

Annual Report 2017

Ballast Nedam

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Introduction

Ballast Nedam's ultimate goal is to be the most cost-efficient and competitive player in the Dutch market. Our construction and infrastructure projects are the core of the company. We will achieve this by continuously implementing improvements in the operational process, financial forecasting and working capital, and by focusing on specific markets that fit the experience, staff and size of the various business units.

Our main focus is on effectiveness and efficiency. We constantly revisit our structure and continue to provide a healthy, safe and motivating working environment for all our employees. We attract new employees who have the needed expertise for us to be more efficient and competitive. We continue to invest in training and development programmes for our human capital.

We set out a goal of no loss, which we unfortunately did not achieve in 2017. We were still suffering from a few legacy projects. Furthermore, we took the opportunity in 2017 to prepare our organisation for the growth we expect from now on, which resulted in a general cost deficit for 2017. The upcoming years are promising and the strategy of selective tendering and reduction of tender costs with strong control fits us very well. Selective tendering has resulted in a strong order book of solid projects with high-quality and acceptable risk profiles. We are also exploring opportunities in the international markets where Ballast Nedam and Rönésans will work together.

Our actions affect the present and the future. This is a responsibility that is carefully dealt with and integrated in the business operations by our joining the Sustainable Development Goals Charter issued by the United Nations. By joining the Charter, sustainability is approached in an integral way, which makes it not only an ambition but also a framework for action. This framework is used for further shaping our CSR policy. The Development division has taken a leading role in fulfilling the objective of the Netherlands to be natural gas-free in 2050 by deciding to focus only on developments that do not involve using natural gas. This significantly contributes to reducing consumption of fossil fuels. With our newly established Ballast Nedam Renewables business unit, we contribute to the world's need for Renewable energy. Four years after the partial sale of Ballast Nedam's offshore activities, we returned to the market of sustainable (wind) energy.

Rönésans provided continuous operational, commercial, financial and technical support to Ballast Nedam in 2017 and has shown its intention to support our future operations. We aim to continuously capitalise on Rönésans' experience and capabilities. We have established a solid basis to increase our market share and profitability in 2018.

We will continue the improvements achieved during 2017. We will keep pursuing improvement of margins on projects by focusing on a strong order book through selective and strategic tendering. We will also keep our priority on strong procurement in our existing business lines. We will keep utilising the synergy with Rönésans, which is already showing its impact: a spread to wider international areas, a combined technical expertise and efficiency in direct and indirect costs.

On behalf of the Board of Management, I would like to thank all employees, Rönésans and our stakeholders for their ongoing commitment and support.

Cenk Düzyol
Chairman

1 Profile of Ballast Nedam

1.1 Vision, mission and values

The basic principles of our strategy are enshrined in our vision, mission and values. They direct and guide us and show who we are and what we stand for.

Vision

Our vision is to be the most competitive construction company in the Netherlands, ranking among the top three construction companies in the country.

Mission

Our mission is to engage our customers and partners in a direct and open dialogue that will enable us to jointly develop future-proof buildings and infrastructure: from dream to reality. We link this to our smart view of cost effectiveness, our technology, our global expertise, focusing on operational excellence.

Our most important assets are our employees, who are experienced, skilled, and hands-on. We retain and motivate them by being an inspiring and dynamic employer with challenging projects, in which they can demonstrate their expertise, passion for the profession and entrepreneurship.

Values

Ballast Nedam operates on the basis of the following seven values.

1 Our customers come first

The customer's question, the customer's dream. We make the solution transparent, and then make it a reality. No effort is spared. With genuine involvement and interest in a customer's area, we focus on creating a valuable relationship built on trust.

2 Safety

We are fully aware that safety is our 'licence to operate'. We must be able to guarantee safety; it is the only way we can realise ground-breaking projects. This is why we are always fully aware of the risks that can be posed by our work.

3 Quality

When it comes to quality we do not compromise. Our quality is reflected in our people, processes and materials. They are the ingredients that make up the quality we stand for in our signature projects.

4 Teamwork

We can only be successful by working in teams. These teams include customers, partners and colleagues. In this way, we jointly seek and achieve the best solution. We are very familiar with this approach, which enables us to create trust and respect. We inspire each other.

5 Passion for the profession

We are true professionals. We love our profession. That unites us, and gives us the energy to push boundaries. It generates the insight and creativity needed to consistently offer high quality, even under challenging and varying conditions.

6 Down to earth

We are always realistic. No matter how spectacular the project may be. That is who we are: hardworking and straightforward. It gives us the strength to deliver projects on schedule within budget.

7 We love a challenge

All projects involve various challenges. We also challenge ourselves in our drive for continuous improvement and innovation. This enables us to benefit as we face new challenges and take on new projects.

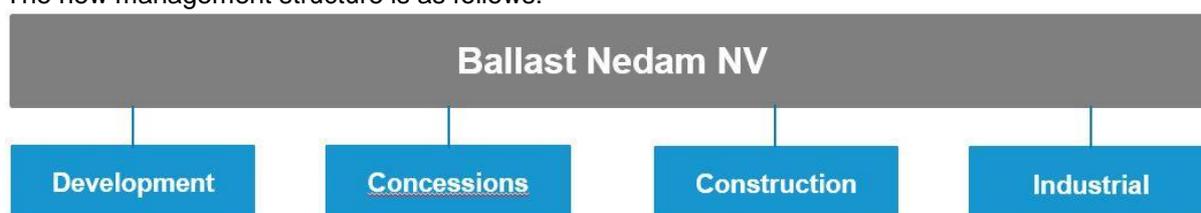
1.2 Core activities and organisational structure

In 2017, Ballast Nedam further optimised its organisation, including enhancing its management structure.

Ballast Nedam continuously strives for the leanest possible organisational structure and gradually disposed of non-core assets that no longer served as primary drivers in our core activities. The divestments primarily took place in the former Specialties & Supplies division. The remaining entities of the Specialties & Supplies division have been integrated in the Construction division. In addition, Ballast Nedam International is now included within the Construction division, which is in line with our vision of the organisational structure.

The changes within the management structure have resulted in a change from six to four divisions, namely Construction, Development, Industrial and Concessions. These divisions exist within the current holding structure of Ballast Nedam.

The new management structure is as follows:



The legal structure slightly differs from the management structure since Construction legally has two holding entities: Ballast Nedam Bouw & Ontwikkeling Holding B.V. and Ballast Nedam Infra Corporate B.V. Ballast Nedam N.V.'s main direct subsidiaries are:

- Ballast Nedam Bouw & Ontwikkeling Holding B.V.;
- Ballast Nedam Infra Corporate B.V.;
- Ballast Nedam Development Holding B.V. (the holding companies of the Development division);
- Ballast Nedam Concessions B.V. (the holding companies of the Concessions division); and
- Ballast Nedam Industriebouw B.V. (the holding companies of the Industrial division).

In our activities, our efforts are focused on energy-saving measures and we seek to strike the right balance between the conservation and use of natural resources as an inseparable part of our living environment. Our core activities lie within the Construction, Industrial, and Development divisions. We focus on integrated projects. Our main divisions work together and have a close link to Rönésans.

The Development division concentrates on mixed use and more complex projects. It creates integrated, creative and high-profile solutions for the building environment through investment, management and development of projects based on both public and private partnerships. Development is also in charge of land plots and development rights and integral area developments. It has taken a leading role in the approach to only develop houses that are natural gas-free.

Concessions operates at the front of the chain to attract project funding and offers commercial expertise. It develops, manages and monitors integral DBFM(O)/PPP contracts in the area of infrastructure and real estate. The focus is on long-term commitment to these projects.

Construction focuses on successfully acquiring and executing complex, integrated projects in residential and non-residential building and mobility areas. Construction works as one collective construction and infrastructure company. Since 2017, with the newly established Ballast Nedam Renewables business unit, we contribute to the world's need for renewable energy. Ballast Nedam Renewables is involved in the international development, design, realisation (EPC/EPCI) and maintenance of sustainable energy systems. The three pillars of this business unit are offshore wind, on-shore wind and solar.

Last but not least, Industrial is a specialist in foundations, civil and architectural construction, infrastructure above and below surface level and on-shore wind parks, and works together with Construction.

1.3 Composition of the Board of Management

C. Düzyol (Chairman)

Mr Cenk Düzyol (Turkey, 1971) has been Chairman of the Board of Management of Ballast Nedam since 1 June 2016. In this position his focus is primarily directed towards the follow up of Ballast Nedam's strategy, cooperation with Rönesans and the other companies within the Group. Moreover, he is responsible for the Industrial division, International, Tender and Technical advisory departments. Mr Düzyol is also a board member of Rönesans Holding A.Ş. and Rönesans Construction Russia. In 1994, Mr Düzyol completed his degree in civil engineering at the Technical University of Istanbul. He was first appointed to the Board of Management for a four-year term on 20 November 2015.

S.R. Lefevre

As a member of the Board of Management, Mr Sander Lefevre (the Netherlands, 1973) primarily focuses on construction and infrastructure activities. He has held several management positions within Ballast Nedam since 2006, including Director of Ballast Nedam Infrastructure Special Projects. After his education at the Delft University of Technology, Mr Lefevre began his career in 1998 as project manager at Royal HaskoningDHV. He is also Chief Executive Officer of the Construction division. Mr Lefevre was first appointed to the Board of Management for a four-year term on 17 May 2016.

O.P. Padberg

Within the Board of Management, Mr Olav Padberg (the Netherlands, 1972) is responsible for all HR, compliance, insurance and legal matters concerning Ballast Nedam as a whole. In addition, he is also responsible for the business unit of Precast. Mr Padberg started his career at Ballast Nedam in 2007. In 2011, he was appointed as Legal Director of Ballast Nedam N.V and as compliance officer of the Ballast Nedam Pension Fund. Mr Padberg received his degree in law from Erasmus University Rotterdam. In the General Meeting of 23 June 2017, Mr Padberg was appointed as statutory director without a defined term of office.

Ö. Canbaş

As a member of the Board of Management, Mr Özgür Canbaş (Turkey, 1973) is jointly responsible for Ballast Nedam's strategy. Within the Board of Management, he is responsible for the Development and Concessions divisions and for the ICT department. Mr Canbaş graduated from the Mechanical Engineering Department of the Istanbul Technical University in 1995 and received his MBA from Koc University in 1997. Mr Canbaş worked in corporate and investment banking with Deutsche Bank in its Istanbul, London and Singapore offices between 1998 and 2009. Mr Canbaş joined Rönesans in 2009. He is currently responsible for corporate development and serves as a board member at Rönesans Holding A.Ş. and several other group companies. In the General Meeting of 23 June 2017, Mr Canbaş was appointed as statutory director without a defined term of office.

H. Koçak

Mr Hayrettin Koçak (Turkey, 1981) was appointed as Chief Financial Officer (CFO) on 2 January 2017. He focuses on finance matters insofar as they relate to Ballast Nedam as a whole, with the control, financial services and internal audit department reporting to him. Moreover, Mr Koçak has been CFO of the Construction division since 2016. Before joining Ballast Nedam, Mr Koçak was the CFO of Rönesans Construction in the Russian Federation. He studied economics at the Middle East Technical University in Ankara from 2000 to 2004. In the General Meeting of 23 June 2017, Mr Koçak was appointed as statutory director without a defined term of office.

2 Business review and strategy

2.1 Overview of 2017

In 2017 the transition of Ballast Nedam continued by enhancing the operational organisational structure and further realising a cost reduction plan. A legal restructuring was implemented to align the legal structure with the amended operational structure. Ballast Nedam took this opportunity to prepare our organisation for the expected growth. The basic principle is that Dutch construction and infrastructure projects are the core of the company. Ballast Nedam's ultimate goal is to be the most cost-efficient and competitive player in the Dutch market. We will seek to achieve this by implementing improvements in the operational process, financial forecasting and working capital and by focusing on specific markets that fit the experience, staff and size of the various business units. We are also exploring opportunities in the international markets where Ballast Nedam and Rönésans can work together. We continued pursuing the improvement of the margins on projects by focusing on a strong order book through selective and strategic tendering. Unfortunately, the loss pattern of a number of (legacy) large long-term projects continued. Some of these projects are carried out by joint ventures, which is also the main reason for deterioration in the results from the associated companies line in the income statement. We kept our priority on strong procurement in our existing business lines and utilised the synergy with Rönésans, a spread to wider international areas, a combined technical expertise and efficiency in direct and indirect costs.

Further strengthening of the organisation

Enhancing the order portfolio with solid projects is one of our objectives. To achieve this, we have strengthened the Tendering department by hiring skilled staff who have the added knowledge and experience. In addition, the Risk Management Office is involved in the tendering process to further increase the quality of the tenders.

Ballast Nedam continuously revisits its structure and continues to provide a healthy, safe and motivating working environment for all our employees. Ballast Nedam has also attracted new employees who have the expertise needed for us to be more efficient and competitive, and we will continue to invest in training and development programmes for our human capital.

Critical and selective tendering approach

The approach of selective tendering, disciplined pricing and careful monitoring through periodic reporting has continued.

A critical and selective approach to the selection of projects is crucial. We select projects in which Ballast Nedam can add value and can be distinctive in order to generate higher profitability. As a result of this selective choice, we continued with running fewer tenders. The positive results we achieved in acquiring new projects strengthen us in realising this vision.

Solid projects

The critical and selective tendering approach is reflected in our order book. High-quality profile projects were newly acquired, such as Transferium Deutersestraat in 's-Hertogenbosch, KLM Crown Lounge at Schiphol, the upgrading of the port of Saint Lucia, the Mall of the Netherlands, Blankenburg, WTC Amsterdam and the extension of the P3 garage at Schiphol. In our Regions business unit, selective tendering has also resulted in strong new acquisitions, such as a construction team agreement for the Waldorp Four hotel in The Hague, the renovation of the former V&D store in Utrecht, 119 apartments in Utrecht, a new hotel at the Westergasfabriek area in Amsterdam and a construction team agreement for West Beat in Amsterdam (a mixed-use project).

