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Creating  
enduring  
quality



# Annual report 2012

# Table of contents

Report structure	5
Ten-year summary	6
The share and dividend proposal	8
Foreword	10

## About Ballast Nedam

1	About Ballast Nedam	15
1.1	Vision and mission	15
1.2	Our CSR policy: to work together for a better living environment	16
1.3	Core activities	17
1.4	Impact on people, the environment and the community	25
1.5	Operational organization structure	26
1.6	Statement of the Board of Management	29
2	Strategic objectives and results	30
2.1	Our achievements in 2012 relative to our objectives	30
2.2	Financial results	36
2.3	Strategic objectives for 2013	39
3	Strategy	42
3.1	Five pillars that support our vision and mission	42
3.2	Ballast Nedam's business model	44
3.3	Trends	48
3.4	SWOT analysis	54
3.5	Prospects	55
4	Segments	56
4.1	Infrastructure	56
4.2	Building & Development	61
4.3	Specialized Companies	67
4.4	Supplies	70
5	Risk and risk management	75
5.1	Risk management and internal control	75
5.2	Salient risks	77
5.3	Specific risks	85
6	Our CSR policy	89
6.1	Implementing CSR policies in the organization	90
6.2	CSR objectives	91
6.3	Life-cycle thinking and acting (the environment)	92
6.4	Our people, standards and values (employees)	102
6.5	Chain cooperation (market)	122
6.6	Being at the heart of the community (community)	130

7	Stakeholder analysis	139
7.1	Our stakeholders	139
7.2	Organization stakeholder dialogue	142
7.3	Materiality analysis	143
7.4	Follow-on to stakeholder dialogues	144

## Corporate governance

8	Corporate governance	149
8.1	Management and control structure	149
8.2	Report of the Supervisory Board	154
8.3	Members of the Supervisory Board	163
8.4	Remuneration report	164
8.5	Members of the Board of Management	171

## Financial statements 2012

9	Financial statements 2012	174
9.1	Consolidated statement of financial position	174
9.2	Consolidated income statement	175
9.3	Consolidated statement of changes in equity	176
9.4	Consolidated statement of cash flows	177
9.5	Notes to the consolidated financial statements	178
9.6	Operating segments	191
9.7	Acquisitions and disposals	194
9.8	Notes to the consolidated statement of financial position	196
9.9	Notes to the consolidated income statement	213
9.10	Company statement of financial position (before appropriation of profit)	226
9.11	Company income statement	226
9.12	Notes to the company financial statements	227

## Other information

10	Other information	236
10.1	Independent auditor's report	236
10.2	Definitions	238
10.3	Profit sharing and dividend policy	239
10.4	Board members of the Ballast Nedam Administration Office	240
10.5	Report of the Ballast Nedam Administration Office	241
10.6	On this report: reporting principles	243
10.7	GRI-indicatorenoverzicht	246
10.8	Independent assurance report	250
10.9	Management 7 March 2013	252
10.10	Organization chart 7 March 2013	254

*This publication is a translation of the official annual report, which was published in the Dutch language. In the event of discrepancies, the version in Dutch shall prevail.*

*This Annual Report is available for inspection and download in English and Dutch on our website [www.ballast-nedam.nl](http://www.ballast-nedam.nl). For additional information about this Annual Report, please contact Ballast Nedam's Communication & Investor Relations department, by phone +31 (30) 285 47 33, or e-mail [pr@ballast-nedam.nl](mailto:pr@ballast-nedam.nl)*

# Report structure

This Annual Report presents Ballast Nedam's financial performance and its approach to corporate social responsibility.

Chapter 1 About Ballast Nedam on page 15 sets out our vision and mission, our key activities, the market environment we operate in, and the structure of our organization.

Chapter 2 *Strategic objectives* and financial results on page 30 presents our strategic objectives for 2013 and our aims on company level. We give an account of the financial and non-financial results of the efforts to achieve our objectives in financial year 2012, in which we distinguish between the qualitative and quantitative goals and the results achieved.

Chapter 3 *Strategy* on page 42 sets out our business strategy and explains our ambitions and how they are influenced by the prevailing conditions in society at large. The SWOT analysis on page 54 concisely summarizes the above, and was the basis for defining our strategic objectives. The strategic objectives for 2013 are given in Section 2.3 on page 39.

Chapter 4 *Segments* on page 56 explains the segments' contribution to the strategic objectives for 2013. We also illuminate the specific actions that are planned for 2013 in support of the strategic objectives. We report on the segments' contributions to the strategic objectives and the action plans for 2012, which were carried out on the basis of the business strategy.

Chapter 5 *Risk and risk management* on page 75 describes Ballast Nedam's approach to risks and how the organization is structured to control risks. We also identify the company-specific risks and the salient strategic risks that emerge from the SWOT analysis on page 54.

Chapter 6 *Our CSR policy* on page 89 describes the CSR policy assurance in our organization. An account is also given for each CSR theme of our objectives, the results achieved, and how we plan to achieve our objectives in 2013, linked to our strategic pillars.

Chapter 7 *Stakeholder analysis* on page 139 describes how we involve our stakeholders in our policy and strategy, and their influence on our reporting.

Chapter 8 Corporate governance on page 149 explains how the company is controlled and managed. The Supervisory Board reports in this chapter on the supervision of the company, and accounts in the remuneration report for Ballast Nedam's remuneration policy.

Chapter 9 *Annual Accounts* on page 174 presents our financial statements for 2012.

Chapter 10 *Other information* on page 236 has additional details of Ballast Nedam and the creation of this Annual Report.

# Ten-year summary

x € 1 million	2012	2011	2010	2009
<b>Revenue and profit</b>				
Revenue	1 296	1 382	1 359	1 384
the Netherlands	1 153	1 252	1 275	1 272
international	143	130	84	112
Order book	1 761	1 950	1 841	1 818
EBITDA	2	47	45	42
Impairment	(10)	(2)	(1)	-
Depreciation	(23)	(25)	(25)	(23)
EBITA	(31)	20	19	19
Amortization	-	(1)	(1)	(2)
EBIT	(31)	19	18	17
Profit before income tax	(38)	12	11	8
Profit for the period before amortization	(41)	10	8	8
Profit for the period	(41)	9	7	6
<b>Investments</b>				
Investments	70	80	104	102
Disposals	9	6	12	6
Net investments	61	74	92	96
<b>Balance sheet data</b>				
Non-current assets	245	286	420	352
Current assets	641	655	664	682
Assets	886	941	1 084	1 034
Current liabilities	(634)	(625)	(598)	(644)
<b>Capital structure</b>				
Capital employed	176	229	425	279
Shareholders' equity	131	171	161	162
Interest-bearing non-current liabilities	108	121	285	197
Net cash	76	87	61	111
Net financing position	(49)	(45)	(231)	(92)
<b>Ratios</b>				
EBIT / revenue	(2%)	1%	1%	1%
Profit for the period / revenue	(3%)	1%	1%	0%
Profit for the period / average shareholders' equity	(27%)	5%	4%	4%
Shareholders' equity / assets	15%	18%	15%	16%
<b>Average number of employees</b>	<b>3 859</b>	<b>3 929</b>	<b>3 841</b>	<b>3 947</b>
<b>Shares</b>				
Number of ordinary shares (x 1 000)	10 000	10 000	10 000	10 000
Number of ordinary shares issued (x 1 000)	9 668	9 668	9 700	9 702
Market capitalization at year-end	95	129	140	147
Dividend paid	5	4	3	12
<b>Per average share in issue of € 6 nominal value</b>				
Shareholders' equity	13.55	17.66	16.58	16.62
Dividend paid	0.47	0.36	0.31	1.24
Profit for the period	(4.24)	0.93	0.73	0.62

	2008	2007	2006	2005	2004	NL GAAP	
						2004	2003
	1 426	1 270	1 310	1 206	1 164	1 164	1 619
	1 348	1 157	1 206	1 105	1 042	1 042	1 132
	78	113	104	101	122	122	487
	1 667	1 438	1 093	1 064	971	971	1 046
	67	63	63	58	63	45	33
	-	-	-	-	(8)	(7)	(6)
	(24)	(20)	(19)	(18)	(19)	(17)	(23)
	43	43	44	40	36	21	4
	(1)	(1)	(2)	(2)	(1)	(2)	(4)
	42	42	42	38	35	19	-
	31	38	38	28	24	15	(6)
	25	28	46	22	14	10	50
	24	27	44	20	13	8	46
	64	37	67	32	20	17	19
	22	7	12	67	20	20	26
	42	30	55	(35)	-	(3)	(7)
	274	242	253	211	268	179	213
	730	656	541	636	556	352	342
	1 004	898	794	847	824	531	555
	(660)	(590)	(555)	(644)	(586)	(327)	(362)
	252	256	177	74	78	(11)	(2)
	168	172	158	124	101	109	102
	126	97	36	54	99	39	27
	92	52	62	129	160	160	136
	(41)	(63)	23	68	56	116	104
	3%	3%	3%	3%	3%	2%	0%
	2%	2%	3%	2%	1%	1%	3%
	14%	16%	31%	18%	14%	8%	58%
	17%	19%	20%	15%	12%	20%	18%
	3 941	3 838	3 701	3 721	4 022	4 022	4 957
	10 000	10 000	10 000	10 000	10 000	10 000	10 000
	9 870	9 900	9 924	9 847	9 861	9 861	9 879
	137	280	328	327	123	123	47
	14	13	10	-	-	-	-
	17.05	17.31	15.98	12.54	10.26	11.02	10.33
	1.38	1.34	1.02	-	-	-	-
	2.46	2.75	4.44	2.05	1.36	0.80	4.67

# The share and dividend proposal

This section provides details of Ballast Nedam's share and how the share price has moved in the reporting year.

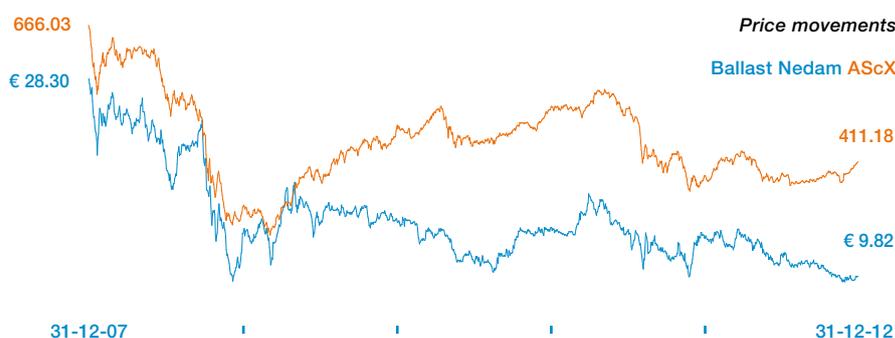
## Shares and stock exchange listing

On 31 December 2012 Ballast Nedam had 9 667 500 in issue out of the 10 million issued shares. On this date we had 332 500 repurchased own shares and depositary receipts for shares. The 332 500 repurchased shares and depositary receipts for shares are needed to cover the liabilities arising from the current management option scheme.

The Ballast Nedam Administration Office issues depositary receipts for shares and administers the underlying shares. The depositary receipts are fully exchangeable. At year-end 2012, depositary receipts had been granted for 99.46 per cent of the capital in issue. Ballast Nedam depositary receipts for shares are listed on NYSE Euronext Amsterdam. Ballast Nedam has been included in Euronext's Amsterdam Small Cap Index (AScX) since 2006. ABN AMRO Bank, ING Bank and Kempen & Co act as liquidity providers for Ballast Nedam shares.

## Price movements

The Ballast Nedam share price quoted at the end of 2011 on NYSE Euronext was 13.39 euros. The year 2012 ended with a 27 per cent lower rate of 9.82 euros. The Amsterdam Small Cap Index (AScX), where the Ballast Nedam shares are included, rose by 7 per cent in 2012. The highest closing price of 14.24 euros was reached on 16 March 2012. The lowest closing price of 9.30 euros was quoted on 27 November 2012.



## Trading volume

The liquidity of Ballast Nedam shares declined in 2012. An average of 3 878 shares were traded per trading day in 2012. This is a decrease from 2011 when the average was 5 770 shares per trading day.

## Other information per average share in issue of 6 euros nominal value

	2012	2011	2010	2009	2008	2007
Shareholders' equity	13.55	17.66	16.58	16.62	17.05	17.31
Dividend paid	0.47	0.36	0.31	1.24	1.38	1.34
Profit for the period	(4.24)	0.93	0.73	0.62	2.46	2.75

The average outstanding shareholders' equity per share amounted to 13.55 euros.  
The average profit for the period per share declined from 0.93 euros in 2011 to (4.24) euros.

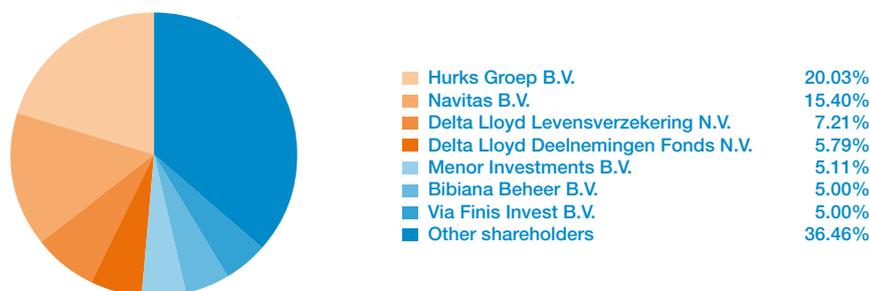
#### No dividend

The current dividend policy is to place 50 per cent of the profit for the period at the disposal of shareholders for distribution as dividend. A substantial loss was made in 2012, solvency deteriorated, and the difficult market conditions are expected to continue. For these reasons, the Board of Management, with the approval of the Supervisory Board, has decided in line with the dividend policy to refrain from paying a dividend for 2012.

#### Shareholders with an interest of 5 per cent or more

As at 7 March 2013 the following organizations had reported to the Authority for the Financial Markets (AFM) that they held shares or depositary receipts for shares in Ballast Nedam representing an interest of 5 per cent or more, pursuant to Section 5.3 of the Financial Supervision Act.

#### *Distribution shareholders*



#### General Meeting of Shareholders

The Annual General Meeting of Shareholders of Ballast Nedam will be held on 16 May 2013 at the Beatrix Theatre (Main entrance), Jaarbeursplein 6a, Utrecht. The meeting will commence at 1.30 pm. Prior to the meeting, the Ballast Nedam Administration Office will convene a meeting at noon of holders of depositary receipts for shares. The agendas for these meetings will be available to interested parties on request from the company, or can be downloaded from the Ballast Nedam website.

#### Financial calendar 2013

- Publication of annual results 2012 Friday 8 March 2013
- Registration date for the Annual General Meeting for shareholders 2013 Thursday 18 April 2013
- First quarterly report 2013 Friday 26 April 2013
- General Meeting of Shareholders Thursday 16 May 2013
- Publication of interim results 2013 Friday 12 July 2013
- Third quarterly report 2013 Friday 25 October 2013

#### Investor Relations

Investor Relations focuses on the interests of the shareholders and the permanent interest of the financial market in Ballast Nedam. Investor Relations aims to inform the focusgroups transparently and honestly about the Ballast Nedam strategy, Ballast Nedam's business model, our distinctive character and the financial position of the company. We do this by providing all relevant information available, through the annual report, the annual and interim results presentation, 1st and 3rd quarterly reports, press releases, presentations to (potential) investors and analysts and via our website [www.ballast-nedam.nl](http://www.ballast-nedam.nl).

# Tough year, firm intervention, accelerated profile change

Ballast Nedam has had a difficult year. The past year was marked by further deterioration of the capacity-driven traditional markets, increased price pressure, in some cases below cost, and a strong decline in volumes.

## Strategic focus

Ballast Nedam increased the pace of implementing the strategy that is oriented to integrated projects, various niche markets with growth prospects, and the promising modular building concept. This acceleration was prompted by persistently poor market conditions. There have been severe consequences for a number of companies that operate in the strongly capacity-driven markets. There has been radical restructuring, in particular in the regional companies and some specialized companies. Accordingly there will be less exposure to these loss-making traditional markets.

The profile change is oriented to the transition from a supply-oriented to a customer-oriented construction organization, with integrated solutions for the entire life cycle. The organization structure is now better equipped for market and product development and is able to respond more rapidly to customers' changing needs and wishes. There have also been further steps to ensure uniformity in the company, which have improved efficiency and commercial strength. The company profile is now more appropriate to the new reality.

Excellent results have been achieved on several large multiyear projects and in the offshore wind turbines, industrial construction, alternative fuels and secondary raw materials niche markets. There is increasing application of the life-cycle management approach in the management, maintenance and commercial operation of housing, mobility and energy projects. These results endorse Ballast Nedam's strategy. The regional companies and some specialized companies that operate mainly in the strongly capacity-driven markets incurred losses.

In the past year Ballast Nedam strengthened its position in the promising modular building systems market with its stake in Ursem Modulaire Bouwsystemen. These modular building systems are being used for utility buildings and building sections, such as student accommodation, care centres, schools, detention centres and hotels. Ballast Nedam, with the iQwoning®, Ursem modular building systems and ModuPark® (the modular car parking product), now provides modular concepts for the new building and renovation market for residential and nonresidential construction. We also presented the Plug and Play Core modular stadium concept for the 2022 FIFA World Cup in Qatar.



### Our employees

In these difficult times we have demanded much of our employees, but have also been obliged to let employees go who have contributed to our company's success. The latter is painful. On behalf of the Board of Management I wish to thank all employees for their great effort, innovative strength and entrepreneurship.

We have responded energetically to the challenges we have been confronted with. We will continue to invest in integrated projects and in the knowledge and conduct of our people, in full awareness of the new roles they are fulfilling in a changing market.

### Innovative strength

Changing as a company demands constant innovation. One example of innovation is the industrialization of the building process, which enables us to anticipate changes in the market more flexibly. Modular building is an appropriate answer to clients' life-cycle management approach and the changing social needs and requirements of end-customers. This new way of building achieves higher and constant quality, and is also an answer to relevant sustainability issues.

Ballast Nedam will continue to pursue its product development and concept development activities in 2013.

### Corporate social responsibility

Corporate social responsibility is an integral part of our strategy. Ballast Nedam provides specific responses to changing social needs by creating enduring quality. We give thought to how to deal efficiently with permanent change at the lowest possible life-cycle costs. Among Ballast Nedam's contributions to issues in the past year are returnability, residual value creation, industrialization of the building process, the transition to renewable energy and greener operations. Ballast Nedam is now at level B+ for CSR reporting. In 2012 Ballast Nedam also remained at the highest level on the CO2 performance ladder 2.0.

### Integrity

It has been an eventful year in terms of compliance, with much negative media attention for integrity issues of the past, which is attributable to the strictly enforced zero-tolerance policy for infringements of the Code of Conduct. We concluded several old ongoing matters in 2012. The compliance policy has been tightened further and is being given high priority throughout the organization. The Chief Compliance & Risk Officer, who was appointed at the start of this year, is responsible for implementing the tightened compliance guidelines and monitoring their observance.

### Results and financial position

In 2012 Ballast Nedam achieved a well-filled order book of approximately 1.8 billion euros. Revenue decreased by 6 per cent to 1 296 million euros in 2012. Ballast Nedam incurred an operating loss of 31 million euros following 49 million euros of reorganization expenses and impairment losses on land positions, and property, plant and equipment.

The main challenges facing Ballast Nedam in 2013 are to raise the quality of the results and to improve the financial position. With our strategic focus, less exposure to loss-making markets and the well-filled order book, we are looking forward to an operating profit for 2013 of approximately 15 million euros.

Theo Bruijninx  
Chairman of the Board of Management

**WIDENING OF THE A15 BETWEEN  
MAASVLAKTE AND VAANPLEIN,  
ROTTERDAM**

The most important traffic corridor in Rotterdam's port and industrial area, the A15, is being transformed to reduce congestion and improve traffic flow. The capacity is being increased over a length of more than 35 km, and the Botlek Bridge will be replaced with a larger lifting bridge.



# About Ballast Nedam

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1	About Ballast Nedam	15
2	Strategic objectives and results	30
3	Strategy	42
4	Segments	56
5	Risk and risk management	75
6	Our CSR policy	89
7	Stakeholder analysis	139



'I help eliminate obstacles so that everyone can work better and faster.'

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Inge Vermunt – improvement coach

# 1

## About Ballast Nedam

We give an outline of our company in this chapter, in terms of what we do and why (our vision and mission), what we stand for, our key activities, the market environment we operate in, how we monitor our impact on people, the environment and the community, and the legal and operational structure of our organization. The chapter concludes with a summary of our company profile.

### 1.1 Vision and mission

All our solutions are about working together for a better living environment. This can be expressed in just two words: enduring quality.

#### 1.1.1 Vision

*Working together for a better living environment, today and tomorrow*, is the vision that guides Ballast Nedam's work. It means achieving enduring quality in the life cycle of development, construction, management and the recycling of our living environment. Our solutions are custom work: appealing, future-proof and in harmony with the broader picture. They enhance people's wellbeing in their living environment. We create solutions by working together with our customers and partners. We always act with safety and integrity.

#### 1.1.2 Mission

Ballast Nedam strives to give customers added value in all we do, which is manifest in our practical solutions, our organizational structure, our knowledge and experience, and the innovative capacity of our people. This results in: *creating enduring quality*. We believe it is the best way to ensure the continuity of Ballast Nedam and to enhance shareholder value.

### 1.1.3 Strategic pillars

Our vision and mission are a promise to deliver added value, not only with our products, services and brands, but also in how we work. We keep our promise through our reliance on five strategic pillars:

- life cycle thinking and acting;
- our people, standards and values;
- chain cooperation;
- innovation;
- being at the heart of the community.

Section 3.1 *Five pillars that support our vision and mission* on page 42 explains our strategic pillars in further detail.

## 1.2 Our CSR policy: to work together for a better living environment

People's view of themselves is changing, and so is their view of the world around them. We are becoming increasingly aware that today's requirements, needs and wishes will be quite different in five years' time. No-one can yet be sure what the right scenario for the future is, and in the intervening years we will need flexibility, which, needless to say, will also have to be affordable.

The requirements that people now place on their surroundings have more to do with *availability*, and less with *actual possession*. Companies want to be able to adapt their accommodation, workplaces and other assets at any time to suit their changing requirements, needs and wishes. People can and do now use sharing schemes for just about anything: from cars to holiday homes, and even meals. Ballast Nedam provides specific responses to these changing social needs by *creating enduring quality*. We give thought to how to deal efficiently with permanent change at the lowest possible life-cycle costs. Corporate social responsibility is an integral part of our strategy.

Some specific examples of our approach to corporate social responsibility are given below.

### Returnability

Qatar will have no further need for large sports stadiums once the 2022 FIFA World Cup comes to an end, which is why they promised FIFA that it will be possible to move these structures for use elsewhere in the world. Ballast Nedam's response was the development of the *Plug & Play Core concept*, which is essentially a sports stadium construction that complies with the requirements for permanent use, but with a core that is fully returnable or transportable. The same concept can be applied to homes, bridges, schools and other built features, as our modular product brands iQwoning® and ModuPark®, and the Ursem Modular Building products, testify.



### Residual value creation

Another specific demonstration of our ambitions is the collaboration between Ballast Nedam and Connexxion. Ballast Nedam is responsible for the reliable delivery of CNG/ green gas fuel for the Connexxion bus concession around Arnhem and Nijmegen for a ten-year period. At the same time Ballast Nedam will be responsible for the development, construction, management, maintenance and reuse of the associated Connexxion bus depots.

Transport operators are currently reluctant to invest in permanent depots in view of today's relatively short concession periods. When the concession ends there will be the option of transferring the buildings and equipment to the next franchise holder, changing their function, or reusing them. Care is therefore taken to create residual value in the development and construction of the buildings and equipment.

#### Transition to renewable energy

Through CNG Net and LNG24 Ballast Nedam supplies (liquefied) natural gas/green gas to the public and companies. We facilitate the collective purchasing and sale, delivery and installation of solar panels for municipalities, companies and the public. We produce and supply green energy, and we design, implement, maintain and manage green energy projects, such as wind farms (offshore), electrical car charging points and alternative fuel filling stations.

#### Industrialization of the building process

Industrialization of the building process is how we are raising flexibility in anticipation of market changes. Ballast Nedam is producing an increasing number of modular products in its plants. Ballast Nedam has seven plants that manufacture products in a controlled environment. Industrial production improves quality, working conditions and safety, while reducing production times and failure costs. The industrialized building process significantly reduces the actual site construction time and limits disruption of the surrounding community.

#### On the way to green business operations

Ballast Nedam has implemented numerous initiatives to make business operations greener, such as by lowering energy consumption, CO<sub>2</sub> emission, material use and waste. We generate energy with our own wind turbines, produce green gas fuels, and over one-third of our vehicle fleet now runs on CNG. These are important steps on our way to green business operations.

The above examples outline our ambitions for and our specific approaches to corporate social responsibility. Chapter 6 *Our CSR policy* on page 89 has more details. We will continue on the course we have embarked on in the next few years. Ballast Nedam stands for creating enduring quality.

### 1.3 Core activities

Ballast Nedam engages in four areas of work: *housing, mobility, energy and nature*. These strongly interrelated areas of work blend together to give shape to our living environment. Ballast Nedam's focus in these areas of work is on integrated projects and the niche markets of industrial construction, offshore wind turbines, secondary raw materials and alternative fuels.

Our *housing* area of work creates quality of use and preserves value wherever people live, work and spend time, which encompasses the entire life cycle of a wide variety of buildings for the public, for business and for public authorities. Our focus is on creating and upholding flexibility in housing through industrially manufactured and returnable modular concepts for area and project development, urban restructuring and logistically complex projects.

Our *mobility* area of work seeks to achieve accessibility while respecting livability and safety. Alongside maintenance and management our work also involves the development, implementation and efficient utilization of built features for road, rail, air, and water transport. Our aim is to make better use of existing infrastructure, to coordinate the different transport modes more effectively and to minimize disruption through the increased application of manufactured products, and other means.

Our *energy* area of work is about clean, available and renewable energy for today and tomorrow. We also work on conventional systems and invest in sustainable energy facilities. The focus is on the transition to ‘clean’ fuels from the most sustainable possible energy sources and from waste streams, alternative fuels as a transition to renewable fuels, and new energy models, such as *smart grids* and the infrastructure for these energy streams.

Our *nature* area of work aims to find the right balance between the development, preservation and use of natural assets. Of paramount importance is the value of nature to the community at large, as a provider of raw materials, protection, leisure and a living environment, as well as a habitat to be preserved for the biodiversity of flora and fauna. Our activities are oriented to the responsible use, reuse and management of our landscape, and include water management, water treatment, raw material extraction and nature conservation.

Ballast Nedam’s range of products and services is shifting towards specific product-market combinations with greater added value. The following sections in this Annual report summarize these combinations and our company and product brands.



	Housing	Mobility	Energy	Nature
Building & Development	[ ]		[ ]	
Infrastructure	[ ]		[ ]	
Specialized Companies	[ ]	[ ]	[ ]	
Supplies	[ ]	[ ]	[ ]	

*Ballast Nedam performs integrated activities in four areas of work from four segments.*

### 1.3.1 List of brands by segment

As ‘One Ballast Nedam’ we create enduring quality for our customers in housing, mobility, energy and nature, which are our areas of work. This involves contributions from multiple specializations and responsibilities, in some cases embodied in companies with their own brand.

## The Infrastructure segment



LNG24 is investing in a national network of liquefied natural gas (LNG) filling stations. LNG is an excellent fuel for both road vehicles and shipping, and is a sustainable alternative to diesel. Like CNG Net, LNG24 operates jointly with other Ballast Nedam companies.

[www.lng24.com](http://www.lng24.com)



CNG Net is making natural gas a viable vehicle fuel in the Netherlands by investing in a national natural gas filling station network. The company works together with other Ballast Nedam companies to provide turnkey solutions. [www.cngnet.nl](http://www.cngnet.nl)

## The Building & Development segment



ABL2 is about progress, renewal and connection. ABL2 provides technical process management and advice in the fields of innovation, CSR, tenders and area development. This company is about creativity and the connection between people, knowledge and interests.

[www.abl2.nl](http://www.abl2.nl)



Heddes Bouw & Ontwikkeling operates in the provinces of Noord-Holland and Flevoland on the development, new building, small-scale construction, renovation and maintenance of residential and nonresidential buildings. [www.heddes.nl](http://www.heddes.nl)



LAUDY Bouw & Ontwikkeling is based in Limburg, where it serves the entire building column, comprising new building, renovation, restoration and maintenance of nonresidential, residential and industrial buildings. [www.laudybouw.nl](http://www.laudybouw.nl)



Bouwborg performs maintenance, renovation, service and restoration work. The company is a national partner for housing corporations and institutional investors for the structural and technical maintenance of their property. [www.bouwborg.nl](http://www.bouwborg.nl)



Aannemingsbedrijf F.W. Onrust operates in the Greater Amsterdam area on the maintenance, renovation and restoration of residential property. [www.fwonrust.nl](http://www.fwonrust.nl)



Zomers Bouwbedrijf operates in the north of the Netherlands in the new building, renovation and maintenance of apartments, and nonresidential and industrial buildings. [www.zomersbouwbedrijf.nl](http://www.zomersbouwbedrijf.nl)

## The Specialized Companies segment



Gebr. Van Leeuwen specializes in anchorage and drilling operations, and in particular in innovative anchoring methods for constructions, and trenchless techniques for infrastructure crossings both above and below ground. [www.gebr-vanleeuwen.nl](http://www.gebr-vanleeuwen.nl)



Spanstaal is a specialist in prestressed constructions for civil engineering and nonresidential construction. The company also supplies prestressed systems, suspension cables, expansion joints and supporting bearings, casing tubes, bonded external reinforcement and jacking constructions. [www.spanstaal.nl](http://www.spanstaal.nl)

## The Specialized Companies segment



Recircle specializes in separating and reusing stony mineral raw materials. The company segregates materials and identifies new applications for secondary raw materials. The objective is to minimize residuals. [www.recircle.nl](http://www.recircle.nl)



Dibec provides a range of environmental, safety, dimensioning and materials technology services to large and small building projects alike, such as soil testing, as-built measurements, effluent testing, water bed testing and environmental support. [www.dibec.nl](http://www.dibec.nl)



T&H is a highly qualified consultancy in the field of technical installations and systems for residential and nonresidential buildings, renovation projects and major maintenance. The company specializes in the fields of heating, air-conditioning, electrical and transport technology, sustainability, energy management and maintenance

## The Supplies segment



Bichterweerd is one of the largest sand, gravel and stone chippings producers in Belgium for the concrete industry, concrete batching plants, and asphalt and concrete road building. The raw sand and gravel is extracted using a gravel dredger from the Meerheuveld concession site in the River Meuse valley in Belgian Limburg. [www.bichterweerd.be](http://www.bichterweerd.be)



N.V. Algri produces sand and gravel for use in the concrete product and ready-mix industry. The material excavated from the quarry in Belgium is processed at the washing and breaking plant into high-quality sand and semi-rolled gravel. [www.algri.be](http://www.algri.be)



Société d'Exploitation des Carrières d'Yvoir in Belgium supplies high-quality hard sandstone granulates, which are mainly used in the top layers of asphalt roads and as railway ballast. [www.secy.be](http://www.secy.be)



Grosskunkel Rurkies GmbH is a sand and gravel producer. The quarry's annual production is approximately 400,000 tons of high-quality sand and semi-rolled gravel, mainly for use in the concrete product and ready-mix industry. [www.grosskunkel.de](http://www.grosskunkel.de)



N.V. Lugo extracts and sells granulates (sand and gravel) as raw materials for the construction industry.



Zand- en Grindhandel Verkaik V.O.F. sells and transports raw materials, such as sand, gravel and stone chippings, for concrete and civil engineering applications. The primary activity is supplying concrete batching plants, concrete works and asphalt batching plants. [www.verkaik-vof.nl](http://www.verkaik-vof.nl)



Feniks designs, builds, operates and manages waste incineration ash reprocessing plants, and identifies secondary raw material applications in the construction industry. [www.feniksrecycling.nl](http://www.feniksrecycling.nl)



Hoco-beton develops and produces, either alone or with other market parties, advanced prefabricated concrete solutions for the entire spectrum of customers for concrete. [www.hoco-beton.nl](http://www.hoco-beton.nl)



Haitsma Beton specializes in the optimum design and production of prestressed prefabricated concrete elements, piles and barriers for bridges, viaducts, stadiums and multi-storey car parks. [www.haitsma.nl](http://www.haitsma.nl)



Omnia Plaatvloer produces wide panel flooring, waffle flooring, beam bottoms and concrete planks for custom solutions in residential and nonresidential buildings and the agricultural sector. [www.omniaplaatvloer.nl](http://www.omniaplaatvloer.nl)



The Rademakers foundry supplies cast components to all branches of industry where material economy and light weight are important. The castings are used in the construction industry for sewers, drainage systems and drill tips. [www.rademakersgieterij.nl](http://www.rademakersgieterij.nl)



TBS SOEST supplies the civil engineering industry with drainage, water management and water level control products made from a variety of materials and combinations. [www.tbs.nl](http://www.tbs.nl)

#### 1.3.1.1 Modular product brands



ModuPark® is a modular car park construction system that can be recycled when it is no longer needed, with no material waste. The system was developed together with Oostingh Staalbouw and Grontmij Parkconsult. [www.modupark.nl](http://www.modupark.nl)



iQwoning® is an innovative housing concept developed by Ballast Nedam. Much of the home is prefabricated and assembled on site, which has many attractive benefits, such as sustainable production, a constant high quality, ready for occupation in six weeks, minimum disruption around the site, and an excellent price-quality ratio. [www.iqwoning.nl](http://www.iqwoning.nl)



Plug and Play Core is a modular sports stadium concept developed for ease of dismantling, transport, returnability and reuse, in a wide variety of forms. The concept was developed for the 2022 World Cup in Qatar.

### 1.3.1.2 Product-market combinations

Our product-market combinations (PMCs) act as product management knowledge centres within Ballast Nedam. They focus on products and services that match the technical needs of a given target group in the market. The PMCs:

- provide specific Ballast Nedam technology, knowledge and skills;
- respond to customers' specific needs, wishes and requirements;
- have market potential (continuity);
- create opportunities for adding value through product and process improvement;
- add to Ballast Nedam's distinctive image.

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Ballast Nedam Parking provides total parking solutions including temporary multi-storey structures, and other above-ground, underground and mechanical parking solutions for cars and bicycles.

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Ballast Nedam Geluidwering designs, produces and constructs noise screens on and alongside infrastructure projects.

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Ballast Nedam Kennis Centrum Onderhoud is dedicated to maintenance consultancy and multi-year maintenance plans for tenders and ongoing projects.

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Ballast Nedam Leisure ontwikkelt, introduceert, vermarkt en realiseert concepten en producten voor de vrijetijdsmarkt.

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Ballast Nedam iQ products develops, introduces, markets and implements innovative concepts and products for the modular housing market.

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### 1.3.2 Our international customers

Our focus in our international projects is on countries and regions in which we have performed civil engineering work for several years, such as West Africa and the Caribbean. Ballast Nedam's offshore wind energy operations are focused on northwest Europe. Our specialized and supply companies operate in Belgium, the United Kingdom and Germany in soil clean-up and environmental consultancy, secondary raw materials, building materials, raw material extraction and alternative fuels.

Outside these regions the International Projects business unit supports the engagement of our specialized companies in projects, in which we are able to add value as a specialized construction company. We adopt an account-driven approach, oriented to major international customers. Our criterion is chain cooperation. The current projects include:

#### [Kumasi - Ghana](#)

Our work for the Kumasi Water treatment plant and distribution facilities includes a treatment capacity expansion of 27,000 m<sup>3</sup> a day, which involves increasing the capacity of the existing Barekese Water Treatment Plant and improving the existing sludge handling facility. We are reforesting the Barekese water basin, erecting fencing to protect the future reservoir, altering the water line branches and replacing pipes.

#### [Refinery Expansion Project, Paramaribo – Surinam](#)

We are performing foundation work for the Refinery Expansion Project in Surinam. The work consists of delivering and installing 373 steel piles, processing approximately 28,800 cubic metres of concrete, and earthmoving for the foundations for the refinery expansion project.

## Butendiek

Ballast Nedam and wpd (a wind farm developer) have a contract for the design, delivery and installation of 80 foundations for the Butendiek offshore wind farm, located in the German Bight, 32 kilometres west of the German island of Sylt.

The water depth at the Butendiek wind farm site is between 17 and 22 metres. The wind farm consists of 80 turbines, each with a capacity of 3.6 MW, providing 288 MW in total. A foundation comprises a steel monopile and an adapter for placing the wind turbine tower. Foundation design and planning are now in full swing, with installation scheduled for the spring of 2014. Ballast Nedam is using the Heavy Lift Vessel (HLV) Svanen for installing the foundations. The project will be completed in early 2015. For additional information about offshore wind turbines see Section 3.2.3 on page 46.

### 1.3.3 Our clients and customers

#### 1.3.3.1 Public clients

Ballast Nedam's public clients are all the Dutch state organizations, ranging from small municipal authorities to the major implementing agencies of the Ministry of Infrastructure and the Environment (the Directorate-General for Public Works and Water Management and Prorail) and the Ministry of the Interior (the Government Buildings Agency). This is Ballast Nedam's major client group.

The Government Buildings Agency's current cost-saving concentration policy involves disposing of buildings, which is leading to many vacant properties in The Hague. On the other hand, European organizations are continuing with new development projects, such as the International Criminal Court, Europol and the European Patent Office.

Between 2014 and 2028 there will be total economies of 6.4 billion euros in the Infrastructure Fund. The Ministry of Infrastructure intends to spread the pain equitably over railways, roads and waterways. The government is pursuing the optimum use of available funds and promotion of entrepreneurship and innovation through public-private partnership in infrastructure construction. Ballast Nedam anticipated the increasing demand for integrated project forms and adapted its organization accordingly in good time.

#### 1.3.3.2 Semipublic clients

Ballast Nedam's semipublic clients are organizations such as care institutions, school boards and housing associations that operate in a dynamic environment in which government influence has declined. These types of organization are being held increasingly accountable for the results they achieve. New property development and the management of existing buildings have a strategic position in these organizations' operations, but they often lack the relevant knowledge, skills and experience.

Housing associations are at a watershed in which their responsibilities are being trimmed back to building, renting and managing social housing, and directly related subsidiary social property. The government's planned introduction of a landlord levy will also have a profound impact on the associations' investment capacity.

Ballast Nedam's profile is compatible with the needs of semipublic organizations. By bringing together disciplines such as development, construction, management and maintenance, Ballast Nedam is potentially a long-term partner. We are capable of creating innovative forms of cooperation that exploit chain integration benefits to the full. We manage risks optimally by engaging the strengths of the client and contractor, which means we pursue custom solutions for each project in a process of open dialogue.

#### 1.3.3.3 Private clients

Our private clients include property developers, private companies in the energy, oil & gas and transport sectors, and fuel filling station owners. Property developers are finding it hard to sell homes, lease buildings and arrange finance for projects. However, market parties do see opportunities in developing small affordable homes for young people and first-time buyers. There is also a sustained shortage of student accommodation in the major cities. Unfortunately, the unpredictability of government planning means that this product is no longer an interesting investment target at this moment. The existing domestic parties are being compelled to reconsider all investment decisions, and foreign parties are discouraged from entering the Dutch market, pending a policy review.

Energy companies are able to continue to invest in new projects because of the considerable demand for sustainable and other forms of energy. The government, together with energy companies and the Dutch offshore industry, intend to create incentives for innovation in this sector with a view to accelerating the reduction in the offshore wind energy price. Network operators are helping investigate ways of implementing the necessary transport infrastructure for offshore power generation.

#### 1.3.3.4 Consumers

The consumer market for Ballast Nedam is restricted to the buyers of new and redeveloped homes, drivers whose vehicles run on alternative fuels, and buyers of photovoltaic systems (solar panels).

Government incentives for the small-scale, solar and other sustainable energy generation for which no government grant is available take the form of lower energy taxes. Local energy generation is therefore still attractive. The business unit Solar is our contribution to this energy supply technology.

Our subsidiary CNG Net operates CNG fuel filling stations that deliver natural gas and green gas for cars.

There is considerable uncertainty about financing on the housing market. No-one can be sure how much mortgage a bank will entertain, or even if they will provide one at all. In addition, the uncertain labour market situation leaves consumers with concerns about their ability to manage mortgage payments.

Developing and building new homes for individual buyers is a Ballast Nedam core business. These customers are served at Ballast Nedam by our regional construction companies, which are close to the market. Their focus is on small-scale projects in which they translate the wishes of individual consumers into residential solutions.

#### 1.3.4 Our suppliers and subcontractors

Ballast Nedam operates as part of a supply chain and provides clients with solutions based on substantial knowledge. At a minimum the solutions must satisfy the client's needs while also meeting our own sustainability criteria for people, planet and profit. Ballast Nedam pursues integrity in business and demands the same of its employees, suppliers and subcontractors alike.



A system that converts sunlight into electricity is also known as 'photovoltaic'. We facilitate the collective purchasing and sale, delivery and installation of photovoltaic panels (solar panels) for municipalities, companies and the public, making it possible to generate energy profitably.

Entering into chain cooperation with suppliers and entrepreneurs allows us to share knowledge and skills. We also adhere to the Lean approach, which involves entering into dialogue at an early stage with important suppliers and subcontractors, also outside projects. Our aim is to create sustainable collaborative relationships. Our buyers select many of our suppliers and subcontractors on the basis of quality, innovative capacity and price. In the supply chain we engage our suppliers and subcontractors in our projects by means of purchasing contracts.

## 1.4 Impact on people, the environment and the community

Our activities have a considerable impact on the quality of our living environment. For instance, the construction industry accounts for approximately 40 per cent of waste, CO<sub>2</sub> emission and energy consumption in the Netherlands. The impact on people and the environment of the choices we make in the design and use of our built and natural environments will persist long into the future. This places a considerable responsibility on us, which we gladly accept. We are determined to prevent disruption and nuisance around our construction and production sites through a variety of innovative methods and our pursuit of sustainability. Section 6.6, *Being at the heart of the community* on page 130, explains more about Ballast Nedam's beneficial impact on the local communities where we work.

### 1.4.1 People: health, education and employment

Ballast Nedam has been providing extensive health checks for more than ten years, and more than 90 per cent of our employees take part. The effect is to raise awareness among our employees of healthy living and a satisfactory work-life balance. In our projects we also aim to help to local people who are relatively removed from the labour market.

For many years Ballast Nedam has also been involved in the developing countries of Ghana and Gambia, where we work on clean drinking-water supplies for the local population. To date we have also given 100 orphans access to shelter and education.

### 1.4.2 The environment: origin of raw materials and semifinished goods

All raw materials and semifinished goods from our suppliers must fully comply with legislation. Another of Ballast Nedam's future aims is to use materials that can be employed in closed *chains*. We also expect our suppliers to comply with the Ballast Nedam Code of Conduct, which we incorporated into our purchasing conditions for suppliers and subcontractors in 2012.

### 1.4.3 Community: responsible conduct through life-cycle thinking and acting

Ballast Nedam's goal is to have a beneficial impact on the living environment. We are in a better position to control the life cycle of the entire chain if we can influence choices at the front end. The extent of our influence on social aspects in the chain depends on the freedom given to us by our clients and legislation.

Ballast Nedam pursues this freedom proactively, such as by working together with housing associations (Havensteder) and private parties (Connexxion). We also define guidelines together with others in the industry and the government, including a guideline for public sector - market collaboration on integrated projects. We also exchange ideas with social and nature conservation organizations about new business models for natural assets and recreational areas, and the preservation of biodiversity (e.g. Bichterweerd).

*A closed chain or circular economy is an economic system that is designed to maximize the reusability of products and raw materials and minimize value destruction. This is unlike the prevailing linear system, in which raw materials are converted into products that are destroyed after consumption.*

#### 1.4.4 Standards and guidelines

We base our approach on adherence to *OECD* (Organization for Economic Cooperation and Development) and *ILO* (International Labour Organization) guidelines. We also subscribe to the Guiding Principles in the Construction Industry and the Dutch codes of conduct of Bewuste Bouwers (which is similar to the UK Considerate Constructors scheme), the Netherlands Association of Property Developers and Investors (NEPROM), Flora and Fauna, and Structural Safety. We have signed the MVO Nederland corporate social responsibility manifest and the ENCORD Sustainable Development Charter, as well as covenants for the Concrete Green Deal, the Human Environment and Transport Inspectorate, and the second BlauwZaam energy covenant. An increasing number of Ballast Nedam companies are certified by or under the Forest Stewardship Council (FSC), ISO standard 14001 and the Safety, Health and Environment Checklist for Contractors (VCA). Our manuals document how we follow these and other standards and guidelines in practice.

Chapter 6, *Our CSR policy* on page 89 has additional information about our policy and measures to guarantee the beneficial impact of our activities on the living environment and the community at large.

*The OECD guidelines are a clear reflection of the Dutch government's corporate social responsibility expectations for companies abroad. They provide a point of reference for the sections of company codes of conduct that deal with social issues such as child labour, the environment and corruption.*

*The International Labour Organization (ILO) is a UN organization that specializes in employment issues. Almost all (185 out of 193) UN members are also members of ILO.*

### 1.5 Operational organization structure

Our organization aligns with our strategy of strengthening our position on the growing integrated projects market. Ballast Nedam operates as one company. Chapter 2, *Strategic objectives and results* on page 30 has details of the tangible results of this strategic objective.

Ballast Nedam's operational reporting structure has four segments containing six clusters, which are formed around products and processes. The cluster directors together with the Board of Management constitute the Ballast Nedam Concern Council. Our supporting services are combined.

The four segments under which we report our activities are: Building & Development, Infrastructure, Specialized Companies, and Supplies. The Building & Development segment comprises the following clusters: Building & Development and Building & Development Special Projects. The Infrastructure segment comprises the clusters Infrastructure and Infrastructure Special Projects. As in the past, the Concessions and Management business units are included in this report under Infrastructure and Building & Development on a fifty-fifty basis. These companies are important for the PPP projects in the mobility and housing areas of work.

Details of the legal structure are given in Section 8.1, *Management and control structure*, on page 149.

Board of Management		CEO Theo Bruijninx	CFO Peter van Zwieten
<b>Segment Building &amp; Development</b>		<b>Segment Infrastructure</b>	
<b>Building &amp; Development Special Projects</b>	<b>Building &amp; Development</b>	<b>Infra Special Projects</b>	<b>Infra</b>
<ul style="list-style-type: none"> <li>- BN Bouw &amp; Ontwikkeling Speciale Projecten</li> <li>- BN Beheer</li> <li>- BN Concessies</li> <li>- CNGNet</li> <li>- LNG24</li> </ul>	<ul style="list-style-type: none"> <li>- BN Ontwikkelingsmaatschappij</li> <li>- ABL2</li> <li>- Bouwborg</li> <li>- BNBO North</li> <li>- Heddes, Zomers,</li> <li>- Onrust</li> <li>- BNBO West</li> <li>- BNBO South</li> <li>- LAUDY</li> <li>BN Nieuwe Business</li> </ul>	<ul style="list-style-type: none"> <li>- BN Infra Speciale Projecten</li> <li>- BN International Projects</li> <li>- BN Offshore</li> <li>- BN Industriebouw</li> </ul>	<ul style="list-style-type: none"> <li>- BN Infra North</li> <li>- BN Infra South</li> <li>- BN Parking</li> <li>- BN Geluidwering</li> </ul>
		<b>Segment Specialized Companies</b>	<b>Segment Supplies</b>
		<b>Specialized Companies</b>	<b>Supplies</b>
		<ul style="list-style-type: none"> <li>- BN Engineering</li> <li>- DIBEC</li> <li>BN Funderings-techniek/ Gebr. Van Leeuwen</li> <li>- BN Specialistisch Grondverzet-</li> <li>- BN Materieel</li> <li>- BN Milieutechniek</li> <li>- BN Asphalt</li> <li>- BN IPM</li> <li>- T&amp;H</li> <li>- BN Infra Specialiteiten</li> <li>- Spanstaal</li> </ul>	<ul style="list-style-type: none"> <li>- BN Grondstoffen</li> <li>- Feniks Recycling</li> <li>- BN Prefab</li> <li>- Hoco Beton</li> <li>- Omnia Plaatvloer</li> <li>- Concrete Valley (50%)</li> <li>- Haltsma Beton</li> <li>- Rademakers Gieterij</li> <li>- TBS</li> <li>- Infra Participatie</li> <li>- Ursem Bouwgroep (41%)</li> <li>- iQwoning@-fabriek</li> </ul>

### 1.5.1 The Infrastructure segment

The companies in the Infrastructure segment develop, construct, maintain and manage infrastructure projects, industrial construction, offshore wind turbine projects and international projects.

### 1.5.2 The Building & Development segment

The companies in the Building & Development segment develop, construct, manage, operate and maintain a wide variety of property projects in the Netherlands.

### 1.5.3 The Specialized Companies segment

The companies in the Specialized Companies segment deliver specialized products and services on a project basis, such as engineering, construction trenches, foundations, drilling and anchoring, installation engineering for energy supply and mobility, environmental consultancy and engineering, prestressing, plant and equipment, asphalt, and green space.

### 1.5.4 The Supplies segment

The companies in the Supplies segment extract primary raw materials, and produce secondary raw materials, industrially prefabricated concrete products, and modular products.

### 1.5.5 Organizational changes in 2012

In the course of 2012 Ballast Nedam accelerated implementation of the strategy of strengthening our position on the growing integrated projects market and on a number of niche markets. We were prompted to take this action by the persistently poor prospects for the capacity-driven markets. Accordingly the company profile is also changing faster, allowing us to respond more effectively to the new reality. The various organizational changes involved have mainly affected the companies that operate in these markets.

The measures taken seek to achieve a transition from a supply-oriented to a customer-oriented organization, greater synergy, a sharper focus on Ballast Nedam's core business and less exposure to strongly capacity-driven markets.

#### **1.5.5.1 The Infrastructure segment**

The organizational changes in the Infrastructure cluster that were set in motion in late 2012 were aimed at achieving substantial centralization and adjustment to the new market volumes. To this end, we consolidated the existing five districts into two areas: north and south. They implement the centrally acquired projects, except for major or integrated projects, which are managed centrally by the Infrastructure Special Projects cluster. Moreover, all non-project related work is managed by the Nieuwegein-based cluster. The product-market combinations Parking and Geluidwering remain intact.

#### **1.5.5.2 The Building & Development segment**

Organizational changes were made in the Building & Development cluster in the third quarter of 2012. The existing seven regional construction companies were brought under the three regions north, west and south. The regions operate the market throughout the chain of development, construction, management and maintenance. Bouwborg has a special place within the branches, in which it is responsible for repair and maintenance, post-completion services, and small-scale alteration, new building and renovation work.

The development companies in the Building & Development cluster are Ballast Nedam Ontwikkelingsmaatschappij (BNO), ABL2 and the new Ballast Nedam Nieuwe Business (BN NBusiness). BN NBusiness handles all activities oriented to generating new business in the market.

#### **1.5.5.3 The Specialized Companies segment**

Spanstaal will continue in a much trimmed-down form as a department of the Infrastructure Specialities business unit. The techniques that are Spanstaal's strengths (steel joints, bonded external reinforcement, jacking operations, casing tubes, and light and heavy prestressing) will be continued.

The business unit Foundation techniques and Gebr. Van Leeuwen will cease production of anchoring materials. The anchorage and drilling departments will be combined and will concentrate on heavy anchors, horizontal directional drilling (HDD) and the microtunneling market. The plant services of the two companies will be combined on the site of the business unit Equipment.

The business unit Asphalt has been completely centralized on the Nieuwegein head office site. The operational activities in the north of the Netherlands have terminated and the processing capacity in the central Netherlands scaled down. The metalling, maintenance, transport and earthworks activities will cease. These changes imply a reduction in the number of asphaltting teams from five to three, and closure of the Eindhoven office.

#### **1.5.5.4 The Supplies segment**

Waco Lingen Beton and Microbeton have combined forces in Concrete Valley, in which Ballast Nedam has a 50 per cent stake.

Ballast Nedam's 41 per cent stake in the Ursem group that it acquired in 2012 contributed to the relaunch of Ursem Bouwgroep's modular building system production. The acquisition of T&H B.V. reinforced Ballast Nedam's position in installation engineering. The organization and assurance of our CSR policy is set out in Section 6.1 on page 90.

## 1.6 Statement of the Board of Management

The 2012 Financial Statements (which are presented after page 174 below) give a true and fair view of the assets, liabilities, financial position and profit of Ballast Nedam and the undertakings included in the consolidation taken as a whole. The Annual Report gives a fair review of the development and performance of the business during the financial year and the position at the end of the reporting period of Ballast Nedam and the undertakings included in the consolidation taken as a whole.

No transactions took place in 2012 that involved any material conflict of interest on the part of managing directors, and likewise there were no transactions that involved any material conflict of interest between the company and natural persons or legal entities holding more than 10 per cent of the shares. Corporate Governance Code best practice provisions II.3.2, II.3.3 and II.3.4. have been complied with.

### **CLAUS POWER STATION, MAASBRACHT**

The Claus power station in Maasbracht is the largest gas-fired generating station in the Netherlands. Ballast Nedam is upgrading the turbine hall and metering room of the old Claus B station, and is building the water softening plant for the new Claus C station. The capacity will be increased from 640 megawatts to 1 275 megawatts, which is enough to run some two million households.

# 2

## Strategic objectives and results

This chapter recalls our objectives for 2012 and presents the financial results we achieved against these objectives. We present a brief evaluation of our position and financial results, followed by our objectives for 2013.

### 2.1 Our achievements in 2012 relative to our objectives

#### Objective 1: strengthen our position in niche markets

*To strengthen our position in the niche markets of industrial construction, hospitals, offshore wind turbines, secondary raw materials and alternative fuels.*

In 2012 Ballast Nedam increased the pace of implementing the strategy that is oriented to the well-performing markets of integrated projects and several niche markets. Accordingly, Ballast Nedam's profile is also changing faster from a major player on the traditional markets to a prominent player on the integrated projects market and several niche markets, including industrial construction, offshore wind turbines, secondary raw materials and alternative fuels. We achieved excellent results in the niche markets in 2012.

Our position in the industrial construction niche market remained unchanged in 2012, while our position in the offshore wind turbines niche market strengthened. The financial close of Butendiek offshore wind farm and the utilization of the heavy lift vessel Svanen had a favourable effect. For instance, the heavy lift vessel Svanen was well utilized in 2012 on three offshore wind farm projects in Denmark and the United Kingdom. To date the Svanen has installed around 400 foundations. The Nuon Magnum multifuel power plant project is due for completion in early 2013.

We are also exporting this know-how and experience. We also foresee continued growth in this market in the next few years in the light of future waste power plant expansion in the United Kingdom and the number of declarations of intent that have been signed by the plant operators.

Increased revenue in the alternative fuels niche market was attributable mainly to the construction, operation, maintenance and management of the CNG Net fuel filling stations. In 2012 we opened the fiftieth public filling station in the Netherlands. CNG Net also manages seven custom filling sites for customers with green gas fuelled vehicles. CNG Net strengthened its position as the major road vehicle green gas supplier through the award to Connexxion of the largest green gas public transport concession in the Netherlands. For a ten-year period from the end of 2012, CNG Net will supply green gas for all 225 Connexxion city buses in the Arnhem-Nijmegen metropolitan region, which represents an expansion of approximately six million kilograms of green gas a year. Moreover, LNG24 improved LNG availability for the transport sector with the opening of the first public LNG filling station in the Netherlands. Ballast Nedam expanded its range of alternative fuels with the supply, commercial operation, management and maintenance of electric charging points.

We expect the demand for new building and renovation of hospitals to decline. In the past year we applied our knowledge and experience in the construction of Meander Medical Centre in Amersfoort and Erasmus Medical Centre in Rotterdam. We will continue to apply our knowledge and experience in healthcare-related projects.

The niche markets in which Ballast Nedam operates are performing well and have growth prospects. Ballast Nedam will persist in its strategic focus on these niche markets.

#### Objective 2: acquire more integrated projects

*To acquire a greater proportion of projects through planning, devising alternative designs, using the design & construct and the engineer & build approaches, and engaging in public-private partnerships (PPPs)*

Ballast Nedam acquired no PPP projects in 2012. We came second in the tender for the A1-A6 link PPP project. After the parties had submitted their final bids for the complete two-line tram system in the city of Groningen, the client abandoned this PPP project.

The order book declined in 2012 from 1.9 billion euros to 1.8 billion euros. We earned much of the revenue in integrated projects and in projects with a substantial design responsibility. Ballast Nedam Beheer, which has operations in the housing, mobility and energy areas of work was able to increase revenue through the multiyear management of PPP projects.

#### Objective 3: create product-market combinations

*To create and market at least two new product-market combinations*

Our product-market combinations (PMCs) are Ballast Nedam's product management knowledge centres. They create products and services that meet the specific technical and general needs of a particular target group in the market. The PMCs:

- provide specific Ballast Nedam technology, know-how and skills;
- meet customers' specific needs, wishes and requirements;
- have market potential (continuity);
- are capable of adding value through product and process improvement;
- help shape Ballast Nedam's distinctive image.

The Building & Development cluster created three new product-market combinations in 2012: the Maintenance Knowledge Centre, Leisure and iQ products. Details of these PMCs are given in Section 1.3.1.2 *Product-market combinations* on page 22.

#### Objective 4: more emphasis on maintenance and operation

*To expand the management of maintenance and operation of property, infrastructure and energy projects*

Our increased revenue for management and operation was attributable in part to our acquisition of Bouwbedrijf van Bree in Someren, which has fifteen projects with a volume of approximately 20 million euros, and operates the 'Bouwservice' property maintenance concept. This acquisition is a valuable addition to Bouwborg in the Brabant and Limburg regions.

The expansion of our CNG and LNG operations is also generating growth. Specific new contracts in 2012 included the large-scale upgrade to the head office of the insurance company ASR, which Ballast Nedam is implementing with Kuijpers Centrale Projecten.

#### Objective 5: strengthen the vertical value chain

- *To broaden and extend the specialized companies' range of products;*
- *to replace and expand concessions for raw material extraction;*
- *to focus on innovation, leading to at least two innovative initiatives;*

##### **To broaden and extend the specialized companies' range of products**

Ballast Nedam's specialized and supply companies operate in the vertical value chain. They constantly adapt their range of products and services to market trends and Ballast Nedam's needs. Innovation plays an important part. Examples include

- combining the forces of Waco Lingen Beton and Microbeton in Concrete Valley;
- the joint continued production of the modular building systems from Ursem Bouwgroep (in which Ballast Nedam has a 41 per cent stake);
- expanding our expertise in essential building systems through the acquisition of T&H B.V. T&H is a highly qualified consultancy in the field of technical installations and systems for residential and nonresidential buildings, renovation projects and major maintenance.

##### **Replace and expand concessions for raw material extraction**

In 2012 we obtained the permits for the Lus van Linne concession, and we will start work in 2013.

##### **Focus on innovation, leading to at least two innovative initiatives**

In 2012 fourteen innovative initiatives were defined and developed. They are compatible with our strategic focus of market-oriented thinking, modular building and life cycle thinking and acting. They are set out in our innovations section on page 35, with references to the sections that give the details in the appropriate context.

Concrete Valley provides specialized solutions for the concrete industry, in which it excels through the innovative input from the Supply and Specialized Companies segments. The inspiring Concrete Valley operation comprises Waco Lingen Beton and Microbeton. The aim of the collaboration is to provide combined products and solutions that add value for our clients.



Ballast Nedam provides sustainable and affordable building modules based on Ursem's innovative building systems for student accommodation, and for the education, healthcare and hotel sectors. These are the sectors that have the most to gain from the advanced, prefabricated, permanent modules, which are manufactured under controlled conditions, have a low all-in cost of construction, are logistically ideal, and cause little disruption around the site, in a joined-up life cycle from development, implementation, management and possible relocation, to the reuse of materials.

#### Objective 6: enhance internal teamwork

*To enhance internal teamwork within Ballast Nedam and increase the synergy between the various companies*

Ballast Nedam acts as a single company with integrated operations. In 2012 we increased the pace of implementing the strategy that is oriented to the well-performing markets of integrated projects and several niche markets. Accordingly, the company's profile has also changed faster. The organizational measures that have been put in place have to do with the transition from a supply-oriented to a customer-oriented construction organization, and the creation of synergy and uniformity.

This involves further centralizing the Building & Development and Infrastructure segments' operations, and reducing the number of regional companies. For the Building & Development segment we have gone from seven to three regions, and for the Infrastructure segment from five to two units. Collaboration between the Infrastructure and Infrastructure Special Projects clusters has also been intensified through the appointment of a single Managing Director for the two clusters. Existing systems that function well will thereby be utilized more intensively.

#### Objective 7: more sustainable operations

*To achieve or exceed our own quantifiable, ambitious sustainability objectives (the themes which are given in Section 6.2 CSR objectives on page 91 of this Annual Report)*

Ballast Nedam takes its responsibility for the impact of its operations on society as a whole seriously. The CSR themes were integrated with Ballast Nedam's five strategic pillars in 2011, and are now an integral part of our strategy.

Chapter 6 Our *CSR policy* on page 89 reports the results achieved on our sustainability objectives for 2012.

#### Objective 8: operating profit

*To achieve unchanged results on a revenue of 1.4 billion euros; in 2011 the operating profit was 19 million euros and the profit for the period was 9 million euros.*

Ballast Nedam's operating profit declined by 50 million euros from 19 million euros in 2011 to a loss of 31 million euros. This operating loss of 31 million euros was attributable to 49 million euros of reorganization expenses and impairments. The loss for the period was 41 million euros (2011: 9 million euros profit).

Revenue decreased by 6 per cent from 1 382 million euros to 1 296 million euros, in particular because of the decline in property operations at Building & Development.

### **NEW BABYLON, THE HAGUE**

The 'New Babylon' project is one of the largest city centre building projects in the Netherlands. It comprises a large-scale renovation and new building of office towers, two apartment blocks and the Babylon retail, hotel, leisure and office centre (145,000 m<sup>2</sup>), adjacent to Central Station. The underground car park for the complex is linked to the new Anna van Bueren multi-storey car park.



# Sustainable innovation

This section presents an overview of our innovations, with references to the sections that give the details in the appropriate context.

## Sustainable energy

### Drilled concrete monopile

The concept is suitable for a variety of soil conditions, and is less expensive than current foundation solutions in many locations.

[More information on page 46](#)

### Modular solar roof

The modular solar roof is industrially fabricated, with the solar panels integrated into the structure.

[More information on page 128](#)

### Weg van de toekomst

De N329 will be doubled in capacity and it will be energy-neutral.

[More information on page 128](#)

### PV Privé

To provide employees of companies with PV (photovoltaic) solar panels on the roof of their house in an attractive way.

[More information on page 96](#)



### Floriadebrug

The bridge was designed and built 'cradle-to-cradle' in accordance with the Floriade philosophy; the materials can be reused or returned to nature without loss of quality.

[More information on page 120](#)

## tok! Open: open innovation

tok! Open in line with Ballast Nedam's 'open innovation aspirations'. This latest version allows ideas for open innovation to be submitted to both stakeholders and employees, who can then add their thoughts to the ideas and issues.

[More information on page 129](#)

## BIM Data Manager

The BIM Data Manager helps to optimize digital quality assurance throughout the life cycle of a project.

[More information on page 128](#)

## Secondary raw materials

Identify new application areas together with the waste power plant operators and the Dutch government, and to implement the necessary reprocessing and cleaning technologies.

[More information on page 47](#)

## 3D Woonvisualisatie

The 3D Woonvisualisatie is a digital marketing tool that optimally involves future residents with the construction of the house.

[More information on page 128](#)



## Alternative fuels

### LNG is nu op de markt

In September 2012 the first Dutch public LNG filling station in Zwolle was opened.

[More information on page 58](#)

### Removable hydrogen filling station

In 2013 the first removable hydrogen filling station will be completed. This represents an important milestone in the transition to sustainable and clean fuel for transportation and facilitates distributed infrastructure.

### Mini Fastfill-tankconcept

Mini Fastfill-tankconcept for green gas is a 'plug and play' filling station. It supplies the vehicles on natural gas of companies on-site with compressed natural gas (CNG) or green gas.



