N.V. are equal to those in the consolidated financial statements.

PRINCIPLES OF VALUATION AND DETERMINATION OF RESULTS

The principles for valuation and determination of the result for the company financial statements are the same as those for the consolidated financial statements. If no specific policies are mentioned, please refer to the policies mentioned in the consolidated financial statements of Strukton Groep N.V.. For a correct interpretation of the company financial statements of Strukton Groep N.V., reference should be made to the consolidated financial statements of Strukton Groep N.V.

1. Property, plant and equipment (as at 31 December 2007)

	Land	Business buildings	Plant and machinery	Assets under construction	Total
Acquisition price as at 1 January 2007	2,892	28,343	1,335	-	32,570
Cumulative depreciation	234	9,305	1,073	-	10,612
Book value as at 1 January 2007	2,658	19,038	262	-	21,958
Investments	-	1,804	-	1,804	3,608
Divestments	-	-	-	-	-
Depreciation	45	1,167	146	-	1,358
Other changes	140	105	-	(1,804)	(1,559)
Book value as at 31 December 2007	2,753	19,780	116	-	22,649
Acquisition price as at 31 December 2007	3,032	30,903	1,335	-	35,270
Cumulative depreciation	279	11,123	1,219	-	12,621
Book value as at 31 December 2007	2,753	19,780	116	-	22,649

The 'Plant and machinery' item includes office equipment, computer equipment, telephone equipment and such like.

2. Financial fixed assets

The financial fixed assets comprise:

	31-12-2007	31-12-2006
Participating interests in group companies	138,152	123,494
Accounts receivable from group companies	148,175	103,875
Financial derivatives	1,199	-
Deferred tax assets	427	1,201
	287,953	228,570
Other subsidiaries	2,950	2,950
	290,903	231,520

Movement in the financial assets in 2007 was as follows:

	Participating interests from group companies	Accounts receivable from group companies	Financial derivatives	Deferred tax receivables	Other participating interests	Total
As at 1 January 2007	123,494	103,875	-	1,201	2,950	231,520
In consolidation	-	-	-	-	-	-
Expansion	25,617	-	-	-	-	25,617
Disposal	504	-	-	-	-	504
Share in results	25,655	-	-	-	-	25,655
Dividends	35,237	-	-	-	-	35,237
Loans extended	-	119,065	-	-	-	119,065
Repayments	-	74,765	-	-	-	74,765
Consolidations, deconsolidations and other changes	(873)	-	1,199	(774)	-	(448)
As at 31 December 2007	138,152	148,175	1,199	427	2,950	290,903

3. Accounts receivable

The receivables consist of:

Receivables from Group companies
Taxation and social security
Other receivables, prepayments and accrued income

31-12-2007	31-12-2006
16,433	31,354
571	67
1,187	2,775
18,191	34,196

4. Cash and cash equivalents

These cash and cash equivalents are freely available to the company.

5. Capital and reserves

Notes to capital and reserves can be found in the consolidated financial statements. The difference between the company and consolidated equity in 2006 was EUR 0.3 million. This relates to the minority interest that was consolidated in the figures of the consolidated financial statements of Strukton Groep N.V.

Since the minority interest was acquired by Strukton Groep N.V. in 2007, there is no longer any difference between the company and consolidated equity in 2007.

6. Subordinated loans

At year-end 2007 no subordinated loans had been taken up or repaid (2006: EUR 5.7 million repaid).

7. Provisions

Summary of changes in the carrying amount in 2007:

	Book value 1-1-2007	Consolidation	Addition	Withdrawal	Release	Other	Book value 31-12-2007
Provisions for taxes	17,110	-	306	16,375	-	-	1,041
Other provisions	504	-	10	-	304	-	210
	17,614	-	316	16,375	304	-	1,251

8. Loans and borrowings

Non-current liabilities comprise:

Interest-bearing loans and borrowings
Other

31-12-2007	31-12-2006
80,500	80,500
257	549
80,757	81,049

9. Current liabilities

The liabilities comprise

Bank overdraft
Debts to suppliers
Amounts owed to Group companies
Taxation and social security
Other debts, accruals and deferred income

31-12-2007	31-12-2006
45,000	-
443	469
19,346	7,606
3,870	5,370
2,889	2,719
71,548	16,164

10. Other results after taxes

	2007	2006
Other results after taxes	(10,345)	(3,861)

Strukton Groep N.V., with the majority of its wholly-owned domestic participating interests, forms part of the tax entity of nv Nederlandse Spoorwegen: on the grounds of this tax entity, the company is jointly and severally liable for the taxes payable by the tax entity as a whole.

Within the tax entity, Strukton Groep N.V. is treated as an autonomous taxable entity.

Strukton Groep N.V. does not charge corporation tax on to its individual subsidiaries.

The decrease in the result of the parent company Strukton Groep N.V. is mainly the effect of higher PPP tender costs in 2007 and a one-off tax gain in 2006.

11. Off-balance sheet commitments

For loans and advances contracted by operating companies/participating interests, Strukton Groep N.V. has issued guarantees for a total of EUR 6.5 million (year-end 2006: EUR 6.0 million).

As at 31 December 2007, bankers had issued guarantees and letters of intent for an amount of EUR 140.0 million (year-end 2006: EUR 117.9 million). These guarantees mainly concern obligations by virtue of construction work in progress and maintenance obligations with respect to completed projects.

Collateral in the amount of EUR 15.3 has been furnished to cover loans taken up.

Remuneration of directors and supervisory directors

For a summary of the remuneration of directors and supervisory directors, please refer to the consolidated financial statements.