Also many projects were completed to our clients' satisfaction, such as Natuurbrug Zeepoort, the Sportcampus in The Hague, Laan van Spartaan (the tallest modular building of the Netherlands), the Oudorp shopping mall in Alkmaar, the expansion of the NATO Allied JFC Brunssum headquarters, the maintenance of 163 homes in Leiden, the Hoornbeek College in Rotterdam and phase three of the Beach Resort Ouddorp Duin.

The Development division, whose portfolio includes approximately 5,000 residential units in projects such as Food Center Amsterdam, Groene Loper Maastricht and Spoorzone Delft, is a division with bright prospects as a result of the robust growth of the Dutch housing market. The most significant projects in 2017 were Eindhoven-Berkelbosch, Leiden-De Leidse Schans, Utrecht - De Paleistuin and Vleuten-Centrumplan.

Improving the financial position

In 2016, Renaissance Infrastructure B.V. provided a € 70 million loan, € 60 million of this amount was converted to share premium in 2016 and the remaining € 10 million was converted in 2017. In addition, the shareholder contributed € 42 million cash as share premium. This resulted in a stable solvency ratio of 2.94% (2016: 3.3%). With regard to existing financing package, please refer to section financing risk.

Non-core assets and divestments

Ballast Nedam has further executed its strategy to gradually dispose of non-core assets that no longer serve as primary drivers in our core activities. Transactions in 2017 include the sale of the Merici Hotel, and the interest in Concrete Valley and in Wâldwei.com.B.V.

Acquisitions

We acquired the Rotterdam Building with an amount of € 37,340 thousand in December 2017, which further strengthened our Development division.

United Nations Sustainable Development Goals

Ballast Nedam acknowledges that its actions affect the present and the future. This is a responsibility that is carefully dealt with and integrated in the business operations by our joining the Sustainable Development Goals Charter issued by the United Nations. By joining the Charter, sustainability is approached in an integral way, which makes it not only an ambition but also a framework for action. This framework is used for further shaping CSR policy.

The Development division of Ballast Nedam anticipates further climate change and fulfilment of the objective of the Netherlands to be natural gas-free in 2050, by deciding to focus only on developments that do not involve using natural gas. This means that housing will no longer be provided with a connection to natural gas, which will significantly contribute to reducing the consumption of fossil fuels.

Mechanical and Engineering integration

Ballast Nedam is continuing its strategy to operate as one integrated construction and infrastructure company. The further development and professionalisation of the technical installation activities within the projects contracts is a part of that strategy. In 2017, we continued to further shape the mechanical and engineering (M&E) activities of Ballast Nedam by integrating all skills and knowledge in the different phases of a project, from concept to realisation.

Rönesans

Rönesans provided continuous operational, commercial, financial and technical support to Ballast Nedam in 2017 as shareholder and showed its intention to support the company's future operations. In parallel, we aim to continuously capitalise on the Rönesans Group's experience and capabilities.

2.2 Financial results

Results for the year

2017 was another transition year that resulted in an operating loss of € 21.5 million. The main non-recurring items are € 6.6 million of restructuring/reorganisation costs, € 1.8 million impairment on assets and € 3.4 million resulting from disposals/divestments. During 2017, cost monitoring improved with stronger reassessment and analysis of general cost components and with the deeper involvement of the central procurement department. Unfortunately, the loss pattern of a number of legacy large long-term projects continued. Some of these projects are carried out by joint ventures, which is also the main reason for the deterioration in the results from the associated companies line in the income statement.

Revenue

Total revenue showed a decrease of 6% from € 789 million to € 740 million, mainly due to a decline in the Construction division. This is the result of a number of completed projects and a lower intake of orders both in building and infrastructure. The Industrial division increased its revenue by 19% to € 62 million (2016: € 53 million) due to the new projects in the oil and chemical industry. In this division, the increase is also a result of the synergy with Rönésans. The revenue of the International division mainly consists of the Curacao and Saint Lucia projects. The revenue of the Development division decreased by 34% due to postponements of certain projects. In upcoming years, a positive trend is expected in the Development division due to the increasing demand and price increase in the housing market in the Netherlands. The Concessions division shows no revenue in 2017 since it was not involved in new PPP projects.

Gross margin

The overall gross margin increased from -0.36% to 3.13% due to more efficient cost control, selective tendering and profitable new projects in 2017.

Order book

The order book increased to € 624 million (2016: € 567 million). The increase in the Construction division was mainly driven by a higher intake of orders in the regions especially related to building projects. Bouwcombinatie Erasmus, R Creators, Hart van Zuid and VU Medisch Centrum were the major building projects. The building regions were also successful with the intake of orders for some housing projects: De Leidse Schans, Rijnkade Utrecht, Kolenkit Amsterdam and Scheepskwartier Haarlem. The building business unit commenced with the Mall of Netherlands in 2017. The major infra projects are IXAS, Cuxhaven and N31. The Industrial division was successful with the intake of an order for a new RET project. Finalisation of the contract concerning the Sri Lanka water pipe project, which belongs to the International division, is expected in the course of 2018. The Development division will accelerate with, among others, the Amsterdam Food Center project, which is an integrated project with Volker Wessels Vastgoed.

Shareholder's equity and Cashflows

Shareholder's equity increased to € 14.1 million (2016: € 6.3 million). Despite the net loss, equity increased due to the share premium contributions of € 52 million. As a consequence, solvency amounts to 2.94% (2016: 3.3%).

The total cashflow for 2017 was € 10.3 million positive, compared to a positive cashflow for 2016 of € 41.4 million.

The cashflow from operating activities decreased to € 16.2 million negative (2016: € 0.8 million negative). The cashflow from investing activities amounted to € 24 million negative, which consisted of € 37.3 million of investment property and € 15.5 million of disposals. Investments included € 4 million of property, plant and equipment and € 0.8 million of intangible assets. No material investments were made in research and development or planned.

The positive cashflow from financing activities of € 51 million consists of € 28.4 million of repayment of loans, € 10 million of converting the shareholder loan to equity, withdrawing an external loan of € 41 million, interest payment of € 3.6 million and a share premium contribution of € 52 million (which includes the € 10 million shareholder loan conversion).

Assets and liabilities

Total assets declined by € 8.5 million to € 481.2 million. The working capital requirement increased by € 49.7 million as a result of lower other receivables (mainly due to the release of restricted cash and joint venture receivables) and higher short-term payables. This was in particular caused by the maturing of some financing agreements in 2017. Capital employed decreased by € 37.4 million to € 52 million.

Financing and shareholder's equity

Cash and cash equivalents increased to € 121 million (2016: € 114 million).

During the 2017 financial year, new loans amounting to € 29 million were obtained. € 20 million of these loans related to the acquisition of the Rotterdam Building. Rönésans as shareholder contributed € 52 million as share premium (€ 10 million of which was previously a subordinated shareholder loan that was converted to share premium), which strengthened equity. This resulted in a stable solvency ratio of 2.94% (2016: 3.3%). In parallel, Ballast Nedam has established a variety of bilateral bonding lines and a syndicated bonding facility from various financial institutions. With regard to existing financing package, please refer to section financing risk.

Outlook for 2018

We will continue working on the improvements achieved during 2017 and will stay focused on the measures taken and on the realisation of our business plan. We will continue with our selective tendering philosophy and will continue to reduce tender costs with strong controls.

Markets and businesses: Our divisions will mainly stay the same. Our divisions with their business units will continue operating within the clearly defined market segments (geographical, expertise and commercial). The Dutch construction operations will maintain the core business of the company, albeit organised in a leaner structure. We will keep exploring international opportunities together with Rönésans. Industrial will continue expanding its portfolio and its business with its existing portfolio. 2018 will be an important year for the Development division, which will focus on expanding its activities with the support of the stronger financing of the company. Concessions will pursue and support future PPP projects.

We will keep pursuing the improvement of the margins on projects by focusing on a strong order book through selective and strategic tendering. We will also keep our priority on strong procurement in our existing business lines. We will keep utilising the synergy with Rönésans, which is already showing its impact: a spread to wider international areas, a combined technical expertise and efficiency in direct and indirect costs.

Our human capital: We continuously revisit our structure and are focused on effectiveness and efficiency of all our employees and their positions. We continue to provide a healthy, safe and motivating working environment for all our employees. We will continue to invest in training and development programmes for our human capital.

Financing: We will continue to obtain further financing facilities for our guarantee letters and will continue to search for better financing possibilities. With regard to existing financing package, please refer to section financing risk.

3 Risk and Risk Management

Ballast Nedam is focused on market opportunities and being constantly alert to any associated risks. Ballast Nedam takes into account a good balance between growth opportunities and risk management to ensure sustainability of the business long term. The aim of our risk control framework is to capture the risks within an acceptable risk level while working on achieving our objectives as described in our strategy and business plan.

In this section we explain how risk management and the risk control process are organised within Ballast Nedam, and what our focus will be for risk management in 2018. We also detail the specific risks arising in the environment in which Ballast Nedam operates. We close this section by considering a number of specific risks to which Ballast Nedam is exposed.

3.1 Outline of risk management

3.1.1 Principles

Ballast Nedam's risk management is based on three principles.

- The aim of our risk control framework is to capture the risks within an acceptable risk level while working on achieving our business objectives as described in our strategy and business plan.
- Risk management is an integral part of all business activities and has to be monitored within the entire organisation.
- The Board of Management has the ultimate responsibility for determining, addressing and monitoring risks. Ballast Nedam manages its operations within a structure comprised of four divisions based on type of products. The divisional managements apply the company's risk management policy at the divisional and business unit level.

3.1.2 Risk philosophy

The aim of Ballast Nedam's risk management policy is to ensure that Ballast Nedam only takes acceptable business risks. The probability of these risks materialising and any consequences must not jeopardise business continuity.

Ballast Nedam considers the management of risks to be a core competence that is firmly embedded in the various projects we implement. Both within individual projects and across all projects as a whole, we apply various methodologies that are commonly used in the construction and infrastructure sector. That also makes it possible to communicate about risk management with parties in the chain.

At the same time, a thorough risk management process alone cannot prevent projects being derailed as we have experienced in recent years. A set of thorough and all-encompassing actions are being taken to prevent future project failures with the help of Rónesans. Specific actions are a more thorough tender procedure, taking into consideration a staging approach in which approval is required for each stage by the Tender Committee before the next stage can be started, centralised and tightened project control, and centralised procurement.

3.2 Internal control of risks

Below we explain the structure of risk management within Ballast Nedam on the basis of the 'lines of defence' model.

3.2.1 First line: our people, operating processes and decision-making committees

A bottom-up approach to risk control

The project managers are responsible for managing the risks related to their projects. They identify, analyse, prioritise and control these risks. To support the project manager in this task, risk managers are appointed within Ballast Nedam's projects; this role is performed either on a part-time or a full-time basis, depending on the complexity of the project. The design of the risk management depends greatly on the size and risk profile of the specific project. In complex works, for example, in some cases hundreds of risks are recorded in a relational database and monitored in each phase of the project. The risks in a simple project, by contrast, are controlled with a checklist. Ballast Nedam applies the 'fit for purpose' principle in its project risk management. The same applies in principle for the joint venture projects, although how risk management is incorporated depends on the administrative procedures agreed by the several joint venture partners.

The attitude and behaviour of our employees and contractors are very important to control project risks. We seek to ensure fair behaviour on the part of all those who are involved in our projects and fall within our responsibility. Our HR policy and our subcontractors' and suppliers' policies play an important role in that respect (see also section 6.7 *Business Ethics and Integrity*).

In some cases, the expertise required for a project is not available within Ballast Nedam. For such projects we then collaborate with a partner that has specialist knowledge. This occurs in all phases of a project: in the tender, implementation and management phases. In such cases we assign the risks for each area of expertise to the party best able to control them.

Use of support instruments

To maintain appropriate control of risks, Ballast Nedam uses various systems and instruments geared to the specific requirements of operating companies and projects:

- Progress monitoring in the field of finance, operation and risk control is guaranteed by periodic management reports drawn up in accordance with the reporting and accounting instructions.
- The divisions and associated business units monitor the liquidity requirements weekly through a central cash management system.
- The divisions and their business units also use a central reporting system.

Involvement of the Tender Committee

In accordance with the Tender policy, projects are submitted to the Tender Committee for approval. Projects with an increased risk profile include tenders for internationally complex contracts, with certain type of bank guarantees and, for example, uncapped liabilities. Partly as a result of experiences in recent major projects, more time is now devoted to assessing whether the project fits within the revised strategic focus, and to assessing which project-related risks are applicable to these projects and how they can be mitigated. The Tender Committee's assessment covers matters such as the return risk ratio, the capital requirement, the ability of the proposed team to execute the project, cashflow and political aspects.

3.2.2 Second line: supporting functions

Involvement of the Risk Management Office

The Risk Management Office (RMO) department assists the project and tender teams to mitigate potential risks. The RMO challenges projects in the tender phase as well as the execution phase and serves as an early warning tool in the execution phase and as an extra control measure in the tender phase. The RMO has experts who have financial and technical expertise and experience gained from being involved in previous projects in the same area of expertise. During project visits, the RMO uses multiple parameters to screen a project, e.g. production and planning. Information gained during project visits is used in new tenders to increase the quality of the tender bid submission. The RMO is also involved as a second pair of eyes in the tender process. Site visit reports produced by the RMO are broadly distributed to the Board of Management, including the CEO. It makes the risks during the tender and execution phase more transparent. This way Ballast Nedam is more in control and can respond better to the risks presented.