## Modulair building

### Ursem modulaire badkamer

The modular bathroom of Ursem extends the lifecycle of office locations by quickly transforming them into a residential area in an easy and efficient way.

[More information on page 32](#)

### Plug & Play Core

This modular sports stadium concept has been developed for simple dismantling, transport and reuse in various forms.

[More information on page 129](#)

## 2.2 Financial results

### 2.2.1 Revenue

x € 1 million	2012	2011
Infrastructure	496	523
Building & Development	573	642
Specialized Companies	262	252
Supplies	216	232
	<b>1 547</b>	<b>1 649</b>
Other	(251)	(267)
<b>Total</b>	<b>1 296</b>	<b>1 382</b>

Revenue declined by 6 per cent from 1 382 million euros to 1 296 million euros, mainly because of the decline in property operations at Building & Development.

### 2.2.2 EBIT

x € 1 million	2012	2011
Infrastructure	10	14
Building & Development	(26)	8
Specialized Companies	(10)	-
Supplies	2	4
	<b>(24)</b>	<b>26</b>
Other	(7)	(7)
<b>Total</b>	<b>(31)</b>	<b>19</b>

The operating profit decreased by 50 million euros from 19 million euros in 2011 to a loss of 31 million euros, the main reasons for which are the reorganization expenses and impairment losses on land positions, property, plant and equipment, and goodwill. Disregarding these items, the operating profit fell by 18 million euros to 18 million euros. The greatest decline resides in Building & Development and the specialized companies. The operating profit for 2011 was positively influenced by the sales result on the PPP projects. The 'Other' result consisted mainly of holding company costs.

### 2.2.3 Margin

	2012	2011
Infrastructure	2.1%	2.7%
Building & Development	(4.6%)	1.2%
Specialized Companies	(3.8%)	0.0%
Supplies	0.9%	1.7%
<b>Total</b>	<b>(2.4%)</b>	<b>1.4%</b>

The overall margin decreased from 1.4 per cent to minus 2.4 per cent. Disregarding the write-downs and reorganization expenses, the margin declined from 2.5 per cent in 2011 to 1.4 per cent.

## 2.2.4 Profit for the period

x € 1 million	2012	2011
EBIT	(31)	19
Net finance income and expense	(7)	(7)
<b>Profit before income tax</b>	<b>(38)</b>	<b>12</b>
Income tax expense	(3)	(3)
<b>Profit for the period</b>	<b>(41)</b>	<b>9</b>

The financing item was unchanged relative to 2011 at 7 million euros. Both the capitalized interest on PPP receivables and the interest expenses of the PPP loans decreased through the sale of the PPP projects. Despite incurring a loss before income tax, taxation remained unchanged because of positive results outside the fiscal unity. The profit for the period decreased by 50 million euros to a loss of 41 million euros. There was a net decrease in the deferred tax asset of 3 million euros to 32 million euros because of the sale of the A15 Maasvlakte - Vaanplein PPP project. There was otherwise no net change in the deferred tax asset, because the derecognition of 13 million euros that was agreed with the Dutch tax authorities and the use of 2 million euros were offset by the unused tax losses that were recognized.

## 2.2.5 Order book

x € 1 million	2012	2011
Infrastructure	900	1 152
Building & Development	731	693
Specialized Companies	90	89
Supplies	56	54
	<b>1 777</b>	<b>1 988</b>
Other	(16)	(38)
<b>Total</b>	<b>1 761</b>	<b>1 950</b>

The order book contracted by 189 million euros to 1 761 million euros. Infrastructure acquired no major projects in the past year. Building & Development did succeed in acquiring larger projects, but margins on the projects that were acquired in the past two years were lower than previous levels. The size, quality and composition of the order book, together with the past radical capacity adjustment make disciplined bidding still feasible.

## 2.2.6 Equity and cash flows

Ballast Nedam's shareholders' equity decreased by 40 million euros to 131 million euros. This decrease comprised the loss for the period of 41 million euros, the dividend distribution of 5 million euros, an increase of 5 million euros in the hedging reserve for interest rate derivatives for the PPP projects, and a positive difference of 1 million euros in the option scheme.

The loss led to a fall in solvency from 21 per cent at year-end 2011 to 17 per cent. The above solvency is as calculated using the method that accounts for joint ventures by recognizing the share in the assets (i.e. the equity method). The solvency as calculated in accordance with the proportionate consolidation method that is currently allowed under IFRS and is applied for the joint ventures, such as the PPP projects, decreased from 18 per cent at year-end 2011 to 15 per cent.

Total assets declined by 55 million euros to 886 million euros, which was attributable in particular to the sale of a PPP project, and lower property, plant and equipment because of write-downs and disposals. The necessary current assets minus current liabilities also went down by 23 million euros to 7 million euros. Capital employed therefore decreased by 53 million euros to 176 million euros.

The outstanding liabilities to contribute supplementary capital in the PPPs decreased from 13 million euros at year-end 2011 to 3 million euros through the sale of 80 per cent of our stake in a PPP project.

The cash flow for 2012 was 11 million euros negative, compared with a positive cash flow for 2011 of 26 million euros.

The operating cash flow deteriorated from 72 million euros positive for 2011 to 1 million euros positive for 2012, attributable mainly to a deterioration in the work in progress position because of lower prepayments.

The cash flow from investing activities was 60 million euros negative compared with 52 million euros negative for 2011, consisting of 66 million euros investments, 9 million euros disposals, 4 million euros acquisition of operations, and 1 million euros dividend received. Investments included 23 million euros of property, plant and equipment, 2 million euros of intangible assets and 41 million euros of financial assets. Most of the financial assets were concerned with the PPP receivables for the A15 Maasvlakte - Vaanplein highway project. The 15 million euros net investment in property, plant and equipment was lower than the 23 million euros of depreciation.

Most of the positive cash flow from financing activities of 48 million euros consisted of the net 55 million euros drawings of long-term loans and a dividend payout of 5 million euros.

### 2.2.7 Financing position

x € 1 million	2012	2011
Cash and cash equivalents	84	98
Bank overdrafts	(8)	(11)
<b>Net cash</b>	<b>76</b>	<b>87</b>
Recourse loans	(96)	(98)
<b>Financing position</b>	<b>(20)</b>	<b>(11)</b>
Non-recourse loans	(29)	(34)
<b>Financing position including non-recourse</b>	<b>(49)</b>	<b>(45)</b>

Ballast Nedam's financing position declined by 9 million euros from 11 million euros debt at year-end 2011 to a debt position of 20 million euros. The financing position including the non-recourse loans declined by 4 million euros from a debt position of 45 million euros at year-end 2011 to 49 million euros. Net cash decreased by 11 million euros to 76 million euros. The prepayments on projects went down by 24 million euros to 68 million euros. Because of a further decrease of these prepayments and the payments concerning the reorganisation, more use will be made in the coming year than in earlier years of the uncommitted working capital facilities. At year-end no use was made of these facilities. The normal pattern is for a larger capital requirement to arise in mid year.

## 2.2.8 Loans

x € 1 million	2012	2011
PPP loans	6	25
Land bank financing	44	43
Business loans	51	50
Financiele leases	7	10
Other loans	17	4
	<b>125</b>	<b>132</b>
Recourse	96	98
Non recourse	29	34
	<b>125</b>	<b>132</b>
Current loans	17	11
Long-term loans	108	121
<b>Financing position including non-recourse</b>	<b>125</b>	<b>132</b>

There will be no need to refinance the long-term loans in the coming years. The large business loan of 50 million euros expires in April 2017. The fixed interest rate is 5.4 per cent, and mortgages have been taken out on a number of properties in use by Ballast Nedam as security for the loan. The other large loan of 33 million euros is mainly for financing several land positions in a separate company. This loan matures in October 2015 and the interest rate is Euribor plus a margin. The land positions concerned were mortgaged as security for the loan. There are no financial covenants in the conditions of the recourse long-term loans.

The other long-term loans of 42 million euros consist of 6 million euros of PPP loans, for which the interest rate is fixed by means of derivatives. There is no opportunity of recourse on Ballast Nedam for 29 million euros of the 125 million euros of long-term loans.

## 2.3 Strategic objectives for 2013

We have set six strategic objectives for 2013:

- to acquire more integrated projects and apply the life-cycle management approach more intensively by expanding management, renovation and maintenance operations;
- to strengthen our position in the niche markets of industrial construction, offshore wind turbines, secondary raw materials and alternative fuels;
- to develop and extend modular products;
- to improve the financial position;
- to achieve the CSR objectives given in Chapter 6 *Our CSR policy*, on page 89;
- to achieve the financial objectives: an operating profit for 2013 of approximately 15 million euros.

In the coming year the financial position will be improved by achieving result, the accelerated administration of claims and the sale of property and other assets.

**WIDENING OF THE A15 BETWEEN MAAS-VLAKTE AND VAANPLEIN, ROTTERDAM**

The project is the largest contract in the history of the Directorate-General for Public Works and Water Management to be awarded in a single tender. The A-Lanes A15 consortium (Ballast Nedam, John Laing, Strabag and Strukton) is responsible for the design, construction, financing, and eventually the maintenance and management for a period of approximately 25 years.





# 3

## Strategy

This chapter first explains how we put our vision and mission into practice through reliance on the five pillars, followed by our strategic focus on integrated projects and the four niche markets. We then give an account of the most important trends. Finally, this chapter presents a SWOT analysis and briefly discusses the strategic outlook.

### 3.1 Five pillars that support our vision and mission

The world is changing rapidly, profoundly and irreversibly. A new reality is confronting the construction industry. Since 2000 Ballast Nedam has been working tenaciously on its changing role in anticipation of the changing needs of customers and society as a whole. In 2012 we accelerated our strategic orientation on the growth market of integrated projects and on four niche markets.

We work together for a better living environment, which implies a promise to *create enduring quality*, and, crucially, to add customer value at the lowest possible life-cycle costs. This is reflected in our products, services and brands, and also in our style of working. We keep our promise through our reliance on five strategic pillars:

- life cycle thinking and acting;
- our people, standards and values;
- chain cooperation;
- innovation;
- being at the heart of the community.

Our customers' needs are in housing, mobility, energy and nature, which are our four areas of work, and together they encompass the entire living environment. Ballast Nedam concentrates within these areas of work on integrated projects and the niche markets of industrial construction, offshore wind turbines, secondary raw materials and alternative fuels. Ballast Nedam's range of products and services is shifting towards specific product-market combinations with a higher added value.

### 3.1.1 Life cycle thinking and acting

Ballast Nedam provides customers with optimum solutions throughout the life cycle, in harmony with the physical availability of space, financial feasibility, livability, the expected future situation, the surrounding community and stakeholders, and sustainable material use. Our chosen approach is one of life cycle thinking and acting: we develop, construct, manage and recycle. We have long-term involvement in the management, maintenance and operation of projects, and we arrange for financial feasibility. Modular products, returnability and residual value creation are significant elements of our business cases. Our supply and specialized companies deliver competitive advantage to our specific solutions through innovation, cost leadership and purchasing strength.

### 3.1.2 Our people, standards and values

We achieve most when we exchange ideas about solutions with our customers and partners. Our approach is critical and committed. We are good at translating complex needs and criteria into tangible, innovative solutions. Our attitude is one of getting to grips with the task and forging ahead. What drives us are entrepreneurship and innovation. Our trade-mark down-to-earth and forthright approach means we get things done. These are qualities we are happy to be held to account for.

Our people are the most important factor in our success, and with this in mind Ballast Nedam aims to provide a healthy, safe and motivating working environment for all employees. Our shared standards and values – how we interact with each other, our environment and our customers – hold our approach together, and we have set these down in our Code of Conduct.

### 3.1.3 Chain cooperation

Ballast Nedam creates real solutions within innovative forms of cooperation with a wide variety of partners. These solutions are better than those we could achieve separately. For instance, we contribute to a lower burden on space, raw materials and energy, a smaller CO<sub>2</sub> footprint, higher quality, lower life-cycle costs, reduced failure costs, innovation and knowledge capture. Not only do we aim for chain cooperation with our partners, but also enter into dialogue with NGOs and knowledge institutes. We all benefit in this way from each other's expertise, while working on a truly sustainable business.

### 3.1.4 Innovation

Innovation is deeply anchored in our organization. It is what we do every day. Our belief is that the best ideas are joint ideas! The point is to plough back innovations of proven practical value for our customers' benefit. Besides substantial upgrades we also innovate through stepwise improvement. We promote innovation by encouraging our employees on all levels to be creative and work as a team. We also aim for open cooperation with our stakeholders.

### 3.1.5 Being at the heart of the community

We perform our work at the heart of the community, and we are fully aware of the impact of our work on the living environment. We control the impact of our projects through community relations management, and in particular through participation, the creation of local support, the exercise of due care and reliability, all in order to take local residents' interests fully into account. Our social commitment is reflected in our community investment and social sponsoring. The three prongs of our community investment policy are education, employment and entrepreneurship

'What it is all about, we think, is having our people, whose background is in building and design, learn to build with life-cycle costs firmly in mind. Quality building goes much further than this. When thinking about a life cycle, you have to consider insulation and sustainable systems for saving energy. About applying materials that are practical and sustainable in terms of maintenance. About returnability and creating residual value. The important point is for us to think about what will ultimately cost less over the entire life cycle. Our customer, the end-user, is always of paramount importance.'



tok!, Ballast Nedam's digital ideas and discussion platform, promotes innovation throughout the organization. tok! provides an open online platform for ideas and suggestions from all employees, which are developed and refined through discussion. There are also regular tok! Idea Cafes at which employees pitch any innovative ideas they believe the organization should adopt. tok! Open, which was launched in 2012, is a secure online environment for sharing employees' ideas with specific stakeholders as well as with colleagues.

## 3.2 Ballast Nedam's business model

Ballast Nedam acts as a single company with integrated operations and combined supporting services. This is in line with Ballast Nedam's strategy of strengthening its position on the growth market of integrated projects and the niche markets of industrial construction, offshore wind turbines, secondary raw materials and alternative fuels.

### 3.2.1 Integrated projects: DBFM(O) / PPP projects

The market for integrated PPP projects in the form of Design-Build-Finance-Maintain-(Operate) Projects (DBFM(O) projects) continues to grow. The national government opts for public-private partnership (PPP) where doing so will yield added value. According to government estimates, PPP projects have added 700 million euros of value in the past ten years.

The national government is expected to bring many projects to the market in the next few years in the form of PPPs. For 2013 and 2014 the Ministry of Infrastructure and the Environment has already decided on several DBFM projects and has identified another twenty projects that are eligible for PPP. The Government Buildings Agency has five ongoing tenders and several more projects being prepared for tender in 2013 and 2014. Local authorities also have many projects that are eligible for PPP. The national government has a PPP information point where parties in this market can share their knowledge and experiences. A conspicuous trend in 2012 was for institutional investors to start lending to DBFM projects in view of the scarcity of long-term bank loans. Ballast Nedam is closely involved in these trends, which will guarantee the long-term benefits of DBFM.

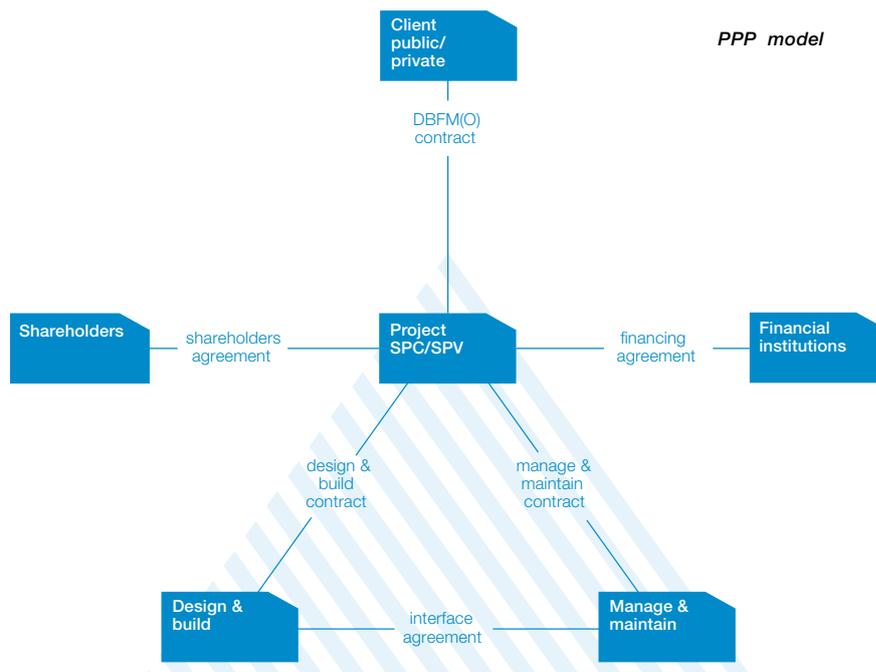
Ballast Nedam has considerable knowledge and experience with PPP projects, such as the Confederation Bridge in Canada, N31, Komfort, DUO2, *Avenue2 Maastricht* and A15 Maasvlakte-Vaanplein. This experience will be vital to continuing to propose the right price and quality for the upcoming projects. Ballast Nedam also sets itself apart with its clear strategy for integrated projects. We have perfected this integrated approach in terms of bidding, execution and management. Ballast Nedam wishes to remain involved with the projects in the long term. Our specific knowledge of DBFM(O) contracts and project financing adds value throughout the chain, and all the more so alongside our knowledge and experience in the development, construction, management and maintenance of infrastructure and buildings. Ballast Nedam creates enduring quality in combination with lower life-cycle costs for its customers and society at large.

### Ballast Nedam's PPP business model

The Concessions business unit manages the PPP project portfolio and the acquisition, investment, operation and disposals in concession projects. Our 20 per cent stake in the Benelux Secondary PPP Fund I and collaboration with the investor DG Infra (which is also involved in the Benelux Secondary PPP Fund I) means that even after this disposal Ballast Nedam will continue to be a partner and co-investor in these concession projects, with responsibility for multi-year management and maintenance. It is our intention also to transfer the subsequent Ballast Nedam PPP projects to these funds.

Ballast Nedam also applies the PPP business model for investments in its own business cases, such as CNG Net, LNG24 and Wind24, and actively seeks opportunities to implement these concepts in other markets. A good example is the Connexxion public transport depot, which is explained further in Section 1.2 *Our CSR policy: to work together for a better living environment* on page 16.





The PPP business model is built around a Special Purpose Company (SPC) or Special Purpose Vehicle (SPV) that acts as a contractor with management responsibility for the PPP project throughout the life cycle. This project organization has an overall control function as a contract partner for all parties involved in the process. These parties are the government as client, the financial institutions for financing, the design & construction consortium for project implementation and the management & maintenance consortium, which will manage the built feature throughout its operational life in accordance with the performance requirements. The shareholders are the consortium member companies, which also – at any rate in Ballast Nedam's case – invest in the project. In due course Ballast Nedam will free up capital for new PPP projects by transferring the stake to an investment fund.

Exactly the same model works for investments in our own business cases, in which the SPC is CNG Net, or LNG24. The only difference is that these companies serve a broader group of customers than the government alone.

### 3.2.2 Industrial construction

In late 2012 Ballast Nedam took further steps to integrate its business units and departments. This is of particular relevance to the industrial construction operations, in view of this sector's reliance on a combination of civil engineering, infrastructure and construction work. We are combining knowledge and distributed commercial presence from the regional companies with experience of complex management issues on large projects. Our market-oriented approach is to investigate, initiate, design, build, finance and maintain. We prefer to work throughout the chain with specialized partners with whom we have established a long-term relationship, in order to anticipate and respond more effectively to customer needs. Ballast Nedam continues to focus primarily on the private clients in the energy and oil & gas sectors.

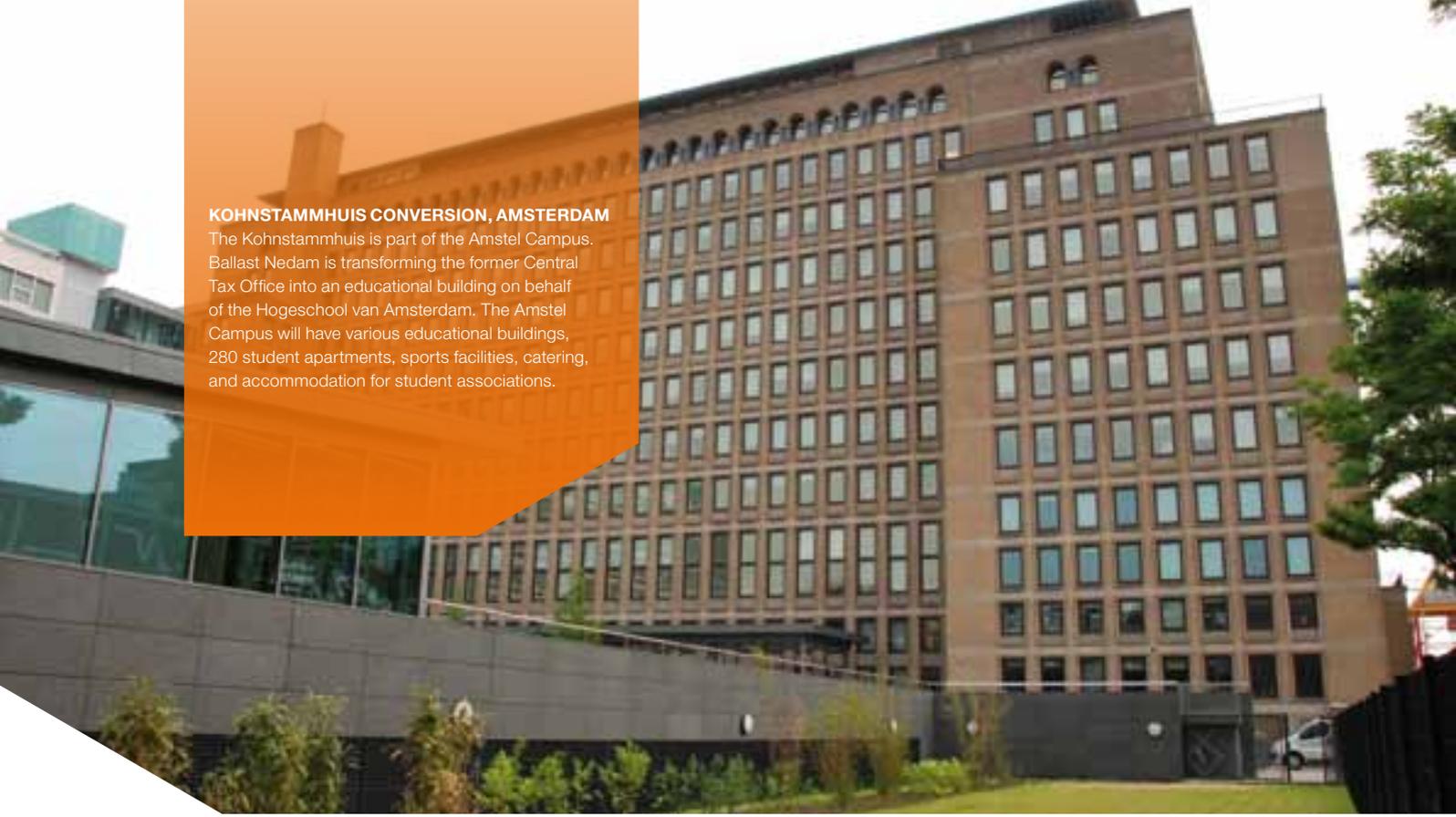
In the Netherlands we foresee a shift towards renewables, expansion and replacement of the high tension grid, more maintenance work on existing refineries and the development of small-scale industrial construction activities for diverse industrial customers. We also plan to use our pylons for the high tension grid in the Netherlands, and possibly abroad. In 2013 we will complete the Bio Golden Raand power plant for Eneco and the Magnum power plant for Nuon.

We expect to see growth in our industrial construction operations outside the Netherlands in 2013. Several European countries are continuing to invest in energy generation. Ballast Nedam's focus is on projects for conventional and biomass power plants. Our strength is in the turnkey implementation of the civil engineering components of projects. The market for Liquefied Natural Gas (LNG) with the associated LNG infrastructure is also set to expand. Ballast Nedam intends to have a role in quay and jetty construction of and in building industrial water systems.

Economic growth and investment in the construction of new power plants are strongly interrelated. Accordingly substantial sums are being invested in energy around the world. In 2013 Ballast Nedam will focus on the turnkey implementation of industrial cooling water systems for power plants for our strategic customers.



Metering room of the Claus power station in Maasbracht



### KOHNSTAMMHUIS CONVERSION, AMSTERDAM

The Kohnstammhuis is part of the Amstel Campus. Ballast Nedam is transforming the former Central Tax Office into an educational building on behalf of the Hogeschool van Amsterdam. The Amstel Campus will have various educational buildings, 280 student apartments, sports facilities, catering, and accommodation for student associations.

### 3.2.3 Offshore wind turbines

Offshore wind energy is one of the most important means of achieving European sustainable energy objectives, as our neighbouring countries, Belgium, Denmark, Sweden and France recognize. They are developing and constructing offshore wind farms, but Germany (see 1.3.2 *Our international customers* for the Butendiek offshore wind farm project on page 22) and the United Kingdom in particular are heavily committed to offshore wind energy. An estimate of the total market in northwest Europe based on the sum of national offshore wind energy objectives in 2020 is approximately 50 000 MW. Ballast Nedam designs, installs, maintains and manages foundations for offshore wind farms. In the next ten years some 11 000 foundations are expected with an investment volume of approximately 40 billion euros.

The major European energy companies in particular are investing in offshore wind energy, partly motivated by sustainability objectives, but also because other energy sources are dwindling. The growth in offshore wind energy translates into larger offshore wind farms further from the coast. The requirements being set on wind farm foundations are becoming ever more challenging. Last year, the demand for more cost-efficient foundation solutions was boosted by pressure to make sustainable energy more affordable.

Ballast Nedam is in an excellent position to satisfy these demanding requirements, because of our current track record in the offshore wind market, our specialized knowledge and our heavy lift vessel Svanen. Our knowledge of offshore foundation design, manufacturing, installation and management leads to innovative and cost-efficient foundations, such as the development of *drilled concrete monopiles* and the application of extremely heavy monopiles. These techniques couple reliability with cost reduction and innovation. The combination of this strategy with the development of new foundation installation methods and equipment guarantees Ballast Nedam's prominent position in the offshore wind energy foundation market, which may well expand.

*We use horizontal drilling techniques in the offshore application of drilled concrete monopiles: an innovative solution that we developed for one of our customers' research projects. The drilling technique and the use of prefabricated concrete piles greatly reduce underwater noise in comparison with pile driving. Concrete is also more readily available and less dependent on international price fluctuations than steel. The concept is suitable for a variety of soil conditions, and is less expensive than current foundation solutions in many locations.*

### 3.2.4 Secondary raw materials

Secondary raw materials can substitute for primary raw materials after reprocessing.

There are two secondary (recycled) material market segments:

- for immediate reuse to replace primary raw materials;
- for reuse following cleaning.

The first market segment is mainly associated with civil engineering work, where an internal soil bank mediates the reuse of soil in projects, the reuse of asphalt granulate in asphalt production and the reuse of concrete aggregate as a foundation material. Ballast Nedam has licensed storage and handling sites for these materials in the Netherlands and Belgium. Secondary material storage, handling and inspection are subject to strict environmental and other legislation. Ballast Nedam's specialists in DIBEC and the business unit Environmental Engineering ensure that we comply with this legislation.

Ballast Nedam serves several specialized markets in the second market segment. The first is the cleaning of contaminated mineral streams, such as soil, sand, dredge spoil, sieve sand and street refuse. We clean these materials (usually with wet techniques), and use the resulting aggregates (secondary building materials) in concrete and asphalt production, and for civil engineering applications. We have a static installation, and mobile installations for deployment on site. Ballast Nedam's storage and handling sites accept contaminated mineral streams, which we clean and put back on the market. Enhanced landfill mining and other ways of recovering valuable metals from waste are set to take off. Supplies of ore are slowly but surely depleting, and in due course demand will rise again as the global economy recovers. Ballast Nedam is anticipating this trend now. We are working on the hitherto barely feasible extraction of metal concentrates from waste streams. Research findings have led to the scaling-up of our initial laboratory tests by adapting one of the mobile installations. Full-scale testing is now proceeding.

Ballast Nedam is also a market leader in incineration ash from waste power plants, which involves both reprocessing and marketing the material. In 2012 Ballast Nedam's wholly owned subsidiary Feniks Recycling processed 26 per cent of all material from the waste power plants in The Netherlands. The Dutch government is keen to achieve a long-term environmental improvement in the incineration ash from these plants. Numerous parties are offering partial solutions to this problem. However, Ballast Nedam is among the few companies with sufficient knowledge and market position to be able to continue to serve the existing market, to identify new application areas together with the waste power plant operators and the Dutch government, and to implement the necessary reprocessing and cleaning technologies.

We also export this knowledge and experience. Ballast Nedam is the market leader in this field, with a particularly strong position in the United Kingdom, which is making up lost ground in the waste management field and building many new waste power plants. Further growth is foreseen in the next few years in view of the future expansion of waste power plants in the United Kingdom and the number of declarations of intent that have been signed by the plant operators. Section 6.3.3 *Waste and recycling* on page 99 explains how this relates to our CSR policy.



The A50 between Ewijk and Valburg is widened and the interchanges are changed dramatically. At the interchange Ewijk a completely new exit of Den Bosch to Nijmegen is developed where a lot of sand is needed. Sand is expensive, scarce and finite as a raw material. It was therefore decided to use incineration ash from the waste power plants, a secondary raw material.

### 3.2.5 Alternative fuels

Alternative fuels differ favourably from their traditional counterparts in environment and health terms, and are generally of renewable origin. Although they are not renewable, alternative fossil fuels nonetheless provide an ideal transition to more sustainable renewable variants.

Ballast Nedam's focus in the alternative fuel field is on the infrastructure. We provide a total commercial concept for alternative fuels with filling stations, and we are thereby encouraging renewable fuel production. Ballast Nedam builds, manages and maintains filling stations and is active on this market in the Netherlands and abroad, where we are making these fuels available for road vehicles. Alternative fuels help improve the living environment by reducing the emission of harmful substances such as nitrogen oxides (NOx), particulate matter and soot, which addresses a global problem: the warming of the earth because of greenhouse gas CO<sub>2</sub> emission.

The market for alternative fuels consists of:

- cleaner fuels of fossil origin, natural gas: CNG (Compressed Natural Gas) and LNG (Liquefied Natural Gas);
- fuels from waste streams, such as green gas and biomethane;
- fuels from sustainable energy resources (solar, wind and water power), including hydrogen (as an energy carrier) and electricity.

Alternative fuels differ in energy value and density. The combination of fuel and vehicle determine the radius of action and the performance, leading to different potential applications. Roughly speaking, the categories are as follows:

- CNG and hydrogen for short and medium-distance transport;
- LNG for long-distance transport, and heavy transport;
- electricity for urban transport.

In 2012 Ballast Nedam opened the first public LNG filling station (LNG24) and completed the fiftieth public CNG filling station (CNG Net). There are more than one hundred CNG filling stations in the Netherlands. Our subsidiary CNG Net is the market leader, and operates fifty CNG filling stations. Section 6.2.3 *Air quality and CO<sub>2</sub> emission policy* on page 98 explains how this relates to our CSR policy.

## 3.3 Trends

This section sets out the trends in society of relevance to Ballast Nedam, and how we are responding.

### 3.3.1 General trends

#### Sustainability

Despite the inevitable waning interest in ecological issues in a recession, the quest for a more sustainable lifestyle will nonetheless remain one of the most important social challenges in the next few years. This translates into companies' socially responsible business practices and product development. Companies are fully aware of their footprint in the community, and endeavour to minimize their impact on people and the environment. We therefore seek where possible to identify sustainable alternatives in product development.

This process starts with a search for sustainable raw materials and ends with the return and reuse of the product or its components, which translates into the life-cycle trend that is discussed below. Ballast Nedam addresses this subject in its strategic pillars, which help us achieve our ambition in a socially responsible way.

### Life cycle

There is a growing trend towards sharing and reuse instead of possessing and discarding, which is known as the circular economy. This trend is encouraged by rising raw material prices and greater public awareness of sustainability. Among other things, more stringent regulations for recycling are leading many companies to accept the return of products at the end of the life cycle, with a view to reusing the product or recovering the raw materials. Ballast Nedam has embraced life cycle thinking and acting in its strategy. We are currently investigating life-cycle extending opportunities through functional change (housing), the return of products for reuse, where the residual value is part of the business model (ModuPark®, Ursem and iQwoning®), and the recycling of raw materials (incineration ash).

### Population ageing

Rising prosperity, improved hygiene and better healthcare have greatly increased life expectancy in recent decades. With the baby-boom generation set to retire over the next few years, a new phenomenon that awaits us is an inordinately large number of elderly people. The needs of this demographic cohort for particular kinds of consumer goods, for example in the housing and mobility areas of work, will create opportunities for tailoring products and services to this target group.

### Industrialization

Innovative, more industrial, building methods under controlled conditions are a response to market needs. It is possible to manufacture products in controlled environments, which has efficiency and quality benefits. The manufactured modular elements are assembled simply and quickly on site, greatly limiting the number of transport movements and the associated disruption to the living environment. Consequently this trend addresses sustainability and nuisance limitation as well as higher and consistent quality. The collaboration with Ursem is compatible with the existing modular products Modupark® and iQwoning®. Ballast Nedam is thereby in a position to serve a variety of markets in residential and nonresidential construction, and new building and renovation, with modular concepts.

### Digitization

As people find it easier to access Internet technology, many opportunities present themselves for giving form and content to social innovation. Innovation is always about doing things differently and better than before, which translates into smart products that are accessible online anywhere (e.g. using a smartphone app to turn on the heating as you drive home) and a profound influence of social media and online information services. People now expect to be able to search for, share, or control everything in real time with a mobile phone or tablet. Ballast Nedam is already addressing this trend with 3D Woonvisualisatie, Serious Gaming and Building Information Models (BIM) / Geographic Information System (GIS).

### New business models

Accepted business models that always used to work are vanishing as people become disenchanted with government and large organizations such as banks and insurance companies. We observe a transformation from thoughtless consumption to meaningful creation. Small groups of people are uniting in a quest for solutions, are developing ideas and grasping their opportunities.

These new systems are being constructed everywhere and are dislodging the large systems from their position of power. Despite being driven by consumers, this trend has repercussions for industry and government bodies. It also presents opportunities for the construction industry: we can respond to the new clients and forms of cooperation that will arise with our knowledge and experience of PPP (local) and DBFM(O). This is another  
Deze nieuwe systemen worden overal opgebouwd en wrikken de grote systemen los uit

opportunity for Ballast Nedam to produce its own new business models, which is particularly interesting for the nature and energy areas of work that are at the start of the transition phase. It is also relevant for the housing area of work, in which the changing demand for renovation and functional change presents opportunities for modular business models.

#### Declining government involvement

The scaling down of government involvement is leading semipublic organizations to work with different funding models. They are seeking to collaborate with parties that are jointly able to fulfil all life-cycle aspects, including financing. This creates a model in which there is no need for the client to make a large investment in advance.

This phenomenon is spreading to the local authorities, whose interest stems from the strict financial constraints they now face in order to reduce the Europe-wide budget deficit. Ballast Nedam aligns with this trend with its life cycle thinking and acting and its knowledge and experience of PPP (local) and DBFM(O).



#### **PARK AND GARDEN MAINTENANCE IN MEERZICHT, ZOETERMEER**

Ballast Nedam is maintaining all parks and gardens in the Meerzicht district for the municipality of Zoetermeer. A green living environment makes a district more attractive, and a more pleasant place to live. Park and garden maintenance also increases home values.

### 3.3.2 Housing trends

#### Functional change

A sharp fall in demand on the property market and the many vacant properties create opportunities in the redevelopment of office locations and in the maintenance and renovation market. Energy efficiency is an important criterion. This is where Bouwborg comes in: a Ballast Nedam company with management and maintenance operations. This shift in the market also calls for new services and products. For instance, Ursem develops and produces modular bathrooms suitable for renovation projects and functional change. A former office location can be transformed in this way rapidly, simply and efficiently into a residential neighbourhood.

#### Increase in single person households

Population and family composition are changing. The number of single person households is increasing. In part this is because an increasing number of people are choosing modern forms of cohabitation, such as 'living apart together', but is largely attributable to population ageing. Greater prosperity is allowing people to live ever longer, but with increasing age inevitably one of the partners will die. Furthermore elderly singles and couples alike are living independently for even longer. This target group often has specific needs, such as alterations and facilities to help them to live independently for as long as possible. This also presents opportunities for Ballast Nedam to develop and build target-group specific housing.

#### Small-scale housing

The scant investment in large-scale residential building projects because of the crisis is creating a new market. People are taking matters into their own hands and tackling project development of their new homes for themselves. Initiatives of this kind are often through private client collectives, with a view to reducing costs and increasing efficiency. Municipalities also facilitate these initiatives. This result is more small-scale residential building projects, where the specific customer needs (first-time buyers, senior citizens, sustainability) demand considerable flexibility. Another reason to opt for small-scale house building is urban restructuring, which often releases small areas of development land with high logistical complexity. This is an opportunity for the iQwoning®, an affordable home that is eminently suited to urban complexity and low-volume purchasing.

### 3.3.3 Mobility trends

#### Better utilization

The next few years will see growth in the number of transport movements. Planned expansions and new roads will not keep up with this growth. Ways of improving the utilization of the total infrastructure – all transport modes – are being investigated with a view to achieving a permanent improvement in mobility. The train and bicycle as alternatives for the car, flexible working to spread traffic intensity, and transporting goods by water, are among the priorities of the *better utilization* trend. The objective is to improve access, which, besides informing the public and bringing about behavioural change, also requires adjustments to the infrastructure. It is important to create *multimodal interchanges* where multiple transport modes come together with car and bicycle parking facilities, as well as shops, and places for people to work and gather. Ballast Nedam has experience in building public transport terminals, and with ModuPark® it provides a dynamic parking solution that matches the problem.

*Multimodale knooppunten zijn punten waar reizigers van de ene op de andere vervoerswijze kunnen overstappen. Bijvoorbeeld van de auto op de trein.*

### Information provision

People want to choose the right transport mode for their journey. This makes real-time information about congestion, delays and journey times increasingly important. The rise of social media and mobile phone apps are raising the demand for information. This information determines the choice of transport mode. An example would be an online navigation system with user-provided information about travel conditions, or the joint TomTom and NS Zakelijk app that shows at a glance whether a journey would be faster by car or public transport. It is important for Ballast Nedam to keep in mind that improved mobility depends on more than the development of new infrastructure alone.

### Elderly people in traffic

In future elderly people will behave differently from their counterparts today: they will be out and about more often, will avoid the morning rush hour, and will be less likely to live in a city. These behavioural changes will lead to additional mobility growth, and in particular more car kilometres. Public transport will continue to play a limited role in the mobility of elderly people of the future. Alongside its impact on mobility, population ageing will also affect road safety.

### 3.3.4 Energy trends

#### Distributed infrastructure

There is a need for readily available, less expensive and renewable energy. Local generation meets this need, and it is therefore becoming increasingly popular. This trend calls for new regulations, so that anyone generating energy for their own use can supply the surplus to anyone else who needs it. This will balance supply and demand better and ensure that we use the available energy more efficiently. For market parties the local energy supply trend will mean substantial changes. Customers will start to produce, and therefore become suppliers themselves. They will be able to offer new products to market parties or energy transport providers. Driven by ICT, a variety of new services may also arrive on the market, such as to time-balance local supply and demand, or to increase flexibility. Alongside regulations, this will demand 'smart grids' (a transition from 'on-grid' to 'off-grid') and a new infrastructure. Ballast Nedam has the relevant knowledge and experience in building and managing infrastructure, and is able to translate this knowledge into a specific solution for the transport and management of energy, such as by using hydrogen to transport the energy generated from wind. Ballast Nedam is a front runner, and is for instance working on the first removable hydrogen filling station in the Netherlands.

#### Energy-efficient cars

When choosing a car, consumers will be influenced increasingly by energy efficiency. They will look critically at the fuel consumption and the option to use alternative fuels. This trend is influenced by government policy: as well as being less expensive to run, energy efficient company cars attract a smaller income tax penalty in the Netherlands, and some are free of road tax. The demand for hybrid plug-in vehicles is expected to rise sharply in the next few years, causing a corresponding rise in demand for alternative fuels and especially also the demand for electric vehicle charging points.

Ballast Nedam targets this growth market with its alternative fuels niche market.

For example, we are working on hydrogen as an energy carrier for electricity and as fuel for electric vehicles, and our subsidiaries CNG Net and LNG24 are opening the market for CNG and LNG.

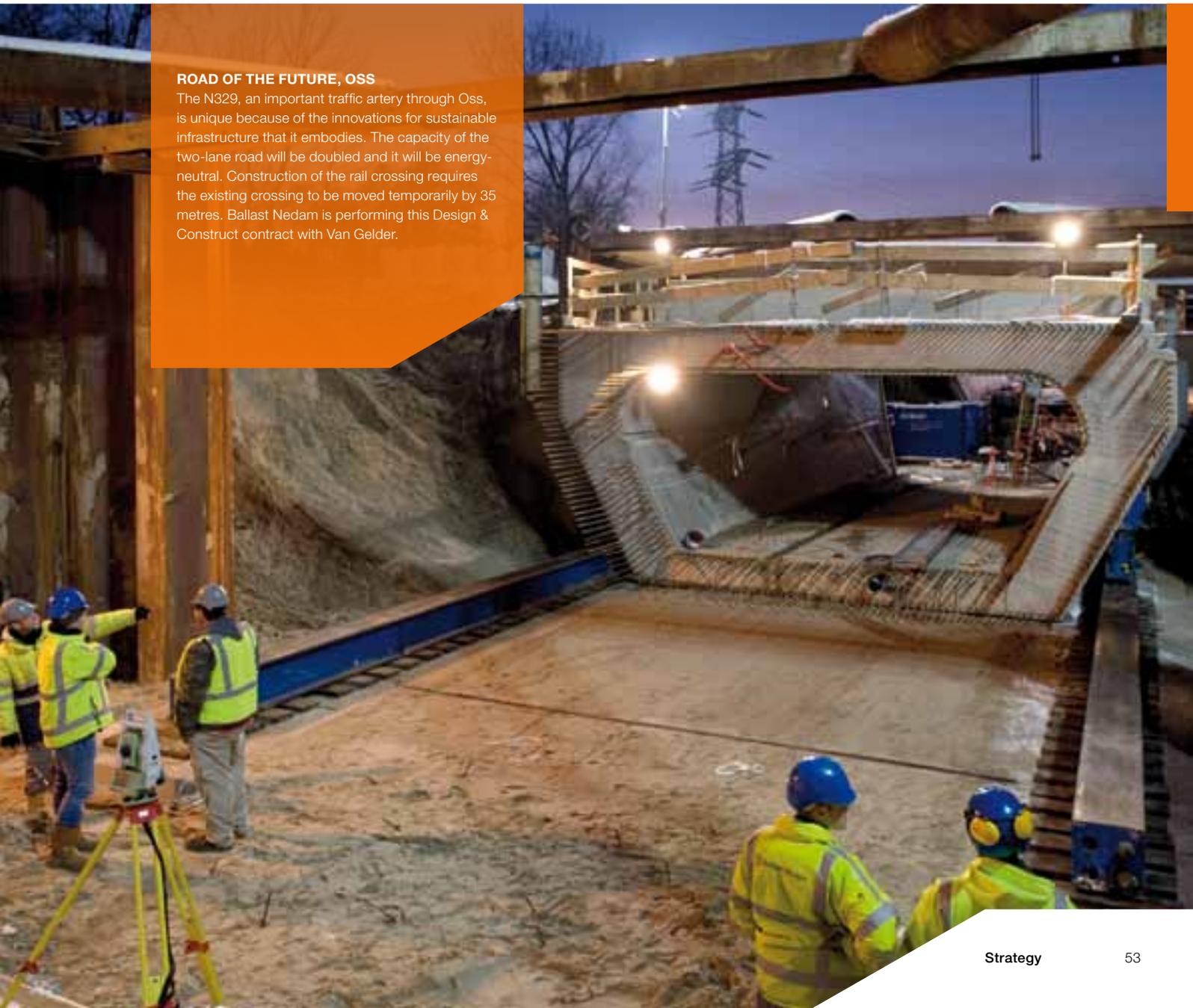
### 3.3.5 Nature trends

#### Functional nature

People view nature as an entity consisting of productive and regulatory ecosystem services with a specific economic and social value for raw materials, leisure, protection and the living environment. These services cannot usually be expressed in money terms, but nonetheless have a definite economic value. Their loss in the near future would create enormous problems, such as flooding and raw material depletion. Because nature has a function and therefore adds value, sustainable use, recovery, management and protection are a collective interest for which society is willing to pay. Ballast Nedam addresses this trend by funding area development from the proceeds of raw materials released in the same development, as is happening in the Lus van Linne.

#### ROAD OF THE FUTURE, OSS

The N329, an important traffic artery through Oss, is unique because of the innovations for sustainable infrastructure that it embodies. The capacity of the two-lane road will be doubled and it will be energy-neutral. Construction of the rail crossing requires the existing crossing to be moved temporarily by 35 metres. Ballast Nedam is performing this Design & Construct contract with Van Gelder.



### 3.4 SWOT analysis

Strengths	Opportunities
<ul style="list-style-type: none"> <li>- Knowledge, skills and experience</li> <li>- Service orientation (unburdening)</li> <li>- Portfolio: activity spread</li> <li>- Solid reputation and familiar name</li> <li>- An integrated organization structure</li> <li>- Own production sites for modular building systems</li> <li>- Impressive projects in order book</li> <li>- Optimum solutions for the entire life cycle</li> <li>- Arrangement of financial feasibility</li> </ul>	<ul style="list-style-type: none"> <li>- The life-cycle management approach of clients</li> <li>- Industrialization of the building process</li> <li>- New clients and forms of cooperation based on new business models</li> <li>- Declining government involvement</li> <li>- Increasing need for readily available renewable energy and alternative fuels</li> <li>- Need for functional change and improvement of existing property</li> <li>- Increasing need for secondary (recycled) materials</li> <li>- Export of knowledge and skills to major international customers</li> <li>- Influence of demographic trends on the housing market</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>- Relative overdependence on the Dutch market</li> <li>- Financial performance</li> <li>- Installation engineering know-how at an early stage</li> <li>- Long-term order book not yet well filled</li> <li>- Presence in capacity-driven markets</li> <li>- Ongoing reorganization</li> </ul>	<ul style="list-style-type: none"> <li>- Market contraction because of economic circumstances</li> <li>- New (international) entrants</li> <li>- Juridification of society</li> <li>- Available labour capacity with high-level (technical) knowledge</li> <li>- Financial institutions reluctant to provide long-term project loans</li> <li>- Political legislative decisions</li> </ul>

The SWOT analysis has helped identify Ballast Nedam's most important challenges in 2013, which are to raise output quality and to improve the financial position.

1. In 2012 Ballast Nedam reduced its exposure to loss-making traditional and strongly capacity-driven markets. We anticipated the sustained deterioration of market conditions by reducing capacity in several companies whose operations are in these traditional markets. For the regional infrastructure companies this was a total reduction of approximately 60 per cent (including the 2011 reorganization). This is higher than the rate of market decline. Organizational reductions were also made in three segments (Building & Development by over 15 per cent, Specialized Companies by approximately 30 per cent in prestressing, asphalt and foundation operations, and Supplies by approximately 10 per cent). More than 500 jobs were lost in the related reorganizations.
2. Ballast Nedam accelerated the change in profile from a major player in traditional markets to a prominent player on integrated projects and the four niche markets. The reorganizations in 2012 have strengthened the integrated organization structure. Their purpose is to scale-up regional construction companies, and to create more uniformity, synergy and market orientation, which accentuates the focus on the core business.
3. Ballast Nedam has a good starting position in the market for modular building systems. The company has its own plants for manufacturing modular building systems under controlled conditions. In 2013 Ballast Nedam will continue to work on product and

conceptual development, with an emphasis on a deeper penetration and a broadening of the market. Modular building is an appropriate answer to clients' life-cycle management approach and the changing social needs and requirements of end-customers.

The technique offers a solution for the available labour capacity by reducing the amount of work performed on the construction site, as well as improving safety, greatly reducing the number of logistics streams, and limiting disruption of the surrounding community.

The products meet the demanding requirements for quality of use and comfort, are returnable, and are a flexible way of providing age-proof homes.

4. Project development and the construction and infrastructure sector tend to be late cyclical relative to general economic trends and cyclical fluctuations. The prospects for housing market building production and less government spending on infrastructure lead to pessimism for these markets in 2013 also. Ballast Nedam's portfolio exhibits a spread of activities:
  - the niche markets in which Ballast Nedam operates are profitable and have growth prospects. Ballast Nedam will continue its strategic focus on these niche markets unabated;
  - Ballast Nedam provides comprehensive solutions for the entire life cycle. In addition to development and construction in 2013 Ballast Nedam will also focus on multiyear maintenance and management, and functional change and improvement of existing property.
  
5. Despite the ambition to lower the capital invested in property in the next few years, we expect little progress in the near future because of the sustained stagnation on the market.

### 3.5 Prospects

Our strategic choice in 2012 was to move where possible from the persistently poor, and strongly capacity-driven, markets. We are continuing to focus on the markets in which Ballast Nedam is able to add value in a distinctive way. These are integrated projects, the niche markets with growth prospects, such as offshore wind turbines, and the promising modular building concept. We are accelerating the change in the company's profile accordingly. With this strategic focus, less exposure to loss-making markets and the well-filled order book, we are looking forward to an operating profit for 2013 of approximately 15 million euros.

# 4

## Segments

This chapter gives an outline for each segment of the market developments, the results achieved and our progress report on our action plans.

Influenced by the ever-deteriorating markets, we increased the pace of implementing the strategy that is oriented to the well-performing markets of integrated projects and niche markets. The pace of the shift in Ballast Nedam's profile from a major player on the traditional markets to a prominent player on the integrated projects market, such as the PPP projects and specific niche markets, including offshore wind turbines, has been stepped up accordingly. The regional companies and some specialized companies that operate mainly in the strongly capacity-driven markets have been restructured radically. We are giving high priority in all segments to the transition from a supply-oriented to a customer-oriented construction organization, with integrated solutions for the entire life cycle of projects.

### 4.1 Infrastructure

The Infrastructure segment consists of two closely cooperating clusters.

- The Ballast Nedam Infrastructure cluster develops, constructs and maintains infrastructure projects from a centrally managed organization, with a geographical split between North and South. The cluster has positioned its niche market industrial construction separately, to serve its customers on a national basis. The cluster has two product-market combinations (PMCs): Ballast Nedam Parking and Ballast Nedam Geluidwering.
- The Ballast Nedam Infrastructure Special Projects cluster implements complex infrastructure and industrial construction projects in the Netherlands, all Ballast Nedam's international projects, and the offshore wind turbine projects. The control of processes, ranging from development and design to construction, is key.

#### 4.1.1 Market developments

Volume declined in the infrastructure market, leading to cut-throat competition and greater price pressure in several strongly capacity-driven market segments. The price level in the regional public procurement market for traditional contracts collapsed to below cost. Competition also increased for the major multiyear projects and in the industrial construction niche market. The offshore wind turbines niche market remained favourable.

#### 4.1.2 Results

x € 1 million	2012	2011
Revenue	496	523
EBIT	10	14
Margin	2.1%	2.7%
Order book	900	1 152
Assets	214	228

Infrastructure achieved a 4 million euros lower profit of 10 million euros, in particular because of the increased reorganization expenses. However, in general terms Infrastructure displayed a fine performance in view of last year's sustained market deterioration. Indeed, disregarding the reorganization expenses in both years, Infrastructure's profit was unchanged relative to 2011 at 17 million euros. Excellent results on the major projects exceeded the regional companies' losses.

Excellent results were also achieved on the ongoing major projects in the offshore wind turbines and industrial construction niche markets. For instance, the heavy lift vessel Svanen was well utilized in 2012 on three offshore wind farm projects in Denmark and the United Kingdom. Having installed the 111 foundations for the Anholt offshore wind farm, the Heavy Lift Vessel (HLV) Svanen was deployed in 2012 for London Array and Gunfleet Sands 3. HLV Svanen has now installed almost 400 offshore monopiles.

The Nuon Magnum multifuel power plant project will be completed in the first half of 2013.

The regional companies incurred losses in 2012. A previous capacity reduction of 20 per cent in late 2011 was followed in 2012 by a further 50 per cent adjustment. This means that in the space of one-and-a-half years the workforce has contracted from over 500 to around 200. This adjustment is many times larger than the fall in volume in the market. It is therefore a strategic choice to abandon the regional procurement market for smaller traditional contracts, and to focus instead on the larger, more integrated projects. Accordingly there will be less exposure to this loss-making market.

The current organization of regional districts has been centralized, with fully central acquisition, and with implementation managed from North and South units. The industrial construction niche market has been positioned separately, and will operate nationally. Needless to say, collaboration is sought with the Infrastructure Special Projects cluster on both acquisition and industrial construction.

Infrastructure was awarded no PPP projects in 2012. We came second in the tender for the A1 – A6 link PPP project, and after the parties had submitted their final bids for the complete two-line tram system in the city of Groningen, the client abandoned this PPP project.

Ballast Nedam operates on the alternative fuels niche market through investment in fuel filling stations and their implementation, management, commercial operation and maintenance. CNG Net and LNG24 invest in green gas public filling station networks for the private market, and LNG (liquefied natural gas) filling stations for the transport market. LNG (Liquefied Natural Gas) voor de transportmarkt. CNG Net behaalde een prima hoger

CNG Net produced a splendid, higher profit, and in December opened its fiftieth public filling station. CNG Net also manages seven custom filling sites for green gas customers, such as for the Connexxion public transport operator in the Arnhem Nijmegen metropolitan region.

CNG Net strengthened its position as the major road vehicle green gas supplier through the award to Connexxion of the largest green gas public transport concession in the Netherlands. For a ten-year period from the end of 2012, CNG Net will supply green gas for all 225 Connexxion city buses in the Arnhem-Nijmegen metropolitan region, which represents an expansion of approximately 6 million kilograms of green gas a year. CNG Net and Attero are making joint proposals to municipalities for running their vehicles on the locally collected kitchen, garden and residual waste, which Attero converts into green gas, and CNG Net then returns locally as a sustainable fuel for mobility.

In September 2012, the Minister of Infrastructure and the Environment, Melanie Schultz van Haegen, opened the first Dutch public LNG filling station in Zwolle, which serves many transport operators, whose vehicles now run cleaner and quieter on LNG. The transport sector recognizes LNG's strategic benefits as a clean and economically attractive fuel, and is investing in it increasingly.

Infrastructure's total assets declined from 228 million euros to 214 million euros.

The order book contracted from 1 152 million euros at year-end 2011 to 900 million euros because of good progress on several major multiyear projects and the absence of new large project acquisitions in the past year. In the next few years there will be substantial production from attractive projects, such as the A2 in Maastricht, which was acquired in a new contract form, and the large multiyear PPP project for the Maasvlakte – Vaanplein section of the A15. Among the good news was the completion early this year of the financing for the major Butendiek offshore wind turbine project in Germany. The contract for the design, delivery and installation of eighty foundations for approximately 250 million euros was already in the order book at year-end 2011. Also in early 2013, Ballast Nedam acquired a contract for a wind farm in the Northeast Polder. Ballast Nedam is designing, delivering and installing the foundations for 48 water-based wind turbines along the dikes of the polder. Financial close must be reached in the spring of 2014, and the project has yet to be added to the order book.



The minister of Infrastructure and the Environment, Melanie Schultz van Haegen, says 'It is important that the infrastructure we create for this clean fuel provides full coverage: without filling stations, no transporters will change to LNG. An increase in supply and demand will make LNG more economically attractive. That is very compatible with our objective to be a leading player in the international transition to sustainable mobility.'

#### 4.1.3 Action plans

The Infrastructure segment's main focus is on improving operating performance, expanding and developing product-market combinations and enlarging the PPP portfolio. We report below on our progress in 2012.

##### **To improve operational performance through process control and information management**

The increasing complexity of our projects is leading us towards closer cooperation within the chain, sometimes with parties that operate outside the industry. This approach demands an open and transparent stance, control of processes, and a capacity to share and communicate knowledge. One of the related critical success factors is our ability to apply state-of-the-art information management. We therefore set the following three objectives.

- *To use Building Information Models (BIM) in all new design & construct contracts, with BIM being applied as standard in this type of contract from 2013*  
BIM is to be used in all larger and integrated Infrastructure segment projects. The Infrastructure segment will use BIM unless there is a clear reason not to. Experience has now shown that the use of BIM adds value from as early as the tendering stage, where it contributes to the bid strategy, whereas in the implementation phase it helps document the design. The use of BIM is captured in the organization through the procedural sequence of tendering brief – project brief – project plan.

- *To evaluate our company manual for compliance with 'lean management' principles, as a demonstration of the efficiency of our operations*

In 2012, 75 employees in the segment, including senior and junior managers and workers, attended the Lean Management training course. Among the specific actions to emerge was an update of the company manual to version 2.0, which entails reviewing our processes and procedures. This improvement process used the Value Stream Mapping (VSM) Lean-methodology.

In 2013 we plan to have another 75 people from the Infrastructure segment attend the Lean training course. The Infrastructure segment aims within four years to have taken firm steps to becoming a learning organization, based on Lean methods.

- *To ensure and improve safety by appointing a central Health, Safety, Security and Environmental (HSSE) officer*

An HSSE officer was appointed in the Infrastructure Special Projects cluster in 2012, with responsibility for calling our people to account about their attitude and conduct, and where appropriate to make tools and equipment available to all our employees in order to raise safety awareness. It is emphatically not the intention for safety responsibility to reside solely with the HSSE officer. Safety is and remains at all times a line organization responsibility.

The Safety Steering Group that was set up concurrently in the cluster discusses the safety status in Infrastructure Special Projects on a regular basis, and monitors execution of the agreed actions. The HSSE officer is also the Safety Steering Group's link with the Ballast Nedam Safety Working Group. The Infrastructure segment has implemented the OSHA guidelines, and is a front-runner in this area in Ballast Nedam.

#### **To expand the existing, and develop new, product-market combinations**

Ballast Nedam's range of products and services is shifting towards specific product-market combinations with greater added value. We are expanding our package of products by translating specialized knowledge and skills into a standard approach to specific customer issues. We are able to apply this approach at a lower cost. We have set the following three objectives in this area.

*To utilize highly specialized knowledge for new product-market combinations in the fields of drinking, cooling and waste water, where possible also internationally*

An investigation was started in 2012 into a product-market combination for water. Provisionally this is concerned with drinking water in Ballast Nedam's international market. The scope of the investigation includes financing of the projects concerned, in view of the experience that the countries with the greatest need for drinking water lack the funds to create a drinking water infrastructure. Explicit attention will be given to 'tight-aid' financing. Ballast Nedam has no ambition to expand the scope to purification technology and the mechanical and electrical aspects. We are therefore looking into strategic, non-project-related collaboration. We are using a partner selection tool that was developed in house. We have made greater progress on the Cooling Water Systems product-market combination. In 2012 we provided our services several times around the world to our strategic partner Mitsubishi Heavy Industries. We are also studying the feasibility of finding other strategic partners for our services.



We are constantly in search of ways of employing our multidisciplinary know-how in the field of water for industrial clients. In 2012 we acquired a contract for building a new water treatment plant for BP Raffinaderij in Rotterdam. The new plant is based on an activated sludge process and will be operational in 2014.

*To expand sustainable parking solutions, such as the reusable ModuPark® parking system*

In 2012 several additions were made to the opportunities presented by the reusable ModuPark® parking solution. For instance, the Meander Medical Centre in Amersfoort opted for a ModuPark® garage as a permanent parking facility with 800 parking spaces for employees. The external wall consists of the trunks of the trees that had to be felled to build the new hospital. The car park therefore blends in perfectly with the woodland setting. The exterior wall cladding of the JavaPark Park +Ride car park in the heart of Almelo is a work of art, façade moiré, with red aluminium panels that appear to envelop the car park as if they were textile. We are working with a provider of cycle parking systems to investigate the opportunities for integrated car and bicycle parking solutions.

- *To explore the opportunities for standardizing rail underpasses, which are now usually constructed on site*

Following on from Ballast Nedam's existing Modupark® and iQwoning® modular products, the modular building systems of Ursem Bouwgroep and the Plug and Play Core concept (see Section 1.3.1.1 *Modular product brands* on page 21), we started in 2012 on a modular idea for ProRail's Tunnel Alliance. ProRail's aim with the Tunnel Alliance is to define a more efficient way of constructing rail underpasses, enabling it to offer its customers a traffic tunnel as if it were a consumer product, for a fixed and low price. Ballast Nedam's combined modular building knowledge and experience is being brought to play to add maximum value. Output from the Tunnel Alliance is expected to materialize in 2013.

**To continue to expand our portfolio on the private and public PPP markets, also for relatively small projects**

Ballast Nedam has developed into a specialist in PPP projects, and sees plenty of opportunities on this growing market. We are convinced that this approach is also appropriate for relatively small, regional projects, for which we have developed models. We also apply the PPP model in the business cases we develop in house. We have set three objectives.

- *To expand the PPP portfolio to five projects in 2014, by acquiring one PPP project on the public market in 2012.*

Ballast Nedam acquired no PPP projects in 2012. Ballast Nedam was second in the PPP procurement for the A1 – A6 link between Diemen and Almere. After the parties had submitted their final bids for the complete two-line tram system in the city of Groningen, the client abandoned this PPP project.

- *To position the business cases on the private market: CNGNet / LNG24 provide (liquefied) natural gas for the transport sectors; Biomethaan produces and sells green gas.*

Besides heavy goods vehicles, LNG is also a clean alternative for transport by water. LNG24 is also investigating the bunkering market for inland waterway vessels. The relatively high fuel expenses for ships translate into a shorter return time on the additional investment. Moreover, the shipping industry must invest in cleaner technologies in the near future in order to meet the more stringent SO<sub>2</sub> emission requirements for both marine and inland waterway vessels.

- *To develop the PPP model for application on small projects, based on the results of the pilot project*

Under the name 'PPP local', Ballast Nedam is drawing the attention of local and regional authorities to the opportunities presented by DBFM(O) contracts. PPPs from approximately 25 million euros in size upwards can have added value, which increases for projects that are larger or combined. A reliable tendering procedure with reimbursement of the costs incurred is absolutely vital in persuading qualified market parties to come on board.

From its role as a knowledge centre, the Concessies business unit will adopt a more structured approach to knowledge sharing in 2013, and will embed the existing initiatives more firmly in the organization. The emphasis will be on the knowledge and experience we have gained in the completed tenders.

## 4.2 Building & Development

The Building & Development segment consists of two closely cooperating clusters, each with their specific area of expertise.

- The Ballast Nedam Building & Development cluster develops, constructs and maintains real estate projects with a value of up to approximately 40 million euros.
- The Ballast Nedam Building & Development Special Projects cluster performs complex building projects with an elevated risk profile by virtue of their size, location, or contract form.

### 4.2.1 Market developments

The markets continued to deteriorate in the past year, and we expect a further decline in volume in the coming year, for which reason competition for new projects is stiff, leading to lower prices. The housing market has stalled completely because of low consumer confidence, which is attributable to the now implemented constraints on acquiring home loans, falling prices, and the constantly changing tax treatment of mortgage interest. The housing associations' more limited scope for investment has increased pressure on the volume in the housing market. We are more optimistic about the housing market in the longer term. The sustained population growth, the smaller numbers of occupants in each home, and several years of low housing production are increasing the shortage, in terms of both quantity and quality. The office market will take longer to recover, in view of the current number of vacant properties and the trend towards providing ever less office space for each employee. The renovation and maintenance market, and the transformation of vacant property to serve different functions, present good opportunities.