Utrecht, 4 March 2008

The management

G.A. Witzel (*chairman*)
R.T.A. Steenvoorden

The Supervisory Board

M. Niggebrugge (*chairman*)
R. den Besten
C.A. de Ruyter

Other information

Provisions of the articles of association governing profit appropriation

The provisions governing the profit appropriation are included in article 33 of the articles of association. These provisions state that the profit is at the free disposal of the General Meeting of Shareholders.

Proposed dividend

It is proposed to the General Meeting of Shareholders to distribute EUR 6.0 million in dividend (2006: EUR 7.7 million).

Subsequent events

For subsequent events, please refer to the consolidated financial statements.

Auditor's report

Report on the financial statements

We have audited the financial statements for 2007 included in this report on page 41 to 91 of Strukton Groep N.V., Maarssen, with its actual registered office in Utrecht. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2007, the income statement, statement of total recognised income and expense and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2007, the company income statement for the year then ended and the notes.

Management's responsibility

The company's management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Group Management Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Strukton Groep N.V. as at 31 December 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Strukton Groep N.V. as at 31 December 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Group Management Board is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Utrecht, 4 March 2008

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Glossary

Alliance contract	written agreement to form an alliance in which the partners (client and contractor) participate as equals. The partners must work together on an equal footing to achieve common goals and share the benefits. Profits and losses are shared and risks are borne jointly
Amfora	Dutch abbreviation for Alternative Multi-Functional Underground Space Amsterdam. Extra space is created underground for traffic and urban functions for the benefit of a liveable, pleasant and authentic Amsterdam above ground. In this unsolicited proposal, Strukton presents a feasible and affordable vision to solve the traffic, spatial planning and environmental problems in the centre of Amsterdam
Back on Track	internal programme to strengthen the organisation of Strukton Construction & Property
Capital employed	equity plus loans granted and net bank balances
Challenging Clients	internal programme to change the mindset at Strukton, in which staff learn the core values of 'innovating', 'initiating', 'understanding', 'sustainability' and 'transparency'
Core values	the five properties of the Strukton mindset
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSR	Corporate Social Responsibility
DKK	Danish krone
EBIT/operating result	Earnings Before Interest and Tax
EBITDA/operational result	Earnings Before Interest, Tax, Depreciation and Amortisation
EPA-U	Dutch abbreviation for Energy Performance Advice, General Construction
EUR	euro
GAB	Dutch abbreviation for an automated system to request a section of railway line be taken out of operation
GBP	pound sterling
Hard service management	management and maintenance of building fixtures and services
IFRS	International Financial Reporting Standards (formerly International Accounting Standards (IAS)), as of 1 January 2005 the standard international accounting rules for the preparation of the annual accounts of all listed companies in the European Union. IFRS intends to improve the comparability of accounts and give a better view of the financial position and results
Immersion technique	technique to sink tunnel elements in water
KAM	Dutch abbreviation for Quality, Health, Safety and the Environment
Kettinghor	work train used to build railway lines
Kosmos	Dutch abbreviation for civil engineering maintenance in cooperation with the market under system-oriented contract control. This is an initiative of the Directorate-General for Public Works and Water Management to resolve overdue maintenance on hundreds of hydraulic and non-hydraulic infrastructure works and restore them to the required quality standard. Kosmos contracts are characterised by the proposal of innovative solutions by market players instead of the execution of maintenance and repair work prescribed by the Directorate General
Lifecycle approach	a way of working that takes account of the total lifecycle of a building or part of the infrastructure

New Construction	an approach to construction that embraces not only the construction phase but the entire process from design to management
NL-GAAP	Dutch generally accepted accounting principles
NOK	Norwegian krone
NRU	northern ring road Utrecht. An integrated plan presented by Strukton to resolve traffic problems on the congested northern ring road around Utrecht without consuming land but creating land for new housing developments
One company, One system, Two processes	an internal programme at Strukton Workspere to standardise its processes wherever possible and address the imbalance between the project organisation on the one hand and the service, management and maintenance organisation on the other
Operational management	management of a building when it is in use
Order book	engagements won but not yet being carried out
Organic growth	growth from a company's continuing activities (not from acquisitions, divestments or exchange rate movements)
POSS	Dutch abbreviation for preventive maintenance and fault diagnosis system
PPP	Public Private Partnership
PPP concession	public private partnership in which a government body awards a long-term contract to a private consortium for the design, construction, financing, management and maintenance of a project and often also facility services
Preferred bidder	the final party remaining at the end of the selection procedure for an engagement
Return on capital employed	ratio of operating profit (EBIT) to average capital employed
SEK	Swedish krona
TAO	Dutch abbreviation for an irregularity affecting train services
Total capital invested	equity plus loans granted and net bank balances
UIC	Union Internationale de Chemin de Fer
Video inspection train	a maintenance train that inspects railway lines using a video system
Work in hand	the order book plus an estimate of orders expected in the near future, including work developed by Strukton and projects for which Strukton is negotiating largely on an exclusive basis and/or has been appointed preferred bidder
Working capital	non-cash current assets less non-interest-bearing current liabilities

IF - index =
$$\frac{1,000,000 \times (\text{number of lost time accidents})}{\text{number of hours worked}}$$

Accident figure =
$$\frac{\text{Total number of fatal and serious lost time accidents} > 3 \text{ days} \times 1,000}{\text{average number of employees}}$$

Frequency figure =
$$\frac{\text{Total number of fatal and serious lost time accidents} > 3 \text{ days} \times 100,000}{\text{total number of hours worked}}$$

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