Lawyers and contract managers

In order to maintain appropriate control of the contractual risks, specialist contract managers and lawyers are deployed in the divisions in both the tender and the execution phase. We also focus specifically on the competences of contract managers and lawyers and devote attention to knowledge sharing based on lessons learned from the recent past. For large and/or complex projects a contract manager and lawyers are added to the project team.

Insurance

Insurance is responsible for arranging and managing insurance policies for Ballast Nedam and its businesses in line with the insurance policy agreed by the Board of Management. First and foremost, this involves the arrangement and management of more general insurances that afford financial protection to the company in the event of claims and losses. Secondly, Insurance promotes the insurance interests of Ballast Nedam in the implementation of projects, in both the tender and the execution phase, and drives awareness within the divisions regarding the benefit and necessity of insurance. Thirdly, Insurance ensures that the insurances arranged offer the intended financial protection.

Compliance

Ballast Nedam requires its employees, as well as its suppliers and subcontractors, to behave with integrity. Ballast Nedam has a zero tolerance policy for non-compliance with its code of conduct. The Chief Compliance Officer plays a central role. The Chief Compliance Officer conducts an enquiry and investigates any possible violations that are reported. If violations have occurred, immediate measures are taken. In order to guarantee the organisation's integrity, we continually evaluate the compliance policy and make adjustments where necessary. Further details can be found in section 6.7 (*Business Ethics and Integrity*).

Safety

A major risk in the implementation of projects is the safety risk. Ballast Nedam's safety policy is aimed at creating a proactive safety culture. This safety policy is set out in a safety plan. Section 6.6 (*Safety*) sets out the measures which Ballast Nedam takes to achieve and maintain a high level of safety awareness among our employees and subcontractors.

An important part of the control of safety risks is Dibec, a knowledge organisation with specialists in the field of environment, safety, materials, science and surveying. This unit develops safety plans and conducts safety audits.

ICT

The ICT department plays a vital role in the continuity of business processes and data protection. All business units make extensive use of the ICT infrastructure and ICT information systems built on tried-and-tested technologies, in which we achieve as much uniformity as possible across the business units to prevent disruption. To guarantee continuity of business operations, the information systems' accessibility through this infrastructure is constantly improved and updated by means of a DTAP (Development, Testing, Acceptance, Production) approach. Our ICT infrastructure is based on a wide range of services, modern communication technology and advanced virtualisation techniques

for data storage and processing. This enables us to continuously achieve and monitor the required capacity, availability and sustainability.

Major ICT risks concern the continuity of the ICT infrastructure and ICT information systems. Examples which can hamper the continuity include viruses and attacks with large volumes of data. Disruption of the authorisation policy also represents a considerable risk or violation in respect of data protection.

Main examples of the various control measures are:

- The Code for Information Security (an international standard for information security in organisations);
- Authentication access measures;
- Firewall technology for access from the Internet;
- External audits to identify deficiencies;
- Specific access portals requiring a combination of username and password; and
- Management software for mobile hardware to erase devices remotely;
- Introduction of a new (role based) access control procedure;
- Regular internal publications to increase (cyber) security awareness within the organisation.

3.2.3 Third line: monitoring

Business control and the treasury

Operational responsibility and financial control have also been separated at all levels within Ballast Nedam. This is consistent with our aim of further professionalisation. Payments by Ballast Nedam are made and monitored centrally by the treasury. The divisions and the associated business units also provide a weekly liquidity forecast at project level, which is assessed by the treasury.

Ballast Nedam has a format for financial management reporting which enables management to monitor the achievement of strategic and financial objectives. The format also improves the predictability of costs and income. The risks are also covered extensively in the reporting both at project level and across the organisation. The Business Control department compares and evaluates the risks in the quarterly and other financial reports of the various divisions.

Since this enables Ballast Nedam to improve the quality of the information, we can proactively anticipate developments in the market and provide timelier insight into how we can improve our work and processes.

3.2.4 Fourth line: the Supervisory Board and the Audit Committee

The Supervisory Board and the Audit Committee

Ballast Nedam's risk profile and the internal risk management and control systems are discussed at meetings with the Supervisory Board and the Audit Committee. At these meetings they discuss the financial state of affairs of the company and audit findings. The activities are covered in section 5.1 (Report of the Supervisory Board.)

3.3 Evaluation

Risk management assessment and improvement of systems and processes is a continuous process within Ballast Nedam. As mentioned above, certain improvements were achieved in 2017, including strengthening the RMO, a further centralisation of accounting and treasury, further implementation of the internal control and audit department, a more robust closing cycle, new internal monitoring reports and an improvement of tender and procurement procedures.

3.4 Relevant risks

Several risk areas and measures have been identified in relation to the strategic objectives of Ballast Nedam. Follow up and feedback on the development of these risk areas are part of the regular reporting cycle. Ballast Nedam identifies the following four categories of risks:

- strategic risks;
- financial risks;
- operating risks; and
- compliance risks.

3.4.1 Risks related to our strategy

Most relevant risks in relation to our strategy arise from economic circumstances in the sector and loss of reputation resulting from a negative image.

Economic conditions in the market

Ballast Nedam is still mainly dependent on the Dutch market and, within this market, particularly on public and semi-public clients.

The annual analysis by the Economic Institute for the Construction Industry (EIB) shows that the government budget for road, water and rail projects is 1.5% higher in 2018. Growth is expected at the municipality / regional level, whereas at the national level a 2.5% lower budget is expected, comparable with 2017. For 2019, an average growth of 3% is expected.

The EIB also reports continuous growth in housebuilding in the coming period. It estimates growth in building output at 3.5% for the year ahead and at 9% in the case of residential properties. The total estimated growth of the construction market is estimated at 4.5%.

We are in close contact with our clients, including in the public sector. The market is increasingly opting for integrated forms of contract in which design, construction, financing, maintenance and management become the responsibility of a single supplier. Projects are also becoming more complex: the quantity and the diversity of knowledge and technologies required for projects are increasing. Examples are stricter sustainability requirements, customised projects at highly competitive prices, building in urban areas with a large number of stakeholders and logistical challenges, and increased use of ICT technology in projects. Finally, there is more demand for modular products. These developments match our strengths. In order to promote loyalty among our clients, we aim to distinguish ourselves in terms of our quality and innovative strength.

With the continuous revival in the market and the associated rise in costs, Ballast Nedam runs the risk of an exponential rise in project costs. We control this risk by establishing our liabilities at an early stage in the project and agreeing price compensation with our clients where possible.

The current market is still very competitive. This is characterised by low prices, putting margins under heavy pressure. To control this pressure, each business unit monitors developments in its market carefully. Business units with larger projects and a specific focus do this nationwide. Regional business units, including specialised companies, do this regionally in order to respond effectively to specific customer requirements.

The risk of loss of reputation

The acquisition by Rönésans has opened up new prospects for Ballast Nedam and is the most important factor for our continuity. Our clients notice that, after a difficult period, we are working our way back again into the markets where we used to operate.

This has resulted in positive news coverage about the projects which we acquired in 2017. Examples include the Blankenburg and WTC Amsterdam projects, and also several projects for other companies within the Group such as Heddes, Laudy, Industry and Parking.

3.4.2 Financial risks

The Board of Management has the overall responsibility for the establishment and oversight of the company's risk management framework. All the risk categories identified and results of the assessments are disclosed in the following paragraphs.

During 2017, Ballast Nedam continued implementing the measures taken in 2016. The treasury activities were further centralised. Their objectives are to create and maintain the best possible financial conditions for the operating activities. The majority of the bank accounts are held in a bank in a cash pool arrangement which allows the efficient use of funds (for wholly owned activities). The Group only works with banks which have high credit ratings. In addition, the centralisation of certain accounting activities continued with the improvement of the systems, including further harmonisation of the financial system and transaction flow approvals and further centralisation of accounting activities, which strengthened the control environment. Also, the company has started establishing an internal control and audit department.

Credit risk

Credit risks are risks of financial loss to Ballast Nedam, or our counterparty, of a financial instrument that fails to meet its contractual obligations, and arises principally from the Group's receivables from clients and investments in debt securities. The carrying amount of financial assets represents the maximum credit exposure. Ballast Nedam actively pursues a policy designed to minimise credit risks. Creditworthiness assessments are performed for all clients requiring credit. Ballast Nedam uses prepayments, guarantees and collaterals on projects under construction in order to limit the credit risk on instalments and trade receivables. At year-end 2017, there was no concentration of credit risks among debtors for substantial amounts. See also section 7 (*Consolidated Financial Statements*, Note 33 (financial risk management)).

Liquidity risk

A liquidity risk is defined as the risk that Ballast Nedam will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Ballast Nedam's approach to managing liquidity is to ensure that we have sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ballast Nedam controls the liquidity risk through weekly cashflow forecasts followed by adequate corrective measures and monitoring.

See also section 7 (*Consolidated Financial Statements*, Note 33 (financial risk management)).

Market risk

The market in which Ballast Nedam operates is subject to macro-economic volatility and is affected by governmental plans and consequential investment programmes. Also, the company is vulnerable for changes in market prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures due to macro-economic or political developments within acceptable parameters, while optimising the return.

Exchange risk

Ballast Nedam is primarily exposed to foreign currency risks on revenue, project operating costs, loans and investments in associates held in currencies other than Ballast Nedam's functional currency. This is a very low risk because the majority of our activities are in countries where the euro is the functional currency or activities occur in countries where local currencies have a low volatility against the euro.

Forward exchange contracts with highly rated banks may be contracted to hedge the transaction risk on cashflows generated by ordinary business activities. At year-end 2017, Ballast Nedam had no outstanding forward exchange contracts recognised at fair value in the statement of the financial position. See also section 7 (*Consolidated Financial Statements*, Note 33 (financial risk management)).

Interest risk

Ballast Nedam's interest policy is to limit the impact of interest rate changes on the company's results. Management believes that the interest risk is not significant.

Although long-term PPP contracts do not form a significant part of the interest risk related transactions, Ballast Nedam limits the exposure with interest rate swaps for PPPs. Cashflow hedge accounting is applied to derivative financial instruments where the hedge relationship is effective. Ballast Nedam has loans with both a fixed and a floating rate. The interest risk is limited to potential movements in the market value of the loans and of positive cash balances.

Financing risk

Ballast Nedam, in a number of its loans, is subject to a number of certain key performance indicators. On the basis of the covenants and its forecasts, the Board of Management closely monitors compliance with the covenants. A covenant holiday was obtained for year-end 2017 and a cure mechanism for the remaining period has been effectuated. The undertakings of these loans include commitments to share financial information with the banks, certain financial covenants, such as an EBITDA floor, a guaranteed capital floor, a net cash floor and loan to value covenants. These covenants differ from GAAP terminology.

A large part of the existing financing package – consisting of the syndicated guarantee facility and bilateral loans – is due year-end 2018 and refinancing is expected before half year 2018. Furthermore, the company is working on extending and increasing its guarantee limits for upcoming projects with other parties. The ultimate shareholder will continue to support Ballast Nedam throughout the year and in completion of the refinancing.

3.4.3 Operating risks

Employees

We saw in 2017 that as a result of the transition and improved financial situation, the company was able to attract new, ambitious employees of better quality, who will form the new basis of Ballast Nedam. The general issue in the market is that companies are competing against each other for the available talents and that the required quality and experience of employees in relation to the ongoing higher demands of our projects are more difficult to find. This will be even more challenging in the expected strengthened economic conditions. More details of the control measures taken in this area can be found in section 6.5 (*Human resources*).

Knowledge management

Within Ballast Nedam there is a risk that newly acquired knowledge in the implementation and management phase of a project will not be incorporated in subsequent, comparable project tenders. To remedy this situation, we use the performance measurement system in the realisation and management phases combined with thorough evaluation of projects. This is used to transfer the knowledge gained in these phases to the tendering phase.

Safety

Safety is a risk category that receives a great deal of attention within Ballast Nedam, including at the Board of Management level. Our people are our capital and an asset we conserve with great care. Ballast Nedam has therefore taken many measures to ensure the appropriate control of safety risks. One of the possible side-effects is that employees may place too much trust in the inspection procedures, for example, and are less alert to possible risks that can still arise. To counter this effect, safety training is provided to maintain a high level of safety awareness. Managers are also trained specifically in how to deal with their example-setting role. Further details of the control measures for safety in the chain can be found in section 6.6 (*Safety*).

Project

Project risks relate to the contracting and execution of projects for clients. For most of our project activities the most common type of contract is a fixed price contract. As a consequence, the contract price must take into account virtually all the operational risks as well as the cost risks associated with the procurement of materials and subcontractor services. Additionally, contracts will include milestones and might include associated penalty clauses if the milestones are not achieved in time. Failing to address those operational risks properly might lead to fluctuations in the project results.

To monitor these operational project risks, Ballast Nedam implemented the following measures:

- Tender gate procedures;
- An enhanced risk policy, including risk profile monitoring by the Risk Management Office;
- Inclusion of indexation clauses in contracts (particularly with regard to labour and material prices);
- Centralised procurement function to support the best purchase of services at the best economic prices;
- Continuous education and training of staff;
- Implementation of proven technology in various aspects (could be project methodology as well as ICT solutions);
- A strict project monitoring system;
- An increase in stronger partnerships with our partners and subcontractors; and
- Back-to-back transfer of our risks to our suppliers and subcontractors.

Claims and legal proceedings

Companies operating in the construction industry are involved in discussions on the financial settlement of construction projects, including contract variations, the time of completion and the quality level of the work. In some cases, these discussions have ended up in legal proceedings.