### 4.2.2 Results

x € 1 million	2012	2011
Revenue	573	642
EBIT	(26)	8
Margin	(4.6%)	1.2%
Order book	731	693
Assets	314	346

Building & Development incurred an operating loss of 26 million euros because of impairment losses on land, and reorganization expenses. However, even disregarding the write-downs and reorganization in both years, profit declined from 17 million euros in 2011 to 2 million euros. The major projects made an excellent contribution. The regional companies and property development produced a loss. The seven regional construction companies have been restructured in the past year, and have been transformed into three upscaled regional companies with a uniform structure, in order to raise efficiency and market orientation, and provide a better match for the new market volumes. More than 200 of the approximately 1 100 jobs were shed in the reorganization.

The revenue of Building & Development decreased by 11 per cent to 573 million euros. The underlying revenue of all operations was lower, with the exception of the management activities. Ballast Nedam Beheer, which has operations in housing, mobility and energy, achieved a higher revenue through multiyear management for the PPP projects.

The new building for the Ministry of Security and Justice and the Ministry of the Interior and Kingdom Relations was transferred to the Government Buildings Agency two months ahead of schedule. The complex is the largest office and government building in the Netherlands, and was built in a record time of 47 months. The Government Buildings Agency now has a flexible office building that is compatible with the current work processes, and will be simple to adapt to the ministries' future needs.

The major projects in the hospitals niche market, Meander Medical Centre in Amersfoort and the Erasmus university medical centre in Rotterdam, are also well on schedule.

Despite the difficult market conditions and the substantial regional company restructuring, the order book has expanded by 38 million euros to 731 million euros. Major projects that have been acquired, such as the public transport terminal in Breda, the new Hilton Hotel at Schiphol Airport Amsterdam, and the renovation and expansion of the ASR head office in Utrecht contributed to this increase.

Ballast Nedam has acquired the construction contract for the new 'upper-upper scale' Hilton Hotel at Schiphol Airport Amsterdam, a development and investment project of the Schiphol Hotel Property Company, which is part of Schiphol Real Estate. The project will be finished to a distinctively high standard, and the building production rate is conspicuously high. We have to perform these feats in a complex working environment. In the tendering procedure, Schiphol selected the economically most favourable bid by including quality criteria that are oriented to a predictable, flexible and disruption-free implementation. The existing Hilton Hotel will remain in use until its replacement has been completed. Building work on the hotel is to start in February 2013 and completion is scheduled for 2015.

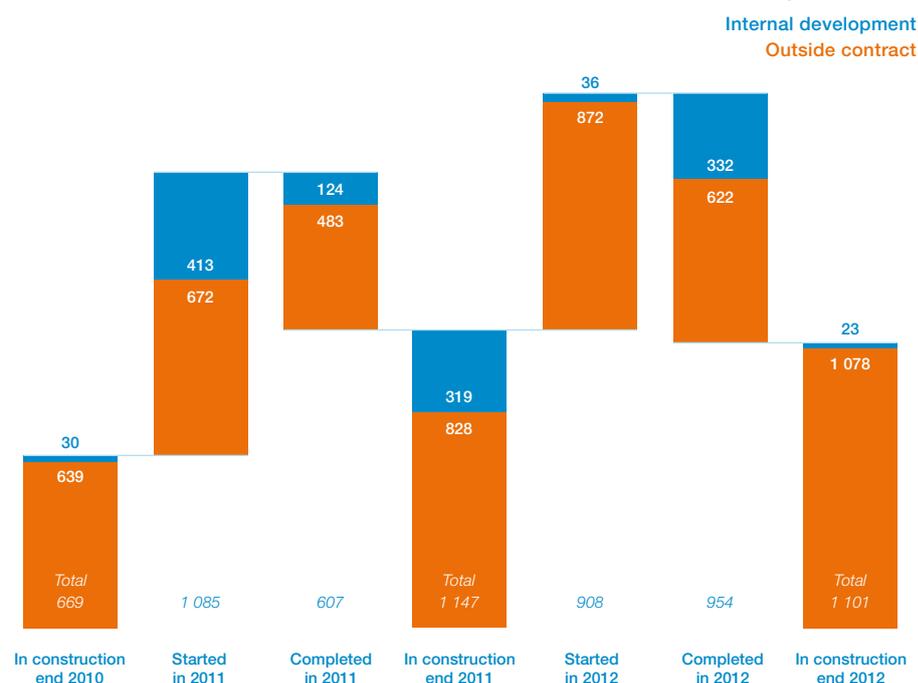
It has been confirmed that Ballast Nedam and Kuijpers Centrale Projecten have been awarded the contract for the large-scale head office renovation for the insurance company ASR in Utrecht. The complex and integrated nature of this project derives from the need for renovation to proceed while large parts of the building remain in use. ASR is also imposing demanding sustainability requirements on the building. Following renovation, one of the largest office buildings in the Netherlands will meet the requirements for The New World of Work. The upgraded office will accommodate 2 800 work positions for 4 000 FTEs. Construction work started at the end of 2012. Completion is scheduled for late 2015.

Building & Development's assets decreased by 32 million euros to 314 million euros.

#### **4.2.2.1 Property development**

The residential construction operations declined from 1 147 homes under construction at year-end 2011 to 1 101, of which only 23 homes are from internal development. In 2012, 954 homes were completed.

### Number of homes started and completed in 2012



### Exposure property development

x € 1 million	2012	2011
Land positions	152	154
Unsold stock under construction	6	13
Unsold stock delivered	18	12
<b>Total on balance</b>	<b>176</b>	<b>179</b>
Liabilities to complete projects under construction	1	7
Liabilities to acquire land positions	39	24
<b>Total liabilities off-balance</b>	<b>40</b>	<b>31</b>
<b>Exposure property development</b>	<b>216</b>	<b>210</b>

The total property development exposure, which consists of investments in land positions, investments in unsold stock and the related unconditional future liabilities, increased in 2012 by 6 million euros to 216 million euros. In addition, the conditional liabilities to acquire went down by 16 million euros from 159 million euros at year-end 2011 to 143 million euros. Despite the ambition to lower the capital invested in property in the next few years, we expect little progress in the near future because of the sustained stagnation on the market.

The total investment in unsold stock, both delivered and under construction, remained approximately unchanged in 2012 at 24 million euros.

The number of unsold homes went down from 110 at year-end 2011 to 67. The number of unsold delivered homes increased by 20 to 56, spread over 13 projects.

There was a net increase of 6 million euros in delivered unsold stock to 18 million euros, because of the completion of the leased hotel in Sittard – part of the Kloosterkwartier major integrated redevelopment project – and of the 20 unsold homes.

In 2012 the 1 350 m<sup>2</sup> leased store in Arena Poort in Amsterdam was sold. Besides the 56 homes, there was also delivered unsold stock from 4 112 m<sup>2</sup> leased and 1 000 m<sup>2</sup> unleased commercial property.

#### Land positions

x € 1 million	2012	2011
1 January	154	160
Net investment	19	2
Write-down	(21)	(8)
<b>31 December</b>	<b>152</b>	<b>154</b>
Cumulative write-down	39	18

Each year, or earlier if the need arises, a plan assessment based on scenario analyses is performed for each land position. The present value of all future cash flows is estimated using a weighted average cost of capital of 9 per cent. These cash flows at the current price level are not indexed. A 3 per cent margin for sale risk is also factored in, and no account is taken of the result on the building. The carrying amount of the land bank comprises almost no interest and preparatory expenses.

The land positions decreased by 2 million euros to 152 million euros, consisting of a net investment of 19 million euros and a write-down of 21 million euros.

The 19 million euros net investment largely comprised the investment in the second phase of the Nieuwvlietbad beach resort area development, and delivery of the land in Langendijk. The still outstanding unconditional liabilities to acquire land positions increased by 15 million euros to 39 million euros, of which 22 million euros will fall in the 2014 to 2018 period, and 17 million euros in 2019 and later. This increase was attributable mainly to a housing site in Hazerswoude for which a designation for residential purposes was obtained. Sales for the first phase will open later this year.

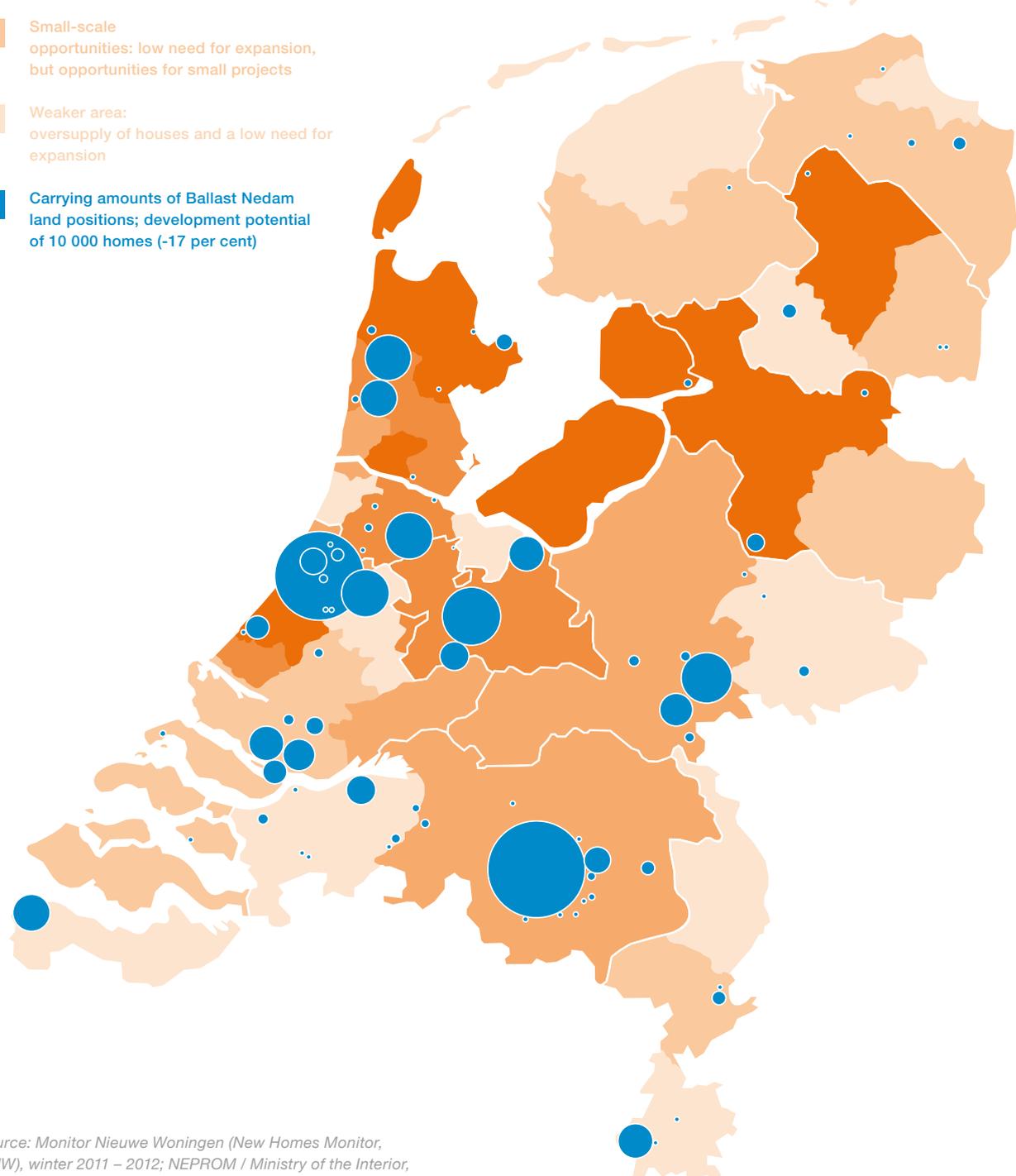
The write-down of 21 million euros related to 23 positions spread throughout the land bank of approximately 100 positions. About one half of this write-down is attributable to construction of the homes later than previously planned. The other half of the write-down is attributable to lower sales prices and a lower expected number of homes per position. In 2011 the 8 million euros write-down was mainly on six land positions for residential construction in the northeast of the Netherlands. The cumulative write-down on land positions therefore increased by 18 million euros at year-end 2011 to 39 million euros, which is 20 per cent on the entire land bank since 2008.

The estimated development potential of the land bank fell by 17 per cent from 12 000 homes at year-end 2011 to approximately 10 000 through the dissolution of several partnership agreements for which no land had yet been purchased, and through lower estimates of the numbers of homes to be built on a number of positions.

Any significant further deterioration in the housing market could lead to more land position write-downs. Analyses have shown this write-down risk to be more sensitive to the time phasing of implementation than to the trend in prices.

The innovative 3D Woonvisualisatie concept was developed in 2012 for making presentations of new construction projects to interested parties. It is an effective way of involving future residents in the building of their own home, gives them control of the building options, and allows them to become acquainted with their new living environment in three dimensions. Ballast Nedam implemented the new concept in house together with Rotterdam-based game developer Vertigo Games.

- Strong area:**  
relatively well-performing market with strong market potential
- Potential area:**  
currently a slow market, with good or strong future prospects
- Neutral area:**  
areas that yield stable revenues;  
no profit or loss
- Small-scale opportunities:** low need for expansion, but opportunities for small projects
- Weaker area:**  
oversupply of houses and a low need for expansion
- Carrying amounts of Ballast Nedam land positions; development potential of 10 000 homes (-17 per cent)**



Source: Monitor Nieuwe Woningen (New Homes Monitor, MNW), winter 2011 – 2012; NEPROM / Ministry of the Interior, Directorate-General for Housing, Communities and Integration

3D Woonvisualisatie is already available on the Internet, including on [www.deplataanvanhelsdingen.nl](http://www.deplataanvanhelsdingen.nl). Anyone interested in this project in Vianen has a choice of three extremely complete home types, and more than thirty options for fully customizing their home. The 3D Woonvisualisatie processes all choices immediately, and also analyses the costs.

Ballast Nedam is to implement the *CalandTower* project on behalf of Arcade. This project consists of high-rise apartments with 104 rented homes in the social sector and above-ground parking for the future residents. Ballast Nedam is providing a future-proof parking solution with a Modupark® multi-storey car park, which will be able to grow along with the Laakhaven-West development, eventually to 250 parking spaces. *CalandTower* is part of the new Laakhaven-West district on the southern fringe of The Hague city centre.

Woonbedrijf, a housing association in Eindhoven, and Ballast Nedam are developing 74 energy-neutral rented homes in Tongelresche Akkers/Berckelbosch in Eindhoven. Ballast Nedam is supplying the land and the iQwoning® units, which Woonbedrijf will rent out.

The iQwoning® homes are completed within six weeks. The first half of the homes will be delivered on a turnkey basis before the summer of 2013, with the second half following shortly after the summer.

The building style and high quality of the new rented homes matches the owner-occupied housing that Ballast Nedam previously built in the district. The homes' energy neutral properties are attributable to excellent insulation, including triple glazing, extra roof insulation and gap seals, and the application of various sustainable systems, such as solar panels.

Woonbedrijf considers it to be in the interest of neighbourhood development for building production to resume in Tongelresche Akkers/Berckelbosch with a response to the substantial demand for rented homes in the price segment around 680 euros.

Building & Development has strengthened its position on the renovation and maintenance market by acquiring fifteen projects with a volume of approximately 20 million euros, and the ongoing maintenance work of Bouwbedrijf van Bree. This acquisition is a valuable addition to Bouwborg in the Brabant and Limburg regions.

#### 4.2.3 Action plans

The Building & Development segment's focus is on improving operating performance and the existing range of products. This continues to be a focus in 2013, in addition to strengthening the commercial structure of the new organization. We report below on our progress in 2012.

##### To improve operating performance through process control and combining knowledge

In order to continue to satisfy the demand from the market, our organization is focusing on the transition from a supply-oriented to a customer-oriented construction organization, with integrated solutions for the entire life cycle of property. This change will produce an organization structure that is better equipped for market and product development, and is able to respond more rapidly to customers' changing needs and wishes.

The new organization structure is oriented to teamwork, professionalization and renewal, and is based around the primary process. There is a clear structure to allow the companies to benefit fully from each other's expertise and strengths. The complete primary process takes place within the companies. It is important for more synergy to be created between the companies, which is being achieved through three regional companies and three development companies. The development companies are Ballast Nedam Ontwikkelingsmaatschappij, ABL2 – a creative and innovative unit that supports the company – and the new unit Ballast Nedam Nieuwe Business, which handles all activities oriented to generating new business in the market or extending its life cycle.

### To improve the existing package of products and develop new product-market combinations

Ballast Nedam intends to strengthen its management and maintenance position in the horizontal chain. The repositioning of the Building & Development cluster has also entailed further professionalization of Bouwborg. In the new regional structure Bouwborg is responsible within the sites for post-completion services, maintenance and repairs, alterations and renovation work, plus small-scale new building. Furthermore, each region has at least one site with several specialized services, such as renovation. The Bouwborg organizations' short lines of communication and flexibility mean they can respond proactively to the market.

Our improved services surrounding iQwoning® include the energy-neutral iQwoning® and the 3D Woonvisualisatie. This digital sales tool is an effective way of involving future residents in the building of their homes, gives them control of the building options, and allows them to familiarize with their home and their new living environment in three dimensions.

## 4.3 Specialized Companies

The companies in the Specialized Companies segment provide specialized products and services on a project basis, such as engineering, construction trenches, foundations, drilling and anchoring, installation engineering for energy supply and mobility, environmental consultancy and engineering, prestressing, plant and equipment, asphalt, and green space. These specialized companies deliver competitive advantage to our solutions through innovation, cost leadership and purchasing strength.

### 4.3.1 Market developments

The volume in the markets for the specialized companies also declined, since they are largely derivative markets of infrastructure and construction.

### 4.3.2 Results

x € 1 million	2012	2011
Revenue	262	252
EBIT	(10)	-
Margin	(3.8%)	0.0%
Order book	90	89
Assets	131	139

On the other hand, revenue rose by 10 million euros to 262 million euros, because of the execution of the ongoing major projects such as the A2 in Maastricht, the Maasvlakte – Vaanplein PPP, the Erasmus Medical Centre in Rotterdam and the Amstel Campus in Amsterdam.

Alongside contracts for design, construction and maintenance of fuel filling stations for CNG, LNG and hydrogen on the alternative fuels niche market, 2012 also saw the acquisition of the contract for the delivery, commercial operation, management and maintenance of 270 new electric vehicle charging points in the municipality of Utrecht. Ballast Nedam is a party to the framework contract, on which it is working with Greenchoice, a supplier of green power, eNovates, a manufacturer and supplier of charging solutions, and Blue Corner, a service provider. We are jointly offering a total solution for electric vehicles, as part of the municipality of Utrecht's Clean Transport action plan for 2010-2014.

Ballast Nedam also won the Green Power tender for installing solar panels for various government buildings and residential properties in the Arnhem-Nijmegen region. This is the first success in sustainable solar-powered energy generation since the successful launch of the internal PV Privé scheme, which allows employees to install solar panels on their own homes at an attractive price.

We have performed the first project in Germany with our patented Direct Drill technique, installing the final product tube for a landfall for electricity transport cables, working from one end in a single operation.

There is greater demand for specialized remediation know-how in the Belgian market than in the Netherlands. We further strengthened our position in this market through various soil remediation projects for both the Flemish and Wallonian governments. In the next few years we foresee a stable market in this specific sector.

Ballast Nedam has strengthened its expertise in essential building systems through the acquisition of T&H B.V., a highly qualified consultancy in the field of technical installations and systems for residential and nonresidential buildings, renovation projects and major maintenance. This acquisition fits in perfectly with our strategy, in view of the increasingly important place occupied by technical systems know-how in integrated projects. T&H is part of the IPM Technische Installaties business unit, which specializes in installation and systems engineering for energy supply and mobility.

The specialized companies made a disappointing loss of 10 million euros. There were large losses in prestressing, asphalt and foundation operations. Some 30 per cent of the jobs in the three companies concerned were lost in the subsequent restructuring. Disregarding the reorganization expenses, the result went from break-even in 2011 to a loss of 7 million euros.

The order book remained unchanged at 90 million euros, and the total assets went down by 8 million euros to 131 million euros.

#### 4.3.3 Action plans

The Specialized Companies segment will continue to focus on the three themes that were defined in 2012: to improve compatibility with the activities in the Building & Development segment; to reduce the burden on the local community from construction activities; and to expand the secondary raw materials operations. We report below on our progress in 2012.

##### To improve compatibility with activities in the Building & Development segment

The Building & Development segment is served by Ballast Nedam Engineering's Bouwtechniek department, which is the regular partner for all engineering for the iQwoning®. The department will perform the same role for Ursem Modulaire Bouwsystemen.

The market research for creating and maintaining roof gardens is oriented to the development of a new product that could be ideal for this purpose. The market for roof garden maintenance is compatible with the maintenance of office gardens, which is an area in which Ballast Nedam Infrastructure Special Projects already operates.

Nonresidential buildings often involve heavy and complex foundations, possibly in combination with multi-level underground car parks, for which the business units that specialize in construction trenches, foundations, drilling and anchorage possess crucially relevant expertise. The collaboration with Building & Development in this area intensified further in 2012. The companies are engaged on various prestigious projects, such as the public transport terminal in Breda, Venlo's new city council offices, and the Amstel Campus in Amsterdam.



#### **MODUPARK®, AMERSFOORT**

ModuPark® is a modular and dismantlable parking solution. ModuPark® can be used to extend an existing car park or for additional parking capacity for the short or medium term. After use the garage can be dismantled and rebuilt on a new site, in the same or a different form.



#### To reduce the burden on the local community from construction activities

As we redevelop the existing living environment, it is becoming increasingly important to reduce the nuisance caused by our work. In all our areas of work we are therefore focusing on faster building with less local disruption and fewer transport movements. We pursue continuous improvement on this point, and we are seeking to identify additional smart innovations, with a focus on:

- reducing the number of transport movements to and from our construction sites.
- analysing the noise levels of plant and equipment.
- We have yet to collect sufficient usable data to be able to report on these two aspects. We will use the experience we acquire, in particular on large, city-centre projects, to encourage innovation.
- using more green gas and CNG as relatively clean transport fuels.

We have reduced energy consumption by 2 per cent in 2012 relative to 2008. In view of the quantity of mobile plant within this cluster, the main reduction is in diesel consumption. We have conducted a trial with a hybrid excavating machine that has an even lower fuel consumption than our state-of-the-art machines. The results are promising. Furthermore, the number of CNG vehicles in our fleet has grown by 10 per cent to 40 per cent.

#### To expand our secondary raw materials activities

The Milieutechniek business unit is partnering with Elvisto (Immocom/Powercem) and Recircle to convert PAH-containing waste into secondary materials.

In order to take advantage of the growth potential of the Belgian soil cleaning market, the Zutendaal cleaning and storage centre was taken into use in 2012 for 175 000 tons of soil and raw materials. In order to continue to satisfy demand, we are planning to expand the site by 4 hectares in 2013. The use of the mobile soil cleaner means that this expansion can be achieved largely with soil and raw materials from our own stock.

On the market for bottom ash from waste power plants, Feniks Recycling and Ballast Nedam Milieutechniek are jointly developing wet bottom ash cleaning technologies at NV Afvalzorg's Nauerna site. The small-scale trials, some of which were performed elsewhere in 2012, will be scaled up in the coming year.

We are closely following developments in enhanced landfill mining, since our techniques are highly suited to the recovery of valuable raw materials from landfill sites.

## 4.4 Supplies

The companies in the Supplies segment extract primary raw materials, produce secondary raw materials, and supply industrially prefabricated concrete products for creating modular products.

These supply companies manage the product groups for their specific segment and deliver competitive advantage to our solutions through innovation, cost leadership and purchasing strength.

### 4.4.1 Market developments

There is some variation within the segment, but all the companies are confronted with an extremely competitive market. The declining demand for raw materials is putting prices under pressure. There is overcapacity in the prefabricated concrete sector, together with sharply falling prices, in particular for standard products such as piles and floors.

The markets for the high-grade hard stones and reprocessed raw materials were still reasonable. There was great pressure on the deliveries of raw materials to the concrete industry and the prefabricated concrete market.

#### 4.4.2 Results

x € 1 million	2012	2011
Revenue	216	232
EBIT	2	4
Margin	0.9%	1.7%
Order book	56	54
Assets	205	221

The revenue of Supplies decreased by 16 million euros to 216 million euros as a result of the poorer market conditions in the Netherlands. Last year additional revenue was still being obtained from deliveries from the Norwegian quarry to Maasvlakte.

Operating profit declined by 2 million euros to 2 million euros, mainly because of asset write-downs at Rademakers Gieterij and a prefabricated concrete company. Disregarding write-downs and reorganization expenses, the operating profit improved from 7 million euros for 2011 to 9 million euros, which is mainly attributable to a reduction in the losses of prefabricated concrete companies and the favourable administration of a claim.

The raw material companies achieved a lower but positive profit because of the lower revenue. On the secondary raw materials niche market, Feniks Recycling also made a fine contribution, as it also did in 2011, thanks to high metal prices, as the shrinking infrastructure market put pressure on the sales of the remaining waste processing ash. The prefabricated concrete companies incurred a modest loss because of the price pressure resulting from the poor market conditions and the start-up of the iQwoning® plant. The new associates Ursem Modulaire Bouwsystemen and Concrete Valley made a positive contribution. The order book of 56 million euros remained largely unchanged. There was an underlying increase in the order book at Feniks Recycling and a decrease in that of the prefabricated concrete companies. The assets of Supplies declined by 16 million euros to 205 million euros, mainly because of asset write-downs of 7 million euros.

Ballast Nedam is focusing on modular building, which is an innovative industrial building method performed under controlled conditions. Modular building offers an optimum price-quality ratio, speed, flexibility and sustainability. Supplies strengthened its position in the past year with the stake in Ursem, whose modular building systems are used to construct utility buildings and building sections, such as student accommodation, care centres, schools, detention centres, hotels and prefabricated bathrooms. Ballast Nedam, with the iQwoning®, Ursem modular building systems and ModuPark® (the modular car parking product), now provides modular concepts for the new building and renovation market for residential and nonresidential construction. Ballast Nedam has presented the Plug and Play Core for the 2022 FIFA World Cup in Qatar. This modular sports stadium concept is designed for ease of assembly, transport, returnability and reuse, in a wide variety of forms.

The creation of Concrete Valley together with Microbeton has strengthened our position on the market for technologically and architecturally advanced lightweight, extremely strong concrete solutions.

Ballast Nedam has an excellent position in the secondary raw materials niche market.

In the United Kingdom Feniks Recycling has seven installations in operation for recovering secondary raw materials from the ash from waste incineration plants. In the past year Feniks Recycling has strengthened its leading position in the United Kingdom by acquiring the construction contract for an installation in Norfolk, which is expected to be operational at the end of 2015. We foresee continued growth in this niche market in the next few years.

#### 4.4.3 Action plans

The Supplies segment's three priorities will continue to apply in 2013, and their implementation will be accelerated. We report below on our progress in 2012.

##### To improve operating performance through focus, lean management and cost-reducing investment

With a view to making and keeping our plants healthy, we are creating a focus within the existing range of products by applying lean management principles and through cost-reducing investment. Specializing and concentrating on the products in which we excel will enable us to add value for Ballast Nedam.

Supplies has strengthened its position in modular building through the stake in Ursem Modulaire Bouwsystemen, whose modular building systems are used for utility buildings, such as student accommodation, care centres, schools, detention centres and hotels. The industrial building method that is employed is performed under controlled conditions and offers an optimum price-quality ratio, speed, flexibility and sustainability, as well as opportunities for dismantling and reuse.

Ballast Nedam and Microbeton have jointly formed Concrete Valley, which produces technologically and architecturally advanced lightweight, extremely strong concrete solutions. The production plant in Bergen op Zoom combines Waco Lingen Beton's know-how and skills with Microbeton's sustainable products. The slender, lightweight ferrocement products are used in architecturally advanced new building, renovation and redevelopment projects.

Haitsma focuses more on new prefabricated concrete products, such as stand elements, wind turbine foundations, high-tension pylons and products for the industrial construction niche market.

Omnia has taken a new lattice girder machine into use, and has developed perimeter formwork for wide-panel flooring in house. TBS Soest and a mechanical engineering firm have developed and installed a new gully machine. Investments that have been realized in hot silos at the asphalt plants in Tiel and Amsterdam will help serve the external market more effectively.

##### To contribute to Ballast Nedam's product-market combinations through collaboration

Ballast Nedam's range of products and services is shifting towards specific product-market combinations with greater added value.

The iQwoning® concept was developed further in 2012 into a product that unites all phases from development to construction, management and reuse. The introduction of the new 6.30-metre width has expanded the application area of the iQwoning® into age-proof dwellings and semi-detached homes.

A completely energy-neutral iQwoning® is also available. Woonbedrijf, a housing association in Eindhoven, will rent out the first 74 energy-neutral iQwoning® homes in Tongelresche Akkers/Berckelbosch in Eindhoven.

Opportunities are also being investigated in contracts such as for the construction of the new offices for the asphalt plant in Tiel. The modular construction also allows reuse or relocation of the product.

The stake in Ursem Modulaire Bouwsystemen soon yielded contracts for student accommodation, such as for 256 rooms in The Student Hotel in Amsterdam for City Living. Ursem and Ballast Nedam Engineering are also investigating the opportunities for developing and producing a modular bathroom. We focus specifically on the functional change aspect within the renovation market.

#### UNDERGROUND CYCLE PARK, ROTTERDAM

The new Rotterdam Central Station will be a transport interchange of regional and international significance. The arrival of the 'Zuid' high-speed line and RandstadRail is expected to increase the number of passengers in 2025 to some 323 000 a day. Ballast Nedam is building an underground cycle park of approximately 5 000 m<sup>2</sup> with space for more than 5 100 cycles.



#### To exploit the starting position on the primary and secondary raw materials markets

Our position on the market for primary raw materials was strengthened in 2012 by the following two developments. Ballast Nedam has purchased the excavated marl and quarry-run gravel (a sand-gravel mix consisting of variously sized grains, from extremely small to extremely coarse) from Avenue2 for reprocessing and sale on the market as raw materials. The Bremanger quarry now offers the specific 1/5 inch grade, which is important for the offshore industry.

On the secondary raw materials niche market Feniks Recycling in the United Kingdom has signed the contract for the eighth secondary raw material recovery installation for waste incineration ash from plants in Norfolk, which will go on line in 2015. There are also firm plans for the replacement of the existing installation in Cleveland and expansion with a ninth installation in Ipswich.

The Green Deal with the Ministry of Infrastructure & the Environment has a commitment to further improvement of incinerator bottom ash quality. Ballast Nedam is a market leader in the market for incinerator bottom ash from waste power plants. Feniks Recycling and Ballast Nedam Milieutechniek are developing wet cleaning technologies for incinerator bottom ash together with NV Afvalzorg on their Nauerna site. The small-scale trials, some of which were performed elsewhere in 2012, will be scaled up in the coming year.



'I am responsible  
for everyone's  
safety around  
the crane'

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Alfred Korteland – crane operator

# 5

## Risk and risk management

This chapter sets out Ballast Nedam's approach to handling risks. The first section explains how the organization is structured in order to control risks, after which the salient risks that Ballast Nedam is exposed to are identified. We also list the specific risks that are currently relevant.

### 5.1 Risk management and internal control

It is the responsibility of the Ballast Nedam Board of Management to identify, prioritize, manage and control the risks within the company. Ballast Nedam uses various risk control systems and instruments. Alongside the identification of strategic risks and the control of significant risks, these systems are also designed to help achieve operational and financial objectives.

#### 5.1.1 Risk philosophy

Effective risk management involves timely risk identification and subsequent prioritization (for the short and medium terms), assessment for controllability, and analysis of risk management costs in relation to the potential benefits. Ballast Nedam sets out to control the identified and prioritized risks as effectively as possible. The most important risk management principles are as follows:

- Ballast Nedam deems the management of risks to be a core competency, which is enshrined in our governance structure;
- Ballast Nedam is willing to take only responsible business risks: the probability of these risks materializing, and the possible consequences, must not imperil business continuity. Ballast Nedam's risk appetite is conservative to very conservative;
- the cluster management teams and other managers identify, analyse and manage the risks on company level, with the objective of monitoring the risk management process in the clusters, business units and departments, and of mitigating the risks as effectively as possible;
- Ballast Nedam complies with all relevant legislation, internal rules, and standards of conduct.

### 5.1.2 Organization

Ballast Nedam manages its operations through a structure of four segments, comprising six clusters, which are formed around products and processes. The cluster directors together with the Board of Management constitute the Ballast Nedam Concern Council.

To avoid business units taking on unwanted risks, prior approval from a cluster management team is required for contracts above a certain limit. Prior approval of the Board of Management's Contracts Committee is required for all projects regarded as high risk. This rule applies to international contracts, investments in land and property, plant and equipment, disposals, non-current liabilities, acquisitions, alliances outside the industry, projects with an elevated risk profile and projects with a production value of more than 25 million euros. These conditions are set down in a list of 'authorities to act'.

### 5.1.3 Authorities and allocation of duties

We identify the key risks by drawing up a risk inventory in advance for projects that are for our own account. We incorporate the related controls comprehensively into the design phase and the implementation phase. Managers at unit level have clear terms of reference that define their authorities. Central management assesses the risks periodically. Each year, managers at unit level produce an internal management statement to account for the policy pursued.

### 5.1.4 Reporting

We report on financial and operational matters with reference to a business plan. We observe a phasing with thirteen periods for the current year. The reports are:

- a daily liquidity report;
- a periodic financial report;
- an extensive quarterly report.

The Board of Management discusses the course of events quarterly with the cluster management teams and with the directors of the support services with reference to the financial and operational reports, which always give the risk profile. The cluster management teams conduct a similar dialogue with the business unit management teams.

### 5.1.5 General controls

Within Ballast Nedam we manage risks with a variety of instruments: we ensure the quality of management (e.g. through periodic management reports linked with interviews), we comply with the corporate governance policy, we observe the Code of Conduct, the reporting principles and accounting policies, and we operate a management information system. Ballast Nedam also has a handbook for financial reporting and financial procedures, which we update on a continuous basis in line with changing regulations and knowledge.

Alongside the main audits Ballast Nedam performs automated data audits on business unit accounting systems. The central cash management system monitors the liquidity requirements from project level upwards on a daily basis. Ballast Nedam is in a transitional phase that involves partial centralization. We are also introducing a single financial system.

### 5.1.6 Contractual risk management

The comprehensive contractual management of projects is gaining in importance because of the increasing juridification of society. The Legal department draws up, records, monitors and protects our agreements with clients and contractors. A comprehensive approach to legal, contractual and insurance-related issues enables us to contractually control the risks of projects and departments more efficiently. A fixed contact communicates intensively with his business unit or department to signal any potential contractual risks and to take proactive steps if any risks arise. Some projects have specialist contract managers for both the tendering and implementation phases. Insurance complements the risk management contribution from Legal by providing sufficient cover for insurable risks and our liability. Legal also has an independent signalling and reporting role in relation to risks, and actual or imminent infringements of internal rules and legislation.

### 5.1.7 Supervisory Board and Audit Committee alert to risks

Ballast Nedam's risk profile and the internal risk management and control systems are on the agenda of all meetings with the Supervisory Board and the Audit Committee. The achievement or otherwise of the corporate objectives in the light of acceptable risks is a factor in determining the remuneration of Board of Management members. There are at least three Audit Committee meetings a year attended by the CEO, the CFO and the external auditors. In 2013 the Chief Compliance & Risk Officer (CCRO) will also attend these meetings. The meetings are to discuss the financial course of events and the findings of the company's internal audits and risk management. The activities are covered in Section 8.2 *Report of the Supervisory Board* on page 154.

### 5.1.8 Evaluation

Ballast Nedam's risk management and internal control systems are analysed and evaluated on a regular basis. The internal control framework is clearly reflected in the business units' and clusters' style of business planning and reporting.

It became clear in 2012 that there have been compliance policy infringements in recent years. It was resolved to further tighten the existing compliance policy and to give priority to compliance and integrity throughout the organization. We operate a *zero-tolerance policy*. This can be effective only if compliance is organized in such a way as to function satisfactorily on every level of the organization, including all the various business units. The new compliance organization was strengthened on 1 January 2013 with the appointment of a CCRO. The new structure is explained in section 6.4.3 on *Integrity* on page 119.

*Ballast Nedam operates a zero-tolerance policy with respect to its Code of Conduct. Alleged infringements are investigated thoroughly. Immediate corrective measures are taken if the investigation finds that infringements were committed.*

### 5.1.9 Assessment of the risk management and control systems

Based on the above the Board of Management declares with respect to the financial reporting risks that the internal risk management and control systems provide reasonable assurance that the financial reports are free from material misstatement. The Board of Management also declares that this risk section has been discussed with the Audit Committee and the Supervisory Board.

## 5.2 Salient risks

Ballast Nedam is exposed to risks that originate in various areas. We categorize risks as strategic, financial, or operational.

This section describes these risk categories and the related sensitivity, and explains Ballast Nedam's controls. We also outline the specific risks.

### 5.2.1 Risks related to our strategy

The salient risks related to Ballast Nedam's strategy arise from the economic situation in the industry, the political uncertainties surrounding government policy and legislation, the availability of high-level labour, and loss of reputation attributable to unfavourable reports about the company. These risks are covered in the above sequence in this section.

#### 5.2.1.1 Economic risks in the industry

Project development and the construction and infrastructure industry tend to be late cyclical relative to general economic trends and cyclical fluctuations. The average construction volume in the Netherlands varies, expanding by 5 to 10 per cent in good years, but stagnating, or contracting by 5 to 10 per cent, in bad years, depending on how the economic situation correlates with industry-specific trends. The trend in prices is usually even more volatile and depends strongly on supply and demand, on both the purchasing and sales sides of the business. The operating profit margins are relatively low.

According to the Economic Institute for the Construction Industry (EIB), building production has again contracted sharply in the past year. After a 7 per cent fall in 2012, building production will decline by another 5 per cent in 2013. The EIB estimates that investment in residential building will have fallen by almost 20 per cent in this two-year period.

Ballast Nedam operates primarily in the Dutch market. The business results are substantially determined by the economic situation and by government legislation and spending. Approximately three-quarters of our revenue is attributable to public and semi-public clients, which in times of recession should be favourable for continuity and payment security. However, the government has announced a more austere budgetary policy, the consequences of which we too are feeling. In the current market conditions the Infrastructure segment faces the risk of overcapacity, in particular in general procurement projects and the main prefabricated concrete products.

#### Market risks in residential construction

The revenue of the Building & Development segment depends substantially on consumers' confidence in the future. However, this confidence depends in turn on factors such as the availability of finance, continued employment, the interest rate, the tax deductibility of mortgage interest, and the economic climate. Consumer confidence would appear to have been at a low point for some considerable time, with no clear signs of recovery. Residential construction normally represents about 25 per cent of annual revenue. We start construction on projects under our own control only once we can be sure that at least 70 per cent of the homes or 100 per cent of the commercial property is sold or leased.

The sales of the homes developed by Ballast Nedam remained under heavy pressure because of the recession and the associated decline in consumer confidence. The various additional measures we have taken in recent years include:

- lowering costs;
- downscaling projects;
- working more intensively with housing associations;
- reducing construction time;
- the industrial fabrication of homes;
- the development of less expensive homes.

If the housing markets deteriorate further than we currently estimate, there is a risk of further impairment of the land positions, despite the almost complete absence of interest and preparatory expenses in the valuation of these positions and despite the cumulative

write-down of 20 per cent on the entire land bank since 2008. In the long term the housing market actually has good prospects. We conclude from the underlying high quality of our land bank and our associated valuation method that the risk of material impairment of the land positions of 152 million euros is limited.

The Development Shared Service Centre supports all the clusters in the risk management of property positions. This back office controls all secondary business processes for property development, and also the land bank. On a periodic basis the Development Shared Service Centre performs a comprehensive legal, financial and commercial assessment of all development positions using an integrated management information system that covers the entire land position life cycle. An important part of this system is the standard financial model, including sensitivity analyses based on scenarios or Monte Carlo simulation (stochastic simulation), guaranteeing a thorough risk assessment that leads to well-founded decisions.

#### **5.2.1.2 Political risks**

The construction industry is extremely sensitive to political decisions. This is particularly true for an innovative company such as Ballast Nedam, with its focus on integrated projects and niche markets, in which policy continuity and new legislation are important factors. As well as being a major client, the national government is also an important driver of more integrated contracts in construction and infrastructure.

The main political decisions that have an impact on Ballast are housing market interventions, long-term infrastructure investment cutbacks, regulations on alternative fuels and secondary raw materials, and offshore wind energy investment. We comment on each of these topics below.

##### [Housing market interventions](#)

The owner-occupied housing market has stalled completely because of low consumer confidence. Alongside the limited opportunities for financing and falling prices, uncertainty remains about how mortgage interest will be taxed in the Netherlands. On the rented housing market, the housing associations' increasing financial problems are putting the housing market volume under pressure. The government's planned introduction of a landlord levy will have a profound effect on the associations' investment capacity.

Although the exact impact of the most recent housing policy agreement of February 2013 remains to be seen, the agreement does give some clarity for the coming years and eliminates several drawbacks that were present in the original government policy. Clarity and continuity of policy are the most important factors in a housing market recovery.

##### [Infrastructure cutbacks](#)

Between 2014 and 2028 there will be total economies of 6.4 billion euros in the Infrastructure Fund. The Ministry of Infrastructure intends to spread the pain equitably over railways, roads and waterways. The government is pursuing the optimum use of available funds and the promotion of entrepreneurship and innovation through public-private partnership in infrastructure construction. Ballast Nedam anticipated the increasing demand for integrated project forms and adapted its organization accordingly in good time.

### Regulations affecting alternative fuels

Ballast Nedam is investing in the commercial exploitation of alternative fuels for mobility. Alternative fuels differ favourably from their traditional counterparts in environmental and health terms, and in the long term they will all be of renewable origin. The use of relatively clean fuels of fossil origin, such as CNG (Compressed Natural Gas) and LNG (Liquefied Natural Gas), limits the emission of harmful substances such as nitrogen oxides (NOx), particulate matter and soot. It is important that the national government is able to keep up with this transition to sustainable mobility and introduce relevant legislation. Ballast Nedam shares this interest with the consumers, public transport operators, transporters and municipalities who are leading the way in investment in alternative fuels.

René de Heer, alderman of the municipality Zwolle: " Because there were no clear regulations concerning an innovation as this LNG filling station, we regarded ourselves as pioneers in a way. The effort was very much worth it: we are proud that Zwolle now lies at the heart of a network of public filling stations for LNG."

### Regulations affecting secondary raw materials

The Dutch government is keen to achieve a long-term environmental improvement in the incineration ash from waste power plants. Ballast Nedam is among the few companies with sufficient knowledge and market position to be able to continue to serve the existing market. From this position, together with the waste power plant operators and the Dutch government, we are identifying new application areas and implementing the necessary processing and cleaning technologies. Relevant legislation that is now being drafted may have an impact on the operations of the corresponding business unit.

### Investments in offshore wind energy

Offshore wind energy is one of the most important means of achieving European sustainable energy objectives. An estimate of the total market in northwest Europe based on the sum of national offshore wind energy objectives in 2020 is approximately 50 000 MW. The major European energy companies in particular are investing in offshore wind energy in the light of the substantial demand for sustainable energy and dwindling alternative sources. The countries that are investing in offshore wind energy face specific but different market conditions.

There are two aspects that are influenced by the government's policy and legislation. The first is the cost-increasing effect of the trend for building wind farms in deeper water further from the coast. The second is possible constraints on network operators' ability to implement the necessary transport infrastructure for offshore-generated electricity. Ballast Nedam takes these aspects into account by keeping itself broadly and accurately informed about the issues in the various countries, in particular France, Belgium, the Netherlands, the United Kingdom, Germany, Denmark and Sweden. We also devote constant attention to raising the cost efficiency of our foundation solutions by innovative means. The *foundations* account for approximately one quarter of the investment needed for an offshore wind farm.

#### 5.2.1.3 Labour capacity

Employees are a crucial factor in a company's value. Our ability to attract and keep the right employees largely determines Ballast Nedam's success. In these difficult times we have been obliged to let employees go who have contributed to our company's value and success.

It is important for Ballast Nedam's strategy to have labour capacity with high-level technical knowledge continuously available. In view of imminent shortages of qualified employees, it is therefore important to maintain a satisfactory intake of young employees with diverse competencies. The Section 6.4.1. *Good employment practice* on page 103 gives details of our measures to attract, keep and develop good and highly motivated employees.



#### 5.2.1.4 Reputation risks

Ballast Nedam enjoys a solid and favourable reputation, which is a valuable asset for the group. 2012 was an eventful year for Ballast Nedam in terms of integrity and compliance in the light of various media reports (see also the section 6.4.3 on *Integrity* on page 119). Major loss of reputation may arise from any infringements of the Code of Conduct, which encompasses the competition rules. Any alleged human rights violations, child labour, corruption, or environmental threats on the part of our suppliers or subcontractors are also risks to our reputation. The consequences of any infringement are hard to quantify, but Ballast Nedam is fully aware that they may threaten the company's viability.

The CCRO appointed in January 2013 will conduct the compliance policy for Ballast Nedam as a whole, focusing among other things on the implementation of the tightened compliance guidelines within a new management system. The CCRO reports to both the Board of Management and the Supervisory Board.

Ballast Nedam integrates compliance into all aspects of the business activities. In this way we add value and protect the interests of Ballast Nedam, its shareholders, employees, customers, business partners and other stakeholders. We further tightened the compliance policy in order to guarantee the organization's integrity. Ballast Nedam pursues integrity in business and demands the same of its employees, suppliers and subcontractors alike. There is additional information on this subject in the Section 6.5.1 *Chain responsibility* on page 122.

#### 5.2.2 Financial risks

The salient financial risks are concerned with liquidity, financing, currency and interest, and pensions. This section explains how Ballast Nedam controls each of these types of risk.

##### 5.2.2.1 Liquidity

The company as a whole is exposed to liquidity risk. The company's cash flow management (the treasury function), is organized centrally.

It is company project policy to make contractual arrangements where possible for advance payment instalments in line with progress. The timely billing of executed work is also of great importance.

The current market conditions are exacerbating the trend for advance payments to be harder to collect. Timely billing is obstructed by clients' administrative procedures.

This negative trend is putting great pressure on the financing of working capital. At the end of the period the net work in progress item had deteriorated relative to 2011.

Ballast Nedam controls the liquidity risk by:

- preparing four-weekly cash flow forecasts;
- discussing the work-in-progress position of each project every four weeks;
- drawing on uncommitted cash facilities of 60 million euros in total.

#### 5.2.2.2 Finance

The most important loans are from Rabobank and FGH Bank and are due to mature in 2017 and 2015, respectively. The financing risk is limited because there are no covenants for these loans.

Furthermore, Ballast Nedam has uncommitted bank guarantee facilities and cash facilities with Dutch banks for project financing. The risk of the banks cancelling these facilities is limited because Ballast Nedam also has guarantees from these banks in place.

It has become more difficult to finance public-private partnership (PPP) projects in the long term. Compared with the period before the credit crisis, banks now require a larger guarantee for new PPP projects, which is increasing the pressure on the company's lines of guarantee.

As long-term bank loans are becoming harder to obtain generally, we observe a simultaneous hesitancy on the part of banks towards the construction and property sector. In order to continue to gain the long-term benefits of DBFM projects, Ballast Nedam is increasingly turning to institutional investors as a source of borrowed capital. An example is our 20 per cent stake in the Benelux Secondary PPP Fund I, about which there is additional information in the Section 3.2.1 *Integrated projects: DBFM(O) / PPP projects* on page 44.

#### 5.2.2.3 Currency and interest

Ballast Nedam carries out projects outside the euro zone on a limited scale. Foreign currency translation risk is estimated and where possible covered on a project basis. The Financial statements on page 174 has an explanation and sensitivity analysis of the foreign currency translation risk.

Interest risk is determined by the combination of long-term loans and the positive cash position. The main long-term loans have been contracted at fixed interest rates for lengthy periods. The interest risk, other than for the financing of a number of PPP contracts, is not hedged.

#### 5.2.2.4 Pension fund

Ballast Nedam has a collective defined contribution pension scheme in which the contribution rate is distributed on a career-average basis. Ballast Nedam pays two-thirds of the contribution. The operation of the pension scheme is such that any surplus or shortfall accrues to the participants. Ballast Nedam has no obligation to top up the Pension Fund if it holds insufficient assets, and is not entitled to withdraw funds from the reserves if the Pension Fund is in surplus.

#### 5.2.3 Operating risks

In view of the deteriorating market conditions Ballast Nedam accelerated the pace of strategic changes in the third quarter of 2012. Ballast Nedam's profile is therefore shifting more rapidly from a major player on the traditional markets to a prominent player on the integrated projects market and specific niche markets.

The accompanying radical company restructuring brings the risk of ineffective execution, leading to organization overload. In order to control that risk, progress on the restructuring operation and its impact are carefully monitored.

Ballast Nedam's projects are exposed to risks that may arise if people, processes or systems fail to perform properly. If major setbacks were to occur on multiple projects simultaneously, the current operating profit could fall sharply, also in view of the relatively low profit margins. On the other hand our order book is spread over more than three-hundred projects, none of which contributes more than 10 per cent of annual revenue.

We have embedded various mechanisms and checks in the organization in order to obtain a clear picture of the project portfolio and the associated operating risks, and to monitor and manage these to an acceptable level. There is additional information about this subject below.



The main task of the Ballast Nedam Pension Fund is to implement the pension scheme for Ballast Nedam employees.

### 5.2.3.1 Control of project risks

Two reviews are required in the tendering stage of large and complex projects (at any rate above 25 million euros). The Legal department's contract review assesses contractual risks, and the Engineering business unit's design review assesses the design and execution risks. The project team compiles a risk register, which is discussed with the Board of Management at a compulsory Contract Committee meeting before submitting the proposal.

The Ballast Nedam specialized companies contribute their knowledge and experience in the tendering stage of projects. This allows the timely identification of operating risks, which puts us in a position to consult appropriate experts regarding the associated responsibilities. When specific expertise is unavailable within the company, we immediately engage partners to perform the relevant project components, and also to assume the risk involved.

Technical risks are often present in the implementation phase, and ideally they are controlled in the project design and preparation stages. Ballast Nedam concentrates on continuous process improvement, quality assurance and systematic analysis of failure costs. One of the process improvements that has been implemented is the use of Building Information Models (BIM), which enable us to identify risks at an ever earlier stage, and take appropriate corrective measures.

It is important for employees to exhibit the correct attitude and behaviour in order to avoid unnecessary risks in projects. Our HR policy and subcontractor and supplier policy explicitly address risk-taking behaviour on the part of everyone involved on our projects and who are under our responsibility. The 'Risk management basics' internal training course raises the risk awareness of our employees to a higher level.

We take out normal insurance to cover risks during the design phase and construction. We endeavour to apply the most effective controls possible for risks. In extreme cases, we include uninsurable operating risks in the budget as a risk premium. Any risk that materializes, despite the controls, will often have a considerable impact on a project's margin.

### 5.2.3.2 Safety risks

Ballast Nedam's safety policy is to create a proactive safety culture, which is documented in a safety policy plan. The Section 6.4.2. *Safety* on page 114 presents our measures to raise and maintain a high level of safety awareness among our employees.

The chief structural engineer has a vital role in ensuring constructional safety on projects. Market conditions bring the risk of this role coming under increasing pressure for financial reasons, and of projects increasingly being divided into subcontracts. Ballast Nedam's approach of using its in-house engineering consultancy, Ballast Nedam Engineering, to control this risk is comprehensive and clear. The role of this business unit is embedded in the primary process from high-level design to detailed engineering.

### 5.2.3.3 ICT risks

All business units use ICT infrastructure and ICT information systems intensively. We continuously improve and upgrade these systems in various processes, enabling us to manage the associated change processes effectively with relatively little risk.

## MINISTRIES, THE HAGUE

In the centre of The Hague JuBi BV (Ballast Nedam, BAM, Homij and Imtech) is building the new accommodation for the Ministry of Security and Justice and the Ministry of the Interior and Kingdom Relations. The office complex consists of two 140-metre towers, which were completed two months ahead of the schedule that was agreed four years ago.



The ICT infrastructure is based on a wide range of services, modern communication technology and advanced virtualization techniques for data storage and processing. We are able in this way to continuously achieve and safeguard the required capacity, availability and sustainability.

We make an appropriate information system available for each business process, without losing sight of the overall picture in the company. Where possible we select proven technology and standardization across the business units in order to prevent disruption, unless a business process demands a unique solution that will give us a distinct advantage.

Ballast Nedam has drawn up an internal ICT code of conduct, known as the Code for Information Security. For instance, access to Ballast Nedam networks requires user authentication; these networks are connected to Internet, and access and the associated security measures are centrally controlled; firewalls allow only desirable applications and protocols to pass through; external experts test all Ballast Nedam web servers for irregularities each month; portals are protected by a combination of user name and password issued by Ballast Nedam; management software (Mobile Iron) is installed on mobile devices to allow them to be deleted or disabled remotely.

#### 5.2.3.4 Ecological risks

Ballast Nedam is aware that climate change may put a strain on the internal organization and diminish our market opportunities in the long term. A selection of the climate management measures we are taking is given in the Section 6.3.1 *Energy and CO<sub>2</sub> reduction* on page 92.

The responsible handling of available raw materials will be vital to the continuity of our operations in the future. Tighter government policy on the environmental performance of construction and infrastructure projects and the more stringent approach to materials in the Buildings Decree are good reasons to embed this CSR topic more firmly in our policy. Accordingly there is a new *materials* topic in Section 6.3.4 on page 101.

### 5.3 Specific risks

Ballast Nedam has become involved in several discussions and procedures, mostly relating to financial settlements, additional work or errors or delays in the execution of projects. In this section we briefly discuss some of the main proceedings.

#### Blauwestad

The provincial government of Groningen brought legal action against Ballast Nedam and its partner for damages of 17 million euros in respect of the Blauwestad development project in Groningen. The position adopted by the Provincial Executive of Groningen is that each of the parties should have taken 100 plots in the project in 2011. Ballast Nedam's opinion is that we withdrew in 2007 in a legally valid way with the provincial government's consent, and that we have complied with the agreements we made at the time. Ballast Nedam sees no grounds for damages.

#### Noordzeewind

There is a dispute with the client for the first Dutch offshore wind energy demonstration project regarding the financial settlement of repairs carried out at the time on the grouted connection in the turbine mast foundations. This problem was identified in the first generation of wind farms and has now led to design modifications.

#### [Anna van Buerenplein Parking \(pAnnaB\) / Babylon Den Haag BV \(Babylon\)](#)

Babylon asks the court to determine that the pAnnaB construction consortium is to be held liable for the delay in the adjacent project New Babylon. Babylon estimates the damages – which must be established in a separate procedure – at 25 million euros. PAnnaB is confidently awaiting the outcome of the procedure.

#### [Nedereindse Plas](#)

The Court of Arbitration for the Building Industry in the Netherlands has ruled against Ballast Nedam in a dispute with the municipality of Utrecht regarding the Nedereindse Plas project. Ballast Nedam designed and implemented a foil construction for this project. The Court found that there was a design error in the foil construction. In order to protect its business interests Ballast Nedam has brought action at the district court to have this arbitration ruling overturned. However, this action is not affecting progress on the creation of a partition construction between the landfill and the lake that complies with the remediation objectives. Ballast Nedam has opted to handle the legal action and the creation of the partition construction in parallel.

#### [Zandwinplas Cattenbroek](#)

A difference of insight has emerged between the municipality of Woerden and Ballast Van Oord regarding the completion of work on the banks of the former Cattenbroek sand winning lake. Ballast Van Oord is of the opinion that its work is completed. The municipality's position touches on complex technical sand winning issues. The municipality finds that it has incurred losses, but has failed to comply with Ballast Van Oord's request to provide documentary evidence of the liability and extent of the loss. The municipality abandoned talks and announced that it is preparing legal proceedings.

#### [Netherlands Competition Authority](#)

The Netherlands Competition Authority has reduced a fine imposed on Ballast Nedam in 2003 from 7.9 million euros to 1.5 million euros. This fine was for infringements of competition rules in the 1998-2001 period. The amount was reduced in response to an interim ruling of the Trade and Industry Appeals Tribunal. The Netherlands Competition Authority ruling is now before this tribunal for final assessment.

#### [Bitumen](#)

In appeal proceedings the Court of Appeal of the European Union has upheld on balance a fine imposed on Ballast Nedam by the European Commission in 2006. The fine of 4.65 million euros was concerned with bitumen procurement agreements made in the 1996-2001 period. This ruling falls within the provision of 5 million euros that Ballast Nedam formed for the fine at the time. Ballast Nedam has lodged an appeal against the ruling, because it was based on incorrect and incomplete information. The volume purchased in the 1996 - 2001 period amounted to less than 2 million euros annually.

#### [Saudi Arabia](#)

Proceedings are ongoing in Saudi Arabia regarding a tax claim on a contract from 1999. Ballast Nedam's opinion is that responsibility for this tax claim resides contractually with the client, and sees no need to form an additional provision.



#### UNIELOCATIE, ROTTERDAM

Unielocatie is an imposing school building that forms the first part of Rotterdam's new Hart van Zuid development area. It is a new secondary school shared by Zadkine and LMC, which will accommodate three educational streams: pre-vocational secondary (VMBO), professional junior general secondary (MAVO), and upper secondary vocational (MBO).



A close-up portrait of a man with short brown hair, wearing a grey sweater, looking slightly to the right. The background is a bright, overcast sky. On the left side, there are overlapping geometric shapes in shades of orange and yellow, partially obscuring the man's face.

'The pioneering spirit and the willingness to innovate together is the driving force behind the LNG filling station in Zwolle'

Jorg Raven – product manager, LNG systems

# 6

## Our CSR policy

This chapter explains how Ballast Nedam embeds Corporate social responsibility (CSR) policy in the organization and sets out our CSR objectives. For each CSR theme we then explain our policy, our objectives for 2012 and the results achieved, and set out our objectives for 2013.

CSR leads to new business. In our view, socially responsible, or sustainable, business practices are about creating value for society at large and earning social approval. Ballast Nedam takes its responsibility for the impact of its activities on society as a whole seriously.

On the vast CSR playing field, the construction sector is an influential player. Our CSR policy embodies choices that are based on our stakeholder analysis. There is additional information about this analysis in Chapter 7 on page 139. Each year we also analyse any shifts in the playing field and adapt our policy accordingly.

The following chart lists our CSR themes: environment, employees, market and community. We have identified the topics within each theme that both we and our stakeholders consider important. The CSR themes were integrated with Ballast Nedam's five strategic pillars in 2011, and are now an integral part of our strategy. In 2012 we added *materials* as a topic under the *environment* CSR theme.



## 6.1 Implementing CSR policies in the organization

Responsibility for CSR resides with all management entities in Ballast Nedam. There is a clear process for establishing CSR policy and objectives, and the Board of Management approves the policy and objectives annually. Specific people are given responsibility for the policy and performance of all CSR issues.

The Board of Management is responsible for overall CSR policy. This responsibility is subdivided into general policy, policy execution, achieving objectives and CSR policy reporting. The Board of Management appoints owners from various clusters and business units at different job levels for all material (relevant) sustainability or CSR issues and operational policies. The policy owners have responsibility for determining the objectives and the strategy for their specific issue. We expect them to discuss these policies with experts from the organization and to state objectives for both the short and long term. The quantitative and qualitative results are reported quarterly to the Board of Management. The plans, risks and dilemmas are discussed and the results evaluated at the regular Concern Council meetings. The Concern Council comprises the Board of Management and the cluster Managing Directors.

A list of the persons responsible for the various issues is given below.

Position	Issue
Managing Director of the Specialized Companies cluster	Energy Air quality & CO <sub>2</sub> emission
Managing Director of the Building & Development Special Projects cluster	Waste and recycling
Managing Director of the Supplies cluster	Materials
Director of Personnel & Organization	Recruitment and deployment Binding and motivating Organization development, advancement and departures Vitality and health
Managing Director of the Specialized Companies cluster	Safety
Chief Compliance & Risk Officer	Integrity
Director of Innovation Management	Innovation
Managing Director of the Infrastructure Special Projects cluster	Chain responsibility
Managing Director of the Building & Development cluster	Community relations management
Director of Communication and Investor Relations	Community investment

CSR is a fixed agenda item for Board of Management and Concern Council meetings. The Supervisory Board monitors and assesses the strategy based on Ballast Nedam's opportunities, risks and results, of which CSR issues are an integral part. CSR is also a fixed agenda item for the Audit Committee.

The social results are taken into consideration in the remuneration of cluster Managing Directors, policy owners and management team members. The target letter to management states that one-third of key performance indicators (KPIs) for non-financial issues must be factored in.

The following sections describe our policy and our objectives for each CSR theme, along with quantitative and qualitative evaluations of the results of CSR objectives, and the consequences for 2013. There are also examples of our CSR projects and the plans for 2013. Section 6.2 lists the CSR objectives for 2012 and the results achieved.

## 6.2 CSR objectives

Alongside strategic and financial objectives, Ballast Nedam also sets non-financial, or CSR, objectives. In 2012 we set CSR objectives concerning the CSR themes: energy, air quality & CO<sub>2</sub> emission, waste and recycling, materials, good employment practice, safety, integrity, innovation, chain responsibility, community relations management, community investment. Each theme has several objectives that show our ambition and indicate how we embed these themes in our organization.



## 6.3 Life-cycle thinking and acting (the environment)

We are looking ever closer at the entire life cycle in all new product, building and area developments. Our environmental policy deals with how we can combine sustainable development (energy and materials) with reduction (of waste, CO<sub>2</sub> and energy consumption). This section explains how we deal with the issues of *energy, air quality and CO<sub>2</sub> emission policy, waste and recycling and materials*. We give details for each issue of our policy, the objectives for 2012, the results in 2012 and the objectives for 2013.

### 6.3.1 Energy

#### 6.3.1.1 Policy

Ballast Nedam's energy policy in the coming years is to achieve more energy-efficient and sustainable operations by applying a three-pronged approach (*Trias Energetica*). The supply of fossil fuels is finite, while scarcity and rising demand are driving up fuel prices. Ballast Nedam is seeking opportunities to reduce its energy consumption and CO<sub>2</sub> footprint. Our target for 2020 is a 30 per cent CO<sub>2</sub> reduction in proportion to revenue from Dutch operations relative to reference year 2008.

Furthermore Ballast Nedam's strategic focus is on integrated projects and the niche markets of offshore wind turbines, alternative fuels and secondary raw materials. Our choice is to develop products in the area of sustainable fuels, wind energy and the processing of waste streams, thereby promoting the recycling of sustainable resources, both internally and externally. We also endeavour to use fossil resources as efficiently as possible.

*The Trias Energetica strategy consists of three steps:*

1. *limit energy consumption by eliminating waste;*
2. *use sustainable energy sources, such as wind, water, and solar;*
3. *only then use fossil fuels as efficiently as possible to satisfy any remaining energy requirement.*



#### ECODUCTS IN THE A2, MAASTRICHT

The ecological link at Kruisberg, just above Maastricht, is part of the A2 Maastricht project. The ecoducts span the A2 at two places, where they link together the nature conservation areas Bunderbosch and Kalverbosch. The many exceptional and protected animal species in this area are able to cross the highway in safety using the ecoducts.

#### 6.3.1.2 Objectives for 2012

To reduce CO <sub>2</sub> emission in 2012 by 2 per cent in proportion to revenue in the Dutch operations (i.e. a 14 per cent reduction relative to 2008).	Achieved
To remain on the CO <sub>2</sub> performance ladder at level 5 for all Ballast Nedam.	Achieved
To develop a differentiated policy and to set objectives for specific energy users.	Achieved
To promote energy efficiency initiatives, and to develop products and services based on sustainable energy.	Achieved

#### 6.3.1.3 Results for 2012: reduction of CO<sub>2</sub> emission

Ballast Nedam's main consumption of energy occurs in commuting, transport, construction plant and equipment, factory production, and on construction sites. 60 per cent of our energy consumption is in the form of fossil fuels such as diesel and petrol, 26 per cent natural gas, and the remaining 14 per cent electricity. Ballast Nedam's ever greener use of electricity is reinforced by Renewable Energy Guarantee of Origin certificates for wind power from the Netherlands. Ballast Nedam also operates the Green Gas Certificate scheme in CNG Net for road vehicles.