Ballast Nedam exerts great care to prevent such legal proceedings. As a spin-off of those legal proceedings, the lessons learned are communicated to the business.

3.4.4 Compliance and integrity risks

Guaranteeing and promoting a solid level of integrity is key for this risk category. Insufficient control can, among other things, lead to reputational damage, significant fines and criminal prosecution.

Compliance relates to complying with legislation and regulations as well as to maintaining an appropriate framework of values. Managing these risks is a high priority because they have a direct impact on the reputation and integrity of the company. Ballast Nedam integrates compliance into all aspects of our business activities. Fair, compliant behaviour is safeguarded as much as possible by giving employees clear guidelines, by providing an accessible compliance organisation with supporting processes and reporting systems and appointing a Chief Compliance Officer. Various measures are in place to prevent compliance risks, such as the Ballast Nedam Code of Conduct (BeNWijzer) and related sub-codes, the obligations to comply with legislation and regulations explicitly included in management regulations, an internal authorisation matrix, third-party screening process, gift & entertainment registration process and an incident reporting policy. When working abroad or in joint venture or partner structures, taking local culture and laws of that specific country or the other partner into account requires additional attention and a project-based risk assessment.

In the construction and infrastructure sector, it is common practice to work on a large scale with staff and subcontractors who are only temporarily present on a project, or self-employed. When outsourcing activities and using temporary staff, the main contractor is subject to specific laws and regulations like the Foreign Employment Act and Chain Responsibility Act. This is also reflected in the specific Ballast Nedam Code of Conduct for suppliers and subcontractors. Compliance with the control measures in force is essential, partly in view of the increasing shortage on the labour market and partly because of the fact that the government is acting increasingly stricter against violating current legislation and regulations. Attention is also required for compliance by subcontractors and temporary employment agencies with statutory requirements regarding minimum wage, contributions to social security insurances and employment working conditions. In addition, special procedures have been implemented in relation to contracting self-employed staff in view of new Dutch legislation (*Deregulering Beoordeling Arbeidsrelaties*). The in-house Legal department, Procurement department and the Finance department, as well as the Chief Compliance Officer, have an important role in monitoring compliance with the relevant legislation and regulations.

4 Corporate Governance

4.1 Management and control structure

4.1.1 Dutch Corporate Governance Code

Ballast Nedam has been inspired by the principles of the Dutch Corporate Governance Code (the Code) in structuring our corporate governance framework, including its articles of association and regulations of its internal bodies. The Code was amended in December 2016. Dutch listed companies are required to report in 2018 on compliance with the revised Code in the 2017 financial year. Since as of February 2016 Ballast Nedam no longer has a public listing, it is no longer required to follow the Code and explain any deviations from the best practice provisions of the Code. The company applies the Code as much as possible to the extent feasible, desirable and applicable, but does not adhere to the Code and will not set out and explain any non-compliance in this annual report or elsewhere. For example, the company's website does not contain convocation materials and minutes of its General Meetings, as that is not relevant for a privately owned company such as Ballast Nedam.

4.1.2 Management

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 for, amongst other things, important changes in the identity or character of the company or the business.

4.1.3 Supervisory Board

The Supervisory Board supervises the policy of the Board of Management and the affairs of the company and its business, and supports the Board of Management with advice. The Supervisory Board performs its tasks keeping the interests of Ballast Nedam N.V. and the associated business in mind. The Supervisory Board has a minimum of three seats, and consisted of four members for the main part of 2017: Ms İ. İlicak Kayaalp, Mr H.A. Akvardar, Mr E. Baki and Mr L. van Doorne. Mr Van Doorne's term of office expired on 30 November 2017. Ballast Nedam and the Supervisory Board sincerely thank Mr Van Doorne for his work as member of the Supervisory Board of Ballast Nedam. His roles have been taken up by other Supervisory Board members. On 26 February 2018, Mr P.R.H.M. van der Linden acceded to the Supervisory Board as member.

Mrs İ. İlicak Kayaalp (Chairperson)

Mrs İpek İlicak Kayaalp was born in 1978. She is a Turkish national. After working in the private sector as a finance professional, she joined the family business to add her experience and knowledge in 2006 as the Head of Treasury. Since 2014, she is the Chairperson of the Board of Management of Rönesans Holding A.Ş. She also holds Executive Board Member positions in various subsidiaries of the Rönesans Group. She is a member of the Turkish Industry & Business Association (TÜSİAD) and a member of the Board of Trustees of the Rönesans Education Foundation. She was appointed to the Supervisory Board of Ballast Nedam in 2015. Her current term of office ends on 20 November 2019.

Mr E. Baki

Mr Emre Baki was born in 1975. He is a Turkish national. Mr Baki joined Rönesans in 2006 and is a member of the Board of Management of Rönesans Holding A.Ş. Mr Baki is also a board member of various subsidiaries of Rönesans Holding A.Ş. Mr Baki was appointed to the Supervisory Board of Ballast Nedam in 2015. His current term of office ends on 20 November 2019.

Mr H.A. Akvardar

Mr Hüseyin Avni Akvardar was born in 1965. He is a Turkish national. Mr Akvardar is a member of the Board of Management of Rönesans Holding A.Ş. and President of Rönesans Construction. Mr Akvardar is also a board member of various subsidiaries of Rönesans Holding A.Ş. Mr Akvardar was appointed to the Supervisory Board of Ballast Nedam in 2015. His current term of office ends on 20 November 2019.

Mr P.R.H.M. van der Linden

Mr René van der Linden was born in 1943. He is a Dutch national. Mr Van der Linden has extensive political experience and used to be a member of the Dutch First Chamber of the States-General (1999-2015) and its chairman (2009-2011). He is currently a member of the supervisory board of GarantiBank N.V., a member of the supervisory board of Eureka Sigorta, is an ambassador international relations for the Province of Limburg and holds various other positions at profit and non-profit organisations. Mr Van der Linden was appointed to the Supervisory Board of Ballast Nedam on 26 February 2018. His current term of office ends on 26 February 2020.

Duties and regulations

The Supervisory Board, within its field of responsibilities, established an Audit Committee which prepares Supervisory Board decision-making and advises the Supervisory Board. In the past, the Supervisory Board also established a Remuneration Committee and a Selection and Appointment Committee, but these were abolished in 2017, after which the matters by these committees became the responsibility of all Supervisory Board members.

4.1.4 Board of Management

The Board of Management manages the company and is responsible for the company's objectives, strategy and policy and the consequent results. The Board of Management has five members.

The General Meeting appoints and dismisses members of the Board of Management. The Supervisory Board suspends members of the Board of Management. The Supervisory Board notifies the General Meeting of a proposed appointment. The General Meeting will enable the Board of Management member whom it intends to remove from office to account for himself or herself to the General Meeting.

The Board of Management Regulations contain further 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, the Central Works Council and the external auditors. These regulations can be found at www.ballast-nedam.com. The composition of the Board of Management can be found in section 1.3 (*Composition of the Board of Management*).

4.1.5 General Meeting

After the successful public bid by Rönesans and the delisting of the depositary receipts for shares completed on 25 February 2016, a statutory buy-out procedure (*uitkoopprocedure*) was initiated. Following the public bid and the successful statutory buy-out procedure, Rönesans Holding A.Ş., via Renaissance Infrastructure B.V., has control of 100% of the shares in Ballast Nedam N.V. Since then, the Ballast Nedam Administration Office, which held the vast majority of the company's depositary receipts for shares, was dissolved on 23 September 2017.

4.1.6 Balanced allocation of seats

The Company does not comply with Section 166 of Book 2 of the Netherlands Civil Code with regard to the seats on the Supervisory Board as one out of four members (the Chairperson) is female, which makes that 25% of the seats in the Supervisory Board are taken up by female members and 75% by male members instead of the 30%/70% division. The seats on the Board of Management are also not currently allocated in a balanced way as referred to in the aforementioned section of the Civil Code. The company is striving for a balanced allocation of seats on the Board of Management and the Supervisory Board, but it is not easy to achieve this allocation in view of the industry the company is in and the specific composition and knowledge of the members of the Board of Management and Supervisory Board that the company is striving for. The interests of Ballast Nedam and its subsidiaries and the evident suitability and experience of the candidates for the seats on these bodies were paramount considerations in the selection of candidates. In future appointments Ballast Nedam will again strive for a balanced allocation, but other important criteria referred to above will again be considered.

4.1.7 Independent statutory auditor

During their review of the 2016 annual accounts, the Supervisory Board and the Audit Committee met with Deloitte Accountants B.V., which was the independent statutory audit firm for year ended 31 December 2016 (and 2017 financial year). The Audit Committee and the Supervisory Board were involved in the selection and appointment of the 2017 statutory auditor. Deloitte Accountants B.V. attended the Annual General Meeting to answer any questions about the auditor's opinion as to whether the 2016 financial statements present a true and fair view and will attend to the next Annual General Meeting in which the 2017 financial statements will be discussed.

The external auditor also attended the meetings of the Audit Committee and the Supervisory Board at which the annual figures were discussed and attended several other meetings of the Audit Committee. The external auditor report to the Supervisory Board and the Board of Management and ultimately address the auditor's opinion to the General Meeting.

The Board of Management and the Audit Committee thoroughly assess the performance of the external auditor in their various duties at least once every four years. The General Meeting is informed of the main conclusions of this assessment, for its own assessment of the proposal to appoint external auditor.

Nieuwegein, 28 March 2018

Board of Management,

C. Düzyol

S.R. Lefevre

H. Koçak

Ö. Canbaş

O.P. Padberg

5 Supervisory Board

5.1 Report of the Supervisory Board

2017 was another year of restructuring and reorganisation for Ballast Nedam. At each meeting the Supervisory Board discussed financial developments, and reviewed the operations within the Group and market trends, using the various management reports and other information as input. Memoranda from the Board of Management were also discussed at the meetings, as were Board of Management decisions requiring the Supervisory Board's approval. Major subjects in which the Supervisory Board was frequently involved include the refinancing arrangements with financiers with respect to guarantee facilities, shareholder financing, development of financial figures compared to the business plan, restructuring and reorganisations including employment, management and approval flows and status of major ongoing and potential projects.

As part 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 and compliance with legislation and regulations. Commentaries on each of these matters are provided below.

Financial reporting was discussed at the Audit Committee meetings. The Audit Committee has discussed the internal control and financial reporting with the CFO and the Board of Management. In addition, the Supervisory Board discussed the half-yearly figures, the annual financial statements and results of the statutory audit.

The Supervisory Board obtained regular updates on compliance and fraud assessment related matters from the Board of Management and the Chief Compliance Officer.

The Audit Committee

The Audit Committee had two members for the main part of 2017. The Committee was chaired by Mr Baki throughout the year, with Mr van Doorne being the second member. Since Mr Van Doorne's term of office expired on 30 November 2017, the Audit Committee has since consisted of one person, Mr Baki.

The Audit Committee acquired relevant knowledge and experience of financial matters via various input, prepared by amongst others the Board of Management, the Chief Financial Officer, the Chief Compliance Officer and the company's internal auditor. The Audit Committee held several meetings in 2017. The external auditors were present at most meetings.

The Audit Committee discussed the following subjects, among others, in its meetings:

- the selection of the external auditors;
- the half-yearly and annual figures;
- the Annual Report;
- the reports and recommendations of the external auditors; and
- compliance.

The Audit Committee and the Supervisory Board discussed the findings of the external auditors, the management letter for 2017 and the follow-up to the findings with the external auditors.

Supervision quality assurance: internal auditor

The Audit Committee concluded in 2016 that an internal audit department would be valuable for Ballast Nedam and advised the Supervisory Board and subsequently the Board of Management to establish an internal audit department. An internal auditor was appointed in 2016 and has been closely involved in improvements of the internal controls over financial reporting and has participated in Audit Committee meetings.

5.2 Financial statements and recommendation to the General Meeting

The Supervisory Board hereby submits the Annual Report for the 2017 financial year, including 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 have been audited by Deloitte Accountants B.V. The independent auditor's report appears in section 8.1 (*Independent auditor's report*). The Supervisory Board recommends adopting the financial statements and requests to grant discharge to the members of the Board of Management and the Supervisory Board in respect of their management and supervision respectively in 2017.

Nieuwegein, 28 March 2018

Supervisory Board

İ. Ilıcak Kayaalp

H.A. Akvardar

E. Baki

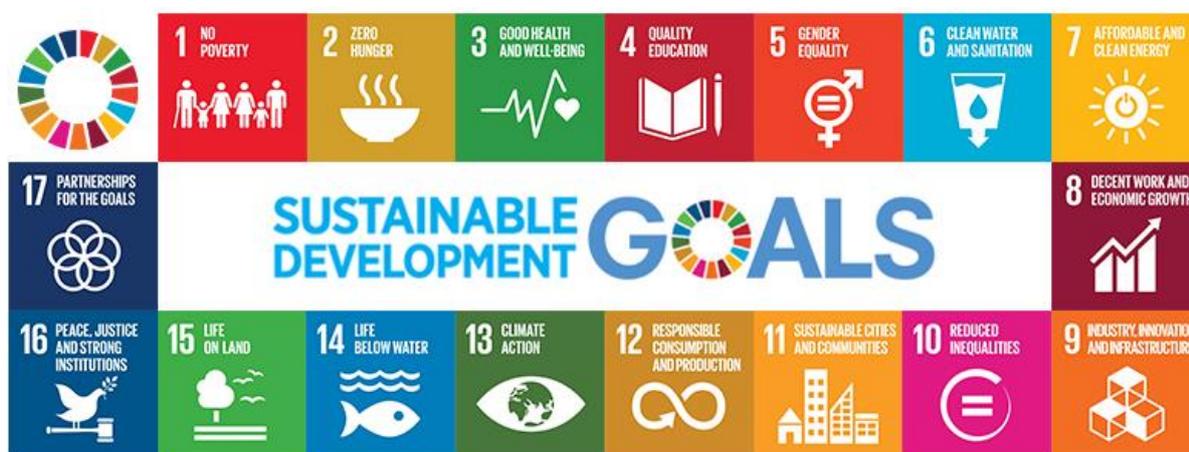
P.R.H.M. van der Linden (appointed on 26 February 2018)

6 Corporate Social Responsibility

6.1 Position of CSR in the organisation

Ballast Nedam acknowledges that its actions affect the present and the future. This is a responsibility that is carefully dealt with and integrated in the business operations by our joining the Sustainable Development Goals Charter issued by the United Nations. By joining the Charter, sustainability is approached in an integral way which makes it not only an ambition but a framework for action. This framework is used for further shaping the CSR policy.

The CSR policy targets of Ballast Nedam will be structured based on the 17 Sustainable Development Goals (SDGs). Ballast Nedam will bring the already existing CSR policy and targets in line with the 17 Sustainable Development Goals. The goals are related to poverty, health, education, and clean water, as well as renewable energy, less inequality and taking action to deal with climate change.



In addition to the SDGs, and aligned with our shareholder, Ballast Nedam in 2016 endorsed the IFC (International Finance Corporation) Performance Standards on Environmental and Social Sustainability. The IFC's policy describes the IFC's commitments, roles and responsibilities related to environmental and social sustainability. To comply with the policy, we have to conform to eight Performance Standards related to Environmental and Social Risk, Labour and Working Conditions, Resource Efficiency and Pollution Prevention, Community Health, Safety and Security, Land Acquisition and Involuntary Resettlement, Biodiversity, Indigenous People and Culture Heritage. As far as applicable, these Performance Standards are integrated in the SDGs.

The strategic focus on SDGs and IFC is reflected in the CSR policy for 2018. In 2017, Ballast Nedam focused on the existing targets and requirements and aligned them with the SDGs. By joining the SDGs, we brought the various CSR objectives closer to the business and associated them more with the projects.

Ballast Nedam implements its CSR policy on a company-wide basis. We focus on a clear organisational structure, the establishment and maintenance of an efficient management information system and specific, relevant actions that have a positive impact on our organisation, our stakeholders and the environment.

Our CSR policy is organised as follows:

- The directors, including divisional directors, are responsible for all CSR issues within their business units.
- The policy on key performance indicators (KPIs) and formulated objectives has been implemented throughout the organisation.
- The CSR results are taken into consideration in the remuneration of the directors, including divisional directors. The target letter to management states that KPIs for non-financial matters must account for one-third.
- The assurance results are measured at division and company level and consolidated at holding company level. The KPIs and the objectives form an integral part of the quarterly reporting, making CSR more firmly embedded in our operations.

Ballast Nedam endorses the guidelines of the Organisation of Economic Cooperation and Development for Multinational Enterprises (OECD MNE) and the International Labour Organisation (ILO). Ballast Nedam also applies the following covenants, codes of conduct and certificates:

- Bewuste Bouwers / Considerate Constructors Scheme: guides builders to be aware of the project's neighbours and professionalise the management of the environment;
- 'Safety in Construction' governance code: clients and contractors work together to improve the safety culture in their own organisations;
- the CO₂ performance ladder (SKAO, the Foundation for Climate Friendly Procurement and Business) certifies the reduction of CO₂ and is used in civil engineering tenders to determine a notional discount on the tender price;
- the CO₂ footprint has been verified by the external auditor DNV; and
- ISO 14001: standard applied for the establishment and certification of environmental management systems.

6.2 CSR objectives and results

At Ballast Nedam we believe that every project presents an opportunity to make a positive contribution to the world of today and tomorrow. As a company we are therefore keen to do more and have fully embraced sustainability. We are changing our approach from one based on sustainable projects to one that revolves around sustainable operations. Over the past year we have already taken two concrete steps towards realising this ambition. We signed the 17 UN goals and have decided that in the future we will only develop gas-free projects. Other developers that work with us are also joining us on this journey. All our houses are therefore constructed as energy-neutral/zero-energy buildings. We also assess each of our own developments for potential ways to contribute to the 17 UN goals. Ballast Nedam does not wish to develop and construct buildings that do not meet the demands of the future.

By discussing sustainability ambitions with municipalities/cooperatives, we agree on manifestos with a view to raising these ambitions and are able to take significant steps forward during projects. The aim is to conclude concrete agreements on making our existing projects environmentally friendly and gas-free, enhancing ecology and delivering climate-adaptive homes. Within this ambition we aim to come up with as many sustainable innovations as possible.

In the past, this innovativeness has enabled us to secure a leading position in the offshore wind sector, a market we were forced to abandon to a certain extent two years ago, but will now be re-entering. Through Ballast Nedam Renewables we will be involved in the development, engineering, construction and management of onshore and offshore wind and solar farms, both nationally and internationally. Ballast Nedam Renewables is the business unit responsible for renewable energy projects within our parent company Rönensans. With support from Rönensans we have the drive and passion needed to contribute to the renewable energy transition, also in emerging markets.

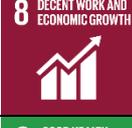
Our ambition is to realise renewable energy projects and accelerate the transition to fossil-free energy production.

The CSR targets of Ballast Nedam have been adjusted to correspond with the matching SDGs. In addition, Ballast Nedam puts extra emphasis on two SDGs that are close to our business. It concerns affordable and clean energy and sustainable cities and communities.

TARGETS / ACTIONS

	Target	KPI 2018
 7 AFFORDABLE AND CLEAN ENERGY	Our ambition is to construct energy-neutral buildings only and invest in large-scale wind and solar projects.	<ul style="list-style-type: none"> - Installation of at least 30,000 solar panels - Operate our windturbine assets - Investigate further optimisation of the installed capacity to enhance our green energy production
 11 SUSTAINABLE CITIES AND COMMUNITIES	To develop and sell sustainable and energy-efficient homes.	<ul style="list-style-type: none"> - 100% gas-free homes sold in 2018 - 90% ground-bounded houses sold energy-neutral

Below is a summary of the CSR objectives we set and the results achieved.

	CSR subject	Intended goal	KPI	Result in 2016	Objective for 2017	Result in 2017	Objective for 2018
 13 CLIMATE ACTION	Energy, CO ₂ and air quality	Energy efficiency and use of sustainable energy	CO ₂ (scope 1&2) / Dutch revenue	29,6%	24% reduction compared to 2008	53,7%	55% reduction compared to 2008
			Initiatives in the value chains of activities	2	2	2	2 initiatives
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Waste management, recycling and materials	Reducing material consumption and increasing separation percentage	Waste segregation	n/a	55%	63%	65%
			Waste segregation incl. subsequent separation	n/a	n/a	89,9%	92%
			Use of Madaster, the kadaster of materials	n/a	n/a	n/a	2 projects
 8 DECENT WORK AND ECONOMIC GROWTH	Human resources	A healthy, safe and motivating working environment for all employees.	Percentage of absenteeism	4,50	4.2%	4,43	4,2%
			Held performances appraisals	n/a	>90%	85%	>90%
 3 GOOD HEALTH AND WELL-BEING	Safety	An injury-free Ballast Nedam	Injury frequency excluding subcontractors	8,16	<6.5	4,97	<6
			Injury frequency including subcontractors	n/a	n/a	5,29	<6
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Business ethics & integrity	Creation of a secure environment for the reporting of abuses	Rollout of a new internal report scheme combined with an awareness campaign (ready 2018)	n/a	50%	50%	100%

6.3 Energy and CO₂

We carefully examine energy requirements in the entire lifecycle when developing any new products, buildings or areas: from development and construction to management and maintenance.

Policy

Ballast Nedam's energy policy is focused on making our business operations more energy-efficient and sustainable in the years ahead. Choices made in the building and construction sector also have a major impact on the wider environment, not only during the construction phase, but for decades thereafter. That insight spurs us to design sustainably through the entire lifecycle of a project.

The CO₂ performance ladder (SKAO, the Foundation for Climate Friendly Procurement and Business) certifies the reduction of CO₂ and is used in civil engineering tenders to determine a national discount on the tender price. Also in 2017 we achieved the highest level of this certificate.

Our objective for 2020 was a CO₂ reduction of at least 30% relative to the reference year 2008, as a proportion of revenues from our Dutch businesses. Due to the sale of two production sites, this objective is no longer suitable. The new objective for 2018 is based on the results of 2017.

Objectives and results

In 2017 Ballast Nedam achieved a 53.7% reduction in CO₂ relative to the reference year 2008.

Overview of CO ₂ emission reduction	2008	2014	2015	2017
CO ₂ footprint (Dutch activities in tonnes)	72,867(*)	44,095(*)	28,110	16,016
Revenue from Dutch activities (millions of euro)	1,349	949	740	641
CO ₂ emissions (tonnes) per million of revenue in euro	54.0	46.5	38.0	25.0
Percentage relative to reference year	100%	86%	70.4%	46.3%
Reduction relative to reference year		14.0%	29.6%	53.7%

(*) Adjusted for comparison purposes. On 1 January 2015 the conversion method was changed in accordance with the CO₂ performance ladder.

CO₂ footprint measurement system and verification

In its footprint Ballast Nedam reports the emissions in Scope 1 (natural gas, petrol, CNG, cokes, diesel, LPG, kerosene, propane and business travel) and Scope 2 (electricity, terrestrial heat and business use of private cars) of the Dutch operations. The criteria have been established in accordance with the Greenhouse Gas Protocol – Revised edition and 'Handboek CO₂-prestatieladder version 3.0' of SKAO. We use the IFRS demarcation criteria, with participating interests of 50% or more and consortia being proportionally included in the footprint. If any monthly consumption figures are not known, estimates are made at the year-end based on the revenue trend. We calculate the CO₂ emissions on the basis of the conversion factors in SKAO performance ladder 3.0.

The 2017 verification of the emissions inventory was provided by DNV.

We have succeeded in our reduction aims. This is due to the initiatives taken in projects, the consumption of green electricity and the sale of two production sites. In particular, the sale of Rademakers, an iron foundry, has contributed to the reduction of CO₂. In addition, we have promoted the consumption of green electricity (guarantee-of-origin certificates for wind power of the Netherlands), resulting in the consumption of 62% green electricity (92% of our offices and 39% of the building sites).

	Office	Building sites	Factories	Mobility	Total
Scope 1	1,409	3,930	231	6,785	12,355
Natural gas	1,409	156	56		1,621
Diesel		3,706	175	4,505	8,386
Petrol		46		1,782	1,828
Cokes					
CNG				498	498
Other fossil fuels		22			22
Scope 2	219	1,249	538	1,655	3,661
Electricity	206	1,249	538		1,993
District heating	13				13
Business use of private cars				1,655	1,655
Scope 1 and 2	1,628	5,179	769	8,440	16,016

Projects awarded based on sustainability criteria

The chances to improve our energy consumption lie within our projects (building sites) and mobility. Projects that are CO₂ awareness awarded and projects that require BREEAM or LEED certification. These projects give us the chance to really implement energy-saving and sustainability measures. In 2017 we replaced our car fleet with a fleet of cars with 9% lower CO₂ emissions.

In 2017, six office buildings of the Kromhout Barracks were certified with four BREEAM stars (Excellent) for both Asset and Management. These are not only the first BREEAM In-Use Excellent premises in Utrecht, but this is an immediate doubling of the number of buildings in the Netherlands with this certification. The Kromhout Barracks is the largest housing project in the Netherlands including 80,000 m² of office space, a sport hall, a parking garage, 4,000 m² outdoor sport facilities and a health centre. In 2017, 5,800 m² of solar panels were placed on the Kromhout Barracks.

Other examples are:

- The joint development, construction and operation of the circular catering and meeting pavilion The Green House in Utrecht Station.
- The project Louwman – Arnhem was awarded with a BREEAM excellent certificate.
- We completed the Justitieel Complex Zaanstad (JC Zaanstad), which is an energy neutral multifunctional building with an energy label A++++.
- In 2016 we received compliments during our annual CO₂ performance ladder audit by DNV for planning and completing the internal and external communications concerning energy-saving and sustainability measures at our project 'N31 Traverse Harlingen'. In 2017, Bewuste Bouwers (Considerate Constructors) assessed the N31 project with the grade of 8.9. With this, the project achieved a third place out of a total of 220 construction sites visited. The project scores above are the standard on the interpretation of the code of conduct, with a peak here and there, for example with regard to the unique statements about the sustainability policy.

CO₂ in the Ballast Nedam supply chain

In 2017 we formulated a new target for our CO₂ emission reduction in our supply chain by focusing on delivered materials/products (scope 3). We assess the environmental impact of materials and processes on the basis of a lifecycle analysis (LCA) In 2016, we performed LCAs for our asphalt mixtures and in 2017 these LCAs were accepted. For 2018, we formulated a target for reduction in our supply chain by setting up LCAs with our suppliers / subcontractors for at least two products.

6.4 Waste, recycling and materials

Ballast Nedam takes a whole-lifecycle view of waste, which means that we look upon waste as the result of design, purchasing and implementation choices.

Policy

Our policy is directed towards eliminating waste and limiting material consumption and thus also precludes unnecessary environmental and other costs.

We adopt a dual approach:

- Quantitative: we reduce the quantity of waste structurally at the source by improving material productivity. We prevent waste by improving processes and innovating.
- Qualitative: we reduce the adverse effects of waste. This means we avoid resource depletion by using renewable and/or secondary materials. We combat pollution by using degradable and/or reusable materials and by optimising waste management procedures where possible. Circularity is the motto here and tools like Madaster and openBIM will be supported.