Ballast Nedam's footprint is the CO<sub>2</sub> emission generated by consuming energy, and accordingly the CO<sub>2</sub> footprint is presented here under the heading of Energy. The CO<sub>2</sub> footprint consists of the Scope 1 emission (natural gas, diesel, petrol, cokes, CNG and other fossil fuels) and Scope 2 (electricity and district heating) for which Ballast Nedam pays the bill.

The 14 per cent CO<sub>2</sub> reduction objective relative to the revenue of the Dutch operations has been achieved. The total Scope 1 (direct) CO<sub>2</sub> footprint was 55 736 tons and the Scope 2 (indirect) CO<sub>2</sub> footprint was 3 159 tons, which is a total of 58 895 tons of CO<sub>2</sub> emission.

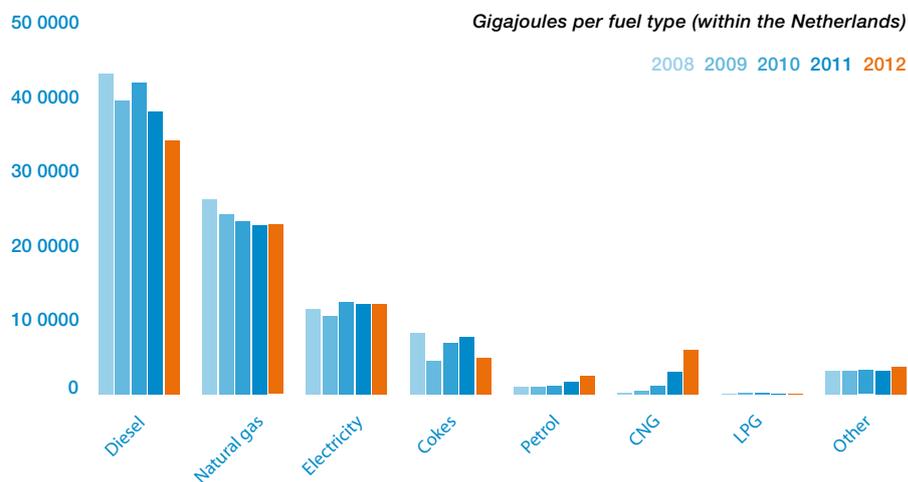
CO <sub>2</sub> emission reduction summary*	2008	2009	2010	2011	2012
CO <sub>2</sub> footprint (Dutch activities) in tons*	80 <sup>(1)</sup>	71	71	65	59 <sup>(*)</sup>
Revenue of the Dutch operations (in millions of euros)	1 348	1 272	1 275	1 252	1 153
CO <sub>2</sub> emission (t) per million euros revenue	59	56	56	52	51
Relative to reference year	100%	94%	94%	87%	86%
Reduction relative to reference year		6%	6%	13%	14%

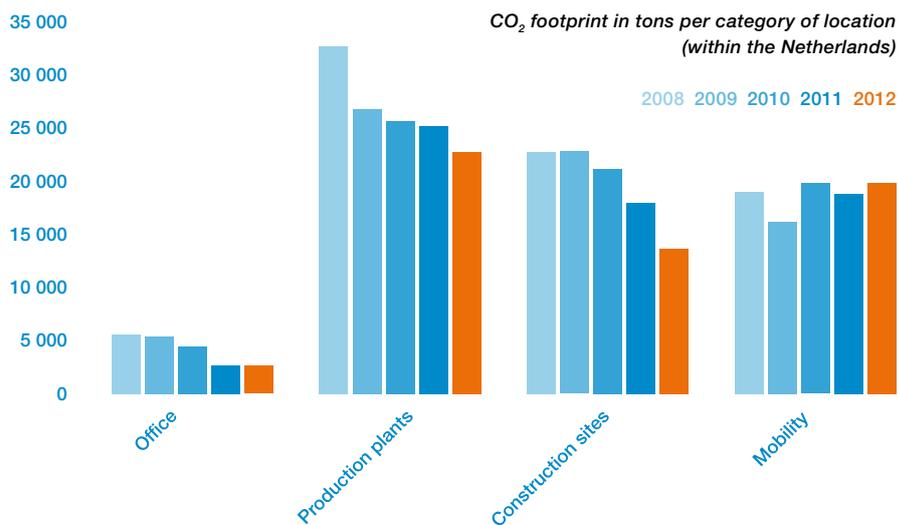
(1) The consumption data for two departments were adjusted after applying additional audit procedures for the 2008 consumption.  
 (\*) included in the KPMG assurance.

There are two possible reasons for a reduction in the footprint (Scope 1 and Scope 2): effective energy-saving measures, and reduced activity on or in energy-intensive projects and companies.

Ballast Nedam's relatively high CO<sub>2</sub> footprint is attributable to the inclusion of Ballast Nedam's production companies in the CO<sub>2</sub> footprint (Scope 1 and Scope 2). However, this also includes the activities of other construction companies in the supply chain (Scope 3). Ballast Nedam includes these companies in the CO<sub>2</sub> footprint because this is under our control and is therefore our responsibility.

The footprint over the entire life of specific projects and products can be established accurately. In 2012 Ballast Nedam performed the third life-cycle analysis for the asphalt and wide-panel concrete flooring products. This is not yet feasible for the entire company.





#### 6.3.1.4 Results for 2012: CO<sub>2</sub> performance ladder

Ballast Nedam was again certified on (the highest) Level 5 of the CO<sub>2</sub> performance ladder (version 2.1). In order to reduce the CO<sub>2</sub> emission in both the internal organization and the projects, Ballast Nedam further formalized the relevant activities as follows in the past year.

- We developed a standard method for 'CO<sub>2</sub>-awarded projects', for which the client gives preference in tendering on presentation of a CO<sub>2</sub> certificate. This gives us a clear approach to working on CO<sub>2</sub> reduction, which we back up with an internal website with tried-and-tested measures.
- Our purchasing organization is seeking dialogue with the larger suppliers to ascertain their CO<sub>2</sub> footprint (Scope 1 and Scope 2). There was also discussion with suppliers at the annual purchasing event about CO<sub>2</sub> reduction in the purchasing process. This topic is covered in section 6.5.1 *Chain responsibility* on page 122.
- We are making increasing use of the knowledge of the life-cycle approach that we have acquired within Ballast Nedam. We investigate our own emission in projects and the emission in the total chain from suppliers to end-users. We build this knowledge up by performing a life-cycle analysis (LCA) for specific projects and products, such as for asphalt and wide-panel concrete flooring, which were analysed for the third time in 2012.

#### 6.3.1.5 Results for 2012: to develop a differentiated policy and set targets for specific energy consumers

At the start of 2012 we analysed the following aspects:

- the consumption data for the past four years of the Dutch activities;
- the impact of the actions carried out by each business unit and department;
- whether the right objectives have been defined.

This analysis revealed that we are not using the tools and knowledge effectively enough for various bulk users of energy. We therefore set out a differentiated policy and produced action plans for three categories of consumption. These are production plants, mobility and projects.

### 6.3.1.6 Results for 2012: to promote energy-efficiency initiatives, and to develop products and services based on sustainable energy

We have achieved the following results in this area.

- Together with other parties Ballast Nedam is defining a CSR assessment system (BREEAM Infrastructure) for road building, which clients can use to base procurement on sustainability criteria.
- Ballast Nedam is building the Futura project in Zoetermeer for ASR. We are incorporating energy consumption-reducing measures in the design, which will help the project achieve the BREEAM 'very good' standard.
- Ballast Nedam is installing 250 regional electric car charging points for the municipality of Utrecht.
- We have performed a variety of solar energy-related projects.
- The 'PV Privé' solar energy scheme for employees was implemented in 2012. To date approximately 1 150 solar panels have been installed on employees' homes, generating enough energy for seventy households. The Ballast Nedam International Product Management business unit extended the concept to allow companies outside Ballast Nedam also to implement similar schemes in their own organizations.
- Ballast Nedam has installed solar energy systems for a variety of customers (on schools and government buildings and at roadside locations).
- We won the Green Power tender in 2012, which will install solar panels in the Arnhem-Nijmegen region.
- Ballast Nedam and several chain partners developed a modular solar roof in 2012, which integrates the panels into the fabric of the roof.

#### PV Privé is a fine idea

Under the PV Privé scheme employees in The Netherlands and Belgium can easily afford to generate their own electricity from solar panels at home. By a collective agreement through their employer we provide procurement benefit. Ballast Nedam developed the PV Privé scheme from the conviction that we must work together to achieve a better living environment, today and tomorrow. It has also been demonstrated that we can combine this aim with profitable energy generation methods, even obtaining substantial financial benefits: for consumers in particular. Solar electricity generation is a logical choice. A system for turning sunlight into electricity is also known as photovoltaic, or PV. Hence the name PV Privé.

### 6.3.1.7 Objectives for 2013

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To reduce CO<sub>2</sub> emission in 2013 by 2 per cent in proportion to revenue in the Dutch operations (i.e. a 16 per cent reduction relative to 2008).

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To remain on the CO<sub>2</sub> performance ladder at level 5 for all of Ballast Nedam.

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To promote energy-efficiency initiatives, and to develop products and services based on sustainable energy.

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To successfully perform at least 1 of the 3 action plans.

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Management will be focused in 2013 on the departments responsible for performing the action plans. The action plans are formulated SMART and described in detail in lists. We can monitor the progress and will determine whether the objectives for 2013 have been achieved by reference to these lists. Additional details of the action plans for the three categories of consumption are given below.

#### *Production plants*

All Ballast Nedam's wholly owned production plants have a CO<sub>2</sub> reduction plan. An energy scan was performed in 2013 at the various Ballast Nedam production plants. An energy scan sheds light on energy streams, thereby facilitating energy-saving measures that will also significantly reduce the CO<sub>2</sub> footprint. We are able to accurately track the actual saving for a given measure by continuously monitoring the business units and departments, enabling us to introduce successful measures in other parts of the company.

### *Mobility*

We include under mobility the CO<sub>2</sub> emission estimated on the basis of fuel consumption of our lease cars and company buses. In 2013 we implemented four measures within this category of consumption to save energy and reduce CO<sub>2</sub> emission. Some of these measures are technical in nature and others are intended to change behaviour.

The technical measures are:

- a. the use of alternative fuels (CNG and some pilots with electricity);
- b. modification of the vehicle fleet by setting a maximum CO<sub>2</sub> emission for new cars.

The measures intended to change behaviour are:

- c. making consumption transparent for all drivers, in order to raise their consumption awareness. We also discuss with employees their own opportunities to reduce consumption;
- d. by way of trial in 2013 we are offering a mobility budget to employees on the multi-year Avenue2 project in Maastricht (see the margin text at *Flora and Fauna Code of Conduct* on page 99). We hope to find out whether freedom of choice leads to different mobility-related decisions.

### *Projects*

In 2013 we are taking measures with a direct effect on diesel consumption in projects. We are focusing on raising the awareness of operators of heavy plant. We have started a pilot project with several hydraulic cranes in which switches fitted in the seats stop the motor if the machine remains unused for any length of time. We started a study to identify which machines use fuel heavily, and under what circumstances. The knowledge gained will allow energy-saving measures to be identified in the preparatory project stages. The plant and equipment department is also looking into ways of optimizing construction site layout to reduce electricity and gas consumption.

### *CO<sub>2</sub> footprint measurement system*

In its footprint Ballast Nedam reports the Scope 1 and Scope 2 emissions of the Dutch operations in accordance with the GHG protocol. We use the conversion factors specified in the SKAO performance ladder 2.1 to calculate our CO<sub>2</sub> emission with the exception of the use of natural gas and Green gas for mobility. Our energy consumption calculations are based on the energy used in our own processes. For the second time this year, KPMG provided assurance services for the CO<sub>2</sub> footprint and the accompanying text. You can find the Assurance Report in Section 10.8 on page 245.

### 6.3.2 Air quality and CO<sub>2</sub> emission policy

The environmental impact of choices made in the built environment is not confined to the construction period, but also has repercussions for decades, for instance on air quality. In our day-to-day management and projects alike we opt for methods that have a favourable effect on air quality.

#### 6.3.2.1 Policy

Our policy is oriented to reducing emissions of CO<sub>2</sub>, NO<sub>x</sub> and particulate matter in order to improve air quality. Since Ballast Nedam's CO<sub>2</sub> emission is mainly related to energy consumption, the CO<sub>2</sub> policy and figures are given in Section 6.3.1 *Energy* on page 92. With a view to reducing emissions of NO<sub>x</sub> and particulate matter, we are cutting down on the use of fossil fuels for both our own vehicle fleet and the plant and equipment we use on projects. We also consider air quality in our area development. Our aim when redeveloping these areas is to achieve a sustainable living environment by incorporating nature development and conservation in our plans.

#### 6.3.2.2 Objectives for 2012

To increase the number of CNG vehicles in our total fleet by 5 per cent.	Achieved
To develop a differentiated air quality policy.	Achieved

#### 6.3.2.3 Results for 2012

Nitrogen oxides and particulate matter are released in the combustion of various fuels. Technological advances that help reduce particulate matter include soot filters, and natural gas/green gas as a vehicle fuel. Ballast Nedam has promoted the use of natural gas as a fuel for many years. Our new vehicles run on CNG. Where this is impracticable, Ballast Nedam purchases only vehicles with soot filters in environmental categories A and B.

	2010	2011	2012
Total number of vehicles	1 800	2 027	1 932
Number of CNG-fuelled vehicles	189	458	677
% of total Ballast Nedam vehicle fleet	11%	23%	35%

In Ballast Nedam, air quality is linked with energy consumption. The use of energy causes CO<sub>2</sub>, NO<sub>x</sub> and particulate matter. Efforts to reduce energy consumption also reduce emissions and improve air quality. The differentiated policy for air quality is consequently a derivative of the differentiated energy policy. Section 6.3.1 *Energy* on page 92 sets out our plans for reducing energy consumption and to use more sustainable energy as an alternative. We have thereby also achieved Objective two. We continue to adopt a proactive stance in all our activities to identify opportunities to eliminate harmful airborne emissions, with a particular emphasis on our production companies. Particulates are released in the production processes of some Ballast Nedam supply companies, such as our asphalt plants and iron foundry, where flue gas cleaners had already been installed in previous years.

Erik Kemink, Director of CNG Net: 'In December 2012 CNG Net closed the year with the achievement of a milestone: the fiftieth CNG Net filling station in the Netherlands. It is in Rotterdam, where CNG Net now operates three fuel filling stations. The green gas customers include RMC, which is responsible for daily school student transport in the Rotterdam region. We operate dedicated fuel filling stations on some commercial customers' sites, alongside the public fuel filling stations. Besides a taxi operator, there are also larger projects, such as the public transport concession for the Arnhem-Nijmegen metropolitan region, with 225 public transport buses filling up every day at CNG Net.'



Ballast Nedam is proud of the construction of the first public LNG filling station, which is operated by the subsidiary LNG24. This station in Zwolle serves many transport operators, whose vehicles now run cleaner and quieter on LNG.

#### 6.3.2.4 Objectives for 2013

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To expand the number of CNG vehicles in our total fleet by 5 per cent.

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We are achieving our objective to expand the number of CNG vehicles in our total fleet by choosing CNG-fuelled new vehicles. In the next few years we will continue to convert our natural gas-fuelled vehicles to run on green gas, which will not only bring down emissions of NOx and particulate matter, but also of CO<sub>2</sub>.

##### *Nature development and conservation*

Ballast Nedam takes nature development and conservation seriously. An account of our work to protect nature is given below.

##### *Biodiversity*

Ballast Nedam devotes much time and care to preventing any direct or indirect negative impact on forests and natural assets through the planning and execution of our projects. If this approach is impossible, we take mitigating and compensating measures elsewhere to recreate, and where possible to improve and extend, the habitats of protected flora and fauna in areas that have to be developed. Our criterion is no net loss of natural assets, forest, or landscape values.

##### *Flora and Fauna Code of Conduct*

The Dutch Construction and Infrastructure Federation (Bouwend Nederland) and the Netherlands Association of Property Developers and Investors (NEPROM) have a Flora and Fauna Code of Conduct, which Ballast Nedam helped create. To date, this Code of Conduct has been declared applicable or otherwise on a per project basis, and integrated accordingly into project quality management systems. This approach goes some way to protecting species and habitats. We request dispensation under the Flora and Fauna Act where a strictly protected species will inevitably be affected. We investigate for each project any ecological networks that have planning protection and take land-use plans into consideration. Starting in 2013 we will expand the application of this Code of Conduct in our operations.

In the preparatory stage of new projects we will investigate the presence of protected flora and fauna, producing a list that will guide implementation planning. For instance, if at all possible we will delay high-impact work until after the nesting season if there are any protected birds in the area, and otherwise we will take steps to avoid the presence of protected species in the plan area at the implementation stage. Our designs also factor in nature conservation opportunities. For example, we avoid steep banks to make it easier for animals to migrate, or we sow richly flowering mixtures in preference to standard grasses in order to increase biodiversity.

#### 6.3.3 Waste and recycling

The construction industry is the major contributor to waste in the Netherlands, accounting for some 40 per cent of the total. Ballast Nedam takes a whole life cycle view of waste, which means we look upon waste as the result of design, purchasing and implementation choices. Waste for us is more than just a CSR issue, but also a driver for efficiency improvement.

##### **Specimen project: Avenue 2, a tunnel under Maastricht**

In the Avenue 2 project we have created two hectares of new habitat for the great crested newt and three hectares of flowering grassland. Five-hectares of poplar woodland are currently being transformed into oak-hornbeam forest, which is of far greater ecological value, and particularly favourable to badgers. The preparations took several years. There were regular monitoring rounds both to assess the mitigating and compensating measures and to draw up an inventory of the protected flora and fauna in and around the plan area, with a view to being able to intervene as and when necessary. For instance, we laid sand beds on the Kruisberg fauna corridors to capture the tracks of passing animals. One of the compensation measures for the loss of natural assets was to extend the Millennium woods on Cannerberg to the south of Maastricht with nine hectares of high-value forest and flowering grassland. A main aim of this measure is to support the bat foraging area.

### 6.3.3.1 Policy

Our policy aims to eliminate waste with no negative impact on the environment or the community. This policy also avoids unnecessary costs. We adopt two approaches.

- Quantitative: we are systematically reducing the quantity of waste at source by raising material productivity. In this way we prevent waste by improving processes and innovating.
- Qualitative: we are reducing the adverse effects of waste and avoiding resource depletion by using renewable and secondary materials. We combat pollution by using degradable and reusable materials and optimizing waste management procedures.

### 6.3.3.2 Objectives for 2012

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To develop active measures for better waste reduction and segregation throughout Ballast Nedam and the chains the group is part of.	Achieved
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To generate unambiguous and quantifiable information about the waste streams that arise throughout Ballast Nedam (building, infrastructure and supplies).	Partially achieved
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### 6.3.3.3 Results for 2012

In the past year the central Waste & Recycling working group has developed the Ballast Nedam waste management plan, which sets down our waste control method in the various facets of our projects and plants. The issues covered in the waste management plan are: (1) unambiguous waste stream measurements, (2) controls and (3) reporting and evaluation.

The waste management plan for our *construction and infrastructure projects* has seven steps. As a project proceeds, a multidisciplinary improvement team applies waste management measures to optimize logistics, purchasing and implementation. Along the way, progress is evaluated, reported and continuously improved.

A derivative of this method is use in the *plants*. The repetitive nature of the processes means we can produce an extensive analysis leading to improvement measures. The initial measures from the waste management plans are now being implemented in several of our plants in order to reduce environmental impact while lowering costs.

The table below lists our waste streams in greater detail than in previous years. We now shed light on the waste streams of our six largest waste processing partners, as opposed to just one waste processor. Consequently, the absolute waste quantity that is reported is higher than in previous years. The waste stream reports are now clearer, but further improvements will be made in the coming year.

The waste quantity depends on the number and nature of operations, such as the volume of demolition projects. Therefore absolute figures say little about actual performance. Much more important is information about individual projects and plants, where we can relate the waste streams with the activities, and thereby determine the relative performance. Based on this information, we can implement any necessary corrective measures proactively, which is a pillar of the Ballast Nedam waste management plan.

Waste material	Quantity [kg]	Is reused as
Hardcore	23 494 785	Crushed demolition waste
Construction and demolition waste	7 928 034	New materials / energy
Asphalt	9 070 150	New asphalt
Wood	1 812 359	New wood products / energy
Industrial waste	666 343	Energy
Paper / board	176 066	Paper / board
Household chemicals	52 202	Miscellaneous
Roofing waste	23 620	Mineral products
Asbestos	5 940	Landfill
Other – not hazardous	756 776	Miscellaneous
<b>Total 2012</b>	<b>43 986 275</b>	
<i>Total 2011</i>	<i>10 724 168</i>	
<i>Total 2010</i>	<i>13 280 000</i>	
<i>Total 2009</i>	<i>16 849 000</i>	

#### 6.3.3.4 Objectives for 2013

For at least ten projects to apply the Ballast Nedam waste management plan.

Fifty per cent of the plants to use the Ballast Nedam waste management plan.

The roll-out of the waste management plans within Ballast Nedam will continue in 2013. We have started an internal campaign to raise internal awareness and create support. The emphasis given to the subject helps raise internal awareness and the sharing of knowledge, which will encourage the introduction of waste management plans in our projects and plants. The central working group gathers and shares the experience we then gain in the interests of continuous improvement. We apply the knowledge gained immediately in the waste management plans, leading to even more effective measures.

#### 6.3.4 Materials

Ballast Nedam has created a new policy area for the materials issue. An important reason to do so is the increased customer demand for sustainable materials. In 2011 we requested each stakeholder to prioritize various CSR issues in order to identify the aspects of sustainability that Ballast Nedam should focus on. The output was used to produce a materiality matrix at the time. Sustainable resource use was one of the issues that stakeholders identified as important for both themselves and Ballast Nedam. There is additional information about the analysis in Section 7.3 *Materiality analysis* on page 143 .

Dealing responsibly with raw materials that are in short supply will be vital in future for the continuity of our operations (see Section 5.2.3.4 *Ecological risks* on page 85). The tighter government policy on the environmental performance of buildings and infrastructure projects and the more stringent Buildings Decree for materials are other reasons for embedding this CSR issue more firmly in our policy. Ballast Nedam interprets the materials issue as the optimum utilization of raw and processed materials in such a way as to minimize the burden on our environment in the short term and to contribute to the living environment in the long term.

##### 6.3.4.1 Policy

Looking forward, Ballast Nedam will endeavour to use only good materials, in the sense of being nontoxic and fit for use in closed (biological or technological) chains.

To help achieve this ambition to *use only good materials*, Ballast Nedam is investigating opportunities of working with closed material cycles. The presence of our own primary and secondary raw material production companies and the fact that we also use these raw materials means we have some of the necessary knowledge and skills in house. We are developing life-cycle analyses, with a view to improving our understanding of the major environmental impact of used materials. We are hoping that this will help us identify innovation opportunities for materials that can be used in closed chains. We will also include other relevant CSR issues, such as energy consumption, in these life-cycle analyses (see Section 6.3.1 *Energy* on page 92).

#### 6.3.4.2 Results for 2012

We are already making progress on reducing the use of materials through our iQwoning®, Ursem and ModuPark® brands, which are all about modular and dismantlable building. At the end of useful life, modular products can be dismantled and reused.

Another example is the Ballast Nedam subsidiary Feniks. Feniks focuses on the reuse of incineration ash from waste processing plants, and is the market leader in this field in the Netherlands and the United Kingdom. In addition the Milieutechniek and Grondstoffen business units provide soil cleaning, hardcore recycling and quarry redevelopment services. The main raw materials used by the Ballast Nedam foundry Rademakers are secondaries such as scrap metal for new manhole covers.

An initial analysis has revealed concrete to be the material responsible for much of the CO<sub>2</sub> emission. With a view to reducing this emission Ballast Nedam is one of the initiators of the 'MVO Netwerk Beton' and an active member of several working groups under the Green Deal for a sustainable concrete supply chain. This Green Deal has produced a package of ten sustainability agreements for the coming year, known as the Green Deal 'Concrete 1.0'. The above has also improved our understanding of, for example, the impact of the concrete chain on biodiversity and ecosystem services. The working groups have developed an instrument for identifying negative impact and developing action perspectives to reduce this impact. We will move forward in the coming year on the ambitions set out in Green Deal Concrete 1.0.

We have also set up an internal Ballast Nedam materials working group for the sharing of knowledge about reusing waste streams in our own production processes and accelerating the process through collaboration with the various business units and departments involved.

#### 6.3.4.3 Objectives for 2013

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To draw up an action plan for the reuse of waste streams within our own production processes.

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To perform life-cycle analyses of two of our concrete products.

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#### Biodiversity and concrete

We should do more to enhance biodiversity through concrete constructions. This idea emerged from the Green Deal for a sustainable concrete supply chain. The nooks and crannies in wooden bridges where wildlife can hide inspired the ecological designers at Ballast Nedam to create similar spaces in concrete constructions. A feasibility study is now in progress. We think this is a practical example of how we can create enduring quality in the living environment. There is additional information about Nature development and conservation in Section 6.3.2 Air quality and CO<sub>2</sub> emission policy on page 98.

## 6.4 Our people, standards and values (employees)

Our people are the most important factor in our success, and with this in mind Ballast Nedam aims to provide a healthy, safe and motivating working environment for all employees. We give our people the freedom to be creative and to innovate. We invest in synergy, in our people, in their knowledge and conduct, and in their awareness of the new roles they are fulfilling in a changing market.

Our shared standards and values – how we interact with each other, our environment, and our customers – are crucial, and we have set these down in our Code of Conduct.

#### 6.4.1 Good employment practice

Ballast Nedam's conviction is that success in the construction industry stands or falls with the commitment of our own employees in their work. The best way we can guarantee this commitment is to create an inspiring and challenging working environment, and to be a company we can all be proud of.

The recruitment, retention and development of competent and well-motivated employees are central to our Personnel & Organization policy. In this context, management shares responsibility with the employees concerned for their deployment, development and wellbeing.

Our four Personnel & Organization policy themes are:

1. recruitment and deployment;
2. binding and motivating;
3. organization development, advancement and departure;
4. vitality and health.

Ballast Nedam is an employer that people consciously choose. Our corporate culture is one of getting to grips with the task and forging ahead. What drives us are entrepreneurship and innovation. Our trade-mark down to earth and forthright approach means we get things done. We are critical and committed. Ballast Nedam offers real opportunities for personal development. Our employees are able to find a healthy balance between work and private time. The following sections present details of the Personnel & Organization policy and its objectives.

##### 6.4.1.1 Recruitment and deployment

Ballast Nedam continues to approach the labour market actively in order to recruit talented employees. We also offer worthwhile work placements, graduation assignments and apprenticeships to people who are preparing for the labour market. The importance we attach to maintaining the intake of young employees with diverse competencies is prompted by the transition from a supply-oriented to a customer-oriented construction organization, the sustained demand for advanced technical knowledge and our pursuit of a balanced age distribution structure in the organization.

We have many ways of attracting talented employees. We maintain contacts with schools and offer work placements, graduation assignments and apprenticeships to people who are preparing for the labour market. We also visit jobs markets at universities of applied sciences and research universities and hold construction industry orientation events together with the Dutch Construction and Infrastructure Federation (Bouwend Nederland).

##### *Recruitment and deployment policy*

We create employment and work experience places for various groups of people from the entire labour market. We also efficiently recruit the right people from the labour market for existing or upcoming vacancies, without reference to an applicant's age, gender, orientation, or religion.



**BIOMASS POWER STATION  
'BIO GOLDEN RAAND', DELFZIJL**

Eneco's Bio Golden Raand biomass power station will convert waste wood into green energy. With a capacity of 49.9 megawatts, this is one of the largest biomass power stations in Europe, and saves 250 000 tons of CO<sub>2</sub> a year. Ballast Nedam is building the plant together with consortium partners Areva Renewables GmbH and Metso Power Oy.

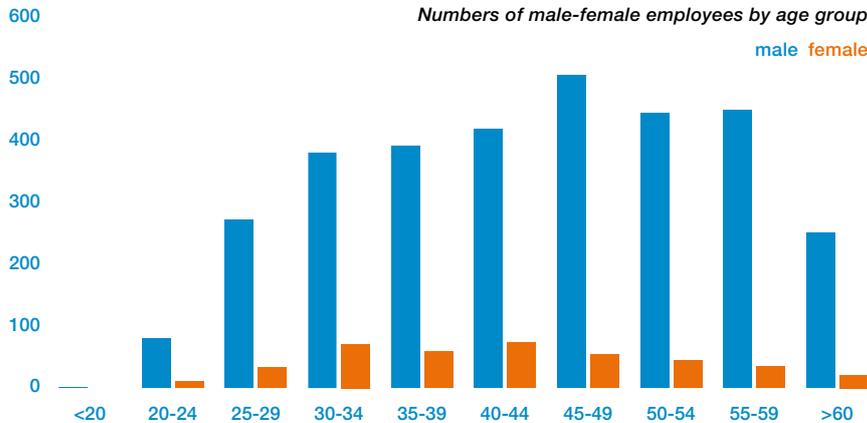


### Objectives for 2012

To have at least 300 people on work placements and graduation projects per year.	Not achieved
To have at least 100 apprentices in the apprenticeship system (both the more practice-based (BBL) and the more classroom-based (BOL) construction industry vocational education tracks) per year.	Not achieved
To have at least 10 trainees (with a technical background) from universities of applied sciences or research universities per year.	Achieved

### Results for 2012

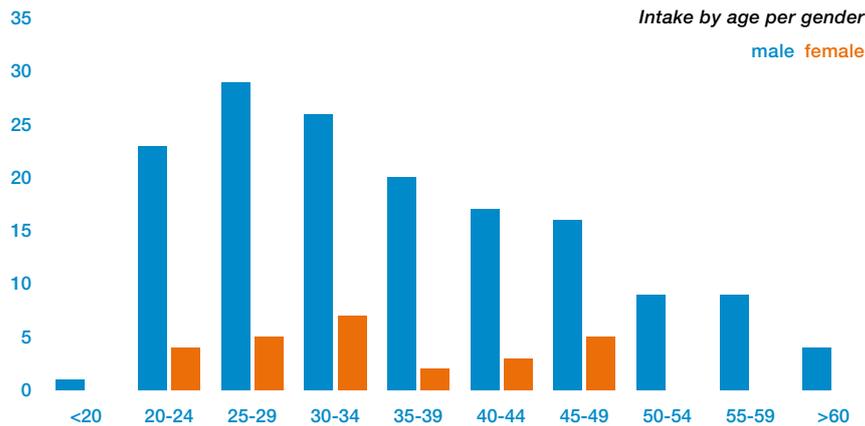
The envisaged 300 people on work placements and graduation projects per year was not achieved. Last year Ballast Nedam offered a work placement or graduation project place to over 200 young employees. In addition 60 apprenticeships were awarded on a practice-based (BBL) vocational education track. The accelerated change in the organization's profile left less scope for training and supervising the original target number of work placement students, graduates and school leavers. Ballast Nedam was occupied in 2012 more intensively than foreseen with preserving work for its own employees. The objective to attract at least 10 trainees with a technical academic background was amply achieved, and the same is true for the number of financial trainees that we set out to recruit.



Of the 165 new employees fourteen per cent are women, which is slightly higher than the ratio of men to women in our company.

As last year, it is striking that more than half of all women work part time, compared with only about four per cent of the men. We compared men's and women's basic salaries for three job categories of equal difficulty to explore any differences in average earnings. There are no gender-related reasons for any basic differences in salary.

94 per cent of all employees are covered in a collective agreement. 94 per cent of all employees are covered in a collective agreement. The remaining 224 employees (six per cent) is either treated accordingly or is not covered by a collective agreement.



The proportion of young people (employees below thirty years of age) recruited in 2012 is 35 per cent of the total number of recruits.

Ballast Nedam aspires to a corporate culture in which the diversity of people is valued, and people enjoy their work and feel at liberty to share and apply their different points of view. We aim for a balanced male-female distribution in managerial positions, equal promotion opportunities regardless of ethnicity and we encourage the use of senior employees. Our long-term aim is to have at least 30 per cent men and at least 30 per cent women in the Board of Management.

#### Total workforce by employment type, employment contract, region and gender

	Male	Female	Total
FTEs in the Netherlands	3 169	335	3 504
FTEs international	112	15	127
<b>FTEs total</b>	<b>3 281</b>	<b>350</b>	<b>3 631</b>

	Male	Female	Total
Full time	3 056	169	3 225
Part time	132	234	366
the Netherlands	3 188	403	3 591
International	113	18	131
<b>Total</b>	<b>3 301</b>	<b>421</b>	<b>3 722</b>

### Objectives for 2013

There is also a need to recruit well-trained employees in years when the economy is relatively weak. We often seek out employees with the right experience, as well as taking on school leavers with passes in appropriate subjects. We observe that the changing market demands employees with different roles, competencies and skills, which influences our recruitment and selection criteria. Our expectation that also in 2013 few vacancies will be filled externally has led to a lower target number for work placement students, graduates and school leavers for 2013 than for 2012 and 2011. Our objectives for 2013 are:

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To have at least 150 people on work placements and graduation projects per year

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To have at least fifty apprentices in the apprenticeship system per year

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To have at least ten trainees from universities of applied sciences or research universities per year

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#### 6.4.1.2 Binding and motivating

Ballast Nedam defines binding and motivating as the process of:

- retaining good employees by giving them a challenging working environment and training opportunities;
- offering attractive conditions of employment;
- providing opportunities for the New World of Work: home working, virtual working, working at a different location or at different times;
- surveying our employees' commitment and satisfaction every two years.

#### Binding and motivating policy

Our policy is to retain employees at Ballast Nedam for the long term. Ballast Nedam interprets 'lifelong employment' as a productive life of achieving personal growth and the development of talents with pleasure and commitment. We accordingly encourage ambition, innovative strength and entrepreneurship. We also base remuneration on the difficulty of a job, not the gender of the employee. We expect a flexible and willing attitude towards working wherever Ballast Nedam has its projects.

### Objectives for 2012

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To have an average term of employment of at least 10 years	Achieved
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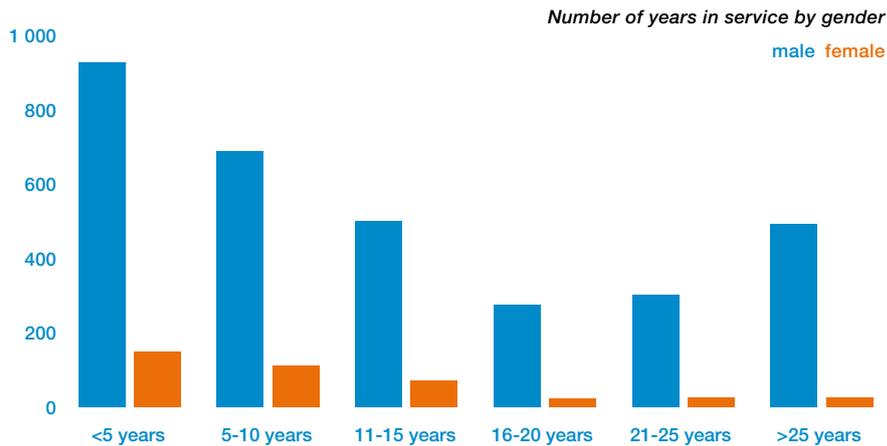
To achieve a score in the employee satisfaction survey (MTO) of each business unit and department of at least seven	Partially achieved
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### Results for 2012

Longer employment calls for an active policy of joint employer-employee effort to achieve broad employability, a high level of motivation and self-realization. The reason for almost one quarter of people to terminate employment is retirement. However, there is a trend for employees to retire ever later and then to continue to work part time, but with more flexibility in working hours.

The mean employment term of employees is a little over twelve years. The chart below shows the distribution of number of years in employment by gender.



#### Employee satisfaction survey (MTO) 2012

We survey the satisfaction and commitment of our employees in all business units and departments on a regular basis. It is how Ballast Nedam finds out what its employees think about such things as internal cooperation, workplace safety, personal development opportunities and future prospects. The Ballast Nedam employee satisfaction survey was held in May 2012. In total 2 306 employees completed the questionnaire, which amounted to a response rate of 63 per cent. The employees expressed appreciation for Ballast Nedam as an attractive employer.

The results lead us to conclude that Ballast Nedam's employees are satisfied, committed and enthusiastic. General group-wide satisfaction is 7.4. The result of the 2009/2010 survey was 7.6. In general the results do not differ significantly from the previous survey, but there were significant differences in some business units and departments. In the 2012 survey nine departments (out of a total of 43) had a score lower than 7.0. The score for commitment was 8.5, which is reasonably high, and a source of pride. The scores for the most important issues investigated are shown below.

Motivation	7.1	Efficiency	6.7
Commitment	8.5	Working atmosphere	7.4
Engagement	7.8	Leadership	6.8
Loyalty	7.7	Customer orientation	7.1
Resistance to absenteeism	7.7	Performance	7.1
Resistance to turnover	7.9		
Effectiveness	6.9	<b>Satisfaction</b>	<b>7.4</b>

For Ballast Nedam, the survey is a mirror in which its employees reflect the points on which company can improve. For instance, a majority of employees observe Ballast Nedam companies working more as a team, but also see room for further improvement.

#### Objectives for 2013

To achieve a score in the staff satisfaction survey of each business unit of at least seven.

**6.4.1.3 Organization development, advancement and departure**

Ballast Nedam supports career development advancement as follows:

- we provide training courses for entrepreneurship and professional craftsmanship;
- we encourage career development into jobs with more or different responsibility.

Our employees are aware of and recognize the opportunities for development and growth. Managers and Personnel & Organization staff are alert to development and mobility, in order to maintain a varied and knowledgeable workforce.

Ballast Nedam’s aspirations demand talented, motivated and well-trained employees and managers. People need to develop and make the right career choices in order to ensure that their jobs and career are compatible with their background, training and ambitions. Employees are responsible for their own choices in their career and general development, which demands a cooperative attitude, openness to criticism, and a willingness to change and develop.

Versatility is an important attribute, and we therefore devote attention to the possession of a broad range of capabilities, thereby creating and retaining employment opportunities (employability), vitality, the development of knowledge and skills, and management and development. Personnel & Organization facilitates this with resources to develop and preserve talent.

*Policy for organization development, advancement and departure*

We invest in employee programmes and training courses to enable the participants to contribute optimally to Ballast Nedam’s strategy.

*Objectives for 2012*

To hold an assessment or performance review with all managerial, technical and administrative employees at least once a year, and with all construction site employees at least once every two years.	Not achieved
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To have 30 per cent of all employees attend a course or training programme at least once a year.	Not achieved
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*Results for 2012*

The assessment round is a fixed component of Ballast Nedam’s annual performance and development cycle, in which a manager and employee discuss various important issues concerned with performance, results, career and general development and employee performance. Performance targets are essential criteria in Ballast Nedam’s performance management system. We ensure an effectively executed cycle in which we assess performance, discuss results and agree on competencies to be developed and training opportunities. This clarifies the contribution of every employee in our organization and what we as organization can contribute to our employees’ career and general development.

In the past year 70 per cent of *eligible employees* were given a performance review (50 per cent with a collective agreement and 80 per cent managerial, technical and administrative staff). This means we did not achieve the objective. The reorganizations and accompanying staff reductions rendered a performance review irrelevant for a large group of employees.

Ballast Nedam gives priority to employability and the continuous development of employees. Professional improvement is closely related to the development opportunities for employees’ personal growth in our organization.

*All employees on long-term absence through illness, those retiring within one year, or with less than one year of service were not counted in relation to the assessment and performance reviews.*

Ballast Nedam constantly sets new and more demanding requirements on its employees in order to implement its strategy and achieve its objectives. Employee development and the utilization of existing talent are vital to achieving our objectives in the long term.

The provision of specific development and career opportunities also allows us to retain employees in the group for longer. We aim to increase employees' flexibility and employability with a view to growth opportunities in the organization.

Ballast Nedam has a broad range of training courses and extensive study facilities, with which we pursue a sustainable relationship with our employees. Our course catalogue offers numerous development opportunities for employees who wish to gain more qualifications for their current and future positions. Ballast Nedam operates continuous in-company lifelong learning programmes.

Ballast Nedam has several development programmes for specific target groups, such as trainees, management and highly qualified specialists. These programmes are tailored to the organization's strategy and the needs of the target group. The topics covered include leadership development, professionalization and competence development, networking and culture.

On average each employee, that took part in a training program, spends almost one hundred hours on this training program each year. The total annual investment in external courses for our staff executives is almost 4 000 hours. The in-company investment in staff executives is over 12 000 hours.

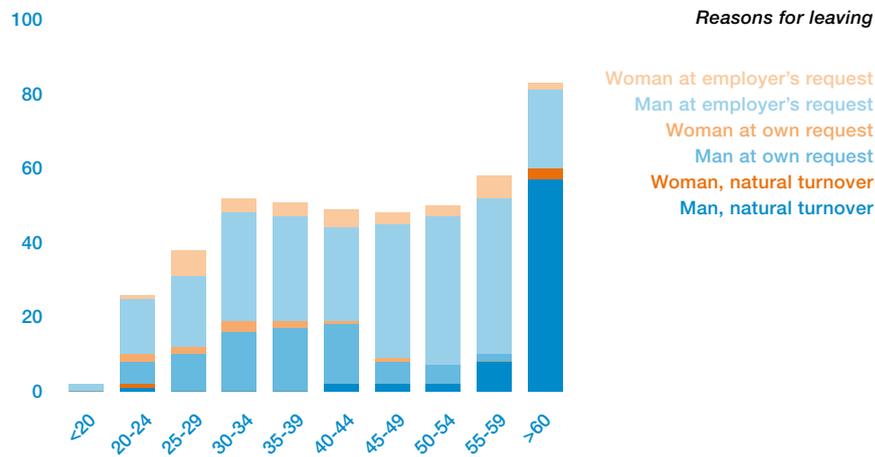
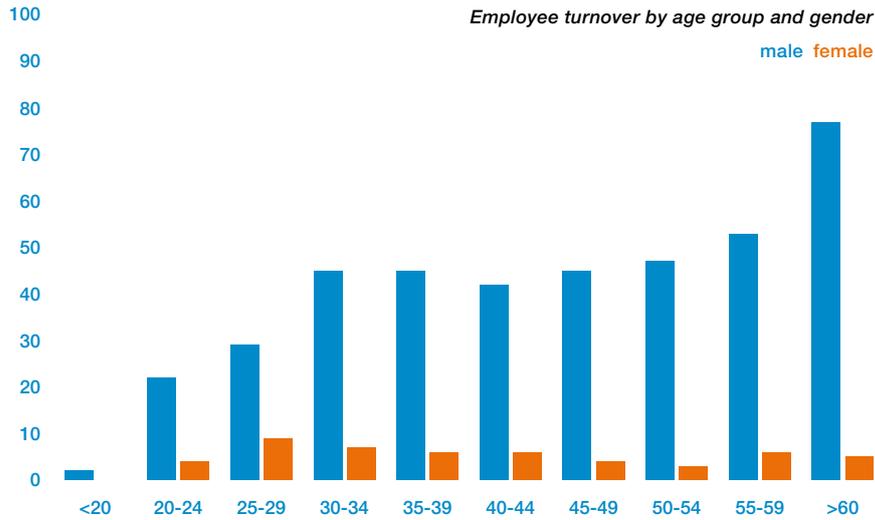
*Average hours of training per year per employee, that took part in a training program, by employee category and gender*

	Male	Female
Collective agreement	91	0
Managerial, technical and administrative	96	47
<b>Total</b>	<b>94</b>	<b>47</b>

Ballast Nedam has accelerated its strategic orientation on the growth market of integrated projects and several niche markets, leading to a faster shift in the company's profile.

With more than 500 jobs being lost in the associated reorganizations. The organization structure is now more in harmony with market and product development. The new structure will enable us to respond more rapidly to customers' changing needs and requirements. The upscaling of the regional construction companies, the new structure for the companies in which the primary process is embedded, and effective management, will lead in the short term to greater synergy benefits and efficiency.

The reorganizations have had substantial personal consequences for the employees involved. Our continuous social package and internal mobility agency have enhanced the opportunities of numerous employees in finding new work inside or outside Ballast Nedam.



*Objectives 2013*

To hold an assessment or performance review with all employees at least once a year.

To have 30 per cent of all employees attend a course or training programme at least once a year.

**6.4.1.4 Vitality and health**

*Vitality and health policy*

The aim of our policy is to protect and promote the vitality, health and wellbeing of all our employees. We interpret this as the spectrum of activities concerned with ensuring and maintaining employees' physical and mental health, and keeping them fit.

### Objectives for 2012

To lower the rate of absence through illness to less than 4.8 per cent.	Partially achieved
For 90 per cent of employees to receive a regular occupational health examination.	Not achieved
Fewer than 10 per cent of those receiving a regular occupational health examination assessed as being in 'poor condition'.	Achieved

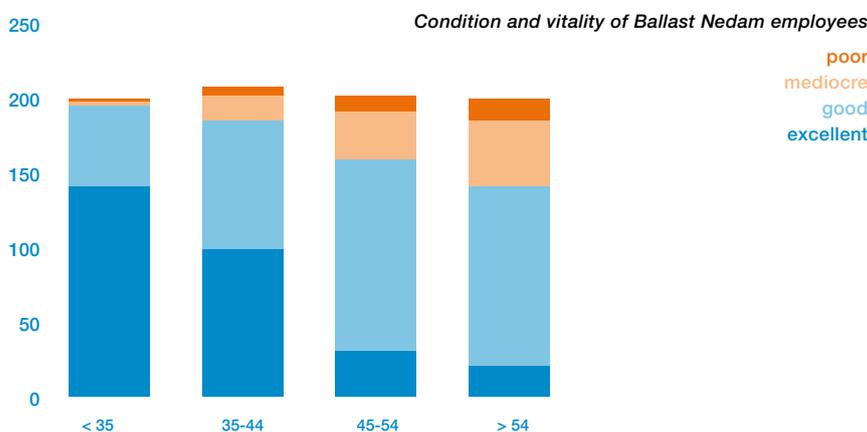
### Results for 2012

In 2012 we started preparatory activities for a new, internally managed, sickness absence policy, in which Ballast Nedam as employer takes more control of absenteeism and the reintegration of employees on sick leave. Our preparatory activities were to inform and create enthusiasm in the Central Works Council, and to select a new occupational health and safety service that will work smoothly throughout Ballast Nedam. The internal management model has two priorities: preventing absence through illness and reducing the period of absence. The change to internal management was prompted by the temporary rise in the rate of sickness absence in 2011, which was attributable to longer periods of absence. Two-thirds of the absence was because of relatively long-term work disability (more than six weeks).

### Rate of absence through illness

	2008	2009	2010	2011	2012
	5.00%	5.00%	4.78%	5.01%	4.81%

The rate of absence through illness fell by 4 per cent in 2012 relative to 2011, to 4.81 per cent. The objective of having 90 per cent of all employees who were invited for regular occupational health examination actually to attend the examination was not achieved. Despite personal invitations to eligible employees, a certain group would appear to decide against attending these voluntary examinations, sometimes explaining that they had already had a private check-up or examination. Ultimately a group of 74 per cent of the invited employees attended the examination. The results of the examinations show that significantly fewer than ten per cent of the total in each age group were assessed as being in 'poor condition'.



Ballast Nedam promotes employee vitality through the financial support of employees who take part in sponsored sport and communal exercise activities for various charities (see also Section 6.6.2 *Community investment* on page 131). Last year the sporting efforts of Ballast Nedam employees helped raise funds for Alpes d'HuZes and Roparun. Ballast Nedam also sponsored employees in the 2012 Utrecht Marathon, the Dam-to-Dam run in Amsterdam and the dragon boat racing team Concrete Dragons. Moreover, all employees can take part in the company fitness programme at a greatly reduced price. We also invite all employees for a periodic health examination, vitality check and lifestyle analysis to encourage them to stay in good condition. We are aiming to reduce the rate of absence through illness through this investment.

#### *Objectives for 2013*

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To lower the rate of absence through illness to less than 4.5 per cent.

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For 90 per cent of employees to receive a regular occupational health examination.

---

Fewer than 10 per cent of those receiving a regular occupational health examination assessed as being in 'poor condition'.

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Starting in 2013, we will introduce a new, internally managed, sickness absence policy in steps in each cluster, with a view to further reducing the rate of absence through illness. The internal management approach requires managers to adopt a different style of handling employees who are on sick leave, for which they will receive training and support. A central sickness absence coordinator has been appointed within the Personnel & Organization department with nationwide responsibility.

The focus in the new sickness absence policy is on preventing absence, such as by promoting a healthier lifestyle and losing excess weight. The periodic examinations have an important role. The selection of a new occupational health and safety service will entail a reorganization of the examinations. We have drawn the new service's attention to the great importance we attach to the examinations, and our expectations of a high response.

Ballast Nedam and the VU University Medical Center Amsterdam started the VIP vitality scheme in 2009. The results will be published in early 2013. The report gives further guidance to the policy of promoting the vitality of Ballast Nedam's employees.

#### **6.4.2 Safety**

Our aim is for everyone who works on our projects to be constantly aware of safety risks and to work safely at all times. Safe working is in our genes. Our employees and subcontractors must, and must be able to, carry out their work safely, so that everyone can return home at the end of the day in safety and good health. We aspire to an injury-free Ballast Nedam.

##### **6.4.2.1 Policy**

Ballast Nedam's safety policy is to create a proactive safety culture, which is documented in a safety policy plan. Our safety policy involves:

- integrating safety and safe working into project plans;
- employees having pride in their safety performance;
- employees looking out for each other and their environment;
- managers being aware of the value of safety advice and improvement actions;
- investigating accidents and near accidents thoroughly and systematically;
- distributing investigation findings within the company so that lessons can be learned;

- having two-way communication about safety between the construction site and management;
- Ballast Nedam is also helping its subcontractors and suppliers comply with the demanding safety requirements.

To support our objectives we are defining numerous internal and external initiatives, which vary from conspicuous management commitment to employee safety, to training courses for employees, industry-wide standards and systems, and innovative measures. A number of examples are given below.

- Internal initiatives:
  - management commitment to employee safety;
  - the safety theme site;
  - the Safety Core Team;
  - modular building;
  - high-visibility clothing;
- Training courses:
  - safety events;
- External collaboration and evaluation:
  - the 'Safety in the Construction Industry' Governance Code;
  - Safety Performance Indicator for Contractors (SPIC);
  - European Network of Construction Companies for Research & Development (ENCORD);
  - Royal Society for the Prevention of Accidents (RoSPA) Silver Award;
  - 'SOS' unsafe situation reporting system.

A selection of safety initiatives is explained below.

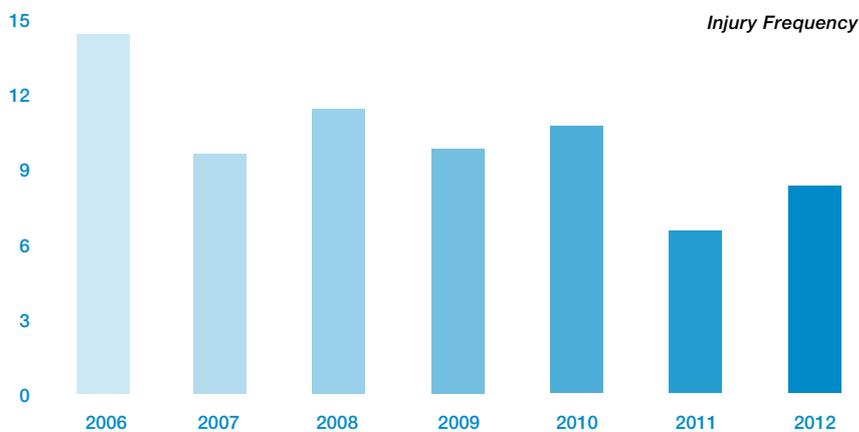
#### 6.4.2.2 Objectives for 2012

No fatal accidents.	Achieved
For the injury frequency (the number of fatal and lost-time injuries involving Ballast Nedam employees per million hours worked) to be less than 6.5.	Not achieved
To implement uniform KPIs throughout Ballast Nedam based on the international Occupational Safety and Health Administration (OSHA) guidelines.	Partially achieved

#### 6.4.2.3 Results for 2012: fewer accidents

The number of accidents at Ballast Nedam has increased in 2012 compared to 2011. The injury frequency was 8.3 per million hours worked (2011: 6.5). Especially within the Building & Development and Supplies segments an increase is observed. The remaining segments have performed significantly better. The downward trend of the injury frequency is still visible. Despite the fact that we have not been able to match the 2011 performance. Many Ballast Nedam companies saw no accidents leading to absence in 2012. De objective remains the same for 2013 to continue on the road to an injury-free Ballast Nedam.

The greater attention that is being given to safety and the related improvement in safety awareness throughout the organization plays an important part in this trend. In order to maintain awareness at a high level, safety is a fixed agenda item for Board of Management meetings with the cluster Managing Directors, and they perform several inspection rounds each year.



#### 6.4.2.4 Results for 2012: OSHA guidelines

The Infrastructure segment has implemented the OSHA guidelines, and is a front-runner in this field in Ballast Nedam. The other segments did not achieve this objective.

#### 6.4.2.5 Results for 2012: internal initiatives

##### *Management commitment to employee safety*

In the past year all Ballast Nedam managers have conducted several safety rounds on project and plant sites. Alongside the customary site inspections, these rounds also allowed time to talk with employees about safety. Ballast Nedam considers it important to approach safety from the top down and the bottom up at the same time. As well as the right behaviour and attitude, the necessary influence of employees on each other is vital. In 2012 more emphasis was placed on rewarding safe behaviour than on punishing dangerous behaviour. On the major projects, the project manager gives an audiovisual project introduction to explain safety and other rules.

##### *Safety theme site*

Ballast Nedam's safety theme site for all employees has general information about policy, and detailed information that employees can use in their everyday work. For instance, there is a section with frequently asked questions, examples of toolboxes, construction site rules in various languages, communication devices, and all Safety Alerts.

#### *Safety Core Team*

Ballast Nedam has Core Teams for Safety, Commerce, QEHS, Purchasing, BIM, Plant and Equipment, Sustainability and Innovation. These teams, with representatives of the various clusters and disciplines, are instrumental in implementing policy and creating support within the organization. The Safety Core Team is concerned with safety policy.

#### *Modular building*

Our pursuit of an injury-free Ballast Nedam leads us to investigate different ways of working. Injury-free working is an important reason for a more modular approach to building. Having employees perform as many operations as possible in a controlled plant environment, and as few operations as possible on the construction site, immediately exposes them to fewer safety risks.

#### *High-visibility clothing*

An increasing number of Ballast Nedam companies are making high-visibility clothing for employees the standard policy, regardless of whether it is a client requirement. The aim of this policy is to make our employees more visible on the construction sites, where the many logistics movements make visibility crucial for people's safety.

#### **6.4.2.6 Results for 2012: training courses**

##### *Safety events*

Many Ballast Nedam companies have made use of unworkable winter days as an opportunity to hold safety events for all employees, consisting of an interactive programme with an emphasis on sharing experience. Unsafe situations from practical experience are discussed in order to learn lessons.

#### **6.4.2.7 Results for 2012: external collaboration and evaluation**

##### *The 'Safety in the Construction Industry' Governance Code*

Ballast Nedam has signed a letter of intent for the 'Safety in the Construction Industry' Governance Code, in which clients and contractors in the construction, infrastructure and installation industries set out to minimize accidents in the construction and use of infrastructure projects, installations and buildings. The first actions under the Code have been performed in 2013.

##### *Safety Performance Indicator for Contractors (SPIC)*

The Directorate-General for Public Works and Water Management has set up a safety system for quantifying consortiums' safety performance. The experience gained in various pilots that were carried out in 2012 was favourable, and a higher level of safety was achieved. The Directorate-General will extend this system in 2013.

##### *European Network of Construction Companies for Research & Development (ENCORD);*

Ballast Nedam is a member of ENCORD, a network comprising the twenty leading European builders engaged on industry-led research and innovation. There are ENCORD working groups for various issues, including health & safety. Within this network Ballast Nedam is helping to define a European standard for quantifying and reporting health & safety data. There is also an exchange of best practices.

##### *RoSPA Silver Award*

At the end of September the Royal Society for the Prevention of Accidents (RoSPA) presented the RoSPA Silver Award to Ballast Nedam's Claus C project.



This project is responsible for the underground and above-ground fire extinguishing lines, including pumps, hydrants, water reservoir and sprinkler installations for the Clauscentrale power plant in Maasbracht. The health and safety effort of the entire Claus C project team was rewarded with the coveted Silver Award.

#### *SOS reports*

We have observed that our employees still make too little use of the opportunity to report unsafe situations. Ballast Nedam wishes to make progress through what are known as 'SOS' reports for signaling of unsafe situations. An idea was launched on tok!, the digital ideas and discussion platform for employees, to create a safety app that would simplify SOS reporting. This idea was adopted in the organization and will be developed in 2013. There is additional information about tok! in Section 6.5.2 *Innovation, the common denominator* on page 127.

*SOS unsafe situation reports*  
Employees can report any unsafe situations that may cause an incident or accident. An unsafe situation differs from a near-accident in that nothing has yet happened. The absence of a toeboard on the edge of scaffolding would count as an unsafe situation. If an object were to fall from scaffolding because of a missing toeboard, but without injuring anyone, that would be a near-accident.

#### **6.4.2.8 Objectives for 2013**

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No fatal accidents.

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For the injury frequency (the number of fatal and lost-time injuries involving Ballast Nedam employees per million hours worked) to be less than 6.5.

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Management and employees are now acting less reactively, and are on the way to a higher level of awareness, with more openness to discuss safety and more support for the safety policy. This trend will be continued in 2013 to make the vision of an injury-free Ballast Nedam a reality. We will achieve this aim through:

- permanent management attention to safety, including constant discussion of the issue, and the reward of safe behaviour;
- making safety a fixed component of the performance assessment and review interviews;
- extending the subcontractor assessment system with additional points related to safety;
- continuing to roll out the safety workshops for managers;
- providing more incentives to report unsafe situations (SOS reports) within the organization.

#### *ProRail safety ladder*

Following on from the CO<sub>2</sub> performance ladder, ProRail has now introduced the safety ladder. Greater safety awareness on the part of the rail contractors and suppliers means a higher score on the safety ladder. ProRail rewards a high score by including it in the assessment of proposals. In other words, the safer the working practice, the greater the chance of being awarded a contract. The safety ladder resembles the CO<sub>2</sub> performance ladder that was also developed by ProRail, and is now broadly accepted in the construction industry. In 2013 Ballast Nedam will implement the safety ladder in Gebr. van Leeuwen Harmelen B.V. (accredited drilling company) and DIBEC (accredited workplace safety company) and will prepare for a broader introduction of the safety performance ladder in Ballast Nedam.

#### *Safety workshop*

To support our managers, the Board of Management has resolved to add safety workshops to the 2013 Ballast Nedam training programme.

These are interactive workshops in which managers exchange experience and pick up tips for the more effective management of their employees' safe behaviour. Our own DIBEC safety advisers present these workshops together with experienced managers. The first pilots were held in 2012 to test and tune the workshop content.

### 6.4.3 Integrity

2012 was an eventful year for Ballast Nedam in terms of integrity and compliance in the light of various media reports. Ballast Nedam and the Public Prosecutor's Office have reached a settlement in the investigation of payments made to foreign agents in the 1996-2003 period, whereby the subsidiaries within which the former foreign activities took place will pay the Public Prosecutor's Office 5 million euros and the group will irrevocably withdraw its claim on the Tax and Customs Administration for 12.5 million euros. In January 2011, Ballast Nedam handed over the accounts resulting from an internal investigation, to the Public Prosecution Service and pressed charges. Subsequently Ballast Nedam has cooperated in the criminal investigation conducted by the Fiscal Information and Investigation Service (FIOD) and the Public Prosecutor's Office, and will continue to do so in the ongoing investigation of third parties. Legal proceedings against a former director have now concluded after several years.

It was resolved in 2012 to further tighten the existing compliance policy and to give priority to compliance and integrity throughout the organization.

#### 6.4.3.1 Tightening of compliance organization

In January 2013 a Chief Compliance & Risk Officer (CCRO) was appointed to manage the compliance policy for Ballast Nedam as a whole. The CCRO will also oversee the implementation of the tightened compliance guidelines within a new management system, which comprises the Ballast Nedam corporate compliance charter, the Ballast Nedam code of conduct for conflicts of interest and bribery, and a fraud protocol. The CCRO will also monitor observance of the compliance guidelines. The CCRO reports to both the Board of Management and the Supervisory Board.

Each business unit will have its own compliance officer, with responsibility for operational compliance and a role as confidential adviser for employees. A compliance officer will also be appointed for specific international and other projects. Any infringements of the code of conduct or the compliance guidelines must be reported to the compliance officer. It will also still be possible to report infringements anonymously on the hotline, both internally and externally.

The compliance officers and the CCRO are accompanied by the Corporate Compliance Council, which is Ballast Nedam's umbrella advisory body on compliance-related operational issues. The Corporate Compliance Council consists of the Ballast Nedam company secretary, the Director of Communication and Investor Relations, the cluster Managing Directors and the CCRO. The Compliance Shared Service Centre.

#### 6.4.3.2 Vision

Our aim is for all our employees to be aware of the Code of Conduct and compliance guidelines and to act accordingly. Our employees must display integrity and honesty, must not be corrupt, must respect others and refrain from discrimination. 'Creating enduring quality' is the guiding principle throughout Ballast Nedam, and therefore also underlies the compliance and integrity strategy. Ballast Nedam integrates compliance into all aspects of the business activities. This is how we add value and protect the interests of Ballast Nedam, our employees, customers, business partners and other stakeholders.

#### 6.4.3.3 Policy

All employees are required to be aware of Ballast Nedam's compliance policy and Code of Conduct, and to understand and comply with the principles involved. Ballast Nedam operates a zero-tolerance policy in respect of infringements of the compliance policy and the Code of Conduct. Alleged infringements are investigated thoroughly. Immediate measures are taken if the investigation finds that infringements were committed.



On 1 January 2013 Ballast Nedam appointed Ms S.C. Bleker-van Eyk as CCRO. She is also programme director of the Compliance & Integrity Management postgraduate programme at VU University Amsterdam and deputy chair of the Government Integrity Board (OIO).



#### FLORIADE BRIDGE, VENLO

More than two million visitors to the Floriade world horticultural exhibition crossed this bridge over the A73. It was designed and built 'cradle-to-cradle' in accordance with the Floriade philosophy; the materials can be reused or returned to nature without loss of quality. The Floriade Bridge was the winner in the Engineering Consultancy category of the 2012 Tekla BeNeLux BIM Award.

Since 2010 Ballast Nedam has applied a revised Code of Conduct that is compulsory for all employees. The Code of Conduct shows what we stand for. The Code represents our core values:

- integrity;
- sustainability;
- internal teamwork;
- safety;
- respect;
- professionalism.

The Code of Conduct is the basis for the behaviour of everyone who works at Ballast Nedam; the managers play an important part by setting a good example.

#### 6.4.3.4 Objectives 2012

No infringements of the Code of Conduct.	Not achieved
To have 100 per cent of Ballast Nedam managerial, technical and administrative staff take an e-learning training module about the Code of Conduct within six months of joining the company.	Not achieved

There were twenty reports of infringements of the Code of Conduct in 2012. The reports were concerned with fraud, corruption, forgery of documents and theft. After further investigation one report was deemed impossible to prove. Thirteen reports are still under investigation.

Appropriate measures have been taken in respect of the other six reports. No incidents of discrimination were reported.

Within six months of joining the company, managerial, technical and administrative employees take an e-learning module about the Code of Conduct. In the past year, 172 employees took this e-learning module of which 166 employees (96 per cent) have concluded the module within the time frame of six months. This means we have not achieved the objective. The other 4 per cent managerial, technical and administrative employees have not yet finished the module, didn't finish the module in time, or have left the company within the time frame of six months. Among the 172 participants in the e-learning module were twenty-five managers. The e-learning module challenges them to think about integrity dilemmas.

In addition, fifty-nine Ballast Nedam managerial staff attended a meeting in 2012 about Ballast Nedam's tightened compliance policy. As a result, six per cent of all Ballast Nedam employees attended a company training course about anti-corruption policy and procedures.

In 2012 no legal proceedings were brought for anti-competitive behaviour, anti-trust, or monopoly practices. In 2012 Ballast Nedam has not been imposed significant fines for noncompliance with laws and regulations relating to the supply and use of products and services.