Objectives and results

Ballast Nedam works with waste management plans. On the basis of a fixed format, the project team can draw up a detailed waste management plan for the implementation phase of a project. The format comprises seven stages, in which the whole chain is closely involved. The contribution of suppliers, subcontractors and waste processors is included at an early stage. That leads to the creation of a joint waste management plan that is tailored to the project. The waste management plans make a positive contribution to the segregation result of the projects/factories.

For 2017 and beyond, Ballast Nedam has set the following targets:

- The percentage of construction and demolition waste (CDW) is a measure of the extent to which waste is separated on the construction site. A target separation rate should be set for each division or project. The target (KPI) for Ballast Nedam as a whole is a separation rate of 55% (100% minus %CDW and commercial waste). The percentage may vary from one project to another and depends on the materials used (or required), the space available on the construction site and the scope of the activities.
- In the case of projects where it is impossible to separate waste, agreements will be made with processors to separate waste at the processing site.

With a waste segregation of 63%, Ballast Nedam scores above the objective of 55%. The waste segregation including subsequent separation is 89.9%.

Waste and materials in the chain

A lot of waste arises because products are not supplied precisely to size or because materials are used only once. We therefore engage in a dialogue with suppliers or subcontractors concerning packaging materials that have a major impact, to assess whether the project could be conducted differently. This leads, for example, to agreements with suppliers on the recovery, reduction or changing of packaging materials. Another initiative is that materials are used more effectively in the design phase, so that fewer residual products remain.

6.5 Human resources

Ballast Nedam continues to focus on providing a healthy, safe and motivating working environment for all employees. This is the cornerstone of our HR policy and is fully supported by our ultimate shareholder Rönasans.

Growth

Our ambition to become the most competitive construction company requires people. Getting the right people for the right job is one of our greatest challenges in a competitive labour market. For new vacancies, we carefully consider internal candidates. Only if no suitable internal candidates are available, do we hire externally.

The new energy in our organisation is also recognised outside Ballast Nedam. People again see Ballast Nedam as their employer of choice.

Total employees	Male	Female
1,747	89%	11%

Focus in HR

Our renewed focus on effectiveness and efficiency, including cost efficiency in human resources, was an ongoing process in 2017. Our current HR systems, tools, processes and procedures are under review, aiming at a more efficient HR support for our managers and employees.

6.6 Safety

We want to ensure that safe working is a permanent part of our activities. Our permanent, hired staff and our subcontractors' personnel must be able to work safely, so that everyone can return home safe and sound at the end of the day. We therefore aspire to an injury-free Ballast Nedam. Everyone who works on our projects must therefore be continuously aware of the safety risks. The principle for all of us is *"I'll work safely or not at all!"*.

Policy

Safety is a core value at Ballast Nedam. Nevertheless, we still encounter, in our opinion, too many unsafe situations, incidents, accidents and injuries each year. That is not acceptable. Our policy is to create a proactive safety culture. The role of senior and middle management is essential to achieve this goal.

Objectives and results

The injury frequency (IF) for 2017 was 5.29, a significant decrease from 8.16 in 2016. Nevertheless, we still feel it should be lowered substantially and our goal is to achieve this as soon as possible.

The IF figure is based on the number of accidents suffered by employees and hired staff in relation to the number of hours worked. The reduction of the IF can be attributed, amongst other things, to:

- the positive influence of the safety management system; and
- the "Safety is Simple as ABC "Always be Careful"" safety campaign.

There were a relatively large number of expiring and starting projects in 2017. In these project phases, accidents occur less often than in a project in progress.

Responsibility

It is important that senior and middle management take their responsibility by setting a good example, for instance by placing safety on the agenda and performing safety audits.

Leadership

Dialogue concerning safety is mandatory. The relevant management of the business units reports the safety figures each quarter to the Board of Management. In addition, management of each business unit reports on a set of questions formulated by the safety core team about the implementation of the safety policy and their commitments.

Safety in the chain

Ballast Nedam makes no distinction between our own employees and the employees of subcontractors with regard to safe working. At our construction sites, our aim is that our personnel work safely or not at all. We encourage our subcontractors to work safely by applying the policy in full to our projects. This means that we engage in a dialogue with subcontractors and at the same time supervise compliance with the safety standards as agreed in the risk assessment.

In the chain, clients and contractors work together to make the 'Safety in Construction' governance code a success: that is to improve the safety culture in their own respective organisations.

Safety is Simple as ABC "Always be Careful"

We started our company-wide safety campaign in 2016. The philosophy behind the ABC campaign can be described as follows: ABC is the beginning of the alphabet. Safety is always a priority. Safety must by default be simple and efficient: people work as efficiently as possible. We must ensure that the most efficient method is also the safest one. We borrow the employee from his family and it is our responsibility to ensure he or she returns home safely every evening. Everyone should always be vigilant about the risks we run. The ABC campaign is not tied to a company name. This makes it suitable to be used by all Ballast Nedam



companies and on all projects. The English text is easy to understand for various foreign employees, contract partners and parent organisations.

In 2017, the following issues were developed in the context of the ABC campaign:

- A central HSE risk inventory database / system;
- Project websites for registering and investigating accidents connected to analytical software;
- ABC app for low-threshold reporting of unsafe situations and actions and accidents, linked to the project websites;
- Participation in the Dutch National Safety in Construction Day (16 March 2017);
- ABC communication in the form of newsletters, toolbox meetings, ABC alerts and information boards; and
- Some articles for positively rewarding safe behaviour.

Governance code 'Safety in Construction'

To ensure that the safety culture in the broadest sense improves, a number of leading construction companies (including Ballast Nedam) and clients (construction, road / water / rail infrastructure and installation technology) have joined forces. Together they have established the Governance Code 'Safety in the Construction Industry'. These initiators have established common principles and core values in the field of safety, by harmonising working methods and by harmonising instruments. This involves the entire construction chain.

Ballast Nedam actively participates in the Governance Code for safety in the construction industry.

The following national initiatives were taken up in the past year from the Governance Code for safety in construction industry:

- Knowledge sharing of accidents and best practices;
- Develop a generic gate instruction for construction projects;
- Initiate an annual National Safety in Construction Day on the 3rd Friday of every March;
- Develop harmonised working methods for safety in the tender phase;
- Develop harmonised working methods for transporting excavation buckets; and
- Develop harmonised working methods for reversing protection for rolling equipment.

6.7 Business ethics and integrity

Within Ballast Nedam we apply an enhanced and consistent business ethics and compliance policy, based on our corporate values and adherence to generally accepted standards.

Culture

At Ballast Nedam we teach our employees that integrity and ethical behaviour starts with yourself and that everyone is responsible for doing the right thing even when no-one is looking. We are convinced that this spirit will lead to transparency and openness to address dilemmas. This will not only protect our brand and reputation, it will also benefit all stakeholders and enable us to achieve our mission to engage our customers and partners in a direct and open dialogue that will enable us to jointly develop future-proof buildings and infrastructure. We are committed to this promise, and expect our employees, clients, partners, suppliers and subcontractors to demonstrate the same commitment.

Objectives and results

Control, transparency and consistency are embedded in normal business processes throughout all parts of Ballast Nedam's organisation and are the basis of our Code of Business Conduct and underlying sub-codes. This enables us to make every employee in the chain accountable for his or her own actions and behaviour.

We apply a zero tolerance policy, which means we do not allow any behaviour or actions which can be considered unethical, a breach of integrity or a breach of what our Codes of Business Conduct stand for, whether by our own employees or by third parties. By continuous training and learning, awareness campaigns and stimulating discussion of dilemmas, we aim to keep our employees aware of the importance of fair and ethical behaviour. In addition, we have rolled out a new joiners' introduction training in compliance and ethics. E-learnings and up-to-date Business Codes of Conduct and underlying sub-codes are made available for all staff and suppliers/sub-contractors to ensure that everyone operates on the same basic principles. We consider queries, complaints, reports or investigations on possible incidents or breaches as tools to measure effectiveness of our compliance

and integrity framework. For this reason, Ballast Nedam has a speak-up policy in place, an external speak-up hotline, and a gifts & entertainment registration tool.

We take every report seriously and will take appropriate actions and measures and aim to have every report dealt with within 48 hours. For the year 2017, there were several individual investigations that were dealt with and completed on an individual case-by-case basis, and no legal action was taken on corruption or anti-competitive behaviour.

Compliance Organisation

Within our company the central control of compliance is assigned to the Chief Compliance Officer, who reports directly to the Board of Management and the Supervisory Board. On a decentralised basis, the compliance officers in our business units and in our projects are actively engaged in the practical fulfilment and application of our policy.

Third-party and transaction screening

In respect of third parties, we operate an on-boarding screening by means of a Central Suppliers and Subcontractors Database. Each supplier or subcontractor is – before acceptance – screened for credit rating and compliance risk qualification purposes and on a periodically update basis. For this purpose, an external vendor and automated online application is used. For screenings resulting in a negative advice and/or high risk category, an escalation process is followed and may lead to denial of a party or acceptance subject to mitigating measures.

7 Consolidated Financial Statements

7.1 Consolidated statement of financial position

ASSETS	Notes	31 December 2017	31 December 2016
Current Assets		396,089	416,945
Cash and cash equivalents	3	121,052	110,760
Trade receivables		88,497	91,813
- <i>Trade receivables from related parties</i>	4	47	387
- <i>Trade receivables from third parties</i>	4	88,450	91,426
Other short-term receivables		34,752	52,600
- <i>Non-trade receivables from related parties</i>	5	23,418	26,060
- <i>Other short-term receivables from third parties</i>	5	11,334	26,540
Inventories	6	104,560	94,827
Short-term prepaid expenses	7	3,706	3,275
Due from customers under construction contracts	8	26,804	46,682
Assets classified as held for sale	9	16,718	16,988
Non-Current Assets		85,118	72,833
Investments accounted for using the equity method	10	9,214	13,188
Investment property	11	35,255	5,412
Property, plants and equipment	12	34,460	48,311
Intangible assets		3,200	2,937
- <i>Goodwill</i>	13	1,023	1,023
- <i>Other intangible assets</i>	13	2,177	1,914
Other non-current assets	14	2,989	2,985
TOTAL ASSETS		481,207	489,778

Ballast Nedam N.V. – Consolidated Financial Statements 2017

(Amounts expressed in thousand of euro (€) unless otherwise indicated)

(Before appropriation of the net result for the year)

LIABILITIES	Notes	31 December 2017	31 December 2016
Current Liabilities		428,717	399,835
Short-term borrowings	15	88	2,165
Current portion of long-term borrowings	15	58,026	14,638
Short-term trade payables		136,561	173,869
- <i>Trade payables to related parties</i>	16	935	283
- <i>Trade payables to third parties</i>	16	135,626	173,586
Other short-term payables		53,879	53,381
- <i>Non-trade payables to related parties</i>	17	10,953	17,217
- <i>Other payables to third parties</i>	17	42,926	36,164
Due to customers under construction contracts	8	112,971	103,235
Prepayment received on inventories	6	7,887	1,413
Payables for employee benefits	18	11,083	12,143
Short-term provisions		24,755	22,876
- <i>Provisions related with employee benefits</i>	18	5,376	6,205
- <i>Other short-term provisions</i>	19	19,379	16,671
Current tax debts	20	1,987	1,982
Other short-term liabilities	21	9,292	9,255
Liabilities directly associated with assets classified as held for sale	9	12,188	4,878
Non-Current Liabilities		38,324	83,651
Long-term borrowings	15	33,113	61,900
Other long-term payables		-	10,000
- <i>Non-trade payables to majority shareholder</i>	22	-	10,000
Long-term provisions		5,211	11,751
- <i>Provisions related with employee benefits</i>	18	2,842	4,251
- <i>Other long-term provisions</i>	19	2,369	7,500
SHAREHOLDER'S EQUITY	24	14,166	6,292
Equity attributable to owners of the parent		14,086	6,292
Paid in capital		2,203	2,203
Share premium		291,497	239,497
Other accumulated comprehensive income / loss to be reclassified in profit or loss		(934)	(1,258)
- <i>Currency translation reserve</i>		181	194
- <i>Hedging reserve</i>		(1,115)	(1,452)
Other accumulated comprehensive income / loss not to be reclassified in profit or loss			
Accumulated losses		(278,680)	(234,150)
- <i>net result current year</i>		(44,530)	(75,813)
- <i>net result previous years</i>		(234,150)	(158,337)
- <i>minority interest</i>		80	-
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		481,207	489,778

7.2 Consolidated statement of profit and loss

	Notes	1 January- 31 December 2017	1 January- 31 December 2016
- Revenue	25	740,560	788,925
- Cost of revenue	26	(717,363)	(791,762)
GROSS PROFIT		23,197	(2,837)
- General administrative expenses	27	(38,071)	(38,548)
- Marketing, selling and distribution expenses	27	(127)	(379)
- Other operating income from main activities	28	13,798	7,357
- Other operating expense from main activities	28	(20,297)	(24,981)
OPERATING RESULT		(21,500)	(59,388)
- Income from investing activities	29	355	4,460
- Expense from investing activities	29	(5,068)	(7,027)
- Share on profit / loss of investments valued using equity method	10	(15,646)	(7,034)
RESULT BEFORE FINANCE EXPENSES		(41,859)	(68,989)
- Financial expenses	30	(2,522)	(6,735)
RESULT FOR TAXATION		(44,381)	(75,724)
Tax expenses			
- Current tax expenses	31	(68)	(89)
NET RESULT FOR THE YEAR		(44,449)	(75,813)
Attributable to:			
Non-controlling interest		81	-
Owners of the parent		(44,530)	(75,813)
		(44,449)	(75,813)

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(Amounts expressed in thousand of euro (€) unless otherwise indicated)

7.3 Consolidated statement of comprehensive income

	1 January - 31 December 2017	1 January - 31 December 2016
Net result for the year	(44,449)	(75,813)
Other comprehensive income, net of tax to be reclassified to profit & loss in subsequent periods		
Foreign currency translation reserve	(20)	(18)
Net gain (losses) on cash flow hedges arising during the year	337	797
Non-realised results (after tax)	337	797
Other comprehensive income, net of tax, not to be reclassified to P&L in subsequent periods	-	-
Other comprehensive income	317	779
Total comprehensive income for the period	(44,132)	(75,034)
Attributable to:		
Owners of the parent	(44,207)	(75,034)
Non-controlling interest	75	-
Total comprehensive income for the period	(44,132)	(75,034)

The other comprehensive income includes € nil thousand of tax (2016: € nil thousand).

7.4 Consolidated statement of changes in equity

	Paid in capital	Share Premium	Currency translation reserve	Hedging reserve	Accumulated losses	Minority Interest	Total
Opening balance 1 January 2016	2,203	179,397	212	(2,249)	(158,337)	-	21,226
Net result for the year	-	-	-	-	(75,813)	-	(75,813)
Change in currency translation reserve	-	-	(18)	-	-	-	(18)
Change in hedge reserve	-	-	-	797	-	-	797
Other comprehensive income	-	-	(18)	797	-	-	779
Repurchased own shares	-	100	-	-	-	-	100
Share premium	-	60,000	-	-	-	-	60,000
Closing balance 31 December 2016	2,203	239,497	194	(1,452)	(234,150)	-	6,292
Opening balance 1 January 2017	2,203	239,497	194	(1,452)	(234,150)	-	6,292
Net result for the year	-	-	-	-	(44,530)	81	(44,449)
Change in currency translation reserve	-	-	(13)	-	-	(7)	(20)
Change in hedge reserve	-	-	-	337	-	-	337
Other comprehensive income	-	-	(13)	337	-	(7)	317
Shares (emission)	-	-	-	-	-	6	6
Share premium	-	52,000	-	-	-	-	52,000
Closing balance 31 December 2017	2,203	291,497	181	(1,115)	(278,680)	80	14,166

7.5 Consolidated statement of cashflows

	Notes	1 January - 31 December 2017	1 January - 31 December 2016
Cashflow from operating activities			
Net result for the year		(44,449)	(75,813)
Adjustments to reconcile net result			
Depreciation and amortisation for non-current assets	12,13	7,458	9,676
Impairment (in) tangible assets	29	936	3,293
Loss arising from change in fair value of investment properties	11	2,115	-
Interest expense/income	30	3,648	6,731
Gain/loss on disposal of property, plant and equipment and intangible assets	29	3,777	5,081
Income tax expense	31	68	89
Share in profit and loss of investments valued using equity method	10	15,646	7,034
Adjustment related to provisions (non cash)	18,19	4.955	23,235
Movements in working capital			
Movement in inventories	6	(3,259)	27,850
Decrease/increase due to customers under construction contracts	8	29,614	27,445
Decrease/increase in trade receivables	4	21,164	20,349
Decrease/increase in prepaid expenses	7	(431)	(1,379)
Increase/decrease in other current liabilities		(47,213)	(38,463)
Movement in (short-term) provisions and employee benefits	18	(6,181)	(11,711)
Movement in (short-term) warranty and other provisions (reversals)	19	(4,347)	(4,153)
Income taxes paid	20	(63)	(89)
Net cash from operating activities		(16,562)	(825)
Cashflow from investing activities			
Intangible assets investments	13	(831)	(1,273)
Property, plants and equipment investments	12	(4,928)	(7,590)
Financial assets other fair value investments		-	(3,070)
income from other receivables		3,214	2,059
Investment property	11	(37,370)	-
Proceeds from subsidiaries after deduction of disposed cash and cash equivalents	35	15,893	21,155
Net cash from investing activities		(24,022)	11,281
Cashflow from financing activities			
Interest paid	30	(3,648)	(6,731)
Proceeds from borrowings	15	41,000	10,000
Repayments of borrowings	15	(28,476)	(41,037)
Proceeds from derivative financial instruments	30	-	14
Payments of finance liabilities	15	-	(1,362)
Shareholder's loan	22	-	10,000
Capital contribution sole shareholder	24	42,000	60,100
Net cash from financing activities		50,876	30,984
Net cash change		10,292	41,440
Cash at the beginning of the year		110,760	69,320
Cash at the end of the year		121,052	110,760

7.6 Notes to the consolidated financial statements

1. Organisation and operations of Ballast Nedam

Ballast Nedam N.V. (the "Company") was incorporated in the Netherlands. The Company's registered office is at Ringwade 71, Nieuwegein, the Netherlands, and is registered in the business register under number 33201106. The parent company is Renaissance Infrastructure B.V. ("Renaissance") and the ultimate parent company is Rönesans Holding A.Ş., Turkey.

The consolidated financial statements of Ballast Nedam N.V. for the 2017 financial year comprise the parent company Ballast Nedam N.V. and its subsidiaries ("Ballast Nedam" or the "Group") and Ballast Nedam's interest in associates and joint operations.

Ballast Nedam is mainly active in the Netherlands. Furthermore, Ballast Nedam operates in other European countries and executes projects globally. Its core activities include contracting and construction engineering services on various purpose buildings (mainly shopping malls, residential units and office buildings), industrial projects, and infrastructure projects. Ballast Nedam also provides design, construction, maintenance and other projects within the scope of public-private partnership projects. The company's development group works in synergy with the construction company on most of the above activities.

2. Basis of presentation of the consolidated financial statements.

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the company financial statements are prepared in accordance with section 2:362(9) of the Dutch Civil Code. The financial statements are prepared on a going concern basis.

The financial statements were authorised for issue by the Board of Management on 28 March 2018. The financial statements will be submitted for approval to the General Meeting to be held on 28 March 2018.

With reference to the income statement of the Company, use has been made of the exemption pursuant to section 402 of Book 2 of the Dutch Civil Code.

2.2 Basis of measurement and presentation

The consolidated financial statements have been prepared under the historical cost convention, unless stated otherwise.

The consolidated financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'euro' (€), which is the Group's presentation currency.

Assets and liabilities of foreign activities denominated in functional currencies other than the euro are translated to the functional currency in euro at the rates of exchange prevailing on the reporting date, with income statement items being translated at the rates approximating the rate of exchange on the transaction date (average rate for the reporting 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 on the reporting date, are recognised as a separate item in the consolidated statement of comprehensive income.

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Receivables and payables in foreign currencies are translated to the functional currency at the exchange rate prevailing on the reporting date. Transactions in foreign currencies are translated to the functional currency at the exchange rate applying on the transaction date. The resulting exchange differences are recognised in the statement of profit and loss.

2.3 Financing and liquidity

With the current cash position, management forecasts that it has sufficient means to finance operations until the fourth quarter of 2018 as a large part of the existing financing package, consisting of bilateral loans of EUR 58 million and guarantee facilities of EUR 55 million, will mature on or before 31 December 2018. With regard to the guarantee letters a total of € 20 million is due in the normal course of the business and the Company expects the remaining € 35 million will be refinanced.

Furthermore, the Company is negotiating a refinancing of the bilateral loans and an extension of guarantee facilities. Negotiations are in an advanced stage and will probably be completed before yearend of 2018. The ultimate shareholder will continue to support and enable Ballast Nedam N.V. to complete the contemplated refinancing of, at a minimum, the existing loan values on or before 31 December 2018, and obtain sufficient guarantee facilities for the 2018 order portfolio and recently awarded projects.

As to assure required equity levels, the remaining shareholder loans were converted to share premium and new funding was obtained for in part the acquisition of an investment property. During the year 2018 the Board of Management also agreed on a revised covenant cure mechanism. This mechanism could trigger additional funding requests from the ultimate shareholder.

2.4 Critical accounting judgements and key sources of estimate uncertainty

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively. This includes a framework with respect to the measurement of fair values.

Management judgements regarding the application of EU-IFRS, which have significant consequences for the financial statements and estimates involving an appreciable risk of material change in the following year, are disclosed in the notes.

If changes in the accounting estimates are related to only one period, they are applied in the current year; if they are related to the future period, they are applied both in current and future periods. In the current period, Ballast Nedam has no significant changes to the accounting estimates.

Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated. In the current period, Ballast Nedam has not made any changes in its accounting policies.

Management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimates, which are dealt with below under notes):

Project results

The Company's core activities include contracting and construction engineering services on various projects. Revenue from construction contracts is recognised in accordance with the progress of the project less a provision for foreseeable losses (percentage-of-completion method). When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Estimates are an inherent part of this assessment and actual outcome may deviate from these estimates, specifically for long-term construction contracts. The level of estimate and uncertainty increases in line with the following factors:

- 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;

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- 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. This may be because an initial solution turns out in hindsight to be unfeasible, 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 may also arise in the implementation phase that are for the account of the contractor. These deviations may be positive or negative;
- the term of the contract is longer and hence the forecast for the ending of the work involves inherently more estimate uncertainties; and
- projects are liable to more additional work and claim situations.

See also note 8, Work in progress and note 26, Costs of raw materials and subcontractors.

The company manages these estimate uncertainties during the year based on experience and risk assessment models, including variance analysis.

In 2017, the Company invested in a number of more robust risk management activities to enhance its estimate and assessment process. A Risk Management Office (“RMO”) exists independently from the management of the project, which assesses risks and their potential financial impact. RMO combines legal, technical and financial expertise.

Changes in contract fees are recognised in the consolidated financial statements to the extent it is probable that those changes “contractually agreed”, based on the percentage of completion method of the construction projects and the amount can be reliably estimated. Estimates on the collection of those changes are made based on the Group management’s past experiences, the related contract terms and the related legislation.

The Group calculates “the remaining costs to complete on construction projects” through its internally developed projections. Factors such as escalations in material prices, labour costs and other costs are included in these projections based on best estimates as of the balance sheet dates. Any unanticipated escalation in the subsequent years will require the reassessment of the remaining costs. Due to changes in the scope of construction projects, time lag between the scope changes and costs incurred and realisation of these projects, there could be significant fluctuations in terms of estimated costs between years.

Inherent to the construction industry the Company is involved in discussions on the financial settlement of construction projects, including contract variations, the time of completion and the quality level of the work. Most of these discussions are concluded to the satisfaction of all concerned. However, in some cases it is impossible to avoid a discussion ending in legal proceedings.

Financial claims that the company has pending against third parties are generally not capitalised unless it is reasonably certain that the amount in question will be paid. It may turn out at a later stage that actual results differ from the estimates.

Land positions

Land positions are acquired for future development purposes and are recognised at the lower of cost and net realisable value. The net realisable value depends on the expected manner and timing of realisation. The net realisable value is the estimated revenue in the normal course of business less the estimated costs of completion and selling. The future cashflows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 9%. See further explanation in note 6 Inventories.

Investment properties

The fair value of investment property is primarily based on the present value of the estimated future cashflows discounted with the effective interest rate.

Deferred tax

Considering the history of recent losses deferred tax assets arising from cumulative tax losses can only be recognised to the extent that there is convincing evidence for sufficient taxable profit in accordance with IAS 12. Management has been conservative in this respect.

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Provisions

Provisions relating to actual liabilities are based on estimates and judgements as to whether the criteria for treatment as a liability have been met, including an estimate of the size of the actual liability. Actual liabilities are disclosed if it is likely that a liability will arise and its size can be reasonably estimated. Provisions for warranties are recognised 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. For additional information concerning provisions, see note 19.

2.5 Consolidation principles

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 minority 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 and joint ventures

An associate is an entity over which Ballast Nedam has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but there is no control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or a joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Joint operations

Joint operations are joint arrangements whereby Ballast Nedam and other parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the joint operation. The Group recognises its share in the joint operations' individual revenues and expenses, assets and liabilities and includes it on a line-by-line basis with corresponding items in the Group's financial statements. Negative equity of joint ventures is reclassified to other short-term payables.

Elimination of transactions for consolidation purposes

Transactions with subsidiaries, associates and entities over which joint control is exercised are determined at arm's length and eliminated in the same way (proportionately) as other intercompany accounts. Unrealised losses are eliminated in the same way, except where there are indications of impairment.

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2.6 Adoption of the new and the revised International Financial Reporting Standards

Application of the new and the revised IFRS has no material effect on the consolidated financial statements. The Group has applied the amendments for the first time for their annual reporting period commencing 1 January 2017 in connection with the 'Annual Improvements' to IFRS.

The International Accounting Standards Board (IASB) has published amendments to IAS 7 'Statement of Cash Flows' and IAS 12 'Income Tax'.

Management analysed these amendments and concluded that the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

New and revised IFRS in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017. The Group has not applied the following relevant new and revised IFRSs that have been issued but are not yet effective in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9	<i>Financial Instruments – effective 1 January 2018</i>
IFRS 15	<i>Revenue from Contracts with Customers – effective 1 January 2018</i>
IFRS 16	<i>Leases – effective 1 January 2019</i>

The above standards and interpretations that could have a material impact for Ballast Nedam are described in more detail below. Ballast Nedam intends to adopt these standards and interpretations when they become effective.

IFRS 9 Financial Instruments

The final version of IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for financial years beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

Ballast Nedam plans to adopt the new standard on the required effective date. In 2017, Ballast Nedam performed an assessment of all three aspects of IFRS 9. This assessment was based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to Ballast Nedam in the future. Overall, Ballast Nedam expects no significant impact on its balance sheet and equity.

(a) Classification and measurement

Ballast Nedam does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale with gains and losses recorded in other comprehensive income will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The available-for-sale reserve currently in accumulated other comprehensive income will be reclassified to opening retained earnings.