In 2012 we defined a central sponsoring policy and drew up sponsoring guidelines in line with the Ballast Nedam integrity policy. Section 6.6.2 *Community investment* on page 131 explains our sponsoring policy.

#### 6.4.3.5 Objectives for 2013

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To have 100 per cent of Ballast Nedam managerial, technical and administrative staff take an e-learning training module about the Code of Conduct within one month of joining the company.

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To survey and analyse the risks related to the Code of Conduct.

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To draft an investigation manual, specifying the procedure to be followed when investigating reports of fraud and other unethical acts.

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To implement a web tool for reporting compliance and integrity infringements.

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To implement a web tool for requesting and reporting all gifts and entertainment.

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In the coming year we will focus on implementation of the compliance guidelines and the implementation of the new compliance organization, which we will achieve by raising awareness and creating operational controls. We create awareness by communicating the policies through internal channels, general training courses and upgraded e-learning modules. We are setting up special training courses for high-risk groups, and we will train detection groups in how to recognize compliance risks.

#### Dutch standards organization NEN Compliance Programmes committee

Ballast Nedam chairs the new Compliance Programmes standards committee. The standard is intended to guide organizations in devising, developing, implementing, monitoring and improving an effective compliance programme.

The standards committee provides the Dutch contribution to the development of an ISO international standard for compliance programmes. An international standard provides guidelines for designing appropriate processes and procedures to reduce the noncompliance risk. Delegations from the participating countries will start in early 2013 on the joint definition of the scope.

It became apparent in 2012 that there is considerable interest in compliance management in the Netherlands. It gives companies an instrument for organizing the implementation and monitoring of all internally established and externally imposed rules, which may vary from internal codes of conduct and integrity and safety instructions, to environmental or market regulation legislation. For supervisors a standard provides assessment criteria for how well an organization has organized observance of the applicable rules.

The standard is important for all organizations involved in voluntary agreements and obligations regarding legislation, industry codes and codes of conduct, as well as the environment and society.

## 6.5 Chain cooperation (market)

We also share chain responsibility with the stakeholders for creating optimum value. To this end we work on innovations for creating a high quality living environment, by balancing nature, housing and mobility, and optimizing energy supplies.

### 6.5.1 Chain responsibility

Working together in the chain is becoming increasingly important in our industry too. We interpret chain cooperation as an extensive and project-transcending collaboration in the construction industry. Chain cooperation allows us to operate in a more market-operated way, add customer value, reduce failure costs, increase customer satisfaction and promote sustainable innovation in the industry. We share responsibility through this cooperation for a project or product, which demands openness and transparency; only then can we make the best use of each other's knowledge and capacities. For that to work we need to trust each other; then parties will be willing to act transparently and communicate openly. It takes time, dedication and effort on the part of all chain partners to build openness and transparency. Our public-private partnerships demonstrate that Ballast Nedam champions chain cooperation.

#### 6.5.1.1 Policy

In its chain responsibility, Ballast Nedam includes the total life cycle of a project or feature, which we refer to as the horizontal value chain of development, implementation, management, maintenance and reuse. We also involve the vertical chain, which adds value to the horizontal chain through innovative strength, cost efficiency and optimally coordinated purchasing. An essential element is skills in process technology, easily assembled products and an efficient distribution system.

Ballast Nedam seeks to enter into chain cooperation mainly with internal and external supply parties. We are working towards a situation of efficient cooperation between our partners throughout the chain in which we work. Our starting point is that all parties must have a sense of responsibility for people, the environment and the community, and be able to demonstrate that they act accordingly.

We strive to involve our chain partners as early as possible when devising optimum solutions. Suppliers know their products best; our task is to sit around the table with them at an early stage to identify the best solution for a given project.

#### 6.5.1.2 Objectives for 2012

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For the Code of Conduct to be an integral part of every new purchasing contract as of 1 March 2012.	Achieved
For all Ballast Nedam suppliers and subcontractors to be able to demonstrate a relative CO <sub>2</sub> reduction from 2017 onwards.	In progress

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#### 6.5.1.3 Results for 2012

Our purchasing contract refers to the general purchasing conditions and the Ballast Nedam Code of Conduct for subcontractors and suppliers, which applies to all our subcontractors and suppliers throughout the chain. In 2011 we further tightened the Code of Conduct by adding environmental and community-related requirements. The new code was implemented in the first quarter of 2012.

Since 2006, Ballast Nedam has subscribed to ILO and OECD guidelines, and expects the same of its suppliers. For example, if we hear people on a project complaining about the accommodation that our subcontractor provides for employees, then we take the signal seriously and resort to action. Ballast Nedam's ISO 14001 and 9001 certification means that the associated activities are embedded in our processes. We also expect our subcontractors and suppliers to comply with these standards on the construction site. Any subcontractors or suppliers who infringe the national or international rules are placed on our supplier black list, which happened to some companies last year following unethical behaviour. When we do business with suppliers from 'risk countries', then as well as quality we also investigate their possible use of child labour and whether their working conditions are satisfactory. If we have reasonable doubt about the supplier's compliance with Ballast Nedam's Code of Conduct, we engage an external auditor to perform social, quality and environmental checks. This situation did not arise in 2012.

In 2012 our buyers attended a workshop about socially responsible purchasing, which explained the importance of CSR and how to raise discussion of social and ecological issues, such as energy consumption, CO<sub>2</sub> emission, working conditions and safety. In the spirit of the CO<sub>2</sub> performance ladder, we are also encouraging our supply chain to reduce its footprint on the environment. Our aim is that in five years' time suppliers will be able to demonstrate a relative CO<sub>2</sub> reduction. Each year we routinely ask our suppliers to provide a footprint, with which we fulfil the objective set down in the standards of the CO<sub>2</sub> performance ladder.

We also accept our chain responsibility for eliminating waste. In 2013 we will implement the Ballast Nedam waste management plans (see Section 6.3.3 on page 99) in our cooperation with chain partners, thereby also fulfilling our waste and recycling objectives.

Some of our buyers attended a Lean Building course. Lean is a tool for optimizing operational processes, which focuses on avoiding work that adds no value to the end product. Lean Building also plays an important part in extensive chain cooperation. This method seeks to raise efficiency, and therefore to work smarter as opposed to harder. It is important for us to optimize the entire process in the chain, not just the process within the individual companies.

For the new building chain we are also using a Building Information Model (BIM). BIM is an object-oriented approach to cooperating throughout the life cycle. BIM lowers project costs, shortens turnaround times and raises quality. We present several initiatives below that we have tackled together with the chain.

#### *Example from the concrete chain*

Ballast Nedam is part of MVO Nederland's 'Verduurzaming Betonketen' (Sustainable Concrete Chain) programme. At the 'Betondag' event on 15 November 2012, the Directorate-General for Public Works and Water Management and the companies participating in the 'MVO Netwerk Beton' signed the Green Deal 'Concrete 1.0', which is a list of ten specific cooperation-related improvement measures to make better use of the strengths of existing technologies. This also includes a quest for new technologies to make the entire chain more sustainable. For example, innovative developments in recycling technology and new binding agents present opportunities in sustainability. The Biodiversity Scout also offers specific action perspectives for making the entire concrete chain more sustainable. Our objective is to work jointly in the chain towards sustainable resource extraction, buildings and constructions. Five working groups (definition, energy, emissions, raw materials, biodiversity and ecosystem services) are engaged on this vision (see also Section 6.3.4. *Materials* on page 101).

### LNG FILLING STATION, ZWOLLE

In 2012 Ballast Nedam built the first public LNG filling station, which is operated by the LNG24 subsidiary. The station in Zwolle serves many transport operators, whose vehicles now run cleaner and quieter on LNG. LNG is a suitable fuel for the transport sector, for both road vehicles and shipping, and is a sustainable alternative for diesel.





#### *Unique chain cooperation in new building in Futura, Zoetermeer*

Futura in Zoetermeer is the first apartment in the Netherlands to achieve the extremely ambitious BREEAM sustainability standard 'very good'. Bouw & Ontwikkeling West has embarked on a new course with this project, which emphasizes future-oriented working and chain cooperation in all aspects. The key words are trust and transparency. The partners, who came together after an extensive selection process, are moving ahead together and supporting each other to achieve the optimum result. This is how we are building a long-term relationship to constantly raise the efficiency of the development and design process, and therefore also the implementation (see also Section 6.3.1.4 *Results 2012: about the CO<sub>2</sub> performance ladder on page 95*).



#### *Two-and-a-half years gained in the major maintenance of 1 950 homes in Schollevaar*

The Havensteder housing association and Ballast Nedam have been working since 2010 on an innovative method of cooperation with each other, their comakers and, last but not least, the residents. As a result the total major maintenance of 1 950 homes in Capelle aan den IJssel was completed ahead of schedule: in four years instead of six-and-a-half. The satisfied residents have given the major maintenance work a generous 7 out of 10. We are using the same method of cooperation in a major maintenance project for the De Sleutels housing association in Leiden. A conspicuous benefit of this approach is that it regains the residents' trust and achieves a high customer satisfaction score. The results in the money and time dimensions are also satisfactory because of the shorter preparation time.

#### *BN-Breakfastclub.nl*

Alongside the Stakeholder Dialogues (see Chapter 7 *Stakeholder analysis* on page 139) Ballast Nedam has also set up a Breakfast Club to engage new and existing customers in dialogue about chain cooperation. Our website [bn-breakfastclub.nl](http://bn-breakfastclub.nl) invites clients to breakfast in the I room at our regional office in Rotterdam. We discuss chain cooperation and how we can support each other. The 'I' in I room stands for innovation and inspiration.

#### *Agreements with shipping companies and forwarding agents*

In 2012 Ballast Nedam conducted interviews through the purchasing and logistics department with shipping companies and forwarding agents about the use and development of cleaner marine engines. The interviews are consistent with our LNG ambitions for shipping. We also discussed the Code of Conduct for subcontractors and suppliers at these interviews.

Ballast Nedam is the first Dutch construction company to be a member of the Clean Shipping Index, with which Ballast Nedam seeks to oppose the use of polluting vessels and promote the use of cleaner marine engines. As a member of the Clean Shipping Index, Ballast Nedam will make maximum use of nominated shipping companies for transporting goods.

#### **6.5.1.4 Objectives for 2013**

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To hold two dialogues about partnership and sustainable purchasing with the top 20 suppliers that have done business with Ballast Nedam for more than ten years.

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We started engaging our customers in dialogue in the Breakfast Club in 2012. In 2013 we will also engage our most important suppliers in dialogue. The theme will be socially responsible purchasing. The purpose of these dialogues is to achieve our ambition: for all Ballast Nedam suppliers and subcontractors to be able to demonstrate a relative CO<sub>2</sub> reduction in 2017.

We will also extend our annual supplier contract audits on project level. Currently our end-of-project assessments cover only quality aspects. We will now include in these assessments issues such as integrity, the use of FSC controlled wood, the Flora and Fauna Code of Conduct, the Ballast Nedam Code of Conduct, and administrative matters.

Moreover, Ballast Nedam started in 2012 on drafting a master contract with the external audit bureau SGS. The underlying plan is to assess suppliers in a uniform way, possibly in advance or in response to suspicions. CSR issues covered in the audit include human rights, working conditions, safety, and environmental matters. With the above measures we are professionalizing and improving the auditing of our chain partners.

### 6.5.2 Innovation, the common denominator

Innovation is deeply anchored in our organization. The point is to plough back innovations of proven practical value for our customers' benefit. Besides substantial upgrades we also innovate through stepwise improvement. Our approach to innovation sets us apart from others and strengthens our position on the growth market of integrated projects and niche markets. Innovation matters to Ballast Nedam: it is the only way for us to continue to provide sustainable total solutions. Innovation allows us to renew ourselves, explore new avenues together, and take the lead in our industry and for our customers. Our conviction is that innovation creates opportunities for sustainability, and vice versa.

#### 6.5.2.1 Policy

To ensure that innovation permeates every part of our organization, we are building a virtual innovation network within Ballast Nedam. This involves creating a shared language and doing all in our power to encourage creativity. We also pursue continuous communication and information provision.

Innovative developments therefore occur throughout the organization: in the departments, the projects and the plants. Some examples of our initiatives to promote innovation are:

1. tok!, Ballast Nedam's digital ideas and discussion platform;
2. the 'tok! formula'. This is a well-rounded set of activities surrounding the tok! platform, including the tok! ideas cafe (for pitching ideas), tok! brainstorming sessions and tok! information sessions (innovation lectures);
3. the tok! innovation panels, in which we discuss specific subjects with stakeholders with a view to effective cooperation;
4. the Ballast Nedam Innovation Day, where we join with the organization to reflect on the results of our innovative efforts in the past period.

#### 6.5.2.2 Objective for 2012

To implement in 2012 three sustainable innovations through cooperation on innovation with chain partners.

Achieved

The three innovation panels in 2012 were about city and energy, corporations, and modular building. The purpose of an innovation panel is to engage in dialogue with external stakeholders about a given theme or issue, focusing on customer value and identifying which new product-market combinations should be developed. Customers benefit by gaining in-depth knowledge of the market and from the resulting proactive innovative effort that creates customer value. The innovation panels put us in a better position to understand the market and client needs, and to gain a clearer view of relevant trends. The innovation panels are based on open dialogue, and a customer and business focus that is compatible with Ballast Nedam's general strategy. Other ways in which we engage in dialogue with our stakeholders are explained in Chapter 7 *Stakeholder analysis* on page 139.

### 6.5.2.3 Results for 2012

The innovative projects we started or implemented in 2012 are given below.

#### *PV Privé*

The PV Privé employee solar panel scheme was an idea submitted by a Ballast Nedam employee to tok!. The idea has since grown to become a department. The scheme resembles the popular company-subsidized PC purchase schemes for employees in past decades, and is an attractive way to help company employees install solar panels on the roofs of their own homes.

In 2012 125 projects were started for Ballast Nedam employees. The Solar business unit has also taken on several larger projects of up to some 1 000 photovoltaic panels. In early 2013 Ballast Nedam won a European tender for the largest intermunicipality solar panel purchasing campaign in the Netherlands. This project benefits 320 000 households and many companies in 28 participating municipalities in the Rivierenland region and the Arnhem-Nijmegen metropolitan region.

The employer is able to exploit the purchasing advantage of a collective scheme and make a contribution to society at the same time. The PV Privé scheme allows employees to generate their own sustainable energy, reduce their CO<sub>2</sub> emission and save a great deal of money on their electricity bills. Employers can include the PV Privé scheme in their sustainable strategy and HR policy.

Ballast Nedam has developed its own innovative website for this business to consumer (B2C) project to coordinate the entire process from intake to advice, implementation and delivery on site. Ballast Nedam's CRM and document management system are important ingredients of this new system, and they allow us to run the operational processes for the PV Privé scheme efficiently.

#### *BIM Data Manager*

The BIM Centre of the Engineering business unit together with ICT and the two Special Projects clusters have developed the 'Ballast Nedam BIM Data Manager' software package, which helps optimize digital quality assurance throughout the life cycle of a project. The data gathered during the building process (e.g. requirements, verifications, documents, work instructions, quantities, changes, building data), are continuously linked with the features in the Building Information Model (BIM). The data also persist into the management and maintenance phases, where they are augmented with inspection data. The data can be conveniently accessed, augmented, optimized, checked and monitored in digital form in all phases of the building process. Ballast Nedam has linked the data, requirements, document and asset management software products to a three-dimensional visual representation of the project (3D Viewer) by means of the BIM Data Manager. The linchpin is the SBS (System Breakdown Structure). In future we will also link other existing software products to the Ballast Nedam BIM Data Manager.

#### *Modular solar roof*

The modular solar roof is industrially fabricated, with the solar panels integrated into the structure. The solar roof can be installed in a single operation, whereby this essential component of the home gains an extra function: it also supplies energy to the house. The modular solar roof was developed jointly with Oskomera Solar Power Solutions B.V. and Kingspan Unidek B.V. The modular solar roof is fabricated under controlled conditions. The concept is compatible with both new and existing buildings. Anyone replacing their 'conventional' roof with a modular solar roof will gain many benefits:

#### **DUBO Award**

The annual DUBO Award is presented at the Sustainable Building Conference for the most sustainable idea, project or product in the Netherlands. In 2012 the Road of the Future (N329) received this award. The road, which was completed in 2013, will be a model of sustainability and visible renewal. The project is unique in the Netherlands, and earned a high jury score for innovation, effectiveness and applicability. The project is managed by the ProN329 consortium (Ballast Nedam and Van Gelder) and is the first infrastructure project to receive this award.



- the solar roof generates electricity;
- the roof plane is better insulated;
- the roof can also be used to heat water (solar water heater);
- replacing a flat roof with a sloping roof creates space in the home.

#### *tok! Open: open innovation*

tok! is an online ideas and discussion platform developed by Ballast Nedam for promoting innovation throughout the organization. All employees are welcome to submit an idea or issue, which will be enriched through discussion and constructive suggestions.

After two years of working with tok! Ballast Nedam launched tok! Open in 2012. The new tok! platform is 'open' in nature, in line with Ballast Nedam's 'open innovation aspirations'. This latest version allows ideas for open innovation to be submitted to both stakeholders and employees, who can then add their thoughts to the ideas and issues. We share the ideas in a secure environment, in which we provide considerable scope for creativity and open collaboration with stakeholders from the industry, knowledge institutes and public authorities. With this form of chain cooperation we are shaping open innovation. The result is new business for Ballast Nedam and our stakeholders.

#### **6.5.2.4 Objectives for 2013**

To implement in 2013 at least two sustainable innovations through cooperation on innovation with chain partners.

After the launch of the tok! platform in late 2010 we have implemented the Ballast Nedam innovation process in the past two years and introduced the tok! formula. In 2013 we will turn our attention to: strengthening the tok! formula with a focus on 'open innovation initiatives':

- the launch of the 'Ballast Nedam Business Case Factory', which will support the business units in the development of business cases based on ideas and issues from tok! Business Model Canvas will be the standard methodology;
- the creation of a technology roadmap together with Ballast Nedam management;
- commercially operating the tok! formula together with strategic partners for interested parties inside and outside the construction industry.

Ballast Nedam intends to become and remain a front runner in innovation, which requires Ballast Nedam to invest continuously in innovation, and in particular on developing new ideas. Needless to say, we also provide the right tools (tok! and the innovation intranet site), promote creativity, bind employees and work on continuous awareness through internal communication. We build business cases using Business Model Canvas to develop the ideas.

#### **Ton Total Tool**

Tonnie Koot, a foreman carpenter at Bouwborg, developed the Ton Total Tool at his own initiative. This system integrates implementation processes, and is a case study in Ballast Nedam's Lean management approach. The system is now being optimized and automated to make it useable on any Bouwborg site. Tonnie's initiative won the Innovation Award at the 2012 Ballast Nedam Innovation Day in the 'Construction site and production workers' and 'popular choice' categories.

#### **Plug and Play Core**

The Plug and Play Core is a completely new approach to sports stadium design. This modular solution has been developed for simple dismantling, transport and reuse in various forms. This concept won the Innovation Award in the 'Office-based employees' category at the 2012 Ballast Nedam Innovation Day. There is a description of this modular product brand in Section 1.3.1 *List of brands* by segment on page 21.

## 6.6 Being at the heart of the community (community)

This section explains how Ballast Nedam contributes to the local communities in which we work, which we achieve through community relations management, community investment and social sponsoring.

### 6.6.1 Community relations management

#### 6.6.1.1 Policy

Ballast Nedam defines *community relations management* as the entire range of activities for identifying and involving all parties in the surrounding community. The purpose of these activities is to identify the shared and different interests, with a view to the joint achievement of the project objectives. We manage and measure progress on communication, safety and careful work, together with an environmentally aware and social attitude.

*Community relations management is an instrument for managing the interface between a project and the people and organizations involved in the surrounding community. The aim is to bring about good relations between the project organization and the various stakeholders nearby. In line with our policy, our project plans factor in the safety of, and clear communication with, the public, employees, customers and other stakeholders.*

#### 6.6.1.2 Objectives for 2012

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To submit all projects with a value above 5 million euros and every city-centre project above 250 000 euros in the Netherlands as a Bewuste Bouwers project (similar to the Considerate Constructors Scheme in the UK).	Partly achieved
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To embed community relations management into the project organization of all projects with a value above 500 000 euros.	Partly achieved
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#### 6.6.1.3 Results for 2012

In the first half of 2012 Ballast Nedam embarked on embedding community relations management more broadly in the organization. We specified the community relations management role on the basis of the Bewuste Bouwers code of conduct. Project leaders and bid managers joined forces to develop community relations management within Ballast Nedam, through better coordination of community relations management between the bid teams and the operational organizations. Ballast Nedam had previously developed a standard methodology for including community relations management in tenders. A policy proposal based on practical experience has been submitted, setting down Ballast Nedam's proactive approach to and application of community relations management. Our ambitions therefore go beyond the Bewuste Bouwers code of conduct. Ballast Nedam is the first construction company to participate in the *Bewuste Bouwers toolbox training programme*.

The Bewuste Bouwers organization investigated a random selection of construction sites on projects worth over 500 000 euros. The construction sites visited were found to comply with the Bewuste Bouwers code of conduct.

*The Bewuste Bouwers toolbox training programme was developed together with the national Bewuste Bouwers code of conduct for construction sites. This code of conduct sets out to improve the construction industry's image by professionalizing community relations management.*

#### 6.6.1.4 Objectives for 2013

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To submit all projects with a value above 5 million euros and every city-centre project above 500 000 euros in the Netherlands as a Bewuste Bouwers project.
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To extend the quality manual to embed community relations management into the projects.
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In 2013 we will continue to raise awareness of, and support for, community relations management within projects. All projects that meet the criteria specified in the objectives must also register with Bewuste Bouwers.

We will also focus on the supply companies, whose 'permanent' local presence gives them an important community relations management role. We will be thoroughly investigating the role of community relations management in the supply companies.

### 6.6.2 'Community investment'

Social responsibility is second nature and a serious issue for Ballast Nedam. We invest in the community to improve the quality of life for everyone. Our active social responsibility policy is directly related to Ballast Nedam's vision and our core activities. This means that we support those local communities with the greatest need with a combination of time, knowledge, money and expertise. The aim is to understand the impact on communities of our operational choices, and to identify the social issues that affect them.

#### 6.6.2.1 Policy

Ballast Nedam creates enduring quality by targeting excellent investment programmes on the communities that need them most. By providing them with long-term support in their social issues, Ballast Nedam aims to make the greatest possible positive impact. Our conviction is that the community benefits most from a targeted, long-term involvement. Society as a whole also gains from this. Our investment programmes pursue the following three policy themes.

##### *Education*

Our aim is to help a group of young people, in particular those with a social disadvantage, to build a successful career with support from Ballast Nedam.

##### *Employment*

Our objective is to enable people who have a substantial barrier to overcome, to acquire skills, knowledge, experience and self-confidence. Ballast Nedam's main targets are people at the lower end of the labour market and those starting their careers. Our efforts may make it easier for them to find or keep a job.

##### *Entrepreneurship*

We want to bring about social change, and accordingly we support and initiate partnerships that are able to solve social issues. We aim to improve the social and economic wellbeing of the community in this way.

#### 6.6.2.2 Objectives for 2012

To identify our current community investment activities and assess them against the newly formulated policy.

Achieved

The centralization of Ballast Nedam's support services in 2011 permitted the central control and facilitation of community investment in 2012. The aim in 2012 was to map out our range of community investment activities, improve their cohesion, and make improvements.

On behalf of Woonbedrijf SWS Hhvl, Bouwborg is renovating 83 occupied homes on Marseillelaan in Eindhoven. As the renovation project proceeds, people carry on with their everyday lives as normal. Effective coordination and reliable communication are vital to the project's success. Alongside personal communication, Bouwborg holds information meetings for the residents. A multilanguage DVD and a website for this multicultural target group were also produced together with Woonbedrijf. The great importance of good relations with residents, before and during the building work, led Bouwborg to produce a code of conduct that is binding on its own employees and any subcontractors.

### 6.6.2.3 Result for 2012

In 2012 we achieved our community investment objective. Some examples of our achievements are given below.

#### *Bringing our sponsoring activities into line with the community investment policy*

Ballast Nedam aims to contribute to society through its sponsoring activities. An important consideration is that we need to know exactly what our sponsoring activities are. In 2012 we therefore set about mapping out all Ballast Nedam's sponsoring activities and creating a central recording system. A central sponsoring policy was also defined, and sponsoring guidelines drawn up in line with the Ballast Nedam's integrity policy (Section 6.4.3 *Integrity* on page 119, explains our integrity policy). Among the implications are that prior Board of Management approval is required for sponsoring activities above 2 500 euros. The Managing Director of the relevant cluster gives permission for amounts less than 2 500 euros. All sponsoring applications must be submitted through the Director of Communication & Investor Relations.

Our sponsoring activities focus on three issues:

- working together to help charities through sport and communal exercise;
- working together on human and wildlife welfare;
- working together on culture and education.

#### *We actively pursue socially responsible activities*

Both the sponsoring and community investment policies are under the control of the central Communication & Investor Relations department, which in 2012 sought opportunities for Ballast Nedam to be more involved in social sponsoring activities and activities oriented to helping communities with the greatest need. We will continue this strategy in 2013. One of the consequences has been the cancellation of almost all skybox contracts with national football clubs for the coming 2013 season. The number of sponsoring activities has also been reduced.

#### *Contribution to the TNO manual for social return for contractors in the construction and infrastructure industries*

In October 2012 TNO published a social return manual on behalf of the Labour Market Issues Committee of the collective agreement partners in the construction industry. Ballast Nedam subsidiary Laudy Bouw & Ontwikkeling and other companies contributed to the manual in the form of interviews.

#### *Our social return projects identified*

In 2012 we embarked on mapping out the social return projects. Ballast Nedam has 24 ongoing social return projects. Ballast Nedam defines social return as the agreements made with clients about contributions to work and general experience for people at the lower end of the labour market and those at the start of their careers. Many, but not all, agreements involve an obligation. The most common form in Ballast Nedam is the 5 per cent rule (5 per cent of the wage or contract sum). However, social return may also come from achieving re-entry to the labour market together with Stichting Aanbouw, or running 'flash training' programmes together with JINC.

### 6.6.2.4 Examples of community investment

Ballast Nedam makes a positive impact on society through community investment. The investment in the various policy themes in 2012 is presented below.

## Education

### - IMC Weekend School

Ballast Nedam is to work together with IMC Weekend School in Utrecht. IMC Weekend School helps socioeconomically disadvantaged young people between the ages of ten and fourteen to familiarize with countless interesting fields from the worlds of science, the arts and the professions. Ballast Nedam actively contributes to defining the curriculum for this supplementary education for school-age children. On 15 April 2012, the mayor of Utrecht, Aleid Wolfsen, presented 25 certificates, which is the highest number presented since the school's foundation six years ago.

The collaboration with IMC Weekend School is in line with our vision of 'working together for a better living environment, today and tomorrow'. We perform our work at the heart of the community, and we are fully aware of the impact of our work on the living environment. Social sponsoring makes a positive impact in the local communities where we work.

### - Flash training programmes together with JINC

Ballast Nedam holds 'flash training' programmes together with JINC. JINC offers primary and secondary school children an opportunity to gain practical experience. This organization helps young people from deprived areas to make a good start on the labour market. Its approach is to link schools with companies. Last year ten pupils from the Amadeus Lyceum in Vleuten visited our new construction project for 91 homes in the town. Ballast Nedam gave a guided tour and a presentation, and the children built a wall by themselves.

### - Alexanderhof in Hapert

In 2012 Ballast Nedam started the trainee building site on the Alexanderhof project in Hapert, where 23 new homes for senior citizens are being built. Fundeon has entered into a covenant and Ballast Nedam and the subcontractors have made a commitment to the trainee building site. Last year four trainees gained practical experience here. The project carries the Bewuste Bouwers quality mark.

### - Master class in building law, Utrecht University

Ballast Nedam is on the advisory board for the master class in building law at Utrecht University, in which eleven organizations are participating. The participants represent the broad field in which building law practitioners work. The master class started on 1 February 2013. The master class is a unique way for students to meet experienced lawyers specialized in building law. The partners jointly defined the master class content. The partners have signed a covenant with Utrecht University setting down their contribution. Ballast Nedam makes a financial contribution and we are providing six lecturer-hours to the lesson programme. The Legal department is also providing two eight-week internships and we are hosting two lectures at our Erasmus Medical Centre project in Rotterdam. Ballast Nedam is performing this project (and the associated lectures) together with BAM.



'The weekend school is more fun than being a couch potato: you do things for yourself here.'

Annual construction industry orientation events are held in various regions. They are an initiative of the Dutch Construction and Infrastructure Federation (Bouwend Nederland) and several universities of applied sciences. The events give them an opportunity to acquaint themselves with building. Ballast Nedam arranges for guided tours and presentations of our construction and infrastructure projects for various groups of first-year university of applied sciences students in architecture, civil engineering and business administration. The events give the students an attractive and realistic picture of the jobs within, and all aspects of, our company.

### *Employment*

Ballast Nedam makes agreements with temporary employment agencies, job centres and welfare organizations to promote employment in the communities around our projects.

- A2 school

The A2 school is operated jointly by the City of Maastricht, the Employee Insurance Agency (UWV) and the sheltered employment organization. The joint goal is to help people who are estranged from the labour market to find work. They are given training in work that is specifically oriented to construction of the A2 tunnels, which provides them with an income, training and work experience for the future. This makes the A2 Maastricht project a stimulus for long-term employment. In 2012 we created 75 work experience places, as set down in the covenant. The A2 school recruits and selects the candidates from the target group (social return).

- Aqueduct in Western Approach Road

The provincial government of Friesland and the municipality of Leeuwarden are building the Western Approach Road to improve access to Leeuwarden. The road includes an aqueduct in the Van Harinxma canal. Project contractual agreements have been made with the client and contractor regarding a contribution to work and general experience for people at the lower end of the labour market. In 2012 there were three social return employees on the project.

- Erasmus Medical Centre

A voluntary covenant with the City of Rotterdam and Stichting Aanbouw for the Erasmus Medical Centre sets out to help people re-enter the employment market, four of whom joined the project in 2012.

### *Entrepreneurship*

- Development aid in Ghana

The objective of our development assistance in Ghana is for the people and organizations we support to become self-reliant, and in due course to need no more help. Ballast Nedam has been contributing for some years to various activities in Ghana. Our physical presence in the country enables us to ensure that money and goods arrive at the right place. Last year much work was again put into the Countryside orphanage in Bawjiase and the HIPS School in Weija, Ghana. They have been able to rely on the support of individual Ballast Nedam employees for several years. With last year's contribution, two new primary school classrooms have been built on the orphanage site. In 2013 Ballast Nedam made a donation to the orphanage to enable them to continue development in 2013.

- Support to Oxfam Novib for microcredits

Gebr. Van Leeuwen Harmelen B.V. and Ballast Nedam's Funderingstechnieken and Offshore business units are Oxfam Novib business ambassadors. Standing firm together in the fight against poverty is Oxfam Novib's aim. The objective is to help the poorest people in developing countries set up their own businesses and achieve independence.

- Together for Nieuwegein

Ballast Nedam is one of the partners in the Samen voor Nieuwegein (Together for Nieuwegein) association. Our CEO Theo Bruijninx is a member of the association's Advisory Board. 'Together for Nieuwegein', with support from the Orange Fund and the Rabobank Foundation, brings companies and social organizations together in a network for the exchange of services and resources to strengthen the local community.



#### **MERICI HOTEL, SITTARD**

An imposing wing of a former monastery in the centre of Sittard has been restored and redeveloped into a luxury four-star 48-room hotel. The construction and development were completed in a short timescale, with attention to all details, combining contemporary luxury with clear history.



On Thursday 18 November 2012 Ballast Nedam hosted the Beursvloer event for the third time. Local companies, social organizations and the municipality come together at this event to match supply and demand to produce social transactions in which no money changes hands. A match means that help is offered, such as by providing effort, materials, or know-how. More than ninety companies and social organizations gathered in the Ballast Nedam staff restaurant. This year's event was again a success, with 120 matches, having a total social value of over 110 000 euros.

At this third Beursvloer, Ballast Nedam committed to helping the Skippy children's centre. Ballast Nedam donated a trampoline to the children. Together with two SPBU trainees, Ballast Nedam also renovated the play area in the children's centre and donated the necessary materials. SPBU is an approved work placement company that trains young people in and for the construction industry. In return, the Skippy children made a delightful Christmas bouquet.

#### 6.6.2.5 Examples of social sponsoring

##### *Alpe d'HuZes*

In June 2012 Ballast Nedam employees cycled to the top of the Alpe d'Huez to collect money for cancer research. They made their contribution in the spirit of 'giving up is not an option'. The team cycled together 21 times to the top of the alp (approximately 650 km). Result for 2012: the Ballast Nedam team collected almost 51 000 euros for the charity KWF Kankerbestrijding. Ballast Nedam sponsored the Alpe d'HuZes team financially.

##### *Roparun*

The Roparun is a relay race of over 500 kilometres from Paris and Hamburg to Rotterdam. The teams' sporting feat raises money for people with cancer. The teams' motto is 'to add life to the days, where no more days can be added to the life'. The total Roparun proceeds in 2012 were 5 508 639 euros, which is some six-hundred thousand more than in 2011. The Ballast Nedam team raised 16 263 euros. Ballast Nedam also sponsored the 2012 Utrecht Marathon and the Dam-to-Dam run in Amsterdam.

##### *Concrete Dragons*

The Ballast Nedam dragon boat team 'Concrete Dragons' started in Amstelveen in 1995. Over the years, Concrete Dragons has grown to become one of the seven Dutch competition teams. Ballast Nedam is the main sponsor, and many of the team members also work for us. The objective of Concrete Dragons is to respond to the sporting challenge, without losing sight of fun and fellowship.

##### *Johan Neeskens Foundation*

For the past eleven years Ballast Nedam has sponsored the Johan Neeskens Foundation, which (either independently or with financial support) organizes sporting excursions for children with an impairment or chronic illness. This allows parents some breathing space while the children enjoy the thrills of the excursion (such as archery, diving or fencing). Johan Neeskens and his wife Marlis set up the foundation in 2001. Unfortunately the foundation ceased its activities in 2012.

##### *Management Studies Foundation*

The Management Studies Foundation commissions research into management issues surrounding control, organization and HR policy. Ballast Nedam offers support in the form of a donorship. The foundation uses the knowledge and insights that emerge from the research to support the management of companies and organizations in finding satisfactory solutions to complex issues.



'People participating in the Roparun each have their own individual reasons to join. The Roparun is a heavy race, but does not compare at all to what people having cancer have to face.'



#### **HALFWEG-ZWANENBURG TRAIN STATION**

The Halfweg-Zwanenburg train station is on the oldest rail line in the Netherlands. The station at 'Sugar City' – on the site of the former CSM sugar factory – will have a pedestrian bridge over the track to link the 270-metre platforms. All facilities will be in working order on completion.

#### **6.6.2.6 Objective for 2013**

To add depth to the community investment policy oriented to social return activities that are linked to our projects.

Social return is being applied increasingly by public authorities such as the national and provincial governments, district water boards and municipalities. Social return is now applied by over half the municipalities in the Netherlands (source: TNO). For clients, social return is a means of employing various target groups, such as benefit recipients (e.g. people on welfare, with a work disability, or unemployed), people on civic integration and basic vocational programmes, and early school leavers without basic qualifications.

When submitting proposals, our bid teams are increasingly being requested to cite successes in earlier social return activities, and to propose a social return approach in the construction contract concerned. In 2013 we are therefore developing specific guidelines for the bid teams and the operational organization. Some examples are predefined references, a standard action plan, more professional central documentation and a reporting system for social return projects. These measures represent our first steps towards a Ballast Nedam Social Return Manual.

A close-up portrait of Piet Reijnen, an older man with white hair, wearing a dark jacket and a blue scarf. The background is blurred. An orange graphic element is on the left side of the image.

'Everyday life in the centre  
of The Hague is complex  
enough without the con-  
struction of three towers'

---

Piet Reijnen – project director

# 7

## Stakeholder analysis

In this chapter we describe the various categories of stakeholders that we distinguish. Within each category of stakeholders we explain why these stakeholders are important and how we dialogue with them, and also how we involve them in determining our policy and strategy. Subsequently we report on how we used the feedback derived from the stakeholder dialogs so far and how we will use the feedback in the future.

A new reality is confronting the construction industry. The needs of customers and the community at large are changing. To be able to meet these needs Ballast Nedam must adapt its role accordingly, which has been our active aim for several years. However, the construction industry is merely at the beginning of this transition phase. Speed is of the essence, and Ballast Nedam itself is initiating a dialogue with its stakeholders. Ballast Nedam maintains day-to-day contact with its stakeholders alongside the regular annual stakeholder dialogue. The majority of the contact moments are related to a project or take place in a business unit.

A structured dialogue with our stakeholders allows us to share and sound out, and later to refine, our vision, our policy, our strategy and our expectations. In 2011 we held one-to-one interviews with our stakeholders. We opted for four multi-stakeholder dialogues in 2012, each linked to one of our areas of work – housing, mobility, energy and nature – and how these areas interrelate.

### 7.1 Our stakeholders

Ballast Nedam identifies eight different stakeholder categories: (1) customers/clients, (2) suppliers/subcontractors, (3) employees, (4) local residents, (5) shareholders, (6) public authorities, (7) knowledge and educational institutions and industry associations, and (8) social organizations. We actively engage our stakeholders in dialogue during and outside projects.



The vision of the construction industry's transition phase set out in Jan Rotmans' book *In het oog van de orkaan. Nederland in transitie* (In the eye of the storm. The Netherlands in transition) was on the agenda at the multi-stakeholder dialogues. In an interview in *Blauwdruk*, Ballast Nedam's in-house magazine, Jan Rotmans says: 'The Dutch building industry had lost all flexibility. I started to analyse how that happened. It is predominantly a very inward-looking macho culture and, compared with other industries, rather conservative. If you want to change, you will have to innovate radically.'

### 7.1.1 Clients

An increasing number of integrated contracts on the market draws us increasingly often into tenders based on competitive dialogue. These dialogues provide us with feedback on our plans, which we use to improve our performance – not only on each project, but also more broadly within Ballast Nedam. Once a contract has been awarded the competitive aspect vanishes, to be replaced by open dialogue with the client to ensure due care in project implementation.

Outside the projects we engage in dialogue in professional groups and events, which keeps us informed of the latest trends and developments and gives us an opportunity to exchange knowledge with our clients. An example is how Ballast Nedam and five other construction companies are discussing transparent and meaningful approaches to performance measurement with the ten large municipalities in the province of Zuid-Holland, under the auspices of the Dutch Construction and Infrastructure Federation (Bouwend Nederland). The aim is a better quality-price ratio for customers and contractors alike. Our largest clients hold annual 'market events' to outline the direction they are taking, how their organization is developing and to communicate any specific concerns. Ballast Nedam also attends quarterly thematic meetings that delve into subjects such as sustainability and contract forms (e.g. D&C, DBFM, and maintenance and performance contracts).

We go beyond passive participation, for example by hosting the international LNG for Trucks and Ships Workshop for the NGVA Europe and NGV communication group.

We respond constructively to feedback. For example, a stakeholder contact revealed a need in the market for a small-scale green gas fuelling infrastructure that fleet owners can install on their own sites. Our subsequent internal brainstorming sessions led to the development of a product that satisfies this need efficiently. The result is the Mini Fastfill green gas fuelling concept.

### 7.1.2 Suppliers and subcontractors

Ballast Nedam aims to achieve the maximum customer benefit from the value we add in the chain, which implies chain cooperation with suppliers and subcontractors. We base our early-stage dialogue with major suppliers and subcontractors on the Lean approach, with a view to creating sustainable partnerships, with a specific project in mind or otherwise.

We also invite members of the chain to mutually inspiring knowledge-sharing sessions, one of which is the annual purchasing event. The agenda covers matters such as CO<sub>2</sub> reduction in the purchasing process.

### 7.1.3 Employees: employee representation in Ballast Nedam

There is an open dialogue on all levels in Ballast Nedam between the Central Works Council and management. Employees elect the members of this council. The Central Works Council had sixteen meetings, ordinary and extraordinary, in 2012, ten of which with the Chairman of the Board of Management. Items on the agenda included the overall state of affairs, the yearly and half-yearly figures, a new member of the supervisory board, pension schemes and the reorganizations.

As the need arises the Central Works Council uses employees as a sounding board for ideas, as happened in talks about the reorganization of various business units and departments, including Infra.

Among the topics currently on employees' minds are employment security, safety and training. The findings of the employee satisfaction survey are given in Section 6.4.1.2 *Binding and motivating* (see page 108).

Building Business Reputation Monitor is vital in a challenging market to bind your customers to you, and to give more than they actually expect. A solid reputation is indispensable. It offers considerable competitive advantage and contributes to favourable behavioural intentions to do and keep doing business with Ballast Nedam.

The 2012 Building Business Reputation Monitor has mapped out the reputations of the largest housing associations, consultancies, developers and builders in the construction and housing fields. Reputation is quantified on the following seven main dimensions: service orientation, commercial method, innovative approach, good employment practices, transparency, social responsibility and financial performance. Ballast Nedam was assessed by 120 stakeholders, who can be classified in the following three groups: advisers, developers and government. The familiarity of the Ballast Nedam name among the respondents was 95 per cent, which ranks Ballast Nedam the third most familiar construction company name. We ranked fourth on reputation relative to the other large construction companies. The reputation score in 2012 was almost the same as in 2011.

Ballast Nedam has made progress in the past year on the 'reputation driver' service orientation. The main attributes with a favourable influence on the intention to do business with Ballast Nedam in the future are 'good joint venture partner' and 'know-how'. Ballast Nedam ranked one place higher on 'financial performance' despite a lower score for this driver than last year. Ballast Nedam ranked lower on the reputation drivers 'good employment practices', 'social responsibility' and 'transparency'. These are points for improvement for the company. The reputation monitor shows that Ballast Nedam has achieved good and specific media coverage for the 'implementation of high-profile projects'. Ballast Nedam stakeholders have an above average intention of doing business with our company in the future, which is borne out by an above-average score on the sentiments 'confidence', 'good feeling' and 'respect' that they perceived with Ballast Nedam. Ballast Nedam has discussed the Building Business Reputation Monitor findings internally. In 2013 they are playing a part in the communication and in the internal change management processes for employee attitude and behaviour.

#### 7.1.4 Our project neighbours

We are aware of the impact of our projects on numerous parties with wide-ranging interests in the nearby communities. Ballast Nedam endeavours to reassure these parties, to provide clear information and to minimize disruption. Ballast Nedam provides reassurance and clarity by involving stakeholders early in projects, entering into dialogue with them about the work and the impact-mitigating measures, thereby creating support for the chosen solutions. Due care and reliability are important criteria in this process. The result is a smoothly running project and the identification of opportunities for Ballast Nedam and our clients. The process also contributes to the socially responsible conduct of all Ballast Nedam employees, our partners, subcontractors and suppliers.

#### 7.1.5 Shareholders

As a publicly listed company, Ballast Nedam attaches much importance to maintaining good relations with its shareholders. Investor Relations aims to inform shareholders in a straightforward, honest and transparent way about the strategy of Ballast Nedam, business model, distinctive capabilities, financial position and social responsibility.

The Board of Management provides information to shareholders and investors and regularly engages in dialogue through bilateral talks, roadshows, seminars, the presentation of the yearly and half-yearly figures, and the Annual General Meeting of Shareholders. The Board of Management visits the major shareholders individually in order to provide them with background information and to discuss company strategy. Ballast Nedam also holds a shareholders' excursion each autumn. In 2012 Ballast Nedam and its shareholders visited the A2 Maastricht integrated area development project, where we proudly presented the Avenue2 project. Ballast Nedam and Strukton are the driving forces in this consortium.

#### 7.1.6 Public authorities

The public sector is an important contact for Ballast Nedam in view of its role in regulations, permits, setting priorities and supervision. Municipalities, provincial governments and the national government have a powerful influence on how the various Ballast Nedam companies operate. They are more than important clients; the national government is also an important driver of more highly integrated contracts in construction and infrastructure. We opt for constructive dialogue with these stakeholders, both within projects and through industry associations, such as the Dutch Construction and Infrastructure Federation (Bouwend Nederland) and the Netherlands Association of Property Developers and Investors (NEPROM). We are affiliated with Cascade (raw material extractors), BFBN (concrete plants) and NVLB (building material suppliers) and other organizations that liaise with the regulatory authorities. Ballast Nedam also has representatives on various Dutch standards committees for regulations. Ballast Nedam also participates in various platforms where public and private parties come together, such as the Nederland Boven Water area development programme.

#### 7.1.7 Knowledge and educational institutions and industry associations

Students at universities of applied sciences and research universities are potential employment candidates for Ballast Nedam. Dialogue and partnership with these institutions are therefore important for us. Our main focus is on the universities of applied sciences in the Netherlands, but we also collaborate with other institutions.

Ballast Nedam participates in a variety of national and European partnerships and industry associations. For instance, ENCORD (European Network of Construction Companies for Research & Development) is involved in industry-led research into virtual building (BIM), sustainability, infrastructure, health and safety, Lean Building, population ageing and knowledge management.



The A Lanes A15 consortium of Ballast Nedam, Strukton, Strabag and John Laing proactively engaged residents and road users in the A15 Maasvlakte-Vaanplein project to keep them informed about their specific situation. The measures they took included information evenings, letters to residents, local newspaper articles, eight-weekly work planning and advertisements to warn of impending roadworks. This approach called for close collaboration with municipalities and the Directorate-General for Public Works and Water Management. The skill comes in presenting a uniform message to residents despite the client's and the contractor's differing contractual responsibilities. This communication approach also requires raising the awareness of internal project staff of the impact on people nearby, particularly if work is carried out at night.

In 2012 ENCORD delivered the Construction CO<sub>2</sub>e Measurement Protocol for reporting construction industry greenhouse gas emissions. The protocol augments the GHG protocol produced by the WRI (World Resources Institute) and the WBCSD (World Business Council for Sustainable Development), and is accredited by these organizations.

Ballast Nedam is also a member of ECTP (European Construction Technology Platform), a European network of construction companies, research institutions, universities and industry associations.

In 2012 Ballast Nedam was involved in E2B (Energy Efficiency in Buildings) under the current European Union Seventh Framework Programme, and collaborated in reFINE (Research for Future Infrastructure Networks in Europe), which is drawing up a strategic research agenda (SRA). The European Commission will initiate new research projects on this basis.

### 7.1.8 Social organizations

Ballast Nedam also enters into dialogue with social and non-governmental organizations (NGOs), such as in our partnerships with MVO Nederland (MVO Netwerk Beton), the Dutch Green Building Council (BREEAM Infra), the Stichting Klimaatvriendelijk Aanbesteden & Ondernemen (CO<sub>2</sub> performance ladder) and the Forest Stewardship Council (FSC controlled wood). We have had talks with Groengasmobiel and Urgenda about using green gas for road vehicles, and we have jointly provided information on this subject to a broader public. Together with the Netherlands Environmental Assessment Agency we are implementing the long-term policy for natural assets and landscape.

We maintain contacts between projects and local organizations because they are stakeholders in the integrated approach to a project. We likewise engage in dialogue with the Society for the Preservation of Nature (Natuurmonumenten), the National Forest Service (Staatsbosbeheer) and Limburg Landscape (Stichting Limburgs Landschap) about the conservation or redevelopment of flora and fauna.

## 7.2 Organization stakeholder dialogue

Ballast Nedam held the first regular stakeholder dialogue in 2011. The four multi-stakeholder dialogues we held in 2012 were each linked to one of our areas of work – housing, mobility, energy and nature – and how these areas interrelate.

Our organization prepared for the stakeholder dialogues by investigating the definition of, trends in, and challenges facing each area of work. We listed Ballast Nedam's activities in each area of work and the future scenario we are aiming for. The result is a set of vision building blocks for each area of work that formed the basis for the stakeholder dialogues. Once you know where you want to go in the future, you are in a position to define a strategy for getting there.

Ballast Nedam invited stakeholders for each area of work as representatives of specific categories: clients (public and private sector), suppliers, a knowledge institute, a financial institution and a social organization (see Section 7.1). There were therefore six or seven stakeholders at the table from a variety of organizations, each with their own approach and a distinct relationship with Ballast Nedam.

We asked the participating stakeholders to provide feedback on the definitions of the areas of work, the trends, the vision building blocks for each area of work, and the challenges confronting Ballast Nedam. We are using the outcomes of the dialogues to refine our visions and the definitions of the areas of work, which have already been incorporated in Section 1.3 our *Key activities* on page 17. We also refer to the feedback when defining our strategy.



The dialogues followed a fixed pattern of sharing and discussing the definition, the most important trends and dilemmas, and the vision building blocks for the specific area of work. Each session was chaired by Rob van Tulder, professor of Business and Society Management at Erasmus University Rotterdam and director of the Partnerships Resource Centre. Ballast Nedam was represented by a member of the Board of Management and the cluster director with the most affinity with the corresponding area of work. A second ring of Ballast Nedam staff listened attentively, minuted the discussions and made the occasional contribution to the dialogue.

The stakeholders' response to the invitation was extremely favourable, and they were delighted to have an opportunity to contribute their ideas on the various subjects. The open nature of the dialogue allowed stakeholders to demonstrate the importance of Ballast Nedam's clear communication of the choices facing and being made by the organization.

### 7.3 Materiality analysis

In 2011 we asked a stakeholder to prioritize various CSR issues in order to identify the sustainability aspects that Ballast Nedam should focus on, which was used as input for a materiality matrix. The topics stakeholders found important at the time, for themselves and for Ballast Nedam, were integrity, sustainable resource use, life-cycle management, chain cooperation and innovation and entrepreneurship.

We handled these topics as follows in 2012:

- On integrity, we refined the compliance policy and the organization, including the appointment of a Chief Compliance and Risk Officer, who will further develop the zero-tolerance policy. We also strengthened the compliance organization (see Section 6.4.3 *Integrity* on page 119).
- In order to clarify our view on sustainable resource use, we made 'material use' part of our CSR policy (see Section 6.3.4 *Materials* on page 101). We also contributed actively to the MVO Netwerk Beton and the Green Deal Concrete 1.0 (see Section 6.3.4.3 *Achievements in 2012* on page 102).
- Ballast Nedam also uses the PPP business model for investments in our own business cases, such as CNG Net LNG24 and Wind24, and seeks opportunities for marketing concepts based on life-cycle thinking and acting. A good example of a new partnership of this kind is the Connexion public transport depot, where the business case includes returnability and residual value.
- There have been various chain cooperation initiatives, such as the Lincubator. Ballast Nedam is a front runner in the market for BIM (Building Information Models). BIM and GIS (Geographical Information Systems) support the teamwork between parties in the building process. Data are compiled, combined and reused by Ballast Nedam or external parties. In turn the data are transferred to clients or other parties. The Ballast Nedam BIM Data Manager was developed in 2012 (see Section 6.5.1 *Chain responsibility* on page 122).
- Examples of our efforts on innovation and entrepreneurship include the opening of our digital ideas platform 'tok!' to external parties, the 3D Woonvisualisatie, the energy-neutral iQwoning® and modular construction (see Section 6.5.2 *Innovation, the common denominator* on page 127).
- Internal communication on these subjects focused on raising awareness and knowledge sharing, through reports in Blauwdruk – Ballast Nedam's in-house magazine – on intranet, the internal CSR website and in internal presentations.

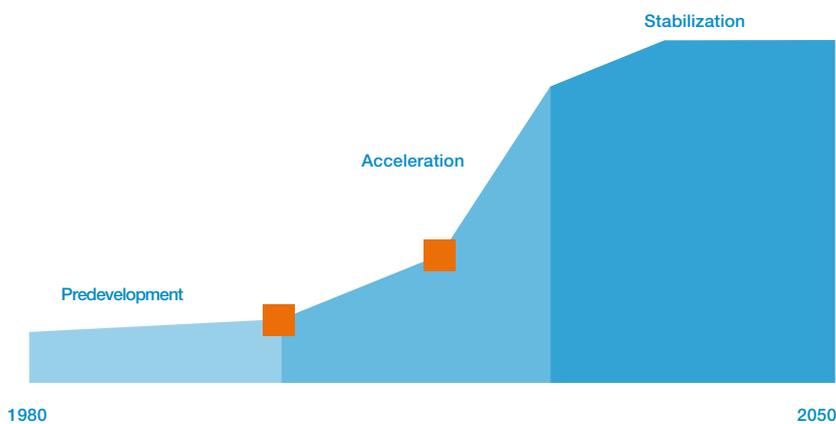
Alongside press releases, external communication consisted of holding or attending events. For example, in September 2012 Ballast Nedam arranged three activities for the Dutch Green Building Week, including a visit to our iQwoning® plant in Weert. The main topics at this event were modular construction and chain cooperation at Ballast Nedam.

Chapter 6 on page 89 presents details of our vision on the various CSR themes, and our related policy, as well as various examples of how we are implementing the policy.

Stakeholders at the various dialogues in 2012 also raised specific CSR issues that they expect Ballast Nedam to tackle. These include the circular economy and the life cycle, product responsibility throughout the life span of a product, energy and CO<sub>2</sub> reduction and chain cooperation. These issues largely coincide with the material issues in the 2011 matrix, which is a clear sign that stakeholders still expect Ballast Nedam to pay serious attention to them.

## Sustainability

### The transition to a sustainable construction industry



source: Dutch Research Institute for Transition (DRIFT) in Rotmans 2012 p. 123

## 7.4 Follow-on to stakeholder dialogues

Jan Rotmans analyses how the construction market is changing. He has observed a transition towards searching for and finding co-creation through smart partnerships, which involves having the courage to not give customers whatever they ask for, but instead to answer the unspoken question. This is a transition to a market in which the key is no longer property, but use value, and in which a dynamic balance must be sought between activities and the ecosystem, and in which we move away from a supply-oriented to a demand-oriented model. It is also a transition from a centralized to a distributed infrastructure, and from 'on-grid' to 'off-grid'. Finally, the 'license to operate' is becoming increasingly important in this new phase.

Stakeholders' response to Jan Rotmans' analysis was that Ballast Nedam is at the very beginning of the transition phase.

Stakeholders are confident that with an integrated approach, focus and courage, Ballast Nedam will be able to move forward in the transition phase.

The analysis of the stakeholder dialogues of the various areas of work paints a picture of the role stakeholders expect Ballast Nedam to take, both within the specific area of work and – more in particular – in a broader context, and in respect to both the definitions used and vision to be developed. Various conclusions and recommendations can be distilled from the analysis. A market-oriented response to the trends and guaranteeing the 'license to operate' will enable Ballast Nedam to take the next step in the transition phase.

We give below the six stakeholder recommendations that impressed us as the most unequivocal:

- stay focused;
- communicate what you want or where you want to go;
- look across the national borders;
- take an integrated approach to the areas of work;
- enter into new partnerships with courage;
- dare to be different.

We will address these priorities alongside the ongoing matters that emerged from the 2011 stakeholder dialogue in the coming year. We are using the outcomes of the dialogues to refine our visions and the definitions of the areas of work. We also refer to the feedback when defining our strategy.

We will be holding stakeholder dialogues again in 2013. We use the feedback we receive from stakeholders to improve our organization. The feedback helps us make choices and add depth to our vision of working together for a better living environment, today and tomorrow.

Nieuwegein, 7 March 2013

Board of Management,

*T.A.C.M Bruijninx*

*P. van Zwieten*

### NEW BABYLON, THE HAGUE

The 'New Babylon' project is one of the largest city centre building projects in the Netherlands. It comprises a large-scale renovation and new building of office towers, two apartment blocks and the Babylon retail, hotel, leisure and office centre (145,000 m<sup>2</sup>), adjacent to Central Station. The underground car park for the complex is linked to the new Anna van Bueren multi-storey car park



# Corporate governance

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8.1	Management and control structure	149
8.2	Report of the Supervisory Board	154
8.3	Members of the Supervisory Board	163
8.4	Remuneration report	164
8.5	Members of the Board of Management	171



'An integrated approach means that everyone involved has something important to gain in the long term'

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Sipke van der Linden – director

# 8

## Corporate governance

The first section of this chapter summarizes how the company is managed. This is followed by the Supervisory Board's report of its supervision of the company and details of the members of this Board. The Supervisory Board then reports on Ballast Nedam's remuneration policy. The final section presents the personal details of the members of the Board of Management.

### 8.1 Management and control structure

Ballast Nedam has a structure of four segments that are formed around products and processes. The segments and clusters are: Building & Development, Infrastructure, Specialized Companies, and Supplies. The structure is unchanged from last year. For full details, please see the website [www.ballast-nedam.com](http://www.ballast-nedam.com).

The Ballast Nedam Board of Management consists of Mr T.A.C.M. Bruijnckx as Chief Executive Officer and Mr P. van Zwieten as Chief Financial Officer. The duties are allocated within the Board of Management in accordance with the structure of segments and the six constituent clusters. The cluster Managing Directors and the Board of Management constitute the Ballast Nedam Concern Council. Ballast Nedam also reports financially in accordance with the four segments. This section outlines Ballast Nedam's corporate governance structure.

#### 8.1.1 Dutch Corporate Governance Code

Ballast Nedam endorses the principles of the Dutch Corporate Governance Code (hereinafter referred to as the Code) and, with a few specific exceptions, applies the best practice provisions of the Code, as explained below. In financial year 2012 Ballast Nedam applied as fully as possible the best practice provisions.

The General Meeting of Shareholders of 10 May 2006 approved Ballast Nedam's corporate governance policy and structure. Neither the company's corporate governance structure nor compliance with the Code have changed substantially in the meantime. The corporate governance structure and corporate governance policy are on the agenda of every General Meeting of Shareholders.

Ballast Nedam does not comply in full with the following six of the Code's significant best practice provisions.

1. We are not observing the maximum term of office of four years (best practice provision II.1.1) and the maximum severance pay equal to the fixed annual salary (best practice provision II.2.8) in the case of Mr Bruijninx. Mr Bruijninx was appointed for an indeterminate period early in 2003, before the Code came into effect. The severance pay agreed with him was one-and-a-half times fixed annual salary, and Ballast Nedam respects these contract terms.
2. The Supervisory Board does not have the power as described in best practice provision II.2.10 to adjust components of remuneration in respect of Mr Bruijninx, and Ballast Nedam respects the pre-existing contract terms. We do incorporate the possibility to adjust variable components of remuneration in the employment contracts of new directors, as has happened in the case of Mr Van Zwieten.
3. The Supervisory Board does not have the power in respect of Mr Bruijninx to claw back components of remuneration awarded on the basis of incorrect financial or other information, as described in best practice provision II.2.11, and Ballast Nedam respects the pre-existing contract terms. We do incorporate the possibility to adjust variable components of remuneration in the employment contracts of new directors, as has happened in the case of Mr Van Zwieten.
4. It is not possible for shareholders to follow analyst meetings, analyst presentations, presentations to institutional and other investors and press conferences simultaneously through webcasting, telephone, or by other means (best practice provision IV.3.1). Ballast Nedam has no plans to introduce these facilities in the near future.

Details of our compliance with the Code are available on [www.ballast-nedam.com](http://www.ballast-nedam.com).

### 8.1.2 Corporate Governance Statement

Ballast Nedam N.V. has included in this Annual Report all statements and announcements as set down in the Code, the Netherlands Civil Code and in other laws and regulations concerned with corporate governance. Our website also has a document that contains all statements and announcements as referred to in the Resolution of 23 December 2004 in respect of additional regulations about the content of the Annual Report.

### 8.1.3 Legal structure

Ballast Nedam N.V. is a private limited liability company under Dutch law, subject in full to the statutory two-tier rules. The issued share capital consists of 10 million registered ordinary shares. Depositary receipts for Ballast Nedam shares are listed on NYSE Euronext Amsterdam. The Ballast Nedam Administration Office issues depositary receipts for shares and administers the underlying shares. As at 31 December 2012, the Administration Office had issued depositary receipts for 99.46 per cent of the capital in issue. Ballast Nedam has no anti take-over constructions.

The company has a Supervisory Board and a Board of Management. The Board of Management requires Supervisory Board approval for certain important decisions.

The Board of Management also requires the approval of the General Meeting of Shareholders for important changes in the identity or character of the company or the business.

If the Board of Management makes a proposal to amend the Articles of Association, which the Supervisory Board approves, the General Meeting of Shareholders will pass the resolution by an ordinary majority of the votes cast. In all other cases, resolutions to amend the Articles of Association are carried in the meeting only by a majority of votes representing at least 70 per cent of the capital in issue.

#### 8.1.4 Supervisory Board

The Supervisory Board supervises the policy of the Board of Management and the general performance of the company and its business, and supports the Board of Management with advice. The Supervisory Board performs its tasks mindful of the interests of Ballast Nedam N.V. and the associated business, taking into consideration the relevant interests of the stakeholders who play a part or are affiliated. The Supervisory Board also takes into consideration in its duties the social aspects of business conduct that are relevant to the company.

In the course of 2012 Mr R.M.M. Boelen stood down from the Supervisory Board of Ballast Nedam for personal reasons. The Supervisory Board currently has four members. All supervisory directors are independent within the meaning of the Code. The General Meeting of Shareholders that was held in May 2012 reappointed Mr A.N.A.M. Smits (Chairman) for a four-year period as a member of the Supervisory Board. The Supervisory Board proposes to nominate a new member at the General Meeting of Shareholders to be held in May 2013.

##### 8.1.4.1 Nomination and appointment

The General Meeting of Shareholders appoints the members of the Supervisory Board as nominated by the Supervisory Board. The General Meeting of Shareholders may reject nominations by an ordinary majority of the votes cast, providing that at least one third of the capital in issue is represented at the meeting. The General Meeting of Shareholders and the Central Works Council may recommend specific people for nomination as members of the Supervisory Board. The Supervisory Board will follow the recommendations of the Central Works Council in nominating one third of its membership. This principle ceases to apply if the Supervisory Board has objections, in particular if the Board expects:

- the nominee to be unfit to perform the duties of a supervisory director;
- the composition of the Supervisory Board to be inappropriate if the recommended appointment were to be made.

The General Meeting of Shareholders may adopt a vote of no confidence in the Supervisory Board by an ordinary majority of the votes cast, provided that at least one third of the capital in issue is represented at the meeting.

##### 8.1.4.2 Remuneration

The General Meeting of Shareholders fixes the remuneration of the supervisory directors. The current remuneration of the Supervisory Board was fixed at the Annual General Meeting of Shareholders in 2005. The remuneration of the Audit Committee was fixed at the Annual General Meeting of Shareholders in 2008.

##### 8.1.4.3 Duties and regulations

The Supervisory Board has formed an Audit Committee, a Remuneration Committee and a Selection and Appointments Committee.

Each within their field of responsibilities, these committees prepare Supervisory Board decision-making and advise the Supervisory Board. The responsibilities and working methods of these committees are laid down in regulations that are posted on [www.ballast-nedam.com](http://www.ballast-nedam.com).

The Supervisory Board Regulations contain additional rules on the allocation of tasks and working methods of the Supervisory Board, and on its dealings with the Board of Management, the General Meeting of Shareholders, and the Central Works Council. These rules are also posted on our website. Personal details of the Supervisory Board members are presented in section 8.3 on page 163 of this Annual Report.

#### **8.1.4.4 No conflict of interest**

No transactions took place in 2012 involving a conflict of interest on the part of supervisory directors, managing directors or natural or legal persons holding at least 10 per cent of the Ballast Nedam shares, of material significance for the company or the person in question.

#### **8.1.5 Board of Management**

The Board of Management manages the company and is responsible for the company's objectives, strategy and policy and the consequent profits. The Board of Management has two members. The Supervisory Board appoints, suspends and dismisses members of the Board of Management. The Supervisory Board notifies the General Meeting of Shareholders of a proposed appointment. The Supervisory Board will dismiss a member of the Board of Management only after hearing the views of the General Meeting of Shareholders on the proposed dismissal.

##### **8.1.5.1 Remuneration**

The Supervisory Board sets the remuneration of individual Board of Management members within the limits of the remuneration policy adopted by the General Meeting of Shareholders. Ballast Nedam's current remuneration policy was adopted at the Annual General Meeting of Shareholders in 2005.

The Annual General Meeting of Shareholders in 2012 gave the Board of Management authority until 16 November 2013 to:

- buy back shares, or depositary receipts for shares, in the company, to a maximum of 10 per cent of the capital in issue;
- issue shares and/or grant rights to acquire shares, to a maximum of 10 per cent of the capital in issue, plus an additional 10 per cent of the capital in issue if the issue coincides with an acquisition or merger;
- restrict or exclude preferential rights to shares to be issued.

The Board of Management requires approval from the Supervisory Board for these acts.

##### **8.1.5.2 Regulations**

The Board of Management Regulations contain additional rules on the allocation of tasks and working methods of the Board of Management, and on its dealings with the Supervisory Board, the General Meeting of Shareholders, the Central Works Council and the external auditors. These Regulations are posted on [www.ballast-nedam.com](http://www.ballast-nedam.com). Personal details of the Board of Management members are presented in section 8.5 on page 171 of this Annual Report.

#### **8.1.6 Management of the clusters and business units**

The Board of Management supervises the cluster management teams, who in turn supervise the management of the business units.

The management of the clusters and of each business unit have clearly defined terms of reference that determine their powers. Board of Management approval is required for projects above a certain value, or with a particular risk profile, before Ballast Nedam can conclude a contract. The same system applies at cluster level for projects of the business units with a certain value and a certain risk profile. Approval from the cluster management team is required for all major and high-risk projects, which must ultimately also be submitted for Board of Management approval. There is additional information about this subject in chapter 5 *Risk analysis and risk profile* on page 75.

### 8.1.7 General Meeting of Shareholders

The Annual General Meeting of Shareholders shall be convened within six months of the end of the financial year. Other meetings of shareholders may be convened by the Board of Management or the Supervisory Board. Shareholders and/or holders of depositary receipts for shares who solely or jointly represent at least 10 per cent of the capital in issue may also convene a meeting of shareholders.

#### 8.1.7.1 Agenda of the Annual General Meeting of Shareholders

The following items at least will be on the agenda of the Annual General Meeting of Shareholders:

- discussion of the Annual Report;
- adoption of the financial statements;
- motion to discharge the Board of Management and the Supervisory Board from liability for their management and supervision, respectively;
- appointment of the external auditors.

Shareholders and/or holders of depositary receipts for shares solely or jointly representing at least 1 per cent of the capital in issue, or who represent a value of 50 million euros according to the official list of Euronext Amsterdam N.V., have the right to propose agenda items. The company will accept requests of this kind. Requests must be submitted at least sixty days prior to the date of the meeting.

#### 8.1.7.2 Voting right and decision procedure

Each shareholder and holder of depositary receipts for shares has the right to attend and address the General Meeting of Shareholders, and to exercise voting rights at that meeting. In order to exercise such meeting rights, shareholders and holders of depositary receipts for shares must comply with the conditions stated in the announcement of the meeting. In convening a meeting of shareholders, the Board of Management makes use of a registration date. Each share or depositary receipt for a share affords the right to cast one vote. All resolutions of the General Meeting of Shareholders shall be carried by an ordinary majority of the votes cast, unless a larger majority is required by law or the Articles of Association.

#### 8.1.7.3 Voting results and minutes

The results of votes cast for each agenda item at a General Meeting of Shareholders shall be posted on the company's website [www.ballast-nedam.com](http://www.ballast-nedam.com) within fifteen days of the meeting. The draft minutes shall be posted on Ballast Nedam's website within three months of a General Meeting of Shareholders. Shareholders and holders of depositary receipts for shares may respond to the draft minutes in the subsequent three months. The Chairman and Secretary of the General Meeting of Shareholders will then adopt the minutes.

### 8.1.8 Depositary receipts for shares

If the Board of the Ballast Nedam Administration Office exercises its voting rights for the shares, the Board focuses primarily on the interests of the holders of depositary receipts for shares, and takes account of the interests of the company and its associated business. The Board of the Administration Office consists of three independent members, and appoints the members. The Meeting of Holders of Depositary Receipts may recommend persons for appointment to this board.

A Meeting of Holders of Depositary Receipts is convened each year. At this meeting, the Board of the Administration Office declares its proposed voting conduct at the General Meeting of Shareholders.

The Board of the Ballast Nedam Administration Office issues proxies in all circumstances and without limitation to the holders of depositary receipts who so request. There is also the possibility to issue binding voting instructions. The depositary receipts are fully exchangeable. Ballast Nedam does not use the system of issuing depositary receipts for shares as an antitakeover measure, but as a means of preventing a minority of shareholders from controlling the decision-making process in a General Meeting of Shareholders, and as a means to allow, also minor, shareholders to be represented by an independent board in the exercise of their voting rights.

Paragraph 10.5 on page 241 of this Annual report presents the report of the Board of the Ballast Nedam Administration Office (Stichting Administratiekantoor van aandelen Ballast Nedam) explaining their activities in 2012. The report also gives personal details of the Board members.

### 8.1.9 Auditors

The external auditors audit the financial statements. The external auditors are appointed by the General Meeting of Shareholders, which in 2012 engaged KPMG Accountants N.V. to audit the Annual Accounts for 2012. The external auditors attend the Annual General Meeting of Shareholders in order to answer any questions about the auditors' opinion as to whether the financial statements present a true and fair view.

The external auditors also attend the meetings of the Audit Committee and Supervisory Board at which the annual and interim financial reports are discussed. The external auditors report to the Supervisory Board and the Board of Management.

The Board of Management and the Audit Committee thoroughly assess the performance of the external auditors in their various duties at least once every four years. The General Meeting of Shareholders is informed of the main conclusions of this assessment, for its own assessment of the proposal to appoint external auditors.

## 8.2 Report of the Supervisory Board

2012 was a difficult year for Ballast Nedam. The Supervisory Board has overseen the measures taken by the organization to adapt to the deteriorating market conditions. Unfortunately the measures have also had an impact on employment. Ballast Nedam has been unable to retain many valued colleagues.

At each meeting the Supervisory Board discussed financial developments, and reviewed the operations within the group and market trends, using the periodic reports and other information as input. Memorandums from the Board of Management were also discussed in the meetings, as well as Board of Management decisions that require the Supervisory Board's approval.

The dividend proposal for 2011 was also handled, and the Annual General Meeting of Shareholders was prepared and evaluated. Furthermore the Supervisory Board consulted regularly with the Board of Management about the measures necessitated by the economic crisis.

The annual and interim financial reports were discussed at the March and July meetings. The external auditors attended the discussions of these agenda items in order to present their findings on the financial results. The Supervisory Board discussed with the external auditors and the Board of Management the findings of the external auditors, the management letter for 2011 and the actions to be taken on the findings. The Supervisory Board furthermore evaluated the relationship with the external auditors and, in view of this, advised the General Meeting of Shareholders to instruct KPMG to audit the Annual Accounts for the 2012 financial year. The Supervisory Board approved the business plan for 2013, which includes the strategy and targets for the Ballast Nedam group.

The Supervisory Board is confident that Ballast Nedam will emerge well from 2013 despite the unrelenting fierce competition, price pressure and deteriorating market conditions. Our confidence stems in part from the reorganizations.

The Supervisory Board is fully aware that the difficult market conditions and the subsequent reorganization have required a great effort of all Ballast Nedam employees. The Supervisory Board is extremely grateful to them.

### 8.2.1 Report of supervision by the Supervisory Board

In pursuit of its supervisory duties, the Supervisory Board has given consideration to the achievement of the corporate objectives, the strategy and risks, the purpose and performance of internal risk control, financial reporting, compliance with legislation, investor relations and corporate social responsibility (CSR). Each of these issues is explained below.

#### 8.2.1.1 Report of supervision: achievement of corporate objectives

Looking back on 2012 the Supervisory Board concludes that the Board of Management has performed under difficult economic conditions. The Board of Management has also been obliged to devote much time and energy on compliance issues from the past. The Supervisory Board greatly appreciates the way in which the Board of Management has handled these compliance issues and the associated risks.

The organization has achieved excellent results on several large multiyear projects and in the niche markets. This endorses Ballast Nedam's strategy of focusing on integrated projects and the niche markets of industrial construction, offshore wind turbines, secondary raw materials and alternative fuels. Conversely, losses are increasing in the regional companies, in both construction and infrastructure, and in a number of specialized companies. The main operations of these companies are in the strongly capacity-driven markets.

The markets deteriorated more than we had assumed in early 2012. The lower volume in the market led to cut-throat competition and greater price pressure in several strongly capacity-driven market segments.

The Supervisory Board notes that Ballast Nedam achieved an operating loss for 2012 of 31 million euros. The sustained adverse economic conditions have led Ballast Nedam to adapt its organization further than was foreseen at the start of 2012, and there have been impairments amounting to 49 million euros. The forecast of an approximately unchanged profit for the full year 2012 has therefore not been achieved.

As explained on page 30 of this Annual Report, the other *strategic objectives for 2012* have been largely achieved.

The Supervisory Board has discussed the performance of the Board of Management both collectively and of the individual members. The remuneration of Board of Management members was also raised. In view of a difference of opinion regarding policy, and having consulted the Supervisory Board, Mr R. Malizia has decided to resign as a member of the Board of Management of Ballast Nedam. The Supervisory Board respects Mr Malizia's decision, and thanks him for his contribution to the development of the company over many years.

#### **8.2.1.2 Report of supervision: strategy and risks**

The Supervisory Board has deliberated at length on Ballast Nedam's strategy. The Supervisory Board supports the Board of Management in the strategy that is set out on page 42 of this Annual Report. However, the economic forecasts were reason to increase the pace of implementing the strategy that is oriented to the markets of integrated projects and the well-performing niche markets. The shift in Ballast Nedam's profile from a major player on the traditional markets to a prominent player on the integrated projects market, such as the PPP projects and specific niche markets, including offshore wind turbines, has accordingly been accelerated. The regional companies and some specialized companies whose main operations are in the strongly capacity-driven markets have been adapted radically.

The Supervisory Board and the Audit Committee also deliberated repeatedly on *the various risks* set out on page 75 of this Annual Report. For instance, the tightened compliance policy was discussed in depth, and the Supervisory Board was delighted with the appointment of Ms Bleker-van Eyk as Chief Compliance & Risk Officer.

#### **8.2.1.3 Report of supervision: purpose and performance of internal risk control**

The Board of Management informed the Supervisory Board regularly about the risk profile, the course of events, the financial situation and market developments. The Supervisory Board also discussed with the Board of Management the most important risks for Ballast Nedam, the internal risk management and control systems, and how the risks can be further limited and controlled. The Supervisory Board also discussed with the Board of Management methods of limiting the risks and failure costs in the operational process. The external auditor attended these discussions.

#### **8.2.1.4 Report of supervision: financial reporting**

Financial reporting was discussed at each Audit Committee meeting. Developments related to the International Financial Reporting Standards (IFRS) and changes in legislation related to auditors were also discussed at length. Furthermore the Audit Committee also discussed taxation and the valuation method for the land positions. These issues were also discussed in the presence of the full Supervisory Board. Finally the Supervisory Board discussed the half-yearly figures, the annual figures and the business plan extensively.

#### **8.2.1.5 Report of supervision: compliance with legislation**

The issue of *compliance* was discussed at each meeting of the Audit Committee and several meetings of the full Supervisory Board. Furthermore all ongoing legal proceedings were discussed in the presence of the external auditors.

#### **8.2.1.6 Report of supervision: investor relations**

The Supervisory Board is of the opinion that the contact with shareholders should take place primarily in the shareholders' meetings. The Board considers it important for many shareholders to attend these meetings.

In addition the Supervisory Board considers it important, for both the company and the shareholders, for contact to take place between the company and shareholders outside shareholders' meetings. Ballast Nedam has defined an investor relations policy, which is presented on the Ballast Nedam website.

#### **8.2.1.7 Report of supervision: corporate social responsibility**

Corporate social responsibility (CSR) is an important theme that is discussed several times each year. Each Ballast Nedam business unit produces a quarterly CSR report to shed light on the progress being made on the CSR objectives and how it is managed. These CSR reports jointly form the GRI report, which is presented in this Annual Report in section 10.7 on page 246. Details of the *CSR policy* and the objectives are given in chapter 6 on pages 89 to 137, inclusive.

#### **8.2.2 Report of the Audit Committee**

The Audit Committee has two members. Following the departure of Mr R.M.M. Boelen from the Supervisory Board, Mr J.C. Huis in 't Veld took over as Chairman of the Audit Committee. Mr L.W.A.M. van Doorne is also a member of the Audit Committee. The Committee met on three occasions in 2012 in the presence of the Chairman and the CFO of the Board of Management. The external auditors and the secretary of the Supervisory Board also attended a part of these meetings.

The Audit Committee discussed the following subjects and others in its meetings:

- the half-year and annual figures;
- the Annual Report;
- the reports of the external auditors;
- developments in International Financial Reporting Standards (IFRS);
- valuation methods;
- compliance;
- the risk profile;
- Ballast Nedam's tax position;
- evaluation of the ICT organization;
- corporate social responsibility.

In addition the Audit Committee specifically addressed the general financial strategy and financial procedures, the internal risk management and monitoring systems, and the risk management of projects.

In the third meeting the Audit Committee spoke separately with the external auditors and the Chief Financial Officer (CFO). The Committee also carried out a performance self-assessment through internal scrutiny of the Audit Committee's performance. This evaluation process also received input from the Board of Management, the external accountants and the secretary of the Supervisory Board.

The Supervisory Board has discussed the findings of the external auditor, the management letter, about the year 2011 and the succession of the findings with the external auditor.

#### **8.2.3 Report of the Remuneration Committee**

The Supervisory Board formed a Remuneration Committee in 2012. This Committee met once in 2012, and will meet at least twice in 2013 and subsequent years. Messrs J. Bout (Chairman) and L.W.A.M. van Doorne are the members of this Committee.

### **A2-A79 VIADUCT, MAASTRICHT**

The A2-A79 viaduct is also called the 'flying viaduct'. This viaduct was erected on a temporary site. The viaduct is shown here at its final location. It will first be used for traffic in the direction of Eindhoven, after which maintenance work will be performed on the existing viaduct. In the final situation, the viaduct will carry traffic from Eindhoven in the direction of Maastricht.





The following items were discussed at the meeting:

- evaluation of the remuneration policy for members of the Board of Management;
- evaluation of the remuneration of individual members of the Board of Management;
- evaluation of the remuneration of individual members of the Supervisory Board;
- scenario analyses.

The Remuneration Committee then advised the Supervisory Board regarding these issues. Section 8.4 *Remuneration report* on pages 164 to 170 inclusive, has details of the remuneration policy.

#### 8.2.4 Report of the Selection and Appointments Committee

The Supervisory Board also formed a Selection and Appointments Committee in 2012. This Committee met once in 2012, and will meet at least twice in 2013 and subsequent years. Messrs L.W.A.M. van Doorne (Chairman) and J. Bout are the members of this Committee.

The following items were discussed at the meeting:

- review of the size and composition of the Supervisory Board;
- review of the size and composition of the Board of Management;
- profile of the Supervisory Board;
- filling the vacancy on the Supervisory Board;
- review of the performance of members of the Supervisory Board;
- review of the performance of individual members of the Board of Management;
- the Board of Management's policy on senior management selection criteria and appointment procedures.

The Selection and Appointments Committee then advised the Supervisory Board regarding these issues. Outside the meeting the Selection and Appointments Committee has been intensively engaged on the selection of a candidate member for the Supervisory Board for the Supervisory Board to nominate at the General Meeting of Shareholders.

#### 8.2.5 Members of the Supervisory Board

At the Annual General Meeting of Shareholders of Ballast Nedam held on 16 May 2012, Mr L.W.A.M. van Doorne (1959) was appointed as new member of the Supervisory Board. Mr A.N.A.M. Smits, the Chairman of the Supervisory Board, was reappointed for a four-year term at the same General Meeting of Shareholders. In 2012 Mr R.M.M. Boelen announced that he would be standing down as a member of the Supervisory Board with effect from 30 November 2012 for personal reasons. The resignation of Mr R.M.M. Boelen created a vacancy.

Each member of the Supervisory Board must be capable of assessing the salient features of the total policy. He possesses the specific expertise needed to fulfil his duties, within his role that is compatible with the Board's profile. The Supervisory Board strives to achieve a diversity of backgrounds and expertise among its members. Among the relevant areas of knowledge are human resource management, the construction industry, public administration, financial expertise, compliance and legal affairs. The composition of the Supervisory Board must be such that he is able to perform his duties satisfactorily. Furthermore each member of the Supervisory Board must have sufficient time available to perform his duties satisfactorily.

The specific profile that was drawn up for the vacancy is available on the Ballast Nedam website. If the new member of the Supervisory Board matches this profile, the Supervisory Board is of the opinion that the Board as a whole will again have the appropriate composition.

The Board also aims for sufficient diversity. In order to improve the male-female ratio in the Supervisory Board, a female candidate will have preference in the event of equal suitability. The above applies to forthcoming vacancies.

#### 8.2.6 Quality assurance of supervision

The Supervisory Board reports below on the activities carried out to assure the quality of the Board and the supervision performed.

##### 8.2.6.1 Quality assurance of supervision: evaluation

The Supervisory Board also had meetings without the Board of Management, in one of which the Supervisory Board discussed the performance of the Board of Management both collectively and of the individual members. The remuneration of Board of Management members was also raised.

The Supervisory Board evaluated its own performance, in which the members discussed among themselves the performance of the Supervisory Board and its individual members. The Supervisory Board deliberated among other things on its internal decision-making process, the quality of its supervisory role and its relationship with the Board of Management.

Furthermore the Audit Committee of the Supervisory Board has requested the Board of Management and KPMG to express opinions on its performance. The Supervisory Board discussed these opinions as part of the evaluation of its own performance.

##### 8.2.6.2 Quality assurance of supervision: succession planning

The Selection and Appointments Committee has deliberated on Ballast Nedam's management development policy. The Supervisory Board also interviewed the cluster Managing Directors, cluster controllers and some staff directors in order to gain a clearer picture of the management level below the Board of Management and of the insights of these directors regarding Ballast Nedam. The Board recognizes that this management level largely determines our business continuity.

##### 8.2.6.3 Quality assurance of supervision: induction programme

An induction programme was set up for Mr L.W.A.M. van Doorne shortly after his appointment. As part of this programme Mr Van Doorne visited several projects and had initial meetings with various Ballast Nedam employees.

##### 8.2.6.4 Quality assurance of supervision: independence

The Supervisory Board complies with the independence criterion laid down in the Dutch Corporate Governance Code.

##### 8.2.6.5 Quality assurance of supervision: soliciting information

The Supervisory Board pays regular visits to construction projects and subsidiaries. The Board also invites Ballast Nedam employees to a Supervisory Board meeting. The purpose of these visits and invitations is to maintain affinity with the company and to gather information about the business other than through the Board of Management. In this framework the Chairman of the Supervisory Board also had talks with the full Central Works Council. The Supervisory Board also solicits external advice on an incidental basis.

##### 8.2.6.6 Quality assurance of supervision: internal auditor

Each year the Audit Committee evaluates the desirability of appointing an internal auditor.

The Audit Committee concluded in 2012 that an internal auditor would be unlikely to add worthwhile value, if any, for Ballast Nedam over and above the company's supplementary engagements of the external auditors each year, through which all business units are audited on a periodic basis. The cluster controllers and the support services, such as Legal, also periodically audit projects and business units.

#### 8.2.7 Internal affairs

This section describes changes in the composition of the Supervisory Board and the attendance at meetings.

##### 8.2.7.1 Internal affairs: departure

At the end of 2012 Mr R.M.M. Boelen announced that he would be standing down as a member of the Supervisory Board with effect from 30 November 2012 for personal reasons. The Supervisory Board respects this decision and thanks Mr Boelen for his work as a member of the Supervisory Board of Ballast Nedam. Mr J.C. Huis in 't Veld has succeeded Mr Boelen as Chairman of the Audit Committee. The Supervisory Board proposes to nominate a candidate member for the Supervisory Board at the General Meeting of Shareholders to be held in May 2013.

##### 8.2.7.2 Internal affairs: attendance

In 2012 there were nine meetings of the Supervisory Board, three meetings of the Audit Committee, one meeting of the Remuneration Committee, and one meeting of the Selection and Appointments Committee. On two occasions a member of the Supervisory Board was prevented from attending these meetings. The two members of the Supervisory Board were in contact by phone to discuss the agenda items. The rate of absence is therefore 1 per cent.

#### 8.2.8 Dividend

The underlying principle of Ballast Nedam's dividend policy is that 50 per cent of the profit for the period is placed at the disposal of shareholders for distribution as dividend. In view of the loss made and the poor market forecasts the Supervisory Board has approved the Board of Management proposal to refrain from paying a dividend for 2012.

#### 8.2.9 Financial statements and ratification

The Supervisory Board hereby submits the Annual Report for the financial year 2012, which includes the consolidated and company financial statements of Ballast Nedam N.V. as prepared by the Board of Management and approved by the Supervisory Board. The financial statements were audited by KPMG Accountants N.V., Rotterdam. The independent auditor's report is given in section 10.1 on page 236. The Supervisory Board recommends that you adopt the financial statements and requests you to ratify the actions of the members of the Board of Management and the Supervisory Board in respect of their management and supervision, respectively, in 2012.

Nieuwegein, 7 March 2013  
Supervisory Board

*A.N.A.M. Smits*  
*J.C. Huis in 't Veld*  
*J. Bout*  
*L.W.A.M. van Doorne*

### 8.3 Members of the Supervisory Board

The members of the Supervisory Board are Messrs A.N.A.M. Smits, J.C. Huis in 't Veld, J. Bout and L.W.A.M. van Doorne. Their personal details are given in this section.

#### A.N.A.M. Smits (Chairman)

Mr Smits was born in 1943 and is a Dutch national. He has been a member of the Boards of Management of Macintosh N.V. and Wilma International N.V. Mr Smits is a member of the supervisory boards of a variety of companies. He is currently Chairman of the Supervisory Board of Faber-Halbertsma Group. He is also a member of the supervisory boards of Vebeego Holding B.V., Maas International B.V., De Raekt B.V., Vercoat Invest B.V., Hollandia Holding B.V. and IGO-Post. Mr Smits was first appointed to the Supervisory Board of Ballast Nedam in 2004. His current term of office expires on 16 May 2016.



#### J.C. Huis in 't Veld (Vice-Chairman)

Mr Huis in 't Veld was born in 1947 and is a Dutch national. His former positions include Chairman of the Board of Management of the Netherlands Organization for Applied Scientific Research (TNO) and of the DHV Groep engineering firm. He previously held positions at the Directorate-General for Public Works and Water Management.

Mr Huis in 't Veld has various ancillary positions, including as Chairman of the Supervisory Board of N.V. Science Port Holland. He is a member of the supervisory board of E.ON Benelux Holding B.V. and N.V. Westerscheldetunnel. Mr Huis in 't Veld is a member of the Supervisory Board of the Netherlands Development Organization (SNV) and of the Advisory Board of Allseas Group S.A. (Switzerland). In addition he is the figurehead of the Water Top Sector and Chairman of the Board of the Bewuste Bouwers foundation. Mr Huis in 't Veld was first appointed to the Supervisory Board of Ballast Nedam in 2006. His current term of office ends on 1 November 2014.



#### J. Bout

Mr Bout was born in 1946 and is a Dutch national. Until 1 January 2011 he was Chairman of the Board of Management of Royal Haskoning. Mr Bout is a member of the Supervisory Board of the listed company Brunel N.V., the unlisted company Delta N.V. and the unlisted Koninklijke Haskoning DHV Group B.V. Mr Bout is a member of the supervisory board of Deltares and a member of the Governing Board of the Ubbo Emmius Fund. He is also Vice-Chairman of the Netherlands Commission for Environmental Assessment (NCEA). Mr Bout was first appointed to the Supervisory Board of Ballast Nedam in 2011. His current term of office expires on 19 May 2015.



#### L.W.A.M. van Doorne

Mr Van Doorne was born in 1959 and is a Dutch national. He is CEO and major shareholder of Optics Innovation Group B.V. and Managing Director of Pallieter RENEFF B.V.

Mr Van Doorne is also Chairman of the Supervisory Board of Pallieter Group B.V. and a member of the Supervisory Boards of Diana Capital SGEGR SA, CityFibre Holdings Ltd. and Shanxi Guangyu LED Lighting Co., Ltd. He is also member of the Board of the Muziekgebouw Eindhoven Fund and the Thomas van Villanova Foundation and member of the supervisory boards of Verder International B.V., Eindhoven Marketing Foundation and Vrienden van het Hart Z.O. Brabant Foundation. Mr Van Doorne was first appointed to the Ballast Nedam Supervisory Board in 2012. His current term of office expires on 16 May 2016.



At the General Meeting of Shareholders to be held in May 2013 the Supervisory Board proposes to nominate Ms C.M. Insinger MBA as a new member of the Board. Ms Insinger is an independent consultant and interim manager, is a partner in De Nieuwe Commissaris Consult B.V., and holds several supervisory positions. For some years she was CFO, and is a member of various audit committees. Ms Insinger was born in 1965 and is a Dutch national.



## 8.4 Remuneration report

The Supervisory Board hereby presents the remuneration report, containing a summary account of Ballast Nedam's remuneration policy. The Supervisory Board formed a Remuneration Committee in 2012. Mr Bout is Chairman and Mr Van Doorne member of this Committee.

### 8.4.1 Principles of the remuneration policy for Board of Management members

The Supervisory Board determines the remuneration of the members of the Board of Management in accordance with the remuneration policy that was adopted at the General Meeting of Shareholders in 2005. The full Supervisory Board and the remuneration committee discussed the remuneration of the individual members of the Board of Management in a single meeting in 2012. In accordance with the Dutch Corporate Governance Code the Supervisory Board drew up and discussed scenario analyses in 2012 regarding the amount and structure of the remuneration of the members of the Board of Management.

The aim of the remuneration policy for the Board of Management is to motivate and retain skilled board members. The members of the Board of Management must be capable of leading a major Dutch construction group with international operations.

The reference for the remuneration level of the members of the Board of Management of Ballast Nedam N.V. is the remuneration level of other (comparable) listed Dutch construction groups. The Supervisory Board takes into consideration the complexity, size, risk profile and management model of the reference companies. The remuneration level of the individual members of the Board of Management is furthermore based on the responsibilities of the respective members.

The remuneration agreements made with the members of the Board of Management are set down in contracts when they take up their positions.

#### 8.4.1.1 Fixed annual salary

After members of the Board of Management take up their positions, adjustments to their fixed annual salary are limited in principle in line with adjustments under the collective labour agreement for the building industry (CAO Bouwnijverheid).

#### 8.4.1.2 Variable remuneration in the short term: bonus payments

Under the current remuneration policy for members of the Board of Management, a bonus may be paid in addition to the fixed salary, up to a maximum of one-third of the fixed salary. Two thirds of the bonus is determined by reference to financial targets, the profit for the period and average capital employed, as documented in the business plan approved by the Supervisory Board. One third of the bonus is determined by reference to nonfinancial criteria, as laid down and assessed by the Supervisory Board. These criteria are leadership, quality of relationships with the various stakeholders of the company, sustainability and the quality of the management of specific important issues arising in a given year. The Supervisory Board bases its assessment of these nonfinancial criteria on reports, personal observation, discussions with the Board of Management, discussions with third parties, and other information.

The Supervisory Board has discretionary powers to award different bonuses or not to award bonuses, independently of any financial or nonfinancial criteria. Any bonus payment is made after the end of the financial year to which it relates. For competitive reasons, the financial targets included in the business plan are not publicly disclosed in advance.

At the General Meeting of Shareholders, the Supervisory Board reports on the financial and nonfinancial targets that were set for the prior financial year, and the extent to which they were achieved.

#### 8.4.1.3 Variable remuneration in the long term: options

Ballast Nedam N.V. has a management option scheme that was approved at an Extraordinary General Meeting of Shareholders on 26 October 2006. The management option scheme has the following two objectives: (i) to obtain the long-term loyalty of directors and (ii) to ensure that the interests of individual directors mirror those of the shareholders.

Options are granted under the following two conditions: the members of the Board of Management must themselves buy depositary receipts for shares equivalent to a minimum of 5 per cent of the number of options granted, and hold these depositary receipts for shares for three years after the options are granted.

The Supervisory Board is authorized to grant or not to grant options to the members of the Board of Management on the publication date of the Ballast Nedam N.V. annual figures. The Supervisory Board determines the number of options to be granted with reference to the following criteria:

- the proven high personal significance for the company of the managing director in question;
- the Supervisory Board's desire to secure the loyalty of the managing director for the longer term, in the interests of business continuity;
- the degree to which the individual member of the Board of Management met the financial and nonfinancial criteria in the preceding financial year.

Under this scheme, the aggregate maximum option rights that the Supervisory Board may grant to the Board of Management each year is 2 per cent of the total number of Ballast Nedam N.V. shares in issue. The members may exercise their option rights between three and six years from the date the options were granted.

The exercise price of the options is equal to the average closing price of Ballast Nedam N.V. shares on NYSE Euronext Amsterdam for five trading days prior to the award of the options, including the date on which they were awarded. The option exercise price and other conditions for the granted options remain unchanged throughout the term of the options.

#### 8.4.2 Remuneration policy for 2013

The Supervisory Board takes the view that the current scale of, and criteria for, the remuneration package properly reflect the administrative priorities. The Board supports limited variable remuneration linked to feasible targets that provide the appropriate emphasis. The Supervisory Board has drawn up scenario analyses for the possible outcomes of variable remuneration. The Supervisory Board intends to continue the current remuneration policy in 2013, taking the scenario analyses into consideration.

The most important indicators of the financial targets derive from Ballast Nedam N.V.'s strategy objectives (see chapter 2 Strategic objectives and results on page 30) and are reflected in the financial performance criteria. These criteria are the net profit for the period and average capital employed, as specified in the business plan. The Supervisory Board refers to the achievement or otherwise of the financial and nonfinancial performance criteria in determining the eligibility of members of the Board of Management for bonus payments.

There is also a connection through the management option scheme between strategic targets and variable remuneration in the long term, in that the achievement or otherwise of strategic targets is a determinant of Ballast Nedam N.V.'s share price.

#### 8.4.2.1 Remuneration of Board of Management members

The remuneration for the members of the Board of Management consists of the fixed annual salary, bonus payments, options, pension and other reimbursements.

##### *Fixed annual salary*

The fixed annual salaries including holiday allowance of the members of the Board of Management are as follows:

	1 January 2013	1 January 2012
T.A.C.M. Bruijninx	496 000 euros	487 000 euros
P. van Zwieten	364 000 euros	358 000 euros

These amounts consist of the fixed periodic salaries as at 1 January 2013 multiplied by 13, plus holiday allowance. These annual salaries are based on 52 weeks.

##### *Bonus*

As is evident in this Annual Report, the Board of Management has demonstrated skilled management of important issues for the company, such as adapting the organization to changing market demand. In the opinion of the Supervisory Board, the members of the Board of Management have satisfied the nonfinancial criteria. The Board of Management members have not met the financial performance criteria that they were set, The members of the Board of Management are consequently ineligible for a bonus.

##### *Options*

In 2012, the following options were granted to Board of Management members for the 2011 financial year:

T.A.C.M. Bruijninx	40 000 options
R. Malizia	30 000 options
P. van Zwieten	30 000 options

The options mature in six years, from 9 March 2012 (the date the options were granted) and may be exercised between three and six years from the date on which they were granted, therefore after the end of the vesting period of the options. The exercise price is 12.67 euros. The options have a potential value at the grant date, which can be realized only if:

- the conditions stated in the option regulations are met at the time of exercising;
- the market price at the time of exercising within the exercise period, from three to six years after grant, is higher than the exercise price.

If the conditions are not fulfilled, the options are forfeited at no value. Upon payment of the exercise price during the exercise period, members of the Board of Management may:

- acquire a depositary receipt for one Ballast Nedam N.V. share for each exercised option;
- exercise the options by announcing that they wish to sell their depositary receipts for shares. In that case Ballast Nedam N.V. will pay the Board of Management member concerned an amount for each option equal to the opening price of the Ballast Nedam N.V. share on NYSE Euronext Amsterdam on the following trading day less the exercise price and less the costs involved.

### *Pensions*

Board of Management members take part in the Ballast Nedam pension fund on the same terms as other Ballast Nedam employees. Ballast Nedam bears a portion of the pension financing costs, and the members of the Board of Management each bear the remaining portion. There is no early retirement scheme for the members of the Board of Management.

### *Other loans*

Board of Management members receive a fixed allowance and use of a company car. In other respects, the members of the Board of Management are entitled to the provisions of the applicable collective labour agreement for the building industry (CAO Bouwnijverheid), including annual increments. The members of the Board of Management may avail themselves of the same schemes that apply to other Ballast Nedam employees, such as tax-efficient gym membership and use of a mobile phone or PDA.

### *Contract term, notice period and severance pay*

Mr Bruijninx was appointed to the Board of Management on 13 February 2003 under a permanent contract. Mr Van Zwieten was appointed to the Board of Management for a four-year period on 19 May 2011. The notice period for Board of Management members is three months and for Ballast Nedam six months. Severance pay in the event of dismissal of Mr Bruijninx is one-and-a-half times his fixed annual salary, and of Mr Van Zwieten is equal to his fixed annual salary. The Supervisory Board is authorized to claw back any future variable remuneration awarded to Mr Van Zwieten if it was based on incorrect financial or other information.

### *Relationship between performance criteria and strategy objectives*

The achievement or otherwise of the financial performance criteria 'profit for the period' and 'average capital employed' is assessed largely with reference to Ballast Nedam's strategic targets, which are given chapter 2 Strategic objectives and results on page 30 of this Annual Report. The strategic targets in 2012 included:

- achieving an operating profit of between 15 and 20 million euros;
- achieving results, which approximately equal the results of 2011, which amounted to 19 million euros;
- implementing a structure of segments and clusters and then combining the supporting services;
- acquiring a greater proportion of integrated projects through the development of plans;
- devising alternative designs;
- employing the design & construct and engineer & build approaches;
- promoting public-private partnership.

### *Relationship between remuneration and performance, both ex-ante and ex-post*

In the opinion of the Supervisory Board, the performance delivered by the Board of Management in 2012 is in line with the remuneration they receive. The Supervisory Board arrives at this opinion in view of the substantial achievement of the nonfinancial performance criteria, the necessary and radical organizational changes the Board of Management has been obliged to make under difficult market conditions, and comparison of the remuneration level of board members with the remuneration level of other listed Dutch construction groups, taking into consideration the complexity, size, risk profile and management model of the reference companies.

The Supervisory Board expects the remuneration for the Board of Management in 2013 to be in line with the performance delivered by the members of the Board of Management. This expectation arises from the inclusion in the remuneration structure of a variable component alongside a fixed salary, and the direct connection, also in 2013, between the established performance criteria and the strategic targets for 2013.

#### **8.4.2.2 Remuneration of Supervisory Board members**

Supervisory Board members receive a fixed fee that is independent of company performance. The General Meeting of Shareholders set the remuneration of the Supervisory Board in 2005. As of 1 January 2013, the annual fees for members of the Supervisory Board were as follows:

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A.N.A.M. Smits	45 000 euros
J.C. Huis in 't Veld	30 000 euros
J. Bout	30 000 euros
L.W.A.M. van Doorne	30 000 euros

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The members of the Supervisory Board also receive an allowance for expenses incurred in performing their duties. An Audit Committee is formed from members of the Supervisory Board. The General Meeting of Shareholders fixed the remuneration of the Audit Committee in 2008. As of 1 January 2013, the annual fees for members of the Audit Committee were as follows:

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J.C. Huis in 't Veld	5 000 euros
L.W.A.M. van Doorne	5 000 euros

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### 8.4.2.3 Remuneration chart

x € 1 thousand	2012				2011			
	Gross salary	Bonus	Pension charges & social security costs	Re-imburement	Gross salary	Bonus	Pension charges & social security cost	Re-imburement
<b>Board of Management</b>								
T.A.C.M. Bruijninx	493		153	5	486	162	149	5
R. Malizia	406		110	5	382	134	87	5
P.van Zwieten	361		80	5	208	119	27	3
	<b>1 260</b>		<b>343</b>	<b>15</b>	<b>1 076</b>	<b>415</b>	<b>263</b>	<b>13</b>
<b>Supervisory Board</b>								
A.N.A.M. Smits	45			2	45			2
R.M.M. Boelen <sup>(1)</sup>	35			2	35			2
J.C. Huis in 't Veld	35			2	35			2
J. Bout	30			2	18			1
L.W.A.M. van Doorne <sup>(2)</sup>	19			1	-			-
	164			9	133			7
<b>Total</b>	<b>1 424</b>		<b>343</b>	<b>24</b>	<b>1 209</b>	<b>415</b>	<b>263</b>	<b>20</b>

<sup>(1)</sup> till 30 November 2012

<sup>(2)</sup> as of 16 May 2012

#### *Theoretical value and time value*

The theoretical value of the options at the grant date is measured using an option valuation model that takes account of the intrinsic value and the time value. The intrinsic value is determined on the basis of the difference between the share price and the option exercise price at the grant date. The time value is determined on the basis of factors including the predicted movement in the share price, which in turn is derived from historical prices. If the options concerned are publicly traded on the stock exchange, the value may deviate upwards or downwards.

#### *Determining the costs of options in the company accounts*

When awarding the options Ballast Nedam recognizes the theoretical value of the options during the vesting period as an expense in the income statement. This expense is distributed uniformly in time over the year in which the option is granted and three subsequent financial years. The total costs in the financial year consist of the costs allocated to that financial year of all current option grants in the vesting period.

The expected value at the end of the vesting period is recalculated annually in the light of the information available at the end of the financial year. This expected value also consists of an intrinsic value and a time value. The time value may mean that the options have a value although the current share price is lower than the exercise price.

Option scheme

Year granted	2012	2011	2010	2009	2008
<b>T.A.C.M. Bruijninx</b>					
Total costs in the financial year in €	235 376	243 226	278 000	311 000	221 000
Number	40 000	40 000	30 000	40 000	40 000
Exercise price in €	12.67	15.29	13.43	11.60	25.11
Share price at grant in €	13.27	15.88	14.10	13.00	24.40
Benefit obtained at grant date in €	-	-	-	-	-
Theoretical value at grant date in €	235 600	274 800	189 300	247 600	356 400
Status at 31/12/2012	conditional	conditional	conditional	un-conditional	un-conditional
End of vesting period	9/03/2015	12/3/2014	12/03/2013	13/03/2012	14/03/2011
Expiry date	8/03/2018	11/3/2017	11/03/2016	12/03/2015	13/03/2014
Expected value at end of vesting period in €	259 000	242 000	180 000	300 000	115 000
<b>R. Malizia</b>					
Total costs in the financial year in €	176 532	182 419	208 000	233 000	166 000
Number	30 000	30 000	22 500	30 000	30 000
Exercise price in €	12.67	15.29	13.43	11.60	25.11
Share price at grant in €	13.27	15.88	14.10	13.00	24.40
Benefit obtained at grant date in €	-	-	-	-	-
Theoretical value at grant date in €	176 700	206 100	141 975	185 700	267 300
Status at 31/12/2012	conditional	conditional	conditional	un-conditional	un-conditional
End of vesting period	9/03/2015	12/3/2014	12/03/2013	13/03/2012	14/03/2011
Expiry date	8/03/2018	11/3/2017	11/03/2016	12/03/2015	13/03/2014
Expected value at end of vesting period in €	194 000	181 000	135 000	225 000	85 000
<b>P. van Zwieten</b>					
Total costs in the financial year in €	47 927				
Number	30 000				
Exercise price in €	12.67				
Share price at grant in €	13.27				
Benefit obtained at grant date in €	-				
Theoretical value at grant date in €	176 700				
Status at 31/12/2012	conditional				
End of vesting period	9/03/2015				
Expiry date	8/03/2018				
Expected value at end of vesting period in €	194 000				



## 8.5 Members of the Board of Management

### T.A.C.M. Bruijninckx (Chairman)

Mr Theo Bruijninckx was born in 1961 and is a Dutch national.

Mr Bruijninckx serves as Chief Executive Officer (CEO) and has been employed by Ballast Nedam since 1990. He held various positions at Ballast Nedam Engineering, the Head Office, Ballast Nedam Projectontwikkeling and Ballast Nedam Woningbouw before returning to the Head Office. Mr Bruijninckx was appointed to the Board of Management on 13 February 2003 under a permanent contract. He was appointed Chairman of the Board of Management on 13 August 2007. Mr Bruijninckx is a member of the supervisory board of Hollandia Holding B.V.

### P. van Zwieten

Mr Peter van Zwieten was born in 1961 and is a Dutch national. Mr Van Zwieten serves as Chief Financial Officer (CFO) and has been employed by Ballast Nedam since 1989. He has held various financial positions in various business units and departments, including Ballast Nedam Beton en Waterbouw, Ballast Nedam Groep in Saudi Arabia and for Ballast Nedam International in various European countries and in Taiwan. He has been financial director of Ballast Nedam Ontwikkelingsmaatschappij and became financial director of the Ballast Nedam Infra division in 2002. Mr Van Zwieten was first appointed to the Board of Management for a four-year term on 19 May 2011. His current term of office expires on 19 May 2015.

**ANHOLT OFFSHORE WIND FARM, DENMARK**

The largest offshore wind farm in Denmark is being constructed between Djursland and the island of Anholt in the Kattegat. With a capacity of 400 megawatts this wind farm will produce four per cent of Denmark's total electricity needs. Our heavy lift vessel Svanen installed the steel monopiles for the 111 wind turbine foundations on behalf of the Danish energy company DONG.



# Financial statements 2012

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9.1	Consolidated statement of financial position	174
9.2	Consolidated income statement	175
9.3	Consolidated statement of changes in equity	176
9.4	Consolidated statement of cash flows	177
9.5	Notes to the consolidated financial statements	178
9.6	Operating segments	191
9.7	Acquisitions and disposals	194
9.8	Notes to the consolidated statement of financial position	196
9.9	Notes to the consolidated income statement	213
9.10	Company statement of financial position (before appropriation of profit)	226
9.11	Company income statement	226
9.12	Notes to the company financial statements	227

## 9.1 Consolidated statement of financial position

x € 1 million	Note	31 December 2012	31 December 2011
<b>Non-current assets</b>			
Intangible assets	1	31	31
Property, plant and equipment	2	169	183
Financial assets	3	11	33
Investments in associates	4	2	4
Deferred tax assets	5	32	35
		<b>245</b>	<b>286</b>
<b>Current assets</b>			
Inventories	6	202	215
Work in progress	7	112	78
Receivables	8	239	264
Cash and cash equivalents	9	84	98
Assets held for sale	15	4	-
		<b>641</b>	<b>655</b>
<b>Current liabilities</b>			
Bank overdrafts	9	(8)	(11)
Current portion of long-term loans	11	(17)	(11)
Prepayments on inventories	6	(1)	(6)
Work in progress	7	(124)	(136)
Trade payables		(253)	(243)
Income tax expense	5	(3)	(3)
Other liabilities	10	(187)	(176)
Provisions	13	(39)	(39)
Liabilities held for sale	15	(2)	-
		<b>(634)</b>	<b>(625)</b>
<b>Current assets minus current liabilities</b>		<b>7</b>	<b>30</b>
		<b>252</b>	<b>316</b>
<b>Non-current liabilities</b>			
Loans	11	108	121
Derivatives		1	10
Deferred tax liabilities	5	4	4
Employee benefits	12	4	5
Provisions	13	4	5
		<b>121</b>	<b>145</b>
<b>Total equity</b>			
Equity attributable to the owners of the company	14	131	171
Non-controlling interest	14	-	-
		<b>131</b>	<b>171</b>
		<b>252</b>	<b>316</b>

Note: See Notes to the consolidated financial statements on pages 178- 225, which are an integral part of these consolidated financial statements.

## 9.2 Consolidated income statement

x € 1 million	Note	2012	2011
Revenue	16	1 296	1 382
Other operating income	17.1	4	6
Costs of raw materials and subcontractors	17.2	(956)	(1 019)
Personnel expenses	17.3	(285)	(278)
Other operating expenses		(57)	(44)
		(1 298)	(1 341)
Share in profits of associates	4	-	-
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>2</b>	<b>47</b>
Depreciation and amortization of property, plant and equipment and intangible assets	1, 2	(23)	(26)
Impairment of tangible and intangible assets	1, 2	(10)	(2)
<b>Earnings before interest and taxes (EBIT)</b>		<b>(31)</b>	<b>19</b>
Finance income	18	3	6
Finance expense	18	(10)	(13)
Net finance income and expense		(7)	(7)
<b>Profit before income tax</b>		<b>(38)</b>	<b>12</b>
Income tax expense	19	(3)	(3)
<b>Profit for the period</b>		<b>(41)</b>	<b>9</b>
Attributable to:			
Owners of the company		(41)	9
Non-controlling interest			
<b>Profit for the period</b>		<b>(41)</b>	<b>9</b>
Attributable to owners of the company:			
Basic earnings per share (€)	20	(4.24)	0.93
Diluted earnings per share (€)	20	(4.24)	0.93

## Consolidated statement of comprehensive income

x € 1 million	Note	2012	2011
<b>Profit for the period</b>		<b>(41)</b>	<b>9</b>
Foreign currency translation differences		-	1
Net changes in hedging reserve associates		(1)	(3)
Net changes in hedging reserve		(3)	(10)
Net changes in hedging reserve through income statement		9	16
Net changes in hedging reserve associates through income statement		-	1
Other comprehensive income		5	5
<b>Total comprehensive income for the period</b>		<b>(36)</b>	<b>14</b>
Attributable to:			
Owners of the company		(36)	14
Non-controlling interest		-	-
<b>Total comprehensive income for the period</b>		<b>(36)</b>	<b>14</b>

Note: See Notes to the consolidated financial statements on pages 178 - 225, which are an integral part of these consolidated financial statements.

The amounts recorded in the consolidated statement of comprehensive income are the movements after taxation of € 2 million (2011: € 2 million).

### 9.3 Consolidated statement of changes in equity

x € 1 million	Issued share capital	Share premium	Repurchased own shares	Currency translation reserve	Reserves of associates	Hedging reserve	Other reserves	Profit for the period	Equity attributable to owners of the company	Non-controlling interest	Total shareholders' equity
<b>31 December 2010</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>(1)</b>	<b>41</b>	<b>(13)</b>	<b>20</b>	<b>7</b>	<b>161</b>	<b>-</b>	<b>161</b>
Profit for the period								9	9		9
Foreign currency translation differences				1					1		1
Effective portion of changes in fair value of hedging instruments						(10)			(10)		(10)
Effective portion of changes in fair value of hedging instruments associates						(3)			(3)		(3)
Net change in fair value of hedging instruments, transferred to income statement						16			16		16
Net change in fair value of hedging instruments, associates, transferred to income statement						1			1		1
<b>Comprehensive income</b>				<b>1</b>		<b>4</b>		<b>9</b>	<b>14</b>	<b>-</b>	<b>14</b>
Dividend paid								(4)	(4)		(4)
Option scheme								-	-		-
Repurchased own shares			-						-		-
<b>Transactions with shareholders</b>			<b>-</b>					<b>(4)</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>
Appropriation of 2010 result					-		7	(7)	-	-	-
Other					-		-		-		-
<b>31 December 2011</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>41</b>	<b>(9)</b>	<b>23</b>	<b>9</b>	<b>171</b>	<b>-</b>	<b>171</b>
Profit for the period								(41)	(41)		(41)
Foreign currency translation differences				-					-		-
Effective portion of changes in fair value of hedging instruments						(3)			(3)		(3)
Effective portion of changes in fair value of hedging instruments associates						(1)			(1)		(1)
Net change in fair value of hedging instruments, transferred to income statement						9			9		9
Net change in fair value of hedging instruments, associates, transferred to income statement						-			-		-
<b>Comprehensive income</b>						<b>5</b>		<b>(41)</b>	<b>(36)</b>	<b>-</b>	<b>(36)</b>
Dividend paid								(5)	(5)		(5)
Option scheme								1	1		1
Repurchased own shares											
<b>Transactions with shareholders</b>								<b>(4)</b>	<b>(4)</b>	<b>-</b>	<b>(4)</b>
Appropriation of 2011 result							9	(9)		-	
Other					(5)		5		-		-
<b>31 December 2012</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>36</b>	<b>(4)</b>	<b>33</b>	<b>(41)</b>	<b>131</b>	<b>-</b>	<b>131</b>

Note: See Notes to the consolidated financial statements on pages 178 - 225, which are an integral part of these consolidated financial statements.

The amounts recorded in the consolidated statement of changes in equity are the movements after taxation.

## 9.4 Consolidated statement of cash flows

x € 1 million	Note	31 December 2012	31 December 2011
<b>Net cash - opening balance</b>	9	<b>87</b>	<b>61</b>
Profit for the period		(41)	9
Adjustments			
Depreciation	2	23	25
Amortization	1	-	1
Impairment of tangible and intangible assets	1,2	10	2
Finance expense	18	10	13
Finance income	18	(3)	(6)
Share-based payments	14	1	-
Gain from disposal of fixed assets and subsidiaries		-	(6)
Income tax expense	19	3	3
Share in profits of associates	4	-	-
Movements			
Movement in inventories	6	6	39
Movement in work in progress	7	(46)	25
Movement in fair value investments	3.2	1	-
Movement in other receivables		24	(37)
Movement in provisions and employee benefits	12,13	(2)	(15)
Change in other current liabilities		28	33
Interest paid	18	(7)	(9)
Interest paid on hedging instruments	18	(3)	(4)
Interest received	18	-	-
Income taxes paid	19	(3)	(1)
<b>Net cash from operating activities</b>		<b>1</b>	<b>72</b>
Intangible assets			
investments	1	(2)	(6)
income from disposals	1	1	1
Property, plant and equipment			
investments	2	(23)	(42)
income from disposals	2	8	5
Financial assets			
investments	3.1	(41)	(27)
income from disposals	3.1	-	-
dividend received	3.2	1	2
income from other receivables	3.3	-	-
Disposals of associates	4	-	(3)
Disposal of subsidiaries after deduction of disposed cash and cash equivalents		(4)	(5)
Sale of subsidiaries after deduction of disposed cash and cash equivalents		-	23
<b>Net cash used in investing activities</b>		<b>(60)</b>	<b>(52)</b>
Income from long-term loans drawn	11	62	59
Repayment of long-term loans	11	(7)	(50)
Handling charges paid on new loans	11	-	-
Finance lease instalments paid	11	(2)	-
Acquisition of non-controlling interest		-	-
Dividend paid	14	(5)	(4)
Proceeds from repurchase of own shares	14	-	-
<b>Net cash from financing activities</b>		<b>48</b>	<b>5</b>
Effect of exchange rate fluctuations on cash held		-	1
<b>Net cash - closing balance</b>	9	<b>76</b>	<b>87</b>

Note: See Notes to the consolidated financial statements on pages 128- 225, which are an integral part of these consolidated financial statements.

The net cash consists of the balance of cash and cash equivalents and bank overdrafts that cannot be offset against one another. Of the total net cash, € 62 million (2011: € 78 million) is at the free disposal of the company.

## 9.5 Notes to the consolidated financial statements

### Significant accounting policies

Ballast Nedam N.V. is based in Nieuwegein in the Netherlands. The consolidated financial statements of Ballast Nedam N.V. for the 2012 financial year comprise Ballast Nedam N.V. (the head of the group) and its subsidiaries (jointly referred to as Ballast Nedam) and Ballast Nedam's interest in associates and entities over which there is joint control.

With respect to the company income statement of Ballast Nedam N.V., use has been made of the exemption under Book 2, Section 402 of the Dutch Civil Code.

The Board of Management prepared the financial statements on 7 March 2013, which the Supervisory Board approved on 7 March 2013. The financial statement will be submitted for approval to the General Meeting of Shareholders to be held on 16 May 2013.

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (hereinafter: 'EU-IFRS') and also comply with Part 9 of Book 2 of the Dutch Civil Code.

#### Accounting policies used in the consolidated financial statements

The consolidated financial statements are presented in millions of euros. Any items with a value less than € 0.5 million are shown as '-'. The financial statements have been prepared on the basis of historical cost, except for those items for which EU-IFRS prescribes a different method for valuation or determination of the result.

Non-current assets held for sale and disposal groups are measured at the lower of carrying amount and fair value less costs to sell.

When preparing the financial statements, management makes estimates and assumptions that affect the amounts and results presented in the financial statements. The actual results may differ from these estimates and assumptions. See also *Accounting estimates and judgements* on page 224.

Management judgements regarding the application of EU-IFRS that have significant consequences for the financial statements, and estimates that involve an appreciable risk of material change in the following year, are disclosed in the notes.

The accounting policies set out below have been consistently applied for all entities and periods presented in these consolidated financial statements.

#### Changes in accounting policies

A number of new standards, and changes to, and interpretations of, existing standards came into effect in 2012. Where these new standards, changes and interpretations were relevant to Ballast Nedam, they had no impact on the measurement and classification of assets and liabilities, the income statement, or cash flows.

### **Subsidiaries**

Subsidiaries are entities in which Ballast Nedam directly or indirectly controls the financial and operating policy decisions with a view to obtaining benefits from their operations. These subsidiaries are consolidated in full, and non-controlling interests, where applicable, are separately disclosed. These entities are included in the consolidated financial statements from the date on which control commences until the date on which the control ceases.

### **Associates**

Associates are those entities in which Ballast Nedam exercises significant influence on the financial and operating policy decisions, but over which it does not have control.

The consolidated financial statements include Ballast Nedam's share of the recognized income and expenses of associates, using the equity method, from the date on which Ballast Nedam first exercised a significant influence until the date on which the influence ceases. If Ballast Nedam's share in the losses exceeds the value of the interest in an associate, the carrying amount of the investment is reduced to zero in Ballast Nedam's statement of financial position and only the portion of any further losses for which Ballast Nedam has a legal or constructive obligation will be recognized.

### **Joint ventures**

Interests in combinations in which Ballast Nedam has no controlling influence, but may exercise joint influence on policy as for each of the other participants, including construction consortia, are proportionately consolidated.

Consolidation occurs as of the date on which control is first exercised until the date on which control ceases.

### **Elimination of transactions for consolidation purposes**

Transactions with subsidiaries, associates and entities over which joint control is exercised are in principle determined at arm's length and eliminated in the same way (proportionately) as other intercompany accounts.

Unrealized losses are eliminated in the same way, except where there are indications of impairment.

### **Foreign currency translation**

Assets and liabilities of foreign activities denominated in functional currencies other than the euro are translated to the functional currency at the rates of exchange prevailing at the end of the reporting period, with income statement items being translated at the rates approximating the rate of exchange on the transaction date (average rate for the year). Translation differences resulting from the conversion of investments in these foreign activities, including semi-permanent financing, and the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the end of the reporting period, are recognized as a separate item in the consolidated statement of comprehensive income.

Receivables and payables in foreign currencies are translated to the functional currency at the exchange rate prevailing at the end of the reporting period. Transactions in foreign currencies are translated to the functional currency at the exchange rate applying on the transaction date. The resulting foreign currency translation differences are recognized as part of earnings before interest and taxes.

## **Intangible assets**

### *Goodwill*

Goodwill arises as a result of the acquisition of subsidiaries, associates and joint ventures.

Business combinations are accounted for using the purchase method of accounting.

Goodwill is allocated to cash-generating units. Goodwill is measured as:

- the fair value of the consideration transferred; plus
- the recognized amount of any non-controlling interests in the acquired entity; plus
- in a business combination achieved in stages, the fair value of the acquirer's previously-held equity interest in the acquiree; less
- the recognized amounts (generally the fair value) of the identifiable assets acquired and liabilities assumed.

Negative goodwill arising on acquisition is recognized as income immediately. The transaction costs incurred by the Group in connection with a business combination, other than those concerned with the issue of shares or bonds, are recognized when they are incurred.

A contingent consideration is recognized at fair value at the acquisition date. A contingent consideration that is classified as shareholders' equity is not reassessed and the settlement is recognized in shareholders' equity. Other changes are recognized in the income statement after initial recognition.

Goodwill is not amortized. Instead, an impairment test is performed annually, or earlier if there are signs of impairment. In the case of associates, the carrying amount of goodwill is included in the carrying amount of the investment in associates.

### *Other intangible assets*

Software is recognized at cost less accumulated amortization and impairment. Concessions are recognized at cost less accumulated amortization and impairment.

### *Amortization*

Amortization of intangible assets, other than goodwill and those with an indefinite life, is calculated on the basis of the expected useful life. Concessions in respect of land and raw materials are amortized in proportion to the extent of the raw materials estimated to have been extracted.

Where significant, the residual value, amortization methods and estimated useful lives are assessed annually. The expected useful lives are for concessions 5 – 40 years and for software 3 years.

Goodwill and intangible assets with an indefinite life are systematically assessed for impairment at least at each year-end, or sooner if there are signs of impairment.

## **Property, plant and equipment**

### *Owned assets*

Items of property, plant and equipment are recognized at cost of acquisition or manufacture less accumulated depreciation and impairment. If individual items of property, plant and equipment consist of elements with differing estimated useful lives, those elements are recognized as separate assets.

Where they can be estimated reliably, the costs of dismantling and disposing of assets and the cost of restoring sites where assets are located are recognized as a provision at net present value. The borrowing costs for qualifying assets, which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized.

#### *Leased assets*

Lease agreements under which Ballast Nedam assumes virtually all the risks and rewards of ownership are classified as financial leases.

#### *Subsequent costs*

If it is probable that the future economic benefits will flow from the asset to Ballast Nedam and the cost of the asset can be reliably measured, Ballast Nedam includes the cost of replacement of part of an item of property, plant and equipment in the carrying amount of the asset concerned when those costs are incurred. All other costs are recognized in the income statement as an expense when they are incurred.

#### *Depreciation*

Depreciation is generally calculated on a straight-line basis over the expected useful life of each item of property, plant and equipment (or part thereof). Land is not depreciated. The expected useful lives is 10 – 30 years for buildings, 5 – 20 years for plant and equipment and 2 - 10 years for other operating assets.

The residual value, depreciation methods and estimated useful lives are assessed annually. Some assets are depreciated using the units of production method.

### **Financial assets**

#### *PPP receivables*

Receivables in respect of Public-Private Partnerships (PPPs) relate to concession fees from public bodies (public authorities) receivable in connection with PPP projects. PPP receivables are recognized as financial assets. In conformity with IAS 32 and 39, PPP receivables are initially recognized at fair value and are subsequently measured at amortized cost based on an effective interest rate. This method of recognizing PPP receivables is in conformity with the financial assets model of IFRIC 12 'Service Concession Arrangements'.

#### *Other investments*

If no significant influence is exercised over the operating and financial policy, recognition of other investments is at fair value, with gains and losses recognized in the consolidated statement of comprehensive income if the investment is classified as available for sale; if not, they are recognized in the income statement. Only in the exceptional case that the fair value cannot be reliably determined is the investment measured at cost minus impairment.

#### *Assets and liabilities held for sale*

The carrying amounts of assets and liabilities classified as held for sale and all disposal groups are updated immediately prior to such classification in accordance with the applicable policies. On initial recognition as assets held for sale, assets and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell.

A discontinued operation is part of the Group's activities that represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs on the earlier of disposal or when the operation meets the criteria for classification as an asset held for sale. A disposal group that ceases to be classified as such can also meet these criteria.

#### *Derivative financial instruments*

Ballast Nedam makes use of derivative financial instruments in order to hedge exposure to currency, interest rate and market risks arising from operating, financing and investing activities. In conformity with its treasury policy Ballast Nedam holds no derivatives for trading purposes, nor does it issue derivatives of this kind.

On initial recognition, derivative financial instruments are measured at fair value, and the attributable transaction costs are recognized in the income statement as soon as they occur. If no hedge accounting is applied, gains and losses on revaluation to fair value are recognized directly in the income statement. Results arising from fair value adjustments of forward exchange contracts are recognized as a part of the natural hedge on the currency results of the project concerned.

If hedge accounting is applied, Ballast Nedam documents the relationship between the financial instrument and the position to be hedged. The objectives with respect to risk management, and the strategy followed in initiating hedging transactions, are recorded. Ballast Nedam also documents estimates of the effectiveness of the hedging transaction. If the hedge relationship is effective, movements are recognized in the consolidated statement of comprehensive income, with allowance for the deferred taxation effect. The changes in the fair value of hedging transactions could comprise movements in the fair value of existing hedging transactions, and realized results if the hedged position is recognized in the income statement. The movement in values for any ineffective portion of the hedging transaction is recognized in the income statement.

The fair value of forward exchange contracts is the present value of the forward rate.

The fair value of the other derivative financial instruments is measured on the basis of the discounted value of the estimated future cash flows from these instruments.

#### **Inventories**

Landholdings acquired and held for future property development purposes are measured at the lower of cost and net realizable value. In principle these holdings are not 'in production' and development costs are consequently not capitalized. Interest is capitalized subject to meeting the conditions for capitalizing finance expense and at the time the land position is actively developed. The associated costs are expensed. Planning permissions and building permits are included in landholdings.

Land and buildings for sale are also included in inventories. The buildings concerned have yet to be sold to third parties and are either under construction or have reached structural completion. The stocks of land and buildings available for sale are carried at the lower of cost, including directly attributable indirect costs, and market value less selling costs. Interest is capitalized subject to meeting the conditions for capitalizing finance expense.

Sold residential building projects in which the client has no option to specify structural elements in the design, and where there is continuous transfer of the significant risks and rewards of ownership, are recognized under inventories. This portion of inventories is recognized at cost plus profit in proportion to the progress of the project less a provision for foreseeable losses and less invoiced instalments in proportion to the progress of the project. Interest is capitalized subject to meeting the conditions for capitalizing finance expense. The cost of residential building projects includes directly attributable indirect costs on the basis of normal production capacity.

Finished goods are measured at the lower of cost and net realizable value. The cost of finished goods is based on the first-in, first-out (FIFO) principle. The cost includes interest subject to meeting the conditions for capitalizing finance expense. The cost of finished goods includes directly attributable indirect costs on the basis of normal production capacity.

Raw materials are measured at the lower of cost and net realizable value.

### **Work in progress**

Work in progress on behalf of third parties is recognized at cost plus profit in proportion to the progress of the project less a provision for foreseeable losses and less invoiced instalments in proportion to the progress of the project. Interest is capitalized subject to meeting the conditions for capitalizing finance expense. The cost of work in progress includes directly attributable indirect costs on the basis of normal production capacity.

As soon as a reliable profit estimate can be made for construction contracts on behalf of third parties, the contractual revenues and expenses are recognized in the income statement in proportion to the percentage of completion of the project. The percentage of completion is determined on the basis of production measurements. Expected losses on contracts are recognized immediately in the income statement.

Preparatory expenses and design and construction costs on large projects (i.e. tendering costs) are capitalized as work in progress as and when Ballast Nedam becomes the sole bidder in contract negotiations. Any preparatory expenses prior to this phase are charged to the income statement. Tendering costs expensed in the period to which they relate are not subsequently capitalized if the project is won.

### **Receivables**

On initial recognition, trade and other receivables are measured at fair value less attributable transaction costs. After initial recognition, trade and other receivables are carried at amortized cost less impairment. Long-term receivables are carried at amortized cost with the exception of deferred tax assets, which are stated at the nominal amount.

### **Cash and cash equivalents**

Cash and cash equivalents consist of cash and bank balances and other demand deposits. Current account overdrafts repayable on demand and constituting an integral part of Ballast Nedam's funds management form part of cash and cash equivalents in the statement of cash flows.

### **Impairment**

Except for inventories of finished product, raw materials and semi-finished goods, work in progress and the deferred tax asset of Ballast Nedam, the carrying amount of assets is reviewed at the end of the reporting period in order to determine whether there are any indications of impairment. Where there are such indications an estimate is made of the recoverable amount of the asset.

In the case of goodwill and assets with an indefinite useful life, the recoverable amount is estimated at the end of each reporting period.

The recoverable amount is equal to the higher of fair value less costs to sell, and value in use. In measuring the value in use, the present value of the estimated future cash flows is calculated using a pre-tax discount rate which reflects both the current market estimates of the time value of money and the specific risks inherent in the asset in question. In the case of an asset which only generates income that is highly dependent on that of other assets, the recoverable amount is measured for the cash-generating unit to which the asset belongs.