Loans as well as trade receivables are held to collect contractual cashflows and are expected to give rise to cashflows representing sole payments of principal and interest. Thus, Ballast Nedam expects that these will continue to be measured at amortised cost under IFRS 9.

(b) Impairment

IFRS 9 requires Ballast Nedam to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. Ballast Nedam expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Ballast Nedam does not expect a significant impact on its equity due to the unsecured nature of its loans and receivables.

(c) Hedge accounting

Ballast Nedam believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change

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the general principles of how an entity accounts for effective hedges, Ballast Nedam does not expect a significant impact as a result of applying IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 deals with revenue recognition. The standard replaces IAS 18, Revenue, and IAS 11, Construction contracts and related interpretations, including IFRIC 15, Agreements for the construction of real estate. The core principle of IFRS 15 is that revenue has to be recognised based on the transfer of control of the promised goods or services to customers. The amount of revenue should be based on the consideration to which the entity expects to be entitled for those goods or services. IFRS 15 includes a five-step approach for revenue recognition. IFRS 15 also contains additional disclosure requirements for the assumptions applied and estimates made.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Ballast Nedam plans to adopt the new standard on the required effective date using the full retrospective method. The financial statements of 2018 will therefore contain comparative figures over 2017 based on IFRS 15. The timing of revenue recognition will be influenced by IFRS 15 however individual project profitability will not be changing under IFRS 15.

Ballast Nedam is performing an impact assessment of IFRS 15 which will be finalized in 2018. If applicable necessary changes will be reflected in the financial statement 2018. Initially an overall analysis is performed by revenue stream and consequently a full contract by contract analysis is performed to complete the preparations for the implementation. Furthermore the accounting manual and internal processes will be updated to facilitate an effective implementation. In general the construction activities of Ballast Nedam qualify for recognition of revenue over time in line with the current accounting of IAS 11.

The Group is in the business of construction, providing equipment and services. These are sold both on its own in separate identified contracts with customers and together as a bundled package of goods and/or services.

(a) Construction contracts and sale of goods

IFRS 15 most noteworthy modification for construction contracts is that under IAS 11, recognition of revenue and profits on a percentage of completion basis was required where an arrangement met the definition of a construction contract. Under IFRS 15 progressive revenue recognition will only be permitted where the enforceable contractual rights and obligations satisfy certain criteria. In applying the new standard to our traditional construction contracts in general we expect the outcome to be broadly similar to current stage of completion.

Contracts with customers in which equipment sale is the only performance obligation are not expected to have any impact on Ballast Nedam. Ballast Nedam expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In applying IFRS 15, Ballast Nedam considered the following:

(i) Identification of performance obligations

At the contract level Ballast Nedam is required to identify the performance obligations. IFRS 15 includes additional guidance to determine if a performance obligation is separately identifiable. In the construction industry due to the integrated nature of the contracting activities and the fact that individual goods and services are often highly depended and inter-related constructions contracts performance obligations might not be separately identifiable and accounted for as one contract. Nevertheless contracts with both a Construction and Maintenance phase will qualify as separate performance obligations. Consistently with the with current accounting of Ballast Nedam, under IFRS 15 these will be accounted for as separate contracts

(ii) Variable consideration

Some contracts with customers include penalties and bonus constructions. If revenue cannot be reliably measured, Ballast Nedam defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be required to be estimated at contract inception. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue.

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(iii) Warranty options

Ballast Nedam provides warranties related to its construction contracts and does not provide extended warranties or maintenance services in its contracts with customers. As such, Ballast Nedam determines that such warranties are assurance-type warranties which will continue to be accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with its current practice.

(b) Rendering of services

Ballast Nedam provides services within the Infrastructure and Building and Development segment. These services will be sold either on their own in contracts with the customers while others may be bundled together with the sale of equipment to a customer. Ballast Nedam has preliminarily assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by Ballast Nedam. For the possible effects of contracts with a variable consideration reference is made to item (i) above. Consequently, Ballast Nedam does not expect any significant impact to arise from these service contracts since currently revenue is recognised according to progress and that therefore no impact is expected.

IFRS 16 Leases

IFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under IAS 17 with recognition exemptions for leases of 'low-value' assets and short-term leases. Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately. Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events. Lessor accounting is substantially the same as today's lessor accounting, using IAS 17's dual classification approach. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

The lease expense recognition pattern for lessees might be accelerated as compared to today. Key balance sheet metrics such as leverage and finance ratios, debt covenants and statement of income metrics, such as earnings before interest, taxes, depreciation and amortisation (EBITDA), might be impacted. Also, the statement of cashflows for lessees might be affected as payments for the principal portion of the lease liability will be presented within financing activities. Ballast Nedam is currently assessing the impact of IFRS 16. The current lease commitments are disclosed in notes 15 and 32. The new standard is effective for financial years beginning on or after 1 January 2019, with certain transition reliefs permitted. Early application is permitted, but not before an entity applies IFRS 15 'Revenue from Contract with Customers'. Entities that are lessees are allowed to choose either a full retrospective or a modified retrospective transition approach.

2.7 Related parties

Related parties are individuals or entities that are related to the entity that is preparing its financial statements ("reporting entity").

- a) An individual or a close family member is considered related party of the reporting entity when the following criteria are met: If a certain individual,
 - (i) has control or joint control over the reporting entity,
 - (ii) has significant influence over the reporting entity,
 - (iii) is a key management personnel of the reporting entity or a parent company of the reporting entity.

- b) An entity is considered related party of the reporting entity when the following criteria are met:
 - (i) if the entity and the reporting entity are within the same group. (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others).
 - (ii) if the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group).
 - (iii) if both of the entities are a joint venture of a third party.

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- (iv) if one of the entities is a joint venture of a third party while the other entity is a subsidiary of this third party.
- (v) if an entity has plans of post-employment benefits for employees of a reporting entity or a related party of a reporting entity.
- (vi) if the reporting entity has its own plans, sponsor employers are also considered as related parties.
- (vii) if the entity is controlled or jointly controlled by an individual defined in the article (a).
- (viii) if an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is key management personnel of this certain entity (or a parent company of the entity).

Related party transactions are transfers of resources, services or liabilities between related parties and the reporting entity, regardless of whether or not against remuneration.

2.8 Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments of which their maturities are three months or less from date of acquisition and which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Restricted cash and balances at bank escrow accounts are separately presented.

Trade and other receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Work in progress – Due from customers under construction contracts

Work in progress on behalf of third parties is recognised 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 capitalised subject to meeting the conditions for capitalising finance expense. The cost of work in progress includes directly attributable indirect costs on the basis of normal production capacity.

On the balance sheet, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case.

Preparatory expenses and design and construction costs on large projects (i.e. tendering costs) are included in the cost of work in progress if 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 are expensed in the period in which they arise and are not subsequently capitalised if the project is contracted.

Inventories

Inventories (raw materials and semi-finished goods) are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realisable value of inventory is less than cost, the inventory is written down to the net realisable value and the charge is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

Land positions are acquired for future development purposes and are recognised at the lower of cost and net realisable value, if lower. The net realisable value depends on the expected manner and timing of realisation. The net realisable value is the estimated revenue in the normal course of business less the estimated costs of completion and selling. The future cashflows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 9%. In

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principle these holdings are not 'in production' and development costs are consequently not capitalised. Interest is capitalised subject to meeting the conditions for capitalising finance expense and at the time the land position is actively developed. The associated costs are expensed. Planning permits and building permits are included in landholdings.

Residential units to be sold are stated at the lower of cost and net realizable value. Interest is capitalised subject to meeting the conditions for capitalising finance expense. The cost of residential building projects includes directly attributable indirect costs on the basis of normal production capacity.

Residential units under development which the client has no option to specify structural elements in the design, and where there is continuous transfer of the significant risks and ownership, are recognised under inventories. The revenue and result of the residential units in development are therefore consistent with IFRIC 15 accounted for based on progress of completion which is comparable with construction contracts.

Finished goods are measured at the lower of cost and net realisable 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 capitalising finance expense. The cost of finished goods includes directly attributable indirect costs on the basis of normal production capacity.

Assets and liabilities held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets may be a component of an entity, a disposal group, or an individual non-current asset.

These assets are measured at the lower of the asset's carrying amount and the fair value less costs to sell. Depreciation or amortisation of an asset ceases when it is classified as held for sale.

Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date. The fair value is calculated as the present value of the estimated future cashflows discounted with the effective interest rate. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Reclassification to or from investment property are only made when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of transfer. If an owner occupied property is reclassified as investment property, the Group accounts for such property in accordance with the policy stated under Property and Equipment up to the date of the reclassification.

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. If applicable, assets are depreciated using the units of production method.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the profit and loss account.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received in order to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocations made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over the intangible assets' estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Concessions in respect of land and raw materials are amortised in proportion to the extent of the raw materials extracted on the basis of an estimate of the raw materials remaining to be extracted. The residual value, amortisation methods and estimated useful lives are assessed annually. The expected useful lives are for concessions 5-40 years and for software, three years.

Computer software

Acquired computer software licences are shown at historical cost and capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Costs associated with maintaining software are recognised as expenses when incurred.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets

PPP receivables

Receivables in respect of Public-Private Partnership (PPP) agreements relate to concession fees from public authorities' receivable in connection with PPP projects.

PPP receivables are initially recognised at fair value and are subsequently measured at amortised cost based on an effective interest rate in accordance with IAS 32, IAS 39 and 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 recognised in the consolidated comprehensive income. If the investment is classified as available for sale, the value of the movements in other investments, which are not classified as held for sale, are recognised in the statement of income. Only in the exceptional case that the fair value cannot be reliably determined is valuation at cost minus impairment applied.

Derivative financial instruments and hedge accounting

Ballast Nedam occasionally uses derivative financial instruments 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 does not hold any derivatives for trading purposes nor does it issue such derivatives.

On initial recognition, derivative financial instruments are measured at fair value, and the attributable transaction costs are recognised in the statement of income as soon as they occur. If no hedge accounting is applied, gains and losses on revaluation to fair value are recognised directly in the statement of income. Results arising from fair value adjustments of forward exchange contracts are recognised as a part of the natural hedge on the currency results of the project concerned. Gains and losses on forward exchange contracts relating to projects have a selling price not denominated in euro are stated in the selling price of the project.

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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 recognised in the consolidated statement of comprehensive income, with allowance for the deferred taxation effect. The changes in the fair value of hedging transactions may comprise movements in the fair value of existing hedging transactions and realised results if the hedged position is recognised in the statement of income. The movement in values for any ineffective portion of the hedging transaction is recognised in the statement of income.

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 cashflows from these instruments.

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 carried at amortised cost.

Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Long-term loans

On initial recognition, long-term loans are measured at fair value less attributable transaction costs. Interest-bearing loans are subsequently carried at amortised cost, with any difference between the cost and the amount repayable recognised in the income statement over the term of the loans on the basis of the effective interest method. Borrowing costs are capitalised only when are attributable to qualifying assets (none in 2016 and 2017).

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 recognised 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). Under IAS 19 this pension scheme is accounted for as a defined contribution scheme.

Employee benefits other than pensions

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 discounted to present value, taking into account actuarial assumptions.

Termination benefits are recognised when binding offers are made or restructuring, within the scope of IAS 37, is announced. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value (taking into account actuarial assumptions, when relevant).

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Equity

Ordinary shares are classified as equity. Mandatory redeemable preference shares are classified as liabilities. The share premium concerns the income from the issuing of shares insofar as this exceeds the nominal value of the shares. Legal reserves are accounted for based on regulations.

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 recognised 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 recognised in the share premium reserve.

Dividends

Dividends are recognised as a liability in the period in which they are declared.

Revenue

Rental income from real estate properties

Rental income generated from real estate development projects are recognised on an accrual basis. Revenue is recognised if it is probable that the economic benefit associated with these transactions will flow to the entity or the amount of revenue can be measured reliably.

Revenues generated from sale of flats or residential units

The Group sells flats or residential units. Revenue from the sale of these flats or residential units is measured at the fair value of the consideration received or receivable.

Revenue from the sale of flats or residential units is recognised when all the following conditions are satisfied: the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; and it is probable that the economic benefits associated with the transaction will flow to the entity. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest revenue

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that it is probable that contract costs incurred will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings. Progress billings not yet paid by customers and retention are included within 'trade and other receivables'.

The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

Services

Income from services rendered is recognised in the income statement in proportion to the percentage of completion of the transaction on the reporting date.

The percentage of completion is determined on the basis of assessments of the work performed. No income is recognised if there are significant uncertainties concerning the collection of the amounts due or the related costs, and also if there is any question of continuing management involvement in the services.

PPP projects

During the construction phase of the asset, PPP projects are recognised as projects for third parties. The related financial asset is recognised based on to be invoiced instalments. The contractual income and expenses are recognised 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 recognised 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 recognised at the time of delivery of the services to which it relates.

Net finance expense

The net financing expense comprises the interest income and expense including those on borrowings calculated using the effective interest method. The interest component of the financial lease instalments is recognised 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 recognised in the income statement in earnings before interest and taxes. Gains or losses on interest rate swaps are recognised as finance income or expenses.

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 recognised in the income statement except in relation to items recognised directly in the consolidated statement of comprehensive income.

Deferred tax is recognised using the statement of financial position method for 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 recognised at nominal value of the portion that will probably be realised.

Statements of Cashflows

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Current period statements of cashflows are categorised and reported as operating, investing and financing.

Cashflows from operating activities show that cashflows provided from Group's operations.

Cashflows from investing activities summarise the Group's cashflows used in or generated from investing activities (fixed and financial investments).

Cashflows from financing activities summarise the Group's cashflows from