Impairment losses are recognized in the income statement.

#### **Repurchase of own shares**

For purchased own shares included in equity in the statement of financial position, the amount paid, including directly attributable costs, is recognized in equity. Repurchased shares are classified as purchased own shares and included as a deduction from total equity. When purchased own shares are delivered, they are removed from the portfolio on a first-in, first-out (FIFO) basis. The difference between cost and market value is recognized in the share premium reserve.

#### **Dividend**

Dividends are recognized as a liability in the period in which they are declared.

#### **Equity-settled share-based payment transactions**

The share option scheme enables the Board of Management to acquire depositary receipts for shares in Ballast Nedam. The options become exercisable if the person to whom they have been granted remains in the service of the company for an uninterrupted period of three years after the grant date, and may then be exercised at any time in the following three years. The option rights lapse on termination of employment. The Supervisory Board is responsible for granting option rights, depending on quantitative and qualitative criteria. Each year, the Supervisory Board will decide on the granting of options on the date of publication of the results for the year, or on appointment of the individual concerned.

The fair value of the granted options is included in employee benefits with simultaneous recognition of a corresponding amount added to equity (equity-settled). The fair value is measured on the grant date and expensed over the vesting period. The remaining part of the measured value of options is written down as and when they are replaced or are settled before they vest. The fair value of the options is measured using an option valuation model taking account of the conditions under which the options are granted.

#### **Long-term loans**

On initial recognition, long-term loans are measured at fair value less attributable transaction costs. Interest-bearing loans are subsequently recognized at amortized cost, with any difference between the cost and the amount repayable recognized in the income statement over the term of the loans on the basis of the effective interest method.

## **Pensions**

The pension scheme established by Ballast Nedam for office staff qualifies as a defined contribution plan, and is administered by Stichting Pensioenfonds Ballast Nedam. Under this defined contribution plan, the obligations in respect of the defined contributions are recognized as an expense in the income statement when they fall due.

Ballast Nedam's building site workers are covered by the compulsory industry-wide pension scheme for the building industry (bpfBOUW). Ballast Nedam does not have access to all the pension data on defined benefit pension plans administered by the industry pension fund, which means that Ballast Nedam is unable to calculate its share in the surplus or deficit of the pension plan for inclusion in the statement of financial position. Consequently, these pension plans are recognized as defined contribution plans. The obligations are limited to the payment of premiums.

## **Long-term employee benefits**

Ballast Nedam's net obligation in respect of long-term employee benefits (long-service bonuses, long-term illness), with the exception of pension plans, is the sum of the future benefits that employees have earned in exchange for their services during the period under review and in preceding periods. The liability is converted to present value, taking account of actuarial assumptions.

## **Provisions**

A provision is recognized in the statement of financial position if Ballast Nedam has a legal or constructive obligation as a result of an event in the past and it is probable that an outflow of resources embodying economic benefits will be required in order to settle that obligation.

If the effect thereof is material, the provisions are determined by calculating the present value of the estimated future cash flows using a pre-tax discount rate reflecting both the current market estimates of the time value of money and, where necessary, the specific risks inherent in the obligation.

## **Trade and other payables**

On initial recognition, trade payables and other payable items are measured at fair value. After initial recognition, trade payables and other payable items are measured at amortized cost.

## **Revenue**

### *Construction contract revenue*

The contractual income and expenses in relation to work in progress are recognized in the income statement in proportion to the percentage of completion of the project. The percentage of completion is determined on the basis of production measurements. Expected losses on contracts are recognized immediately in the income statement.

### *Sale of goods*

Income from the sale of goods is recognized in the income statement as and when the significant risks and rewards of ownership have been transferred to the buyer. Revenue and profit are recognized on a pro rata basis as construction progresses for those residential building projects in which the client has no option to specify structural elements in the design, and where there is continuous transfer of the significant risks and rewards of ownership.

### *Services*

Income from services rendered is recognized in the income statement in proportion to the percentage of completion of the transaction at the end of the reporting period. The percentage of completion is determined on the basis of assessments of the activities performed. No income is recognized if there are significant uncertainties concerning the collection of the amounts due or the related costs or any returns of goods, and also if there is any question of continuing management involvement in the goods.

### *PPP projects*

During the construction phase of the asset, PPP projects are recognized as projects for third parties. The related financial asset is recognized based on invoiced instalments. The contractual income and expenses are recognized in the income statement in proportion to progress on the project. The percentage of completion is determined on the basis of production measurements. The interest income of the financial asset is recognized as financial income in the income statement.

During the operating phase, the income from PPP projects comprises the fair value of the delivery of contractually agreed services and the interest income related to the investment in the project. Income is recognized when the services to which it relates are delivered.

### *Government subsidies*

Government subsidies are recognized once it is reasonably certain that they will be received and the conditions for award of the subsidy have been met. Subsidies awarded to compensate costs are recognized in the income statement in the same period as the costs incurred. Subsidies that contribute to the development or purchase of assets are deducted from the price of the assets concerned.

### **Costs**

Costs are allocated to the period to which they relate.

### **Lease instalments on operating leases**

Lease instalments on operating leases are recognized in the income statement on a straight-line basis over the period of the lease.

### **Lease instalments on financial leases**

The minimum lease instalments are recognized partly as financing costs and partly as repayment of the outstanding liability. The financing costs are allocated to each period of the total lease period in such a way as to result in a constant periodic rate of interest over the remaining balance of the liability.

### **Net finance expense**

The net finance expense comprises the interest income and expenses on borrowings calculated using the effective interest method. The interest component of the financial lease instalments is recognized in the income statement using the effective interest method. Gains and losses on exchange and on derivative financial instruments other than interest rate swaps are recognized in the income statement in earnings before interest and taxes. Gains or losses on interest rate swaps are recognized as finance income or expense.

### **Income tax expense**

Tax is calculated on the result from ordinary operations, allowing for tax-exempt items and based on the applicable tax rates. Tax is recognized in the income statement except in relation to items recognized in the consolidated statement of comprehensive income.

Deferred tax is recognized using the balance sheet method on temporary differences between the reported carrying amounts and tax bases of assets and liabilities, and for future carry-forward losses, and is accounted for on the basis of the applicable tax rates for the periods when the temporary differences are expected to be reversed.

Deferred tax assets are recognized at nominal value of the portion that will probably be realized.

No deferred tax is recognized for the following temporary differences: the initial recognition of goodwill, and differences in relation to subsidiaries and associates that will not be settled in the near future.

### **Statement of cash flows**

Cash flows from operating activities are presented using the indirect method. Cash flows in foreign currencies are converted at the exchange rate on the date of the cash flow or at the average rate. Non-cash items, such as foreign currency translation differences, changes in fair value, equity-settled share-based payments and so forth are eliminated from this statement. Dividends paid to ordinary shareholders are included in the cash flows from financing activities. Interest paid is included in the cash flows from operating activities. Current-account balances payable on demand are included in the balance of cash and overdrafts with banks in preparing the consolidated statement of cash flows.

### **Basic earnings per share**

The basic earnings per share are calculated by dividing the profit for the period attributable to holders of shares by the average number of shares in issue in the period. The diluted earnings per share are calculated by dividing the profit by the average number of issued shares, including the number of shares that would have been issued if the outstanding share options had been exercised, if this would lead to dilution.

### **Operating segments**

An operating segment is a component of Ballast Nedam that engages in business activities that may contribute substantially to revenues and expenses, including those related to transactions with other components of the Group.

The Board of Management regularly uses information about individual segments in order to make decisions about resources to be allocated and to assess performance. Additional financial information is provided for each segment. The decisions about resources to be allocated and the assessment of performance are based on earnings before interest and taxes and capital employed. The amounts for transactions between segments are determined on an arm's length basis. The results, assets and liabilities of a segment comprise items that can be attributed to the segment either directly or on a reasonable basis. Among the items that are not included are finance income and expense, and income tax assets and liabilities.

Additional financial information is provided for each geographical segment. In presenting information on a geographical basis, income is based on the geographical location of the customers. The criterion for assets is their geographical location.

#### New standards and interpretations not yet applied

A number of new standards, changes to existing standards and interpretations had yet to come into effect in 2012 and are therefore not applied in the consolidated financial statements. The most important of these for Ballast Nedam are as follows.

##### **IFRS 9 - 'Financial instruments'**

IFRS 9 is concerned solely with the classification and measurement of financial instruments. IFRS 9 must currently be applied to annual periods that start on or after 1 January 2015, where earlier application is permissible. However, IFRS 9 has not yet been accepted by the EU, so that companies that apply EU-IFRS are not yet permitted to apply IFRS 9 in their financial statements. This standard is expected to have no material impact on Ballast Nedam's comparative figures or shareholders' equity.

##### **IFRS 10 - 'Consolidated accounts'**

IFRS 10 introduces a new approach for identifying whether an investor must consolidate an investee, and defines a uniform principle for determining whether an investor controls an investee, thereby including 'special purpose entities' (SPEs). To coincide with IFRS 10, the IASB issued an amended IAS 27 that now comprises the accounting principles for separate financial statements. IFRS 10 and the amended IAS 27 was adopted by the EU in the fourth quarter of 2012, and they are expected to have no material impact on Ballast Nedam's comparative figures or shareholders' equity. This standard applies to annual periods beginning on or after 1 January 2014.

##### **IFRS 11 - 'Joint arrangements'**

IFRS 11 revises the accounting for joint ventures (which are referred to as 'joint arrangements' in the new standard).

The most important change is to remove the free choice of using the equity method or proportionate consolidation for joint ventures, requiring instead that the joint arrangements be assessed to determine whether the equity method must be applied, or that proportionate consolidation is still permissible. The impact of these changes on the statement of financial position, the income statement, cash flow, order book and operating segments may be substantial.

Ballast Nedam has elected to account for the joint ventures using proportionate consolidation based on IAS 31. The statement of financial position that results if the joint ventures are not proportionately consolidated (i.e. the equity method) is presented on page 190 based on IAS 31. The associated impact on the income statement mainly affects revenue and, to a limited extent, the profit for the period.

This treatment is in accordance with the current IFRS standard, but not yet on the basis of IFRS 11. In 2013 management will assess the impact of IFRS 11 on the statement of financial position, the income statement, cash flow, order book and the operating segments. IFRS 11 was adopted by the EU in the fourth quarter of 2012. This standard applies to annual periods beginning on or after 1 January 2014.

##### **IFRS 12 - 'Disclosure of Interests in Other Entities'**

IFRS 12 is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Ballast Nedam is currently comparing the existing and the new disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 requires the disclosure of the nature, the risks associated with, and the financial effects of these interests. IFRS 12 was adopted by the EU in the fourth quarter of 2012. This standard applies to annual periods beginning on or after 1 January 2014.

**IFRS 13 – ‘Fair Value Measurement’**

IFRS 13 provides a single framework for measuring fair value and replaces the current frameworks given in various other IFRS standards. With few exceptions, IFRS 13 must be applied when another IFRS requires or permits fair value measurements or disclosures about fair value measurements. Ballast Nedam is currently evaluating the methods it applies for fair value measurement. IFRS 13 applies to annual periods beginning on or after 1 January 2013.

**IAS 19 – ‘Employee benefits’**

The revised IAS 19 (2011) has new definitions of short-term and long-term employee benefits to clarify the difference between these categories. The change is expected to have no effect on Ballast Nedam, since Ballast Nedam has no defined benefit pension schemes.

## Non-proportionately consolidated statement of financial position

Ballast Nedam has elected to account for the joint ventures using proportionate consolidation based on IAS 31. The statement of financial position that results if the joint ventures are not proportionately consolidated (i.e. the equity method) is presented below based on IAS 31. The associated impact on the income statement mainly affects revenue and, to a limited extent, the profit for the period.

The solvency based on proportionately consolidated figures is 15% (2011: 18%). Based on the non-proportionately consolidated figures, the solvency would be 17% (2011: 21%).

x € 1 million	Proportionately consolidated	Not proportionately consolidated	
	31 December 2012	31 December 2012	31 December 2011
<b>Non-current assets</b>			
Intangible assets	31	25	29
Property, plant and equipment	169	141	160
Financial assets	13	41	39
Deferred tax assets	32	32	32
	<b>245</b>	<b>239</b>	<b>260</b>
<b>Current assets</b>			
Inventories	202	165	180
Work in progress	112	96	73
Receivables	239	188	211
Cash and cash equivalents	84	68	82
Assets held for sale	4	4	-
	641	521	546
<b>Current liabilities</b>			
Bank overdrafts	(8)	-	(3)
Current portion of long-term loans	(17)	(9)	(6)
Prepayments on inventories	(1)	-	(5)
Work in progress	(124)	(63)	(68)
Trade payables	(253)	(180)	(178)
Income tax expense	(3)	(2)	(2)
Other liabilities	(187)	(204)	(207)
Provisions	(39)	(67)	(62)
Liabilities held for sale	(2)	(2)	-
	(634)	(527)	(531)
<b>Current assets minus current liabilities</b>	<b>7</b>	<b>(6)</b>	<b>15</b>
	<b>252</b>	<b>233</b>	<b>275</b>
<b>Non-current liabilities</b>			
Loans	108	93	92
Derivatives	1	-	-
Deferred tax liabilities	4	2	3
Employee benefits	4	4	5
Provisions	4	3	4
	<b>121</b>	<b>102</b>	<b>104</b>
<b>Total equity</b>			
Equity attributable to the owners of the company	131	131	171
Non-controlling interest			
	<b>131</b>	<b>131</b>	<b>171</b>
	<b>252</b>	<b>233</b>	<b>275</b>
Solvency	15%	17%	21%

## 9.6 Operating segments

### Revenue

x € 1 million	31 December 2012	31 December 2011
Operating segments	1 547	1 649
Other	-	-
Intersegment revenue	(251)	(267)
<b>Total</b>	<b>1 296</b>	<b>1 382</b>

### EBIT

x € 1 million	31 December 2012	31 December 2011
Operating segments	(24)	26
Not allocated to segments	(7)	(7)
<b>Subtotal</b>	<b>(31)</b>	<b>19</b>
Intersegment results	-	-
Share in profits of associates	-	-
<b>Total</b>	<b>(31)</b>	<b>19</b>

### Total non-current and current assets

x € 1 million	31 December 2012	31 December 2011
Operating segments	864	934
Not allocated to segments	22	7
Associates	-	-
Eliminations and unallocated assets	-	-
<b>Total</b>	<b>886</b>	<b>941</b>

### Liabilities

x € 1 million	31 December 2012	31 December 2011
Operating segments	687	736
Not allocated to segments	68	34
Eliminations and unallocated liabilities	-	-
<b>Total</b>	<b>755</b>	<b>770</b>

### Geographical segments

x € 1 million	Revenue		Assets		Other fair value investments	
	2012	2011	2012	2011	2012	2011
The Netherlands	1 153	1 252	186	204	3	4
Other Europe	108	84	19	18	-	-
Africa	21	25	-	-	-	-
Asia	4	9	-	-	-	-
South America	10	7	-	-	-	-
Other	-	5	-	-	-	-
<b>Total</b>	<b>1 296</b>	<b>1 382</b>	<b>205</b>	<b>222</b>	<b>3</b>	<b>4</b>

Of the revenue, 89% (2011: 91%) was generated in the Netherlands. The assets reported under the geographical segments comprise the non-current assets, excluding financial instruments and deferred tax assets.

## Operating segments 2012

x € 1 million	Infrastructure	Building & Development	Specialized Companies	Supplies	Subtotal operating segments	Reconciliation 1)	Total
<b>Revenue</b>	<b>496</b>	<b>573</b>	<b>262</b>	<b>216</b>	<b>1 547</b>	<b>(251)</b>	<b>1 296</b>
Other operating income	-	-	-	4	4	-	4
Total operating expenses	(485)	(595)	(265)	(202)	(1 547)	249	(1 298)
Share in profits of associates	-	-	-	-	-	-	-
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>11</b>	<b>(22)</b>	<b>(3)</b>	<b>18</b>	<b>4</b>	<b>(2)</b>	<b>2</b>
Impairment	-	(1)	-	(6)	(7)	(3)	(10)
Depreciation	(1)	(3)	(7)	(10)	(21)	(2)	(23)
<b>Earnings before interest, taxes, and amortization (EBITA)</b>	<b>10</b>	<b>(26)</b>	<b>(10)</b>	<b>2</b>	<b>(24)</b>	<b>(7)</b>	<b>(31)</b>
Amortization	-	-	-	-	-	-	-
<b>Earnings before interest and taxes (EBIT)</b>	<b>10</b>	<b>(26)</b>	<b>(10)</b>	<b>2</b>	<b>(24)</b>	<b>(7)</b>	<b>(31)</b>
Net finance income and expense							(7)
Income tax payables							(3)
<b>Profit for the period</b>							<b>(41)</b>
Margin	2.1%	(4.6%)	(3.8%)	0.9%			(2.4%)
Order book	900	731	90	56	1 777	(16)	1 761
Capital employed (2)	(27)	29	45	130	177	(1)	176
Assets (3)	214	314	131	205	864	22	886
Investments in property, plant and equipment	24	28	7	10	69	2	71
Associates	-	1	-	1	2	-	2
Liabilities (4)	225	308	74	80	687	68	755
Impairment of Intangible assets and property, plant and equipment							
impairment	-	-	-	(7)	(7)	(3)	(10)
reversal of impairments	-	-	-	-	-	-	-
Average number of employees							
temporary employment	50	71	64	24	209	37	246
permanent employment	748	1 211	797	635	3 391	222	3 613
<b>Total employees</b>	<b>798</b>	<b>1 282</b>	<b>861</b>	<b>659</b>	<b>3 600</b>	<b>259</b>	<b>3 859</b>

(1) The reconciliation column relates to holding entities and intersegment eliminations.

(2) Capital employed is non-current assets plus current assets minus current liabilities, excluding net cash.

(3) Assets are defined to encompass non-current and current assets.

(4) Liabilities are defined to encompass non-current and current liabilities.

The number of employees posted abroad was 159 (2011: 126)

## Operating segments 2011

x € 1 million	Infrastructure	Building & Development	Specialized Companies	Supplies	Subtotal operating segments	Reconciliation 1)	Total
<b>Revenue</b>	<b>523</b>	<b>642</b>	<b>252</b>	<b>232</b>	<b>1 649</b>	<b>(267)</b>	<b>1 382</b>
Other operating income	3	3	-	-	6	-	6
Total operating expenses	(509)	(636)	(244)	(218)	(1 607)	266	(1 341)
Share in profits of associates	-	-	-	-	-	-	-
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>17</b>	<b>9</b>	<b>8</b>	<b>14</b>	<b>48</b>	<b>(1)</b>	<b>47</b>
Impairment	-	-	-	-	-	(2)	(2)
Depreciation	(3)	(1)	(8)	(10)	(22)	(3)	(25)
<b>Earnings before interest, taxes, and amortization (EBITA)</b>	<b>14</b>	<b>8</b>	<b>-</b>	<b>4</b>	<b>26</b>	<b>(6)</b>	<b>20</b>
Amortization	-	-	-	-	-	(1)	(1)
<b>Earnings before interest and taxes (EBIT)</b>	<b>14</b>	<b>8</b>	<b>-</b>	<b>4</b>	<b>26</b>	<b>(7)</b>	<b>19</b>
Net finance income and expense							(7)
Income tax payables							(3)
<b>Profit for the period</b>							<b>9</b>
Margin	2.7%	1.2%	0.0%	1.7%			1.4%
Order book	1 152	693	89	54	1 988	(38)	1 950
Capital employed (2)	(29)	36	57	134	198	31	229
Assets (3)	228	346	139	221	934	7	941
Investments in property, plant and equipment	19	19	6	32	76	4	80
Associates	2	1	-	1	4	-	4
Liabilities (4)	241	341	70	84	736	34	770
Impairment of Intangible assets and property, plant and equipment impairment	-	-	-	-	-	(2)	(2)
reversal of impairments	-	-	-	-	-	-	-
Average number of employees	59	78	72	34	243	44	287
temporary employment	797	1 230	770	651	3 448	194	3 642
permanent employment							
<b>Total employees</b>	<b>856</b>	<b>1 308</b>	<b>842</b>	<b>685</b>	<b>3 691</b>	<b>238</b>	<b>3 929</b>

(1) The reconciliation column relates to holding entities and intersegment eliminations.

(2) Capital employed is non-current assets plus current assets minus current liabilities, excluding net cash.

(3) Assets are defined to encompass non-current and current assets.

(4) Liabilities are defined to encompass non-current and current liabilities.

## 9.7 Acquisitions and disposals

### Investment in subsidiaries

Ballast Nedam acquired T&H B.V. on 30 March 2012, thereby strengthening its position in installation engineering. T&H a highly qualified consultancy in the field of technical installations and systems for residential and non-residential buildings, renovation projects and major maintenance. T&H is based in Nieuwegein and has 10 employees.

Ballast Nedam acquired Bouwbedrijf van Bree on 17 April 2012. The company has fifteen projects with a volume of € 20 million, and a number of maintenance operations, and some twenty employees.

### Investment in joint ventures

On 17 February 2012 Ballast Nedam reached agreement on the acquisition of a 41% stake in the relaunch of Ursem Bouwgroep's modular building systems. Ursem is based in Wognum, and has approximately twenty employees.

On 18 June 2012 Ballast Nedam acquired a 50% stake in Concrete Valley B.V., which focuses on specialized solutions for the concrete industry. Concrete Valley B.V. comprises Waco Lingen Beton B.V. of Bergen op Zoom and Microbeton B.V. of Krimpen aan den IJssel. Ballast Nedam fully incorporated Waco Lingen Beton B.V. into this joint venture for € 6 million. This contribution has been accounted for as a disposal with no cash outflow.

### Summary of investments in subsidiaries and joint ventures

x € 1 million	
Intangible assets	1
Property, plant and equipment	4
Receivables	3
Inventories	1
Trade payables	(1)
<b>Net assets and liabilities</b>	<b>8</b>
Goodwill in acquisition	2
<b>Total purchase consideration</b>	<b>10</b>
Acquisition through incorporation of Waco Lingen Beton	6
Cash acquired	-
<b>Outflow of cash and cash equivalents</b>	<b>4</b>

### Disposals

On 20 December 2012 Ballast Nedam sold 80% of its 24% equity stake in the PPP project A-Lanes A15 to the DG Infra fund, which invests in equity stakes in PPP projects. The PPP project A-Lanes A15 will be provided to the Directorate-General for Public Works and Water Management on a DBFMO basis.

This transaction alters Ballast Nedam's stake from that of a consolidated subsidiary to an entity over which Ballast Nedam has significant influence, which is classified as an associate.

### Summary of the disposals

x € 1 million	
Financial assets	62
Deferred tax asset	3
Property, plant and equipment	4
Inventories	1
Receivables	2
Trade payables	(2)
Derivatives	(12)
Loans	(60)
<b>Net assets and liabilities</b>	<b>(2)</b>

In acquiring the 50% interest in Concrete Valley B.V., Ballast Nedam fully incorporated the shares of Waco Lingen Beton B.V. into the joint venture for a value of € 6 million.

x € 1 million	
<b>Cash consideration received</b>	-
Disposals of cash and cash equivalents	-
<b>Net inflow of cash and cash equivalents</b>	<b>-</b>

## 9.8 Notes to the consolidated statement of financial position

### 1 Intangible assets

x € 1 million	Goodwill	Concessions	Other	Total
Cost				
<b>31 December 2010</b>	<b>14</b>	<b>26</b>	<b>4</b>	<b>44</b>
Investments	-	4	2	6
Acquisitions	-	-	-	-
Disposals	-	(1)	-	(1)
<b>31 December 2011</b>	<b>14</b>	<b>29</b>	<b>6</b>	<b>49</b>
Investments	-	2	-	2
Acquisitions	2	-	1	3
Disposals	-	-	(1)	(1)
<b>31 December 2012</b>	<b>16</b>	<b>31</b>	<b>6</b>	<b>53</b>
Amortization and accumulated impairment				
<b>31 December 2010</b>	<b>1</b>	<b>12</b>	<b>2</b>	<b>15</b>
Amortization	-	-	1	1
Impairment	2	-	-	2
Disposals	-	-	-	-
<b>31 December 2011</b>	<b>3</b>	<b>12</b>	<b>3</b>	<b>18</b>
Acquisitions	-	-	-	-
Amortization	-	-	-	-
Impairment	2	1	1	4
Disposals	-	-	-	-
<b>31 December 2012</b>	<b>5</b>	<b>13</b>	<b>4</b>	<b>22</b>
Carrying amount				
<b>31 December 2011</b>	<b>11</b>	<b>17</b>	<b>3</b>	<b>31</b>
<b>31 December 2012</b>	<b>11</b>	<b>18</b>	<b>2</b>	<b>31</b>

#### Goodwill

An impairment test is performed at least annually, or earlier when there are strong indications. The present value of the future cash flows are estimated using a pre-tax discount rate (9% - 12%). The business plan was followed for the projections for 2013 to 2015, inclusive. The residual value was calculated for the infinite cash flow assuming a growth rate of between 0% and 2%. The impairment test identified impairment of € 2 million at Spankern B.V. and Gebr. Van Leeuwen Harmelen B.V., which is attributable to the poor market prospects for these units. Regarding the other goodwill impairment tests, a 1% higher pre-tax discount rate or 1% lower growth rate would not lead to material impairment. The € 2 million increase in goodwill is attributable to the participation in Concrete Valley B.V.

x € 1 million	31 December 2012	31 December 2011
Bontrup Beheer B.V.	2	2
Verkaik B.V.	2	2
Spankern B.V.	-	1
Bouw Noord B.V.	3	3
Gebr. van Leeuwen B.V.	-	1
Concrete Valley B.V.	2	-
Other	2	2
<b>Total</b>	<b>11</b>	<b>11</b>

#### Concessies

Ballast Nedam owns concessions for high-grade primary raw materials in Belgium, Norway, Germany and the Netherlands. Amortization takes place in proportion to extraction.

The remaining weighted average amortization period for concessions as at year-end was 39 years (2011: 40 years). Ballast Nedam incurred no significant raw material and minerals exploration costs in 2012 for raw materials with unproven technical or commercial extraction potential.

#### Purchase commitments

As at the end of the reporting period, Ballast Nedam had no material outstanding liabilities to acquire intangible assets.

#### Research & development expenses

In 2012 expenses of € 15 million were recognized in the income statement for product development and other innovations (2011: € 16 million). No material development expenses were capitalized.

2 Property, plant and equipment

x € 1 million	Land and buildings	Plant and equipment	Other operating assets	Total
<b>Cost</b>				
<b>31 December 2010</b>	<b>113</b>	<b>270</b>	<b>39</b>	<b>422</b>
Investments	10	28	4	42
Acquisitions	4	1	-	5
Disposals	(3)	(9)	(1)	(13)
Sale of subsidiary	(26)	(4)	(6)	(36)
Foreign currency translation differences	1	-	-	1
<b>31 December 2011</b>	<b>99</b>	<b>286</b>	<b>36</b>	<b>421</b>
Investments	1	20	2	23
Acquisitions	-	4	-	4
Disposals	(10)	(13)	(4)	(27)
Sale of subsidiary	-	(11)	-	(11)
Foreign currency translation differences	-	-	-	-
<b>31 December 2012</b>	<b>90</b>	<b>286</b>	<b>34</b>	<b>410</b>
<b>Depreciation and accumulated impairment</b>				
<b>31 December 2010</b>	<b>43</b>	<b>169</b>	<b>26</b>	<b>238</b>
Impairment	-	-	-	-
Depreciation	4	18	3	25
Disposals	-	(7)	(1)	(8)
Sale of subsidiary	(11)	(4)	(3)	(18)
Foreign currency translation differences	-	-	1	1
<b>31 December 2011</b>	<b>36</b>	<b>176</b>	<b>26</b>	<b>238</b>
Impairment	2	4	-	6
Depreciation	3	17	3	23
Disposals	(7)	(9)	(3)	(19)
Sale of subsidiary	-	(7)	-	(7)
Foreign currency translation differences	-	-	-	-
<b>31 December 2012</b>	<b>34</b>	<b>181</b>	<b>26</b>	<b>241</b>
<b>Carrying amount</b>				
<b>31 December 2011</b>	<b>63</b>	<b>110</b>	<b>10</b>	<b>183</b>
<b>31 December 2012</b>	<b>56</b>	<b>105</b>	<b>8</b>	<b>169</b>

The investments in land and buildings and in equipment and inventories in both 2012 and 2011 were mainly for the Supplies segment. Also the subsidiary CNG Net B.V. invested over € 5 million in fuel filling stations (2011: € 6 million). The investments in other operating assets in both 2012 and 2011 were mainly in ICT hardware. In 2012 'sale of subsidiary' was largely the sale of Waco Lingen Beton B.V. The disposals in 2012 occurred within the Supplies segment (2011: the Specialized Companies and Supplies segments). In 2012 an impairment test identified impairment of € 6 million to lower value in use in the assets of Rademaders Gieterij B.V. and Haitsma Beton B.V.

#### Purchase commitments

At the end of the reporting period, Ballast Nedam had liabilities to acquire property, plant and equipment worth less than € 1 million (2011: ditto).

#### Security

Property, plant and equipment with a carrying amount of € 35 million (2011: € 22 million) have been provided as mortgage collateral.

#### Financial lease

Ballast Nedam leases various items of property, plant and equipment through financial lease contracts. Ballast Nedam has the option to buy the assets at the end of several of the lease contracts. The leased assets serve as security for the lease obligations. At the end of the reporting period, the carrying amount of leased assets was € 8 million (2011: € 10 million).

### 3 Financial assets

x € 1 million	Note	31 December 2012	31 December 2011
PPP receivables	3.1	8	29
Other fair value investments	3.2	3	4
Other receivables	3.3	-	-
<b>Total</b>		<b>11</b>	<b>33</b>

#### 3.1 PPP receivables

x € 1 million	2012	2011
<b>1 January</b>	<b>30</b>	<b>170</b>
Recognized receivables	41	27
Sales of subsidiaries	(62)	(164)
Capitalized interest	3	6
Consideration received	(3)	(9)
<b>31 December</b>	<b>9</b>	<b>30</b>
of which:		
Non-current	8	29
Current	1	1

The Public-Private Partnership (PPP) receivables are related to the concession fees receivable from public bodies (public authorities) in connection with the rights to sections of the Dutch N31 motorway. A PPP project was sold in 2012, whereas three PPP projects were sold in 2011.

The interest income on the PPP receivables and the interest expenses on the PPP loans are recognized as interest income and expenses in the income statement. The current portion of the PPP receivables is included in receivables. The PPP receivables have been provided as security set for the associated loans.

### 3.2 Other fair value investments

x € 1 million	Proportion owned	Country	31 December 2012	31 December 2011
CV GEM Vleuterweide	13.4%	The Netherlands	2	3
Other			1	1
<b>Fair value</b>			<b>3</b>	<b>4</b>

The fair value of the interest in the joint venture CV GEM Vleuterweide has been measured on the basis of the present value of the expected cash flows. The land position was written down in 2012 by € 1 million (2011: € 2 million dividend was received from CV GEM Vleuterweide).

### 3.3 Other receivables

Other receivables include receivables from third parties falling due more than one year after the end of the reporting period. At year-end 2012 these amounted to nil (2011: ditto).

### 4 Investment in associates

Ballast Nedam's stakes include 20% of the Benelux Secondary PPP Fund I and stakes of 20% in the PPP project A-Lanes A15, plus various smaller stakes in several associates. No detailed disclosures are made, owing to the limited size of the individual companies. At the end of the reporting period, Ballast Nedam had provided loans totalling € 3 million (2011: ditto) to associates. The change relative to last year is attributable to a fair value adjustment of the hedging reserve for the associates and a dividend payment of less than € 1 million.

### 5 Deferred taxation

Deferred tax assets arise from the recognition of carry-forward tax losses, from temporary differences between the accounting carrying amounts and tax base of assets and liabilities, and from deferred taxation of the revaluation of derivatives to fair value.

## 5.1 Deferred tax assets

x € 1 million	2012	2011
<b>1 January</b>	<b>35</b>	<b>38</b>
Movement through income statement	-	-
Derecognition of carry-forward losses	(13)	-
Recognized temporary differences	(1)	-
Tax-deductible losses	17	-
Changes in estimates related to prior years	(3)	-
Movement through comprehensive income	-	2
Sale of subsidiary	(3)	(5)
<b>31 December</b>	<b>32</b>	<b>35</b>

In 2012 € 13 million of deferred tax assets were derecognized pursuant to an agreement with the tax authorities. This agreement is, together with the payment of € 5 million, part of a transaction with the Public Prosecutor's Office. The deferred tax asset increased by € 17 million because of the recognition of € 68 million of carry-forward losses. This includes the liquidation loss of Ballast Nedam USA Plc. The tax asset also decreased by € 3 million because of changes in accounting estimates of € 12 million with respect to previous years.

The Dutch fiscal unity has approximately € 50 million (2011: approximately € 45 million) of carry-forward losses in the Netherlands, € 48 million of which are recognized (2011: € 43 million). There is a limitation on the utilization of these tax losses in the Netherlands. The remaining carry-forward period is between five and nine years (2011: average of four years). The utilization of carry-forward losses depends on future taxable profits.

Besides carry-forward losses, Ballast Nedam's Dutch fiscal unity has unrecognized pre-incorporation profit of foreign permanent establishments that is eligible for set-off to prevent double taxation. At the end of the reporting period Ballast Nedam had approximately € 58 million of foreign pre-incorporation profit that in principle is eligible for unlimited set-off. In early 2013 Ballast Nedam received a tax assessment from the Dutch tax authorities that confirmed pre-incorporation profit at € 48 million for the periods up to and including 2008.

Ballast Nedam also has carry-forward losses abroad that are unrecognized because settlement of losses is considered improbable in the countries concerned.

Of the deferred tax asset, € 20 million is attributable to temporary differences between the accounting carrying amounts and the tax base of property, plant and equipment and derivatives. In 2012 the deferred tax asset on fair value changes of derivatives decreased by € 3 million because of the sale of the A15 PPP (2011: ditto). The deferred taxation of the portion of fair value changes of derivatives where the hedge relationship was effective was less than € 1 million (2011: € 3 million).

Ballast Nedam intends to liquidate several more foreign companies in the next few years. The size of the possible liquidation losses cannot yet be estimated reliably.

## 5.2 Deferred tax liabilities

x € 1 million	2012	2011
Intangible assets	2	2
Property, plant and equipment	2	2
<b>1 January</b>	<b>4</b>	<b>4</b>
Movement through comprehensive income	-	-
Movement through income statement	-	-
<b>31 December</b>	<b>4</b>	<b>4</b>

Deferred tax liability arises from temporary differences between the accounting carrying amounts and tax base of assets and liabilities. These temporary differences were attributable to the items shown in the above table.

## 5.3 Income tax payable

The income tax payable consists of income tax due outside the fiscal unity, and was € 3 million at year-end (2011: € 3 million).

## 6 Inventories

x € 1 million	31 December 2012	31 December 2011
Land positions	152	154
Unsold stock under construction	6	13
Unsold stock delivered	18	12
Residential building projects	-	2
Finished product	12	17
Raw material & semi-finished goods	14	17
<b>Total</b>	<b>202</b>	<b>215</b>

The accumulated impairment losses for land positions amounted to € 39 million (2011: € 18 million). The adjustment of a number of land positions to lower market value amounted to € 21 million (2011: € 8 million). In 2012 there were net acquisitions of € 19 million of land positions. Landholdings are acquired and held for future development purposes, and are recognized at the lower of historical cost and realizable value. The realizable value is the higher of the current market value and the present value of the estimated future cash flows. The future cash flows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 9%.

### Prepayments on inventories

Prepayment on inventories of € 1 million (2011: € 6 million), related to housing projects on which the value of the work performed was lower than the amount of the instalments invoiced.

## 7 Work in progress

x € 1 million	31 December 2012	31 December 2011
Work in progress under current assets	112	78
Work in progress under current liabilities	(124)	(136)
<b>Total</b>	<b>(12)</b>	<b>(58)</b>
Project costs including recognized results	728	941
Instalments	(740)	(999)
<b>Total</b>	<b>(12)</b>	<b>(58)</b>
Instalments received	621	872
Outstanding instalments	119	126
Retained from instalments	-	1
<b>Total</b>	<b>740</b>	<b>999</b>

The net gain on work in progress consists of all construction contracts on behalf of third parties where the expenses incurred plus the deferred profit, minus the recognized losses, exceed the instalments invoiced. This net loss increased by € 34 million relative to 2011.

The net loss on work in progress consists of all construction contracts on behalf of third parties where the expenses incurred plus the deferred profit, minus the recognized losses, are less than the instalments invoiced. This net gain decreased by € 12 million relative to 2011. The total work in progress thereby increased by € 46 million because of lower receipts of prepayments on projects. Substantial fluctuations may arise in 'work in progress' in the course of the year in view of its project-related nature. The work in progress item has a lifetime predominantly less than 12 months.

## 8 Receivables

x € 1 million	31 December 2012	31 December 2011
Instalments	142	150
Trade receivables	93	109
PPP receivables	1	1
Prepaid expenses	3	4
<b>Total</b>	<b>239</b>	<b>264</b>

At year-end, instalments included no (2011: € 1 million) retentions related to construction contracts in progress. Retentions are recognized at present value. The PPP receivables represent the current portion of the Public-Private Partnership receivables arising from concession fees receivable from public bodies (public authorities) in connection with PPP projects in the Netherlands.

### Aging analysis of instalments and trade receivables

x € 1 million	31 December 2012	31 December 2011
0 - 30 days	163	183
31 - 60 days	39	45
61 - 90 days	12	10
91 - 365 days	16	13
Older than 1 year	11	15
	<b>241</b>	<b>266</b>
Write-down on bad debtors	(6)	(7)
<b>Total</b>	<b>235</b>	<b>259</b>

Ballast Nedam employs prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on the above categories of instalments and trade receivables. The average payment period is 45 days (2011: 45 days).

The cumulative impairment on bad debtors amounted to € 6 million (2011: € 7 million) and has been deducted from trade receivables. The movements in the provision were as follows.

### Write-down on bad debtors

x € 1 million	31 December 2012	31 December 2011
<b>1 January</b>	<b>7</b>	<b>7</b>
Addition	2	2
Reversals	(2)	(1)
Utilization	(1)	(1)
<b>31 December</b>	<b>6</b>	<b>7</b>

At the end of the reporting period, similar to last year, there were no known attachments of receivables. This is without the pledge on the receivables of CNG Net B.V. on behalf of the investors, Ballast Nedam N.V. doesn't guarantee this pledge (2011: no attachments).

### 9 Net cash

x € 1 million	31 December 2012	31 December 2011
Cash and cash equivalents	84	98
Bank overdrafts	(8)	(11)
<b>Total</b>	<b>76</b>	<b>87</b>
Fully consolidated	63	78
Proportionately consolidated	13	9
<b>Total</b>	<b>76</b>	<b>87</b>

Ballast Nedam has uncommitted credit facilities with three banks for a total of € 60 million. Ballast Nedam made use of these facilities in the course of the year under review. No amounts were drawn under these facilities at year-end (2011: ditto). Of the entire consolidated cash and cash equivalents, € 62 million is unrestricted.

#### 10 Other liabilities

x € 1 million	31 December 2012	31 December 2011
VAT, payroll tax and social security	43	34
Pension premiums	1	1
Charges relating to work in progress	63	73
Other	80	68
<b>Total</b>	<b>187</b>	<b>176</b>

Other liabilities, in the amount of € 80 million (2011: € 68 million) included liabilities for vacation pay, untaken vacations, accruals, debts to joint venture partners and various other liabilities that cannot be allocated to the other items.

## 11 Loans

x € 1 million	2012	2011
<b>1 January</b>	<b>132</b>	<b>292</b>
Loans drawn	62	63
Repayments	(9)	(50)
Sales of subsidiaries	(60)	(173)
<b>31 December</b>	<b>125</b>	<b>132</b>
Non-current	108	121
Current	17	11
<b>31 December</b>	<b>125</b>	<b>132</b>
Recourse loans	96	98
Non-recourse loans	29	34
<b>31 December</b>	<b>125</b>	<b>132</b>
<b>Non-current</b>		
Business loans	50	50
Land bank financing	38	35
PPP loans	5	24
Finance leases	4	8
Other loans	11	4
<b>31 December</b>	<b>108</b>	<b>121</b>
<b>Current</b>		
Business loans	1	-
Land bank financing	6	8
PPP loan	1	1
Finance leases	3	2
Other loans	6	-
<b>31 December</b>	<b>17</b>	<b>11</b>

## 11.1 Loans per bank

x € 1 million	Currency	Maturity date	Interest	Facility	31 December 2012	31 December 2011
Rabobank	EUR	2017	5.40%	50	50	50
FGH Bank	EUR	2015	Euribor 3-month + margin	37	33	33
NIBC Bank	EUR	2013	Euribor 1-month + margin	7	5	5
NIBC Bank	EUR	2015	Euribor 3-month + margin	10	3	-
Triodos Bank	EUR	2017	4.21%	3	2	3
Bank Nederlandse Gemeenten (PPP)	EUR	2034	Euribor 3-month + margin	8	6	8
BNP Paribas (PPP)*	EUR	2034	Euribor 1-month + margin			4
UniCredit Bank (PPP)*	EUR	2034	Euribor 1-month + margin			4
ABN AMRO (PPP)*	EUR	2034	Euribor 1-month + margin			4
Société Générale (PPP)*	EUR	2034	Euribor 1-month + margin			3
NIBC Bank (PPP)*	EUR	2034	Euribor 1-month + margin			2
Other	EUR			26	26	16
<b>Total</b>				<b>141</b>	<b>125</b>	<b>132</b>

\* refers to sold PPP projects

The above loans that provide opportunity of recourse on Ballast Nedam N.V. include no financial covenants, except for the NIBC loan for CNG Net B.V.

### Rabobank

The € 50 million loan was extended in 2012 to 1 April 2017. The loan has a fixed interest rate of 5.4%. As security for the loan, mortgages were taken out on a number of registered properties in use by Ballast Nedam.

### FGH Bank

Ballast Nedam has financing facilities of € 37 million with FGH Bank for a number of land positions, which have been placed in a separate company. The land positions concerned were mortgaged as security for the loan at an interest equal to the Euribor rate plus a margin. The loan does not contain any financial covenants. The loan will be (partially) redeemed on the sale of the land positions. At year-end 2012, € 33 million of this facility had been drawn.

FGH Bank also provided financing for various company buildings. At year-end 2012, approximately € 1 million of this amount was still outstanding (2011: € 1 million).

### NIBC Bank

IJsseloord beheer B.V., in which Ballast Nedam has a 50% stake, has an overdraft facility of € 14 million for the IJsseloord 2 project in Arnhem. The loan matures on 31 December 2013. The interest rate is Euribor 1 month plus a margin of 135 basis points. At year-end 2012, € 10 million of this facility had been drawn. Ballast Nedam N.V. does not guarantee this loan.

### NIBC Bank

CNG Net B.V., a Ballast Nedam wholly owned subsidiary, has a financing facility of € 10 million with NIBC Bank, which may be used only for financing expansions of the public filling stations. A first pledge on CNG Net's receivables and bank accounts and a mortgage on right of superficies and pledging of the current and future property, plant and equipment for the public fuel filling stations have been provided as collateral.

The loan matures in December 2015. The loan has a financial covenant that specifies a maximum net debt to EBITDA ratio of 3. The interest rate is Euribor 3 month plus a margin of 375 basis points. At year-end 2012, € 3 million of this facility had been drawn and the financial covenant was complied with. Ballast Nedam N.V. does not guarantee this loan.

#### Triodos Bank

Ballast Nedam has had a loan facility with a value of € 2.5 million with Triodos Bank since 2010. The loan was obtained in connection with a land position. The land position concerned was mortgaged as security for the loan. The loan is repayment-free for the first two years, and then repaid on an annuity basis in five years. The annual interest rate is fixed throughout the term at 4.21%.

#### PPP loans

The PPP loans comprise multiple tranches, where the maturity date of the tranche with the longest term is shown. Of the PPP loans € 5 million was drawn from the Bank Nederlandse Gemeenten. In 2012 € 42 million on PPP loans is drawn and € 1 million is repaid. With the disposal of the PPP project A-Lanes A15 the loans are reduced with € 60 million. Derivatives held for hedging the cash flow risk on variable interest rate PPP loans were obtained from the same financial institutions as the underlying loans. The maximum margin on the PPP loans is less than 3%. Ballast Nedam N.V. does not guarantee these loans.

#### 11.2 PPP loans per project

x € 1 million	2012	2011
<b>Non-current</b>		
A15	-	17
Waldwei.com BV	5	7
<b>31 December</b>	<b>5</b>	<b>24</b>
<b>Current</b>		
Waldwei.com BV	1	1
<b>31 December</b>	<b>1</b>	<b>1</b>

The loans represent Ballast Nedam's proportional share of project finance for the 'Design, Build, Finance, Maintain, Operate' contracts of the PPP projects. The shares of the companies that are responsible for these projects, and all other receivables and assets of these companies, have been pledged as collateral.

### 11.3 Finance leases

x € 1 million	2012	2011
Less than 1 year	3	2
1 - 5 years	4	8
More than 5 years	-	-
<b>Future lease instalments</b>	<b>7</b>	<b>10</b>
Future finance expense	-	-
Less than 1 year	3	2
1 - 5 years	4	8
More than 5 years	-	-
<b>Present value of finance leases</b>	<b>7</b>	<b>10</b>

The finance expense attributable to financial leases was, similar to last year, less than € 1 million in 2012. The financial leases involve no constraints on financing or dividend policy.

### 12 Other long-term employee benefits

x € 1 million	Long-term illness	Long-service bonuses	Other remuneration	Total employee benefits	
				2012	2011
<b>1 January</b>	<b>1</b>	<b>4</b>	<b>-</b>	<b>5</b>	<b>5</b>
Addition	-	-	-	-	-
Utilization	-	(1)	-	(1)	-
<b>31 December</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>4</b>	<b>5</b>
of which recognized under current liabilities				-	-
				<b>4</b>	<b>5</b>

#### Long-term illness and long-service bonuses

The discount rate of the provision for long-term illness and long-service bonuses was 5% (2011: 5%).

#### Pensions

Pension premiums are paid to various pension funds. Most pension liabilities have been transferred to Stichting Pensioenfondsen Ballast Nedam. Ballast Nedam now has only a very small number of defined benefit pension schemes. Some Ballast Nedam pension schemes have defined benefits under which employees' rights are based on the number of years of service and salary level. The obligations under these pension schemes are systematically covered by means of payments into pension funds or to insurance companies. Ballast Nedam has insufficient information on these pension schemes to treat them as defined benefit schemes. These pension schemes have therefore been treated as defined contribution schemes. Ballast Nedam is obliged to pay the prescribed premium for these schemes. Ballast Nedam cannot be compelled to make up any deficits other than through future premium adjustments. Conversely, Ballast Nedam cannot claim any pension fund surpluses. The coverage factor of the industry-wide pension scheme for the building industry (bpfBouw) that is accounted for as a defined benefit pension scheme was estimated at the end of 2012 as 105.8%.

x € 1 million	Reorganization	Guarantees	Other	Total
<b>31 December 2010</b>	<b>3</b>	<b>14</b>	<b>42</b>	<b>59</b>
Addition	7	6	6	19
Unwinding of discount	-	-	-	-
Reversals	-	(7)	(6)	(13)
Utilization	(3)	(6)	(12)	(21)
<b>31 December 2011</b>	<b>7</b>	<b>7</b>	<b>30</b>	<b>44</b>
Addition	18	8	5	31
Unwinding of discount	-	-	-	-
Reversals	(2)	(1)	(15)	(18)
Utilization	(6)	(5)	(3)	(14)
<b>31 December 2012</b>	<b>17</b>	<b>9</b>	<b>17</b>	<b>43</b>
<b>Current (&lt; 1 year)</b>				
31 December 2011	7	5	27	39
31 December 2012	15	8	16	39

The € 18 million addition to the reorganization provision relates to the ongoing reorganization of the Infrastructure and Building & Development segments, several specialized companies and Rademakers Gieterij B.V. In the next three years the provision will generate a cash flow of € 17 million, most of which will occur in 2013. A large part of the utilization from the reorganization provision was payments for severance arrangements and the settlement of a rental guarantee (2011: € 7 million).

'Guarantees' relates to work that has been completed. Of the addition to the provision, € 8 million (2011: € 6 million) was charged to income. Provisions no longer needed, in the amount of € 1 million (2011: € 7 million), were released to income and € 5 million (2011: € 6 million) was utilized to settle warranty claims received.

Other provisions include € 7 million (2011: € 16 million) for the consequences of infringements of competition rules prior to the end of 2001. The remaining amounts of the provisions and additions related to other claims against Ballast Nedam. The release of € 15 million (2011: € 6 million) included the old fine imposed by the Dutch competition authority, which was reduced substantially on appeal, and several now unneeded provisions for possible claims. The release of € 3 million (2011: € 12 million) included the settlement of claims.

The finance expense that is related to unwinding of discount on long-term provisions is shown in the income statement. Provisions are stated with compound interest only if a reasonable estimate can be made of the release date of the funds. The interest rate used is 5% (2011: 5%). In 2012 the unwinding of discount amounted to less than € 1 million (2011: ditto).

## 14 Shareholders' equity

The authorized capital consists of 20,000,000 ordinary shares and amounts to € 120 million. The issued share capital consists of 10,000,000 ordinary shares with a nominal value of € 6.

The total number of repurchased shares at year-end 2012 was 332,500 (2011: 332,500) and is stated at acquisition price. No shares were repurchased in 2012 (2011: 32,500) and no repurchased shares were sold (2011: ditto). Ballast Nedam's policy is to avoid potential dilution through option rights granted by buying back a proportional number of its own shares.

### Share capital

	2012	2011
<b>Shares in issue at 1 January</b>	<b>9 667 500</b>	<b>9 700 000</b>
Issued shares	-	-
Net change in repurchased shares	-	(32 500)
<b>Shares in issue at 31 December</b>	<b>9 667 500</b>	<b>9 667 500</b>

Translation differences arise on the conversion of the investments in foreign activities, including semi-permanent financing, and on the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the end of the reporting period.

The reserves of the associates relate to profits and/or reserves of the associates, joint ventures and construction consortia subject to legal restrictions on distribution, or restrictions imposed by the Articles of Association. The change is attributable to an increase in the equity of proportionately consolidated joint ventures and construction consortia where distribution is restricted by influence of the partners.

The hedging reserve comprises the cumulative net movement in the fair value of derivative financial instruments, for which the hedged transaction has yet to take place.

The dividend distributed for 2011 was charged to Other Reserves. The Board of Management, with the approval of the Supervisory Board, proposes to refrain from distributing a dividend (2011: € 0.47). In 2012 € 4.5 million was paid out as dividend.

Share-based transactions, the option scheme, related to the addition to the other reserves because of the employee benefits recognized in respect of options granted.

The movement in equity in 2012 was € 460,000 (2011: € 426.000).

## 15 Assets held for sale

Ballast Nedam measures assets held for sale at the lower of carrying amount and fair value less costs to sell. At year-end Ballast Nedam identified Rademakers Gieterij B.V. as a group that is immediately available for sale, which is also considered to be highly probable.

### Net investment in PPPs

x € 1 million	Total	Non-current	Current
<b>2011</b>			
PPP receivables	30	29	1
Non-recourse PPP loans	(25)	(24)	(1)
<b>Subtotal</b>	<b>5</b>	<b>5</b>	<b>-</b>
Net other assets and liabilities	(10)	(7)	(3)
<b>Total 31 December 2011</b>	<b>(5)</b>	<b>(2)</b>	<b>(3)</b>

x € 1 million	Total	Non-current	Current
<b>2012</b>			
PPP receivables	9	8	1
Non-recourse PPP loans	(6)	(5)	(1)
<b>Subtotal</b>	<b>3</b>	<b>3</b>	<b>-</b>
Net other assets and liabilities	(2)	(3)	1
<b>Total 31 December 2012</b>	<b>1</b>	<b>-</b>	<b>1</b>

The balance of other assets and liabilities consisted largely of the negative fair value of the hedging instruments.

Ballast Nedam is engaged on the Waldwei PPP project, alongside its 20% stake in the Benelux Secondary PPP Fund I and 20% stake in the PPP project A-Lanes A15. Waldwei is responsible for the N31 motorway in the Netherlands, which opened in 2008. The remaining term of the concession is 9 years. Ballast Nedam has a 33% interest.

At the end of the term the concession rights to the aforementioned PPP projects will transfer to the client.

### Capital contributions

The accumulated capital contributions at year-end 2012 were nil (2011: ditto). At the end of the reporting period, Ballast Nedam had unconditional capital contribution commitments of € 3 million (2011: € 13 million) with respect to the PPP project A-Lanes A15. The decrease in the liabilities is attributable to the sale of the 80% stake in the PPP project A-Lanes A15.

## 9.9 Notes to the consolidated income statement

### 16 Total revenue

x € 1 million	2012	2011
Sale of goods	194	289
Services	76	69
Construction contract revenue	1 026	1 024
Other	-	-
<b>Total</b>	<b>1 296</b>	<b>1 382</b>

### 17.1 Other operating income

The € 4 million of other operating income consists of the proceeds of settling claims and the sale of the PPP project A-Lanes A15. In 2011 the other operating income consisted of gains on the sale of three PPPs to the Benelux Secondary PPP Fund I and on the sale of non-current assets.

### 17.2 Costs of raw materials and subcontractors

The costs of raw materials and subcontractors comprises an expense of € 21 million because of the impairment of a number of land positions to lower market value. In 2011 this item was € 8 million.

### 17.3 Employee benefits

x € 1 million	2012	2011
Wages and salaries	228	226
Social security costs	32	27
Pension charges	25	25
<b>Total</b>	<b>285</b>	<b>278</b>
Pension charges, defined contribution plan	25	25
<b>Pension charges</b>	<b>25</b>	<b>25</b>

### 18 Finance income and expense

x € 1 million	2012	2011
Interest on bank deposits	-	-
Interest on hedging instruments	-	-
Capitalized interest on PPP receivables	3	6
Capitalized interest on other assets	-	-
<b>Finance income</b>	<b>3</b>	<b>6</b>
Unwind of discount on provisions	-	-
Interest charge on hedging instruments	(3)	(4)
Interest expenses	(7)	(9)
<b>Finance expense</b>	<b>(10)</b>	<b>(13)</b>

Gains and losses arising from fair value adjustments of forward exchange contracts are recognized as a part of the natural hedge on the currency results of the project concerned.

## 19 Income tax expense

The income tax expense for the year was € 3 million (2011: € 3 million), which fell entirely outside the Dutch fiscal unity. The Dutch fiscal unity has approximately € 50 million (2011: approximately € 45 million) of carry-forward losses in the Netherlands, of which € 48 million are recognized (2011: € 43 million). In 2012 € 56 million of carry-forward losses were recognized, and € 50 million derecognized.

### Reconciliation with the effective tax rate

x € 1 million	2012		2011	
Profit before income tax		(38)		12
Nominal taxes (25%)	25.0%	(9)	25.0%	3
Additional tax-deductible losses	15.6%	(6)		
Deferred results not included in the fiscal unity	(6.6%)	2	20.0%	2
Effect of change in tax rate		-	-	-
Effect of tax rates of foreign jurisdiction	(0.9%)	-	(1.3%)	-
Tax-exempt results	5.3%	(2)	(16.2%)	(2)
Afboeking compensabele verliezen	(33.2%)	13		
Changes in estimates related to prior years	(7.8%)	3		
Non-deductible expenses	(6.4%)	2	-	-
<b>Effective liability</b>	<b>(9.0%)</b>	<b>3</b>	<b>27.5%</b>	<b>3</b>

### Income tax due recognized in income statement

x € 1 million	2012		2011	
<b>Current taxation</b>				
Taxation outside the fiscal unity		3		3
		<b>3</b>		<b>3</b>
<b>Deferred taxation</b>				
Utilization of carry-forward losses		-		21
Derecognition of carry-forward losses		13		
Recognized temporary differences		1		(21)
Tax-deductible losses		(17)		-
Changes in estimates related to prior years		3		
Movement in provision for deferred taxation		-		-
		-		-
<b>Total income tax</b>		<b>3</b>		<b>3</b>

## Deferred taxes recognized directly in comprehensive income

x € 1 million	2012	2011
Derivatives in net changes in hedging reserve	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

The utilization of carry-forward losses was realized outside Ballast Nedam's Dutch fiscal unity.

## 20 Earnings per share

	2012	2011
Shares issued at 1 January	10 000 000	10 000 000
Issued this year	-	-
Repurchased own shares	(332 500)	(332 500)
<b>Shares in issue at 31 December</b>	<b>9 667 500</b>	<b>9 667 500</b>
Maximum shares issued on options	-	-
<b>Number shares diluted</b>	<b>9 667 500</b>	<b>9 667 500</b>
Average number of issued shares	9 667 500	9 683 750
Average number of issued shares (diluted)	9 672 643	9 688 058
<b>Profit for the period</b>	<b>(41)</b>	<b>9</b>
Basic earnings per share (€)	(4.24)	0.93
Diluted earnings per share (€)	(4.24)	0.93

Based on the average share price the option scheme did not have a dilutive effect on the earnings per share in 2012.

## Financial risk management

### General

Ballast Nedam identifies various categories of financial risk factors with respect to currency, credit and liquidity. The risks concerned are not uncommon in the industry. Ballast Nedam also makes use of financial instruments, including derivatives, in its normal business operations. These are financial instruments entered into in order to hedge future transactions and cash flows and are recognized in the statement of financial position. Ballast Nedam does not hold these financial instruments for trading purposes.

Ballast Nedam determines the fair value of derivatives on the basis of listed market prices when these are available. If they are unavailable, the fair value is determined by discounting the difference between the current market price of the derivative and the contracted price at a risk-free interest rate.

Treasury is a centralized responsibility at Ballast Nedam, and is therefore organized as such. The treasury policy is aimed at creating and maintaining the best possible financial conditions for Ballast Nedam's operating activities, to which end the operating companies' bank accounts are held in a bank in two cash pools. Surplus cash assets are transferred to the money market on a daily basis, by contracting call funds and short-term deposits.

## Financial risk factors

### Market risks

#### Foreign currency translation risk

Ballast Nedam is exposed to foreign currency translation risk on revenue, project operating costs, loans and investments in associates, held in currencies other than the group's functional currency. Most transactions of this kind are in USD and GBP. Forward exchange contracts with top class banks are contracted to hedge the transaction risk on cash flows generated by ordinary business activities. At year-end 2012, Ballast Nedam had no outstanding forward exchange contracts that have been recognized at fair value in the statement of financial position.

Ballast Nedam is exposed to the following foreign currency translation risks in nominal amounts:

x € 1 million	31 December 2012			31 December 2011		
	USD	GBP	CAD	USD	GBP	CAD
Receivables	21	4	1	1	-	-
Loans		(3)		-	-	-
Bank overdrafts				-	-	-
Trade payables	(4)	(2)		(1)	-	-
Other liabilities	(3)	(1)		-	-	-
<b>Foreign currency translation risk on balance sheet items</b>	<b>14</b>	<b>(2)</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expected sales	18	17		32	-	-
Expected purchases	(14)	(11)		(21)	-	-
<b>Future foreign currency translation risks</b>	<b>4</b>	<b>6</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>
Hedging on foreign exchange contracts				-	-	-
<b>Net foreign currency translation risk</b>	<b>18</b>	<b>4</b>	<b>1</b>	<b>11</b>	<b>-</b>	<b>-</b>

EUR / foreign currency	2012		2011	
	Average exchange rate	Exchange rate on 31/12	Average exchange rate	Exchange rate on 31/12
Exchange rates				
USD	1.286	1.318	1.390	1.290
GBP	0.811	0.815	0.895	0.888
CAD	1.285	1.312	1.380	1.320

A 10% increase in the exchange rate of the euro against the USD and GBP would affect the shareholders' equity and income statement as follows. It is assumed here that all other variables, including interest rates, remain unchanged.

Sensitivity to foreign currency translation risk

x € 1 million	Shareholders' equity	Profit for the period
<b>31 December 2011</b>		
USD	-	(1)
GBP	-	-
CAD	-	-
<b>31 December 2012</b>		
USD	(2)	1
GBP	-	-
CAD	-	-

*Interest risk*

The aim of Ballast Nedam's interest policy is to limit the influence of interest rate changes on the company's profit. To this end Ballast Nedam hedges the exposure to interest risk on financing the long-term PPP loans with interest rate swaps. Hedge accounting is applied to the derivative financial instruments where the hedge relationship is effective. Furthermore, some of the loans have a fixed interest rate.

The interest risk is limited to potential movements in the market value of the loans taken up and issued, and of positive cash balances. The positive cash positions fluctuate throughout the year, but no impact of these fluctuations is included in the income statement from the sensitivity analysis. Loans are maintained until the maturity date.

*Interest-bearing financial instruments*

The interest risk profile of the company's interest-bearing financial instruments as at the end of the reporting period was as follows:

x € 1 million	31 December 2012	31 December 2011
PPP receivables	9	30
Loans Rabobank	(50)	(50)
Other loans	(12)	(11)
<b>Fixed interest</b>	<b>(53)</b>	<b>(31)</b>
Cash and cash equivalents	84	98
Bank overdrafts	(8)	(11)
Loans	(63)	(71)
<b>Variable interest</b>	<b>13</b>	<b>16</b>

*Effect of changes in variable interest on the income statement:*

interest rate rise of 100 basis points	-	-
interest rate fall of 100 basis points	-	-

The interest risk on the variable interest rate PPP project loans is hedged by means of interest rate swaps. Interest rate swaps expire in accordance with the due date of the hedged loans concerned. The swap interest rate for a subsidiary is 5.08%. A rise or fall of 50 basis points in the derivative future variable interest rate would lead to a positive or

negative adjustment of the fair value of the interest rate swaps, respectively, of less than € 1 million. If hedge accounting is applied, the change in the values of the interest rate swaps for the effective portion of the hedging transaction is recognized in comprehensive income.

### Credit risk

Ballast Nedam actively pursues a policy designed to minimize credit risks. Credit risks consist of the risk that other parties will be unable to meet contractual obligations relating to a financial instrument. Creditworthiness assessments are performed for all other clients requiring credit. Ballast Nedam employs prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on instalments and trade receivables. At year-end 2012, there was no concentration of credit risks of any substantial amount in trade receivables.

x € 1 million	31 December 2012	31 December 2011
PPP receivables	8	29
Other fair value investments	3	4
Other receivables	-	-
Receivables	239	264
Cash and cash equivalents	84	98
<b>Total</b>	<b>334</b>	<b>395</b>

### Liquidity risk

The liquidity risk is the risk that Ballast Nedam will be unable to meet its financial obligations by the due dates. In the course of the year Ballast Nedam made use of uncommitted cash facilities, which are with various credit institutions and total € 60 million. There is a risk that these credit institutions will not release all or part of these facilities. Ballast Nedam controls the liquidity risk through timely periodic cash flow forecasting followed by adequate corrective measures and monitoring.

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1- 5 years	> 5 years
Loans	132	(166)	(17)	(87)	(62)
Bank overdrafts	11	(12)	(10)	(2)	-
Trade payables	243	(243)	(243)		
Income tax payables	3	(3)	(3)		
Work in progress under current liabilities	136	(136)	(136)		
Prepayments on inventories	6	(6)	(6)		
Other liabilities	176	(176)	(176)		
Derivatives	10	(11)	(1)	(7)	(3)
<b>Liquidity risk liabilities at 31 December 2011</b>	<b>717</b>	<b>(753)</b>	<b>(592)</b>	<b>(96)</b>	<b>(65)</b>

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1- 5 years	> 5 years
Loans	125	(147)	(22)	(116)	(9)
Bank overdrafts	8	(8)	(2)	(6)	-
Trade payables	253	(253)	(253)		
Income tax payables	3	(3)	(3)		
Work in progress under current liabilities	124	(124)	(124)		
Prepayments on inventories	1	(1)	(1)		
Other liabilities	187	(187)	(187)		
Derivatives	1	(1)	-	(1)	-
<b>Liquidity risk liabilities at 31 December 2012</b>	<b>702</b>	<b>(724)</b>	<b>(592)</b>	<b>(123)</b>	<b>(9)</b>

Ballast Nedam holds derivatives in order to hedge exposure to cash flow risks. Derivatives held for hedging the cash flow risk on variable interest rate PPP loans were obtained from the same financial institutions as the underlying loans. The table below shows the periods in which cash flows that are related to these derivatives are expected to occur.

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1- 5 years	> 5 years
Forward exchange contracts					
Market risk instruments	-	-	-	-	-
Interest rate swaps	(10)	(11)	(1)	(7)	(3)
<b>Cash flow hedges 31 December 2011</b>	<b>(10)</b>	<b>(11)</b>	<b>(1)</b>	<b>(7)</b>	<b>(3)</b>

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1- 5 years	> 5 years
Forward exchange contracts					
Market risk instruments					
Interest rate swaps	(1)	(1)	-	(1)	-
<b>Cash flow hedges 31 December 2012</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>

For derivative financial instruments that qualify for hedge accounting, the change in the fair value of the derivative financial instruments is processed through total profit. The book value of the derivative financial instruments is in 2012 mostly reduced because of the sale of an 80% stake in the 24% participation in the PPP project A-Lanes A15.

### Financing risk

Ballast Nedam's policy is aimed at maximizing the value of the business. This is achieved primarily by selecting and implementing promising projects. Ballast Nedam has not set itself any targets for the composition of the capital structure. Ballast Nedam has no financial covenants in loan conditions. Ballast Nedam's policy is to avoid potential dilution through option rights granted by repurchasing a proportional number of its own shares. No changes were made to Ballast Nedam's capital management policy in the past year. The company and its subsidiaries are not subject to external capital requirements. Ballast Nedam monitors its financing structure by means including the solvency ratio. Ballast Nedam uses two solvency ratios, one based on proportionately consolidated figures and the other based on non-proportionately consolidated figures.

### Fair value estimates

At year-end 2012, Ballast Nedam had a number of derivatives that are measured at fair value. The carrying amount of cash, receivables, overdrafts and other current liabilities approximates the fair value, in view of the short life of these instruments.

The fair value of long-term loans with variable interest approaches the amortized costs. The fair value of the Rabobank and Triodos Bank loan is lower than the carrying amount since the interest rate for loans of this kind was higher at the end of the reporting period. Ballast Nedam's risk profile has not changed significantly.

### Valuation methods

The table below shows the valuation methods used for financial instruments that are recognized at fair value. The levels are defined as follows. Level 1 refers to (unadjusted) market prices in active markets for identical assets or liabilities. Level 2 involves assets measured on the basis of prices or price derivatives that do not meet the definition for Level 1. The assets shown under Level 3 are measured on the basis of cash flow models.

x € 1 million	31 December 2012			31 December 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Other investments			3			4
Derivatives		(1)			(10)	
<b>Total</b>	<b>-</b>	<b>(1)</b>	<b>3</b>	<b>-</b>	<b>(10)</b>	<b>4</b>

There were no transfers in 2012 from Level 1 to Level 2 or Level 3, or vice versa (2011: ditto). Impairment of the other fair value investments is recognized in the income statement.

### Off-balance sheet commitments

#### Guarantees

x € 1 million	31 December 2012		31 December 2011	
Guarantees		260		260
<b>Total</b>		<b>260</b>		<b>260</b>

Declarations of intent and guarantees issued on Ballast Nedam's behalf by financial institutions in connection with the execution of projects and for prepayments received are included in 'Guarantees'.

## Lease and rental commitments

x € 1 million	31 December 2012			31 December 2011		
	< 1 year	1- 5 years	> 5 years	< 1 year	1- 5 years	> 5 years
<b>Lease commitments</b>						
Other operating assets	11	21	-	9	25	1
<b>Rental commitments</b>						
Offices	9	18	4	8	26	1
<b>Purchase commitments</b>						
Land purchases	-	22	17	6	18	-
Other	1	2	-	-	4	-
<b>Capital contributions</b>						
PPPs	-	3	-	-	13	-
<b>Total</b>	<b>21</b>	<b>66</b>	<b>21</b>	<b>23</b>	<b>86</b>	<b>2</b>

Ballast Nedam has provisional liabilities to acquire land and for subsequent payments on land positions amounting to € 143 million (2011: € 159 million). It is not yet certain that Ballast Nedam will make these acquisitions or subsequent payments. Operating lease costs in 2012 amounted to € 15 million (2011: € 15 million).

## Liabilities

Subsidiaries hold joint and several liability for projects executed by limited partnerships. Some subsidiaries are joint and severally liable for obligations to a number of banks. On the basis of credit and guarantee facilities, there is an obligation to refrain from issuing any collateral. Subsidiaries are joint and severally liable in respect of the Ballast Nedam fiscal unities, of which they are members, for Dutch corporate income tax and value added tax.

## Other

In Saudi Arabia, proceedings are ongoing regarding a tax claim on a contract from 1999. In Ballast Nedam's opinion, the responsibility for this tax claim resides contractually with the client, and will not therefore lead to a cash outflow, and there is consequently no need to form an provision.

## Related party transactions

The parties related with Ballast Nedam are the company's key management (Board of Management and Supervisory Board), its subsidiaries, associates, joint ventures, the Stichting Pensioenfonds Ballast Nedam, and the directors and senior officials of these entities.

The main task of the Ballast Nedam Pension Fund is to implement the pension scheme for Ballast Nedam employees. The Ballast Nedam Pension Fund uses the services of employees of Ballast Nedam companies. The actual costs are charged on.

Ballast Nedam buys and sells goods and services from and to various related parties in which Ballast Nedam holds an interest of 50% or less, or with natural or legal persons holding at least 10% of the Ballast Nedam shares. All these transactions are executed at arm's length, in a comparable manner as for transactions with third parties.

### Interests in joint ventures

Joint ventures, consisting primarily of construction or development consortia, are proportionately consolidated. For a list of the main joint ventures, we refer to the organization chart in section 10.10 Organization chart 7 March 2013 on pages 254. Ballast Nedam has recognized the following interests in joint ventures in the consolidated statement of financial position.

x € 1 million	31 December 2012	31 December 2011
Non-current assets	43	59
Current assets	135	99
Non-current liabilities	(18)	(45)
Current liabilities	(164)	(145)
<b>Net assets and liabilities</b>	<b>(4)</b>	<b>(32)</b>

The proportionately consolidated revenue and the cost of sales amounted to approximately 25% (2011: 21%) of total revenue and cost of sales. The total liabilities to third parties of companies for which Ballast Nedam holds joint and several liability, such as limited partnerships, excluding bank guarantees issued by those companies, amounted to € 641 million at year-end 2012 (2011: € 690 million), of which Ballast Nedam's share of € 182 million (2011: € 190 million) is recognized in the consolidated statement of financial position. The financial statements consist largely of subsidiaries and joint ventures.

### Board of Management and Supervisory Board

x € 1 thousand	2012				2011			
	Gross salary	Bonus	Pension charges & social security costs	Reimbursement	Gross salary	Bonus	Pension charges & social security costs	Reimbursement

#### Board of Management

T.A.C.M. Bruijninx	493		153	5	486	162	149	5
R. Malizia	406		110	5	382	134	87	5
P.van Zwieten	361		80	5	208	119	27	3
	<b>1 260</b>		<b>343</b>	<b>15</b>	<b>1 076</b>	<b>415</b>	<b>263</b>	<b>13</b>

#### Supervisory Board

A.N.A.M. Smits	45			2	45			2
R.M.M. Boelen 1)	35			2	35			2
J.C. Huis in 't Veld	35			2	35			2
J. Bout	30			2	18			1
L.W.A.M. van Doorne 2)	19			1	-			-
	<b>164</b>			<b>9</b>	<b>133</b>			<b>7</b>
<b>Total</b>	<b>1 424</b>		<b>343</b>	<b>24</b>	<b>1 209</b>	<b>415</b>	<b>263</b>	<b>20</b>

<sup>1</sup> until 30 november 2012

<sup>2</sup> as of 16 mei 2012

The bonuses of the directors relate to the years in which the expense was recognized. Members of the Board of Management are entitled to the use of a company car. The remuneration of the members of the Supervisory Board is in proportion to their term of office in the Supervisory Board. No loans were issued to members of the Board of Management or the Supervisory Board. The above amounts exclude € 185 thousand of government-imposed crisis levy.

## Option scheme

Year granted	2012	2011	2010	2009	2008	2007
Value in €	589 000	480 900	473 250	619 000	891 000	945 000
Number	100 000	70 000	75 000	100 000	100 000	100 000
Exercise price in €	12.67	15.29	13.43	11.60	25.11	35.85
Grant date	9/03/2012	11/03/2011	12/03/2010	13/03/2009	14/03/2008	16/03/2007
Share price at grant date in €	13.27	15.88	14.10	13.00	24.40	36.10
Exercise period from	9/03/2015	11/03/2014	12/03/2013	13/03/2012	14/03/2011	16/03/2010
to	8/03/2018	10/03/2017	11/03/2016	12/03/2015	13/03/2014	15/03/2013
Volatility	6 years 37%	5 years 36%	4 years 37%	3 years 38%	2 years 30%	1 year 29%
Risk-free interest rate	4%	4%	4%	4%	4%	4%
Conditions	employed when exercising					
Minimum holding	5%	5%	5%	5%	5%	5%

The Supervisory Board grants options to members of the Board of Management in accordance with the option scheme that was approved at the Extraordinary General Meeting of Shareholders on 26 October 2006. The purposes of the scheme are to allow managing directors to be granted options as an instrument for long-term loyalty and to ensure that the interests of individual managing directors mirror those of the shareholders. Options are therefore granted on condition that the managing directors themselves hold depositary receipts for shares.

## Depositary receipts for shares and granted options

	Depositary receipts for shares		Options granted in year	
	31 December 2012	31 December 2011	2012	2011
T.A.C.M. Bruijninx	17 000	17 000	40 000	40 000
R. Malizia	20 157	20 157	30 000	30 000
P. van Zwieten	5 282	5 282	30 000	
<b>Number</b>	<b>42 439</b>	<b>42 439</b>	<b>100 000</b>	<b>70 000</b>

## Costs of option scheme

x € 1 thousand	2012	2011
T.A.C.M. Bruijninx	235	243
R. Malizia	177	183
P. van Zwieten	48	
<b>Total</b>	<b>460</b>	<b>426</b>

## Accounting estimates and judgements

In preparing the financial statements, the management of Ballast Nedam has made estimates and judgements that affect the amounts recognized for assets, liabilities, revenue, costs and the related notes on conditional and off-balance sheet liabilities. Estimates and judgements are evaluated on a regular basis.

### **Project results**

'Work in progress' comprises, besides the recognized costs and invoiced instalments for each project, also the interim realized gain or the affected loss provision. The gain and loss are both based on an estimate of the ultimate profit for each project: the end of work forecast.

The uncertainty in this profit estimate increases in line with factors such as:

- An agreed contract form that entails more risks for the contractor, such as the design risk that contractors accept in design & construct contracts, plus, for a DBMO contract, the responsibility for maintenance and operation;
- A project that is in an early design or implementation stage. When detailing a preliminary or final design, substantial deviations from the preliminary design may arise (because an initial solution turns out with hindsight to be infeasible, or because the underlying conditions are better or worse than expected, or because the dialogue with stakeholders is far more complicated, and therefore more expensive, than foreseen). Countless risks also arise in the implementation phase that are for the contractor's the expense. These deviations may be positive or negative.

### **Goodwill**

The recoverable amount is measured using future cash flow forecasts. The budgets of the cash generating units are used to estimate future cash flows for the next three years. The assumptions in these budgets are based in part on historical profits and external information sources. Cash flows after three years are extrapolated with expected growth rates.

### **Land positions**

Landholdings are acquired and held for future development purposes and are recognized at the lower of historical cost and net realizable value. The realizable value is the higher of the current market value and the present value of the estimated future cash flows. The future cash flows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 9%.

### **Recognition of deferred income tax assets**

At the close of the financial year, Ballast Nedam makes an assessment of the income tax position of all fiscal entities. This involves estimating the actual short-term tax charges and income, and the temporary differences between the accounting carrying amounts and tax base of assets and liabilities. A decision is taken at the end of the reporting period as to whether unused tax losses and deferred tax assets that are due to temporary differences may be recognized. Ballast Nedam recognizes the portion of deferred tax assets that will probably be realized. If the actual anticipated taxable profits differ from the estimates, and depending on the tax strategies that Ballast Nedam may implement, taxable losses that have been recognized may not be realized, thus affecting the financial position and results of Ballast Nedam.

**Provisions**

Provisions relating to legal or constructive obligations are based on estimates and judgements as to whether the criteria for treatment as a provision have been met, including an estimate of the size of the obligation. Legal or constructive obligations are disclosed if it is likely that an obligation will arise and its size can be reasonably estimated. Provisions for warranties are recognized for the expected expenses necessary to resolve complaints. If the actual outcome differs from the assumptions as to anticipated costs, the estimated provisions will be revised, and this could have an effect on the financial position and results of Ballast Nedam.

**Subsequent events**

Mr R. Malizia stepped down as member of the Board of Management of Ballast Nedam N.V. on 5 March 2013.

## 9.10 Company statement of financial position (before appropriation of profit)

x € 1 million	Note	31 December 2012	31 December 2011
<b>Financial assets</b>			
Subsidiaries	21	318	328
Long-term receivables from subsidiaries	21	-	21
Deferred tax assets	22	32	32
		<b>350</b>	<b>381</b>
<b>Current assets</b>			
Receivables		2	1
Receivables from subsidiaries		44	43
Cash and cash equivalents		6	1
		52	45
<b>Current liabilities</b>			
Trade payables		(3)	(2)
Other liabilities		(27)	(18)
Debts to subsidiaries		(232)	(213)
		(262)	(233)
<b>Current assets minus current liabilities</b>		<b>(210)</b>	<b>(188)</b>
		<b>140</b>	<b>193</b>
<b>Non-current liabilities</b>			
Provisions	23	9	22
		9	22
<b>Shareholders' equity</b>			
Issued share capital	24	60	60
Share premium		52	52
Repurchased own shares		(5)	(5)
Currency translation reserve		-	-
Reserves of associates		36	41
Hedging reserve		(4)	(9)
Other reserves		33	23
Surplus for the year		(41)	9
<b>Shareholders' equity</b>		<b>131</b>	<b>171</b>
		<b>140</b>	<b>193</b>

Note: See Notes to the company financial statements on pages 227 - 232

## 9.11 Company income statement

x € 1 million	2012	2011
Profit of subsidiaries after taxation	(19)	36
Other results after taxation	(22)	(27)
<b>Profit for the period</b>	<b>(41)</b>	<b>9</b>

The profit from subsidiaries after taxation represents Ballast Nedam's share of the profit after taxation of its subsidiaries.

## 9.12 Notes to the company financial statements

### Significant accounting policies

The company financial statements of Ballast Nedam N.V. form part of the 2012 consolidated financial statements of Ballast Nedam N.V. and have been prepared in accordance with the option provided in Book 2, Section 362(8) of the Dutch Civil Code. The same accounting policies were used in preparing these company financial statements as were used for the consolidated financial statements. The valuation of assets and liabilities, the translation of foreign currencies and the determination of the profit for the period are in accordance with the accounting policies as set out on pages 178 to 189 of the consolidated financial statements. Group companies are included in the company financial statements in accordance with the equity method. If Ballast Nedam's share in the losses exceeds the value of the interest in an associate, the carrying amount of the investment is written down to nil in Ballast Nedam N.V.'s statement of financial position and only the portion of any further losses for which Ballast Nedam N.V. has a legal or constructive obligation will be recognized.

### 21 Subsidiaries

x € 1 million	Interests in subsidiaries	Long-term receivables from subsidiaries	Total
<b>31 December 2010</b>	<b>120</b>	<b>205</b>	<b>325</b>
Profit for the period	36	-	36
Investments	-	2	2
Disposals	-	(19)	(19)
Acquisition of non-controlling interest	-	-	-
Dividend received	-	-	-
Net changes in hedging reserve	4	-	4
Foreign currency translation differences	1	-	1
<b>31 December 2011</b>	<b>161</b>	<b>188</b>	<b>349</b>
Profit for the period	(19)	-	(19)
Investments	-	3	3
Disposals	-	-	-
Acquisition of non-controlling interest	-	-	-
Conversion into capital	167	(167)	-
Redemption	-	(20)	(20)
Dividend received	-	-	-
Net changes in hedging reserve	5	-	5
Foreign currency translation differences	-	-	-
<b>31 December 2012</b>	<b>314</b>	<b>4</b>	<b>318</b>
Reclassification of negative shareholders' equity subsidiaries	4	(4)	-
<b>Total</b>	<b>318</b>	<b>-</b>	<b>318</b>
Carrying amount as at 31 December 2011	328	21	349
Carrying amount as at 31 December 2012	318	-	318

The interests in subsidiaries are direct interests, of which the main ones are shown in the organization chart. Some subsidiaries had negative shareholders' equity totalling € 167 million (2011: € 167 million). This negative shareholders' equity was set off against the intercompany loans issued to these subsidiaries in 2012 for a total of € 167 million.

A list of interests as referred to in Book 2, Section 379 of the Dutch Civil Code has been filed with the Commercial Register in Utrecht. The Annual Report has a list of the significant group companies and interests.

## 22 Deferred tax asset

x € 1 million	2012	2011
<b>1 January</b>	<b>32</b>	<b>32</b>
Movement through equity	-	-
Movement through income statement	-	-
<b>31 December</b>	<b>32</b>	<b>32</b>

In 2012 € 13 million of deferred tax assets were derecognized pursuant to an agreement with the tax authorities. This agreement is, together with the payment of € 5 million, part of a transaction with the Public Prosecutor's Office. The deferred tax asset increased by € 17 million because of the recognition of € 68 million of carry-forward losses. This includes the liquidation loss of Ballast Nedam USA Plc. The tax asset also decreased by € 3 million because of changes in accounting estimates of € 12 million with respect to previous years.

The Dutch fiscal unity has approximately € 50 million (2011: approximately € 45 million) of carry-forward losses in the Netherlands, € 48 million of which are recognized (2011: € 43 million). There is a limitation on the utilization of these tax losses in the Netherlands.

The remaining carry-forward period is between five and nine years (2011: average of four years). The utilization of carry-forward losses depends on future taxable profits.

x € 1 million	Reorganization	Other	Total
<b>31 December 2010</b>	<b>1</b>	<b>25</b>	<b>26</b>
Addition	-	3	3
Unwinding of discount	-	-	-
Reversals	-	(6)	(6)
Utilization	-	(1)	(1)
<b>31 December 2011</b>	<b>1</b>	<b>21</b>	<b>22</b>
Addition	-	-	-
Unwinding of discount	-	-	-
Reversals	-	(11)	(11)
Utilization	(1)	(1)	(2)
<b>31 December 2012</b>	<b>-</b>	<b>9</b>	<b>9</b>
<b>Current (&lt; 1 year)</b>			
31 December 2011	1	21	22
31 December 2012	-	9	9

Other provisions include € 7 million (2011: € 16 million) for the consequences of infringements of competition rules prior to the end of 2001. The remaining amounts of the provisions and additions related to other claims against Ballast Nedam. The release of € 11 million (2011: € 6 million) included the old fine imposed by the Dutch competition authority, which was reduced substantially on appeal, and several now unneeded provisions for possible claims.

x € 1 million	Issued share capital	Share premium	Repurchased own shares	Currency translation reserve	Reserves of associates	Hedging reserve	Other reserves	Profit for the period	Equity attributable to owners of the company	Non-controlling interest	Total equity
<b>31 December 2010</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>(1)</b>	<b>41</b>	<b>(13)</b>	<b>20</b>	<b>7</b>	<b>161</b>	<b>-</b>	<b>161</b>
Profit for the period								9	9		9
Foreign currency translation differences				1					1		1
Effective portion of changes in fair value of hedging instruments						(10)			(10)		(10)
Effective portion of changes in fair value of hedging instruments associates						(3)			(3)		(3)
Net change in fair value of hedging instruments, transferred to income statement						16			16		16
Net change in fair value of hedging instruments, associates transferred to income statement						1			1		1
<b>Comprehensive income</b>				<b>1</b>		<b>4</b>		<b>9</b>	<b>14</b>	<b>-</b>	<b>14</b>
Dividend paid							(4)		(4)		(4)
Option scheme							-		-		-
Repurchased own shares			-						-		-
<b>Transactions with shareholders</b>			<b>-</b>				<b>(4)</b>		<b>(4)</b>	<b>-</b>	<b>(4)</b>
Appropriation of 2010 result					-		7	(7)	-	-	-
Other					-		-		-		-
<b>31 December 2011</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>41</b>	<b>(9)</b>	<b>23</b>	<b>9</b>	<b>171</b>	<b>-</b>	<b>171</b>
Profit for the period								(41)	(41)		(41)
Foreign currency translation differences				-					-		-
Effective portion of changes in fair value of hedging instruments						(3)			(3)		(3)
Effective portion of changes in fair value of hedging instruments associates						(1)			(1)		(1)
Net change in fair value of hedging instruments, transferred to income statement						9			9		9
Net change in fair value of hedging instruments, associates transferred to income statement						-			-		-
<b>Comprehensive income</b>						<b>5</b>		<b>(41)</b>	<b>(36)</b>	<b>-</b>	<b>(36)</b>
Dividend paid							(5)		(5)		(5)
Option scheme							1		1		1
Repurchased own shares											
<b>Transactions with shareholders</b>							<b>(4)</b>		<b>(4)</b>		<b>(4)</b>
Appropriation of 2011 result							9	(9)		-	
Other					(5)		5		-		-
<b>31 December 2012</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>36</b>	<b>(4)</b>	<b>33</b>	<b>(41)</b>	<b>131</b>	<b>-</b>	<b>131</b>

The authorized capital consists of 20,000,000 ordinary shares and amounts to € 120 million. The issued share capital consists of 10,000,000 ordinary shares with a nominal value of € 6.

The total number of repurchased shares at year-end 2012 was 332,500 (2011: 332,500) and is stated at acquisition price. None of the company's own shares were repurchased in 2012 (2011: 32.500). Ballast Nedam's policy is to avoid potential dilution through option rights granted by buying back a proportionate number of its own shares.

The legal reserves comprise the currency translation reserve, the reserves of the associates and the hedging reserve.

Translation differences arise on the conversion of the investments in foreign activities, including semi-permanent financing, and on the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the end of the reporting period.

The reserves of the associates relate to profits and/or reserves of the associates, joint ventures and construction consortia subject to legal restrictions on distribution, or restrictions imposed by the Articles of Association. The change is explained by an increase in the equity of proportionately consolidated joint ventures and construction consortia where distribution is restricted by influence of the partners.

The hedging reserve comprises the cumulative net movement in the fair value of derivative financial instruments, for which the hedged transaction has yet to take place.

The dividend distributed for 2011 was charged to Other Reserves. The Board of Management, with the approval of the Supervisory Board, proposes to refrain from distributing a dividend (2011: € 0.47). In 2011 € 4.5 million was paid out as dividend.

Share-based transactions, the option scheme, related to the addition to the other reserves because of the employee benefits recognized in respect of options granted. The movement in equity in 2012 was € 460,000 (2011: € 426.000).

## Off-balance sheet commitments

### Guarantees

x € 1 million	31 December 2012		31 December 2011	
	Guarantees	260		260
<b>Total</b>	<b>260</b>		<b>260</b>	

### Rental commitments

x € 1 million	31 December 2012			31 December 2011		
	< 1 year	1- 5 years	> 5 years	< 1 year	1- 5 years	> 5 years
<b>Lease commitments</b>						
Other operating assets	1	1	-	-	-	-
<b>Rental commitments</b>						
Offices	4	9	-	4	13	-
<b>Total</b>	<b>5</b>	<b>10</b>	<b>-</b>	<b>4</b>	<b>13</b>	<b>-</b>

### Liabilities

Ballast Nedam N.V. has filed a declaration of joint and several liability as referred to in Book 2, Section 403 paragraph 1(f) of the Dutch Civil Code with the office of the Commercial Register of the Chamber of Commerce in favour of Ballast Nedam ICT B.V. and Ballast Nedam Beheer B.V. Ballast Nedam N.V. is thereby liable for the obligations of Ballast Nedam ICT B.V. and Ballast Nedam Beheer B.V. to a maximum of € 30 million.

In connection with credit and guarantee facilities, Ballast Nedam N.V. has given undertakings not to furnish any security.

Ballast Nedam N.V. has issued guarantees for a number of subsidiaries' contracts, totalling approximately € 3 billion (2011: less than € 3 billion). This often involves the entire contract sum for long-term projects.

Together with the subsidiaries that form the fiscal unity, Ballast Nedam N.V. bears joint and several liability for corporate income tax and value added tax in the Netherlands.

### Audit fee

The following fees of KPMG Accountants N.V. were charged to the company, its subsidiaries and other companies in the consolidation, as set down in Book 2, Section 382a of the Dutch Civil Code. The audit fee for the 2012 financial statements was € 0.6 million (2011: € 0.6 million). The fee for engagements related to the audit was € 0.4 million (2011: € 0.4 million). KPMG Meijburg also charged € 0.4 million (2011: € 0.4 million) for tax-related services.

### Employees

At year-end 2012, Ballast Nedam N.V. had 182 employees (2011: 48). The increase relative to 2011 is attributable to a transfer of employees from the former sub holdings Ballast Nedam Building & Development B.V. and Ballast Nedam Infra B.V. to Ballast Nedam N.V. on 1 January 2012.

### Managing directors and supervisory directors

For notes on the remuneration of supervisory directors and members of the Board of Management, see the section on transactions with associates in the notes to the consolidated financial statements.

### Subsequent events

Mr R. Malizia stepped down as member of the Board of Management of Ballast Nedam N.V. on 5 March 2013.

### Signature

The supervisory directors signed the financial statements in accordance with their legal obligation pursuant to Book 2, Section 101 paragraph 2 of the Dutch Civil Code and the managing directors signed the financial statements in accordance with their legal obligation pursuant to Book 2, Section 101 paragraph 2 of the Dutch Civil Code and Article 5:25c paragraph 2c of the Financial Supervision Act (Wft).

Nieuwegein, 7 March 2013

Board of Management,  
T.A.C.M. Bruijninx  
P. van Zwieten

Supervisory Board,

A.N.A.M. Smits  
J.C. Huis in 't Veld  
J. Bout  
L.W.A.M van Doorne



**FIVE iQwoning® HOMES IN  
LAGE WIPSTRAAT, ZEVENBERGEN**

Ballast Nedam has built five iQwoning® homes for the Brabantse Waard housing association. The old homes had reached the end of their technical lives and were demolished and replaced within six weeks. The rapid and efficient modular building technique minimized disruption, prior investment and loss of rental income.



**WASTE INCINERATION PLANT, ALKMAAR**

The incineration of domestic waste, as at this plant in Alkmaar, releases substances that can be reused. The ovens operate at 1000°C. The ash that settles at the bottom of the oven is an excellent material for raising and filling civil constructions, and has substantial cost benefits.



# Other information

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9.1	Consolidated statement of financial position	174
9.2	Consolidated income statement	175
9.3	Consolidated statement of changes in equity	176
9.4	Consolidated statement of cash flows	177
9.5	Notes to the consolidated financial statements	178
9.6	Operating segments	191
9.7	Acquisitions and disposals	194
9.8	Notes to the consolidated statement of financial position	196
9.9	Notes to the consolidated income statement	213
9.10	Company statement of financial position (before appropriation of profit)	226
9.11	Company income statement	226
9.12	Notes to the company financial statements	227

# 10

## Other information

### 10.1 Independent auditor's report

To: The General Meeting of Shareholders of Ballast Nedam N.V.

#### Report on the financial statements

We have audited the accompanying financial statements 2012 of Ballast Nedam N.V., Nieuwegein as set on pages 174 to 232 of this report, which comprise the consolidated and company statement of financial position as at 31 December 2012, the consolidated and company income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity for the year and the consolidated statement of cash flows for the year then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

#### Management's responsibility

Management is responsible for the preparation and fair presentation of these 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 management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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

In our opinion, the financial statements give a true and fair view of the financial position of Ballast Nedam N.V. as at 31 December 2012, 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.

### Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed.

Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 7 March 2013

KPMG ACCOUNTANTS N.V.

M. Blöte RA

## 10.2 Definitions

**Assets** - Assets are defined to encompass non-current and current assets.

**DBFMO: Design-Build-Finance-Maintain-Operate** - A contract form in which a market party or a consortium of market parties takes responsibility not only for financing, designing and constructing a building, but also for maintaining the building and supplying all or some of the technical services for a given period (e.g. 25 or 30 years).

**EBITDA:** Earnings before Interest, Taxation, Depreciation and Amortization.

**EBITA:** Earnings before Interest, Taxation and Amortization.

**EBIT:** Earnings before Interest and Taxation.

**Financial assets** - PPP receivables plus other investments and other receivables (long term).

**GRI: Global Reporting Initiative** - International guidelines for organizations on how to report on sustainability.

**IFRS: International Financial Reporting Standards** - With effect from 1 January 2005 all publicly listed companies in the European Union are required to draw up their consolidated accounts in accordance with these new standards.

**Cost of sales** - The costs of raw materials and subcontractors plus personnel expenses and other operating expenses.

**Net financing position** - Net cash less the current portion of long-term loans, and the long-term loans.

**Net cash** - Cash and cash equivalents plus deposits less bank overdrafts and money market loans.

**PPP receivables** - Receivables pursuant to Public Private Partnerships (PPPs).

**Liabilities** - Liabilities are defined to encompass non-current and current liabilities.

**Capital employed** - Non-current assets plus current assets minus current liabilities excluding net cash.

### 10.3 Profit sharing and dividend policy

This section presents the provisions of Ballast Nedam's Articles of Association on which profit sharing is based, and the dividend policy.

Clause 23 of the Ballast Nedam Articles of Association governs profit appropriation.

This text of this clause is as follows.

1. The portion of profit available for distribution that the company may distribute to shareholders and other entitled parties is limited to the amount of the distributable reserves.
2. Distribution of profit will take place after adoption of the income statement that demonstrates the legitimacy of distribution.
3. Subject to approval of the Supervisory Board, the Board of Management determines which portion of the profit presented in the income statement is to be added to the reserves. The remaining portion of the profit is at the disposal of the General Meeting of Shareholders.
4. Any shares held by the company in its own capital are not counted when calculating the profit appropriation, except where the shares are encumbered with usufruct, or depositary receipts for shares have been issued with the company's consent.
5. Subject to Supervisory Board approval, the Board of Management may decide to distribute an interim dividend in anticipation of the expected dividend, subject to the provisions of paragraph 1 above, as demonstrated in an interim statement of assets and liabilities as referred to in Book 2, Section 105 paragraph 4 of the Netherlands Civil Code.
6. Decisions to distribute dividend and interim dividend may propose distribution in full or in part in the form of cash or of shares in the company.
7. The General Meeting of Shareholders may, on the proposal of the Board of Management that has been approved by the Supervisory Board, resolve to make distributions chargeable to the distributable reserves. The provisions of paragraph 6 then apply *mutatis mutandis*.
8. Dividends and interim dividends are made payable on a date set by the Board of Management within fourteen days of adoption.
9. Any dividends and interim dividends that remain unclaimed for five years after becoming payable accrue to the company.

#### Dividend policy

The underlying principle of Ballast Nedam's dividend policy is that 50 per cent of the profit for the period is placed at the disposal of shareholders for distribution as dividend.

## 10.4 Board members of the Ballast Nedam Administration Office

The Board of the Ballast Nedam Administration Office consists of the following members.

### 10.4.1 Prof. W. van Voorden (Chairman)

Mr van Voorden was born in 1942. He has served as a Professor of Social Economics in Tilburg and Rotterdam. He has also been Chairman of the Care Insurance Supervisory Board, Chairman of the Supervisory Board of Batenburg Beheer N.V., Vice Chairman of the Supervisory Board of De Telegraaf Media Groep N.V. and Chairman of the Supervisory Board of Panteia.

Mr van Voorden was first appointed to the Board of the Administration Office on 10 May 2006. His current term of office ends on 10 May 2014\*. He is appointed Chairman of the Board of the Administration Office on 10 May 2010.

### 10.4.2 W.F.C. Baars

Mr Baars was born in 1948. Mr Baars has held various management positions in ABN AMRO Bank, last as Director-General. Since then he has been Chairman of NIVE and Chairman of the Supervisory Board of Van der Hoop Bankiers.

In the reporting year Mr Baars was an independent consultant, member of the Financial service providers Disputes Committee, member of the Supervisory Board of Golf Team Holland and board member of the Stichting Waarborgfonds HBO.

Mr Baars was first appointed to the Board of the Administration Office on 1 June 2009. His current term of office expires on 19 May 2015\*.

### 10.4.3 L.H. Keijts

Mr Keijts was born in 1952. He began his career as a public participation officer with the Provincial Council for Spatial Planning in Zuid-Holland. Since 1981 he has held various positions at the Ministry of Transport, Public Works and Water Management. Between 1996 and 1999 he was Deputy Director-General for Spatial Planning at the Ministry of Housing, Spatial Planning and the Environment. He then moved to the same position at the Ministry of Transport, Public Works and Water Management, later being appointed Director-General for Water in 2001.

From 2003 to 1 January 2010 he was Director-General for Public Works and Water Management at the Ministry of Transport, Public Works and Water Management. Mr Keijts has been Chairman of the Board of Management of the housing association Portal since 1 January 2010.

Mr Keijts was first appointed to the Board of the Administration Office on 8 April 2010. His current term of office expires on 8 April 2014\*.

\* At least up to and including the first meeting of holders of depositary receipts for shares that is held after four years have passed after his appointment.

## 10.5 Report of the Ballast Nedam Administration Office

This report complies with the provisions of Article 15 of the Terms of Administration of the Ballast Nedam Administration Office (Stichting Administratiekantoor van aandelen Ballast Nedam, referred to elsewhere as 'the Administration Office') and best practice provisions IV.2.6 and IV.2.7 of the Dutch Corporate Governance Code.

In 2012, the Administration Office arranged for the performance of the customary administrative activities regarding the registered shares in the capital of Ballast Nedam N.V. as referred to below.

ANT Trust and Corporate Services N.V. (P.O. Box 11063, 1001 GB Amsterdam), as the trust office of the Administration Office, performs the work associated with the administration of the shares. The Administration Office itself is located at the address of Ballast Nedam N.V.

The total costs of the activities of the Administration Office in 2012 were 77 739 euros, including the fees paid to the members of the Board of the Administration Office. Pursuant to Article 9.1 of the Terms of Administration of the Administration Office, these costs were borne by Ballast Nedam N.V.

### 10.5.1 Number of depositary receipts for shares

The nominal value of registered shares held in administration at 31 December 2012 was 59 678 010 euros. In return for these shares, 9 946 335 bearer depositary receipts have been issued with the same nominal value. At year-end 2012, depositary receipts had been issued for 99.46 per cent of the capital in issue of Ballast Nedam N.V.

The number of registered shares in the capital of Ballast Nedam N.V. in the custody of the Administration Office increased in 2012 from 9 946 058 to 9 946 335. The increase was limited this year because only 277 depositary receipts were exchanged for depositary receipts for shares that can be traded on the stock exchange.

### 10.5.2 Board

In accordance with Article 4 of the articles of association of the Administration Office, the Board of the Administration Office consists of three independent members, and in 2012 the members of the Board of the Administration Office were:

- Prof. W. van Voorden (Chairman);
- W.F.C. Baars;
- L.H. Keijts.

The functions and other positions held by the members Board of the Administration Office are given in Section 10.4 Board members of the Ballast Nedam Administration Office on page 240. In 2012 fees for members of the Board were 7 500 euros per year and the fee for the chairman of the Board was 9 000 euros per year. From 1 January 2013 the fees for members of the Board will be subject to annual index-linked increments in accordance with the collective agreement for the building industry (cao Bouwnijverheid).

### 10.5.3 Board meetings

The Board also conducted talks with the Board of Management of Ballast Nedam N.V., in which it received information on the company's performance. There were three meetings of the Board of the Administration Office in 2012, two of which were attended by the Board of Management at the invitation of the Board of the Administration Office. Furthermore, as every year, a meeting of holders of depositary receipts for shares was held prior to the Annual General Meeting of Shareholders of Ballast Nedam N.V.

The first meeting of the Board of the Administration Office was held on 27 April 2012, and was attended by two of the three members of the Board of Management of Ballast Nedam N.V. At this meeting the Board of the Administration Office discussed the general performance of Ballast Nedam N.V. and Ballast Nedam N.V.'s annual figures for 2011, following their publication on 9 March 2011. The Board of the Administration Office adopted the balance sheet and income statement of the Administration Office for the 2011 financial year and approved the report of the Administration Office for 2011.

The second meeting of the Board of the Administration Office was held on 16 May 2012 in preparation for the General Meeting of Shareholders, and for the meeting of holders of depositary receipts for shares that was held on the same date.

The third meeting of the Board of the Administration Office was held on 23 November 2012. This meeting discussed Ballast Nedam N.V.'s half-yearly figures and trading update for the third quarter of 2012. This meeting was attended by the full Board of Management of Ballast Nedam N.V.

#### 10.5.4 Meeting of Holders of Depositary Receipts of the Administration Office held on 16 May 2012

The following items were on the agenda of the meeting of holders of depositary receipts:

- explanation from the board regarding the report for 2011;
- announcement of the proposed votes of the Board of the Administration Office at the Annual General Meeting of Shareholders of Ballast Nedam N.V.

The Board reported on its activities in 2011 and explained its proposed voting behaviour at the Annual General Meeting of Shareholders of Ballast Nedam N.V. The above agenda items were discussed at the meeting of holders of depositary receipts.

#### 10.5.5 Participation of the Board of the Administration Office in the General Meeting of Shareholders

The Board of the Administration Office took part in discussions on the matters raised at the General Meeting of Shareholders held on 16 May 2012. The Board of the Administration Office posed a number of critical questions at the meeting. On behalf of the Administration Office, the Board voted on the agenda items and, in accordance with the objects set out in the articles of association of the Administration Office, based its voting behaviour primarily on the interests of holders of depositary receipts for shares, bearing in mind the interests of Ballast Nedam N.V. and its affiliated entities. After careful consideration, the Board of the Administration Office resolved to support all the proposals made at the General Meeting of Shareholders.

Holders of depositary receipts for shares that can be traded on the stock exchange granted proxies or gave binding voting instructions for a total of 4 831 035 depositary receipts for shares. This represented 50.0 per cent of the issued share capital. Consequently, the Board of the Administration Office represented 49.5 per cent of the issued share capital at the General Meeting of Shareholders held on 16 May 2012.

Nieuwegein, March 2013

The Board  
W. van Voorden  
W.F.C. Baars  
L.H. Keijts

## 10.6 On this report: reporting principles

We report on financial and operational matters with reference to a business plan, of which the CSR issues form an integral part. We observe a phasing with thirteen periods for the current year. The reports are:

- a daily liquidity report;
- a periodic financial report;
- an extensive quarterly report.

The Board of Management discusses the course of events quarterly with the cluster management teams, with reference to the financial and operational reports, which always give the risk profile. The cluster management teams conduct a similar dialogue with the management of the business units.

We do not yet have a comprehensive information system for capturing sustainability information comparable with Ballast Nedam's financial reporting systems. However, we have integrated the reporting of energy and CO<sub>2</sub> into the financial reporting system in 2012. We use the GHG (Greenhouse Gas) protocol for the calculations. We will gradually integrate the reporting of the other sustainability issues into the financial reporting system in the coming years. Ultimately we aim to achieve external assurance for the entire report in order to improve our standards and further increase the report's impact.

### 10.6.1 Boundary of the report and scope

This report presents qualitative and quantitative data relating to the 2012 calendar year. This publication is a translation of the official annual report, which was published in the Dutch language. In the event of discrepancies, the version in Dutch shall prevail. In preparing the report, we take into account all activities Ballast Nedam performs worldwide, including foreign operations, projects and consortiums. We apply the proportionate method of consolidation for Ballast Nedam's operations. The same method is used for consortiums and projects. For the environment theme, we limit our reporting to Dutch operations. We fully include only our own employees in topics such as safety and integrity.

### 10.6.2 Report structure

Ballast Nedam presents in this Annual Report an integrated account of its financial performance and its fulfilment of corporate social responsibility. The report of the board of management tells the story, identifies the dilemmas, discusses the competitive position and clarifies the day-to-day management activities.

Ballast Nedam's ambitions determined the definition of the strategic objectives for 2013 in support of our business strategy. This strategy is expressed in Chapter 3 *Strategy* on page 42. Chapter 2 on page 30 presents our strategic objectives for 2013 and our aims on company level. We give an account of the financial and non-financial results of the efforts to achieve our objectives in financial year 2012, in which we distinguish between the qualitative and quantitative intentions and the results achieved. The CSR objectives are an integral part of our strategic objectives. The CSR objectives and the results achieved are given in Chapter 6 *Our CSR policy* on page 89.

Chapter 4 *Segments* on page 56 explains the segments' contribution to the strategic objectives for 2013. We also illuminate the specific actions that are planned for 2013 in support of the strategic objectives. We report on the segments' contributions to the strategic objectives and the action plans for 2012, which were carried out on the basis of the business strategy.

The *SWOT analysis* on page 54 helps us identify the company-specific risks and the salient strategic risks, as covered in Chapter 5 *Risk and risk management* on page 75. This chapter explains how the organization is structured in order to control risks. Chapter 7 *Stakeholder analysis* on page 139 describes how we involve our stakeholders in our policy and strategy, and their influence on our reporting.

Chapter 1 *About Ballast Nedam* on page 15 sets out our vision and mission, our key activities, the market environment we operate in, and the structure of our organization. We explain how the company is controlled and managed in Chapter 8 *Corporate governance* on page 149. The Supervisory Board reports in this chapter on the supervision of the company, and accounts in the remuneration report for Ballast Nedam's remuneration policy.

### 10.6.3 Reporting principles and verification

#### **GRI: Global Reporting Initiative**

The 2012 Annual Report is the fourth Ballast Nedam integrated annual report to have been drawn up in accordance with Global Reporting Initiative (GRI G3.1) guidelines and IFRS (International Financial Reporting Standards). We report on level B, which is subject to a GRI application level check. This implies that we do not restrict ourselves in this Annual Report to mandatory financial and strategic information about Ballast Nedam as a company, but also include data about at least twenty GRI performance indicators. Section 10.7 *GRI indicator list* on page 246 lists the quantitative and qualitative performance indicators presented in the report. In 2012 the external auditor, KPMG Sustainability, performed an assurance on the quantitative and qualitative information regarding our CO<sub>2</sub> footprint. This report therefore meets GRI level B+. The Assurance Report is presented in Section 10.8 on page 250.

#### **Dutch Corporate Governance Code**

The Dutch Corporate Governance Code (hereinafter referred to as 'the Code') was drawn up in 2003 by a committee chaired by Morris Tabaksblat, and refined in December 2008 by a committee chaired by Jean Frijns. The updated Code came into effect on 1 January 2009. Ballast Nedam endorses the 139 principles of the Code and, with a few specific exceptions, applies its best practice provisions. A statement of compliance with the Code is posted on [www.ballast-nedam.nl](http://www.ballast-nedam.nl).

#### **IFRS: International Financial Reporting Standards**

The Ballast Nedam consolidated accounts are drawn up in accordance with International Financial Reporting Standards, which have been compulsory for all publicly listed companies in the European Union since 1 January 2005. The figures from the years before 2005 were drawn up in accordance with NL GAAP (Generally Accepted Accounting Principles), the collective term for the Dutch legal regulations and case law that governed reporting, and the Guidelines for Annual Reporting.

### **ERASMUS MEDICAL CENTRE, ROTTERDAM**

The old Erasmus Medical Centre buildings in Rotterdam are being demolished and replaced in phases. The new complex, with a gross floor area of 185 000 m<sup>2</sup> consists of a university, laboratories and a hospital. The largest building project in the Netherlands is being implemented by the Nieuwbouw Erasmus MC consortium (Ballast Nedam and BAM).



## 10.7 GRI indicator list

Performance Indicator		Reported				Page
	Definition	2012	2011	2010	2009	
<b>1</b>	<b>Strategy and analysis</b>					
1.1	Statement from the most senior decision-maker of the organization.	■	■	■	■	16-17
1.2	Description of key impacts, risks, and opportunities.	■	■	■	■	25, 54
<b>2</b>	<b>Organizational profile</b>					
2.1	Name of the organization.	■	■	■	■	27, 55, 85
2.2	Primary brands, products, and/or services.	■	■	■	■	17-22, 27
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	■	■	■	■	27
2.4	Location of organization's headquarters.	■	■	■	■	256
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	■	■	■	■	22-23
2.6	Nature of ownership and legal form.	■	■	■	■	26, 150
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	■	■	■	■	22-24
2.8	Scale of the reporting organization.	■	■	■	■	84
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	■	■	■	■	27, 149
2.10	Awards received in the reporting period.	■	■	■	■	awards are not centrally registered
<b>3</b>	<b>Report parameters</b>					
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	■	■	■	■	calendar year 2012
3.2	Date of most recent previous report (if any).	■	■	■	■	1 march 2012
3.3	Reporting cycle (annual, biennial, etc.)	■	■	■	■	annually
3.4	Contact point for questions regarding the report or its contents.	■	■	■	■	colofon
3.5	Process for defining report content.	■	■	■	■	243
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	■	■	■	■	243
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	■	■	■	■	243
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	■	■	■	■	254-255
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.	■	■	■	■	243
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	■	■	■	■	27
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	■	■	■	■	no significant changes
3.12	Table identifying the location of the Standard Disclosures in the report.	■	■	■	■	246-249
3.13	Policy and current practice with regard to seeking external assurance for the report.	■	■	■	■	243

Performance Indicator		Reported				Page
		2012	2011	2010	2009	
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	■	■	■	■	27, 149
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	■	■	■	■	149
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	■	■	■	■	no unitary board structure
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	■	■	■	■	140, 153
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	■	■	■	■	91, 165
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	■	■	■	■	152
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	■	■	■	■	152
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	■	■	■	■	120
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	■	■	■	■	75-77
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	■	■	■	■	90, 155
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	■	■	■	■	the precautionary approach has not been addressed
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	■	■	■	■	26, 141-142
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	■	■	■	■	26
4.14	List of stakeholder groups engaged by the organization.	■	■	■	■	139
4.15	Basis for identification and selection of stakeholders with whom to engage.	■	■	■	■	139
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	■	■	■	■	139
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	■	■	■	■	89, 143, 144

■ = Fully  
■ = Partially  
■ = None

Performance Indicator		Reported				Page
	Definition	2012	2011	2010	2009	
<b>Economic performance indicators</b>						
DMA EC	Disclosure on Management Approach Economy	■	■			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	■	■	■	■	8
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	■	■	■	■	85
EC3	Coverage of the organization's defined benefit plan obligations.	■	■	■	■	82
EC4	Significant financial assistance received from government.	■	■	■	■	no significant assistance from government received
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	■	■	■	■	143
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	■	■	■	■	53
<b>Environmental performance indicators</b>						
DMA EN	Disclosure on Management Approach Environment	■	■			92, 97, 99
EN3	Direct energy consumption by primary energy source.	■	■	■	■	94, 95
EN4	Indirect energy consumption by primary source.	■	■	■	■	94, 95
EN5	Energy saved due to conservation and efficiency improvements.	■	■	■	■	95
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	■	■	■	■	95
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	■	■	■	■	95
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	■	■	■	■	99
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	■				99
EN16	Total direct and indirect greenhouse gas emissions by weight.	■	■	■	■	94-95
EN17	Other relevant indirect greenhouse gas emissions by weight.	■	■	■	■	94-95
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	■	■	■	■	95, 98
EN22	Total weight of waste by type and disposal method.	■	■	■	■	101
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	■	■	■	■	99, 102
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.	■	■	■	■	no sale of packed up products
<b>Social performance indicators: Labor Practices and Decent Work</b>						
DMA LA	Disclosure on Management Approach Labor Practices and Decent Work	■	■			
LA1	Total workforce by employment type, employment contract, and region.	■	■	■	■	107
LA2	Total number and rate of employee turnover by age group, gender, and region.	■	■	■	■	112
LA4	Percentage of employees covered by collective bargaining agreements.	■	■	■	■	106
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	■	■	■	■	113, 116
LA9	Health and safety topics covered in formal agreements with trade unions.	■	■	■	■	113
LA10	Percentage of employees receiving regular performance and career development reviews.	■	■	■	■	111

Performance Indicator		Reported				Page
	Definition	2012	2011	2010	2009	
LA11	Ratio of basic salary of men to women by employee category.	■	■	■	■	110-112
LA12	Percentage of employees receiving regular performance and career development reviews.	■	■	■	■	110-111
LA14	Ratio of basic salary of men to women by employee category.	■	■	■	■	106
<b>Social performance indicators: Human Rights</b>						
DMA HR	Disclosure on Management Approach Human Rights	■	■			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	■	■	■	■	122
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	■	■	■	■	123
HR4	Total number of incidents of discrimination and actions taken.	■	■	■	■	120
<b>Social performance indicators: Society</b>						
DMA SO	Disclosure on Management Approach Society	■	■			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	■	■	■	■	132-134
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	■	■	■	■	121
SO4	Actions taken in response to incidents of corruption.	■	■	■	■	120
SO5	Public policy positions and participation in public policy development and lobbying.	■	■	■	■	141
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	■	■	■	■	119, 121
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	■	■	■	■	86
<b>Social performance indicators: Product Responsibility</b>						
DMA PR	Disclosure on Management Approach Product Responsibility	■	■			
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	■	■	■	■	140
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	■				121

■ = Fully  
■ = Partially  
■ = None



## 10.8 Independent assurance report

To the readers of the Annual Report of Ballast Nedam

We were engaged by the Management Board of Ballast Nedam N.V. to provide assurance on the CO<sub>2</sub> footprint for the year 2012 of the Dutch activities of Ballast Nedam and on the accompanying text regarding this subject in the paragraph “Life-cycle thinking and acting (the environment)” of the Annual Report of Ballast Nedam.

The management of Ballast Nedam International is responsible for determining the CO<sub>2</sub> footprint as well as for establishing and maintaining internal controls for the determination of the CO<sub>2</sub> footprint to enable determination of the CO<sub>2</sub> footprint without material misstatements. Our responsibility is to issue an assurance report based on the scope of the engagement outlined below and on the work done in that context.

### Scope

Our engagement was designed to provide limited assurance on whether the CO<sub>2</sub> footprint of 2012 and the accompanying information related to this footprint, as described in the paragraph “Life-cycle thinking and acting (the environment)” are presented, in all material aspects, in accordance with the reporting criteria of Ballast Nedam.

### Reporting criteria

Ballast Nedam used the criteria of the “Handboek CO<sub>2</sub>-prestatieladder 2.1 of 18 July 2012” of the “Stichting Klimaatvriendelijk Aanbesteden en Ondernemen (SKAO)”. We believe these guidelines are suitable in view of the purpose of our assurance engagement.

### Assurance standard

We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This standard requires, among others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to provide assurance on the CO<sub>2</sub> footprint information, and that they comply with the requirements of the Code of Ethics for Professional Accountants of the International Federation of Accountants to ensure their independence.

### Work undertaken

We have performed the following activities:

- Evaluating the design and implementation of the systems and processes for data collection and data processing of the CO<sub>2</sub> footprint as well as of the internal controls at corporate level regarding data processing and consolidation.
- Interviewing the relevant employee(s) responsible for the reported information regarding the CO<sub>2</sub> footprint.
- Reviewing the reported data of subsidiaries of Ballast Nedam to the corporate organisation and reviewing the calculations and the quality of the validation process of the CO<sub>2</sub> footprint data.
- Reviewing the reliability of the local data and the design and implementation of local validation processes at two subsidiaries reporting CO<sub>2</sub> footprint data namely: Haitsma Beton. and Specialistisch Grondverzet.

### Conclusion

Based on the procedures performed nothing has come to our attention to indicate that the CO<sub>2</sub> footprint of 2012 of the Dutch subsidiaries of Ballast Nedam and the accompanying information relating to the CO<sub>2</sub> footprint in the paragraph “Life-cycle thinking and acting (the environment)” are not presented, in all material respects, in accordance with the reporting criteria.

### Comparative information 2008-2010 not examined

No assurance engagement was performed on the information of the CO<sub>2</sub> footprint 2008-2010 in the Annual Report. Therefore we do not provide assurance on the comparative information regarding CO<sub>2</sub> footprint 2008-2010.

Amstelveen, 19 March 2013

KPMG Sustainability,

part of KPMG Advisory N.V.

W.J. Bartels RA, partner

## 10.9 Management 7 March 2013

### Ballast Nedam

Board of Management

- Corporate secretary, Legal

T.A.C.M. Bruijninx, P. van Zwieten

O.P. Padberg

Personnel & Organization

Finance, Investor relations

Communication & Investor relations

ICT

Legal

Assurance

Compliance & risk management

Innovation management

R.M.A. van Dinther

P. van Zwieten

I. van der Meijden

R.J. Kathmann

O.P. Padberg

A.C.M. van Haastrecht

S.C. Bleker-Van Eyk

M.F. de Jonge

### Ballast Nedam Infra

- Ballast Nedam Infra
- Ballast Nedam Infra North
- Ballast Nedam Infra South
- Ballast Nedam Infra Industriebouw
- Ballast Nedam Parking
- Ballast Nedam Geluidwering

### H. C. van der Wildt

A.R. Groot

F.A.J. Louter

J.A.T.M. van Zandvoort

R.M. Franken

T.E. Hienekamp

J.J.M. Dekker

### Ballast Nedam Infra Speciale Projecten

- Ballast Nedam Infra Projecten
- Ballast Nedam International Projects
- Ballast Nedam Offshore
- Ballast Nedam Industriebouw

### H.C. van der Wildt

R.P. de Keijser, S. van der Linden,  
H. Helmink

H.C. van der Wildt

J.P.C. Blokland, S.D. Dekker

P.J. Slot

### Ballast Nedam Bouw & Ontwikkeling

- Ballast Nedam Ontwikkelingsmaatschappij
- Abl2 / Sustainability Services
- Ballast Nedam Bouw & Ontwikkeling North
- Ballast Nedam Bouw & Ontwikkeling West
- Ballast Nedam Bouw & Ontwikkeling South
- Ballast Nedam Nieuwe Business
- Director New Markets
- Ballast Nedam Gebiedsontwikkeling
- Ballast Nedam Business Development

### J.F.A.M. Corten

D. van Hoogstraten

O.L. Zwiers

N.P.A. Doodeman

P. van Dijk

O.J.M. Senden

J.F.A.M. Corten

C.G.J.W. Martens

K. Bruins Slot

A. Ravenshorst

### Ballast Nedam Bouw & Ontwikkeling Speciale Projecten

- Ballast Nedam Beheer
- Ballast Nedam Concessies

### A.M. de Backker

J.J.A. van Huijstee

M. Klinkhamer



#### Ballast Nedam Specialismen

- Ballast Nedam Engineering
- Ballast Nedam Funderingstechnieken
- Gebr van Leeuwen Harmelen
- Ballast Nedam Specialistisch Grondverzet
- Ballast Nedam Milieutechniek
- DIBEC
- Ballast Nedam Infra Specialiteiten
- Spanstaal
- Ballast Nedam Asfalt
- Ballast Nedam International  
Product Management
- Ballast Nedam Materieel

#### J. Smeets

- W.M. 't Hart
- J.K. Verhoeve
- J.K. Verhoeve
- K. Roelfsema
- W.E.R. Huntjens
- P.G.M. Ballast
- H. Veerman
- H. Veerman
- C.A.J. van Steenbergen
  
- M.A.M. van Alphen
- K. Roelfsema



#### Ballast Nedam Toelevering

- Ballast Nedam Grondstoffen
- Recycling Maatschappij Feniks
- Ballast Nedam Participatie
- Ballast Nedam Prefab
- Haitsma Beton
- Hoco Beton
- Omnia Plaatvloer
- TBS Soest
- Rademakers Gieterij
- iQwoning®

#### H.P. van der Meer

- W.J.M. Duijnstee
- A.C.G. van Beurden
- P.S. van der Bijl
- K. Visser
- W.H. Comello
- J.J.G. Holtackers
- R.J.H. Heijnen
- J.I. Vas
- H.J. Kerkhoven
- J.L.S.M. Pijnenburg

## 10.10 Organization chart 7 March 2013

This chart provides an overview of the most important group companies and associates. A list of associates as referred to in Sections 379 and 414 of Book 2 of the Netherlands Civil Code, has been filed with the office of the Commercial Register of the Chamber of Commerce in Utrecht.

### Ballast Nedam Infra B.V.

#### Infrastructure

Ballast Nedam Infra B.V., Speciale Projecten

Ballast Nedam International Projects B.V.

- *Ballast Nedam Infra Suriname B.V.*
- *Ballast Nedam Africa B.V.*
- *Ballast Nedam Ghana B.V.*
- *Ballast Nedam Curaçao B.V.*
- *Ballast Nedam UK Ltd.*
- *Ballast Nedam Emirates B.V.*
- *Ballast Nedam Oman B.V.*
- *Ballast Nedam Offshore B.V.*

Ballast Nedam Infra Noord West B.V.

Ballast Nedam Infra Noord Oost B.V.

Ballast Nedam Infra Midden Zuid B.V.

Ballast Nedam Infra Zuid West B.V.

Ballast Nedam Parking B.V.

- *ModuPark V.O.F. (66.66%)*

Ballast Nedam Gebiedsontwikkeling B.V.

Ballast Nedam Infra Business Development B.V.

- *Bouwcombinatie Pro N329 V.o.f. (50%)*
- *Combinatie Versterken Bruggen V.O.F. (50%)*
- *A-Lanes A15 Mobility V.o.f. (33.3%)*
- *A-Lanes Civil v.o.f. (33.3%)*
- *A-Lanes Roads V.O.F. (33.3%)*
- *Avenue2 Infra v.o.f. (50%)*

#### Specialized Companies

Ballast Nedam Asphalt B.V.

Ballast Nedam Engineering B.V.

Ballast Nedam Environmental Engineering B.V.

Ballast Nedam Funderingstechnieken B.V.

Ballast Nedam Infra Specialiteiten B.V.

Ballast Nedam International Product Management B.V.

- *B.V. Adviesburo Installatietechniek T&H*
- *BN Solar B.V.*

Ballast Nedam Materieel B.V.

Ballast Nedam Milieutechniek B.V.

Ballast Nedam Specialistisch Grondverzet B.V.

Dibec B.V.

Gebr. Van Leeuwen Harmelen B.V.

Spanstaal B.V.

#### Supplies

Ballast Nedam Grondstoffen B.V.

- *Beheersmaatschappij Fr. Bontrup B.V. (30%)*
- *Bremanger Quarry S.A. (77%) (Norway)*
- *Graniet Import Benelux B.V. (65%)*

Ballast Nedam Participatie B.V.

- *Asfaltcentrales*
- *Graniet Import Benelux B.V. (9%)*
- *Nederlandse Frees Maatschappij B.V. (17%)*
- *Traffic Service Nederland B.V. (21%)*
- *Wind Invest B.V. (50%)*

Ballast Van Oord Grondstoffen v.o.f. (50%)

B.V. Grind- en Zandhandel v/h T. Verkaik

Concrete Valley B.V. (50%)

- *Großkünel Rurkies GmbH (Germany)*

Haitsma Beton B.V.

N.V. Immobiliën en Grindexploitatie maatschappij

Bichterweerd (Belgium)

- *N.V. Algri (Belgium)*
- *Société d'Exploitation des Carrieres d'Yvoir S.A. (Belgium)*
- *N.V. Lugo (Belgium)*

Rademakers Gieterij B.V.

Recycling Maatschappij "Feniks" B.V.

- *Ballast Phoenix Ltd. (92.5%)*

TBS Soest B.V.

Ursem Modulaire Bouwsystemen B.V.

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## Ballast Nedam Bouw & Ontwikkeling Holding B.V.

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### Building & Development

Ballast Nedam Ontwikkelingsmaatschappij B.V.

- *Ballast Nedam Vleuterweide B.V.*
- *Ballast Nedam Euroborg B.V.*
- *Ballast Nedam Arena B.V.*
- *Getz B.V. (33%)*
- *V.o.f. De Geuzenbaan (50%)*
- *Ontwikkelingsmij. Centrumgebied Amsterdam Zuidoost B.V. (33%)*
- *V.o.f. Ontwikkelingscombinatie Laakhaven West (33%)*
- *Gebiedsontwikkeling Oud Beijerland Oost C.V. (49%)*
- *De Vijfde Stad v.o.f. (50%)*
- *Coberco Kwartier Beheer B.V. (50%)*
- *Ballast Nedam Langedijk B.V.*
- *Ballast Nedam Nieuw Vennep B.V.*
- *Ontwikkelingsmaatschappij G4 Beheer B.V.*
- *V.o.f. de Groene Loper*
- *Ballast Nedam Sigma B.V.*

Ballast Nedam Bouw & Ontwikkeling B.V.

Ballast Nedam Bouwborg B.V.

Ballast Nedam Infra Business Development B.V.

Heddes Bouw & Ontwikkeling B.V.

Hollestelle Vastgoed Ontwikkeling B.V.

Laudy Bouw & Ontwikkeling B.V.

Zomers Bouwbedrijf B.V.

- *Bouwcombinatie IJsseloord 2 v.o.f. (50%)*
- *Bouwcombinatie Zoetermeer Oosterheem v.o.f. (25%)*
- *V.o.f. Lambertus Zijlplein (50%)*
- *FiftyTwoDegrees beheer B.V. (51%)*
- *Bouwcombinatie New Babylon v.o.f. (50%)*
- *Bouwcombinatie De Confiance v.o.f. (50%)*
- *Bouwcombinatie G4 Oosterpark v.o.f. (25%)*
- *Bouwcombinatie Kohnstammlocatie v.o.f. (50%)*
- *Bouwcombinatie voor de nieuwbouw Erasmus MC v.o.f. (50%)*
- *Groote Dok Oost v.o.f. (50%)*
- *JuBi B.V. (25%)*
- *Meander Combinatie v.o.f. (33%)*
- *Bouwcombinatie bestaand Babylon v.o.f. (50%)*
- *OVT-Breda VOF (50%)*

- *Bouwcombinatie OVTerminal Arnhem v.o.f. (50%)*
- *Bouwcombinatie Jubi v.o.f. (50%)*
- *V.O.F. De Leidse Schans (50%)*
- *Dijkzone v.o.f. (33%)*
- *Bouwcombinatie Medisch Centrum*
- *Rijnmond Zuid v.o.f. (50%)*
- *Bouwcombinatie Intermezzo v.o.f. (33%)*

### Supplies

Hoco Beton B.V.

IQ Woning B.V.

Omnia Plaatvloer B.V.

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### Internal Joint Ventures (Infrastructure / Building & Development)

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Abl2 B.V.

Avenue2 V.O.F. (50%)

Ballast Nedam Beheer B.V.

Ballast Nedam Concessies B.V.

- *CNG Net B.V.*

- *Vastgoed Energie Exploitatiemaatschappij B.V.*

- *LNG24 B.V.*

- *Biomethaan B.V.*

- *Wind24 B.V.*

Ballast Nedam Prefab B.V.

Public-private partnerships (PPP)

Waldwei.com B.V. (33.33%)

A-lanes A-15 Holding B.V. (4.8%)

Benelux Secondary PPP Fund I B.V. (20%)

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### Other

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Ballast Nedam ICT B.V.

## Credits

### **Production supervision**

Ballast Nedam N.V.  
Communication & Investor relations

### **Design**

Boomvanmourik ([www.boomvanmourik.nl](http://www.boomvanmourik.nl))

### **Translation**

Taalcentrum VU ([www.taalcentrum-vu.nl](http://www.taalcentrum-vu.nl))

### **Photography**

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Fred Meijer  
Fred Tigelaar  
Joop van Houdt  
Jørgen Koopmanschap  
Koos Boertjens  
Leon Abraas Fotografie  
Little Planet - [www.littleplanet.nl](http://www.littleplanet.nl)  
Marcel van Kerckhoven Architectuurfotograaf  
Peter Wijnands  
René Theunissen  
Riesjard Schropp

### **Production**

bv Kunstdrukkerij Mercurius ([www.kunstdrukkerijmercurius.com](http://www.kunstdrukkerijmercurius.com))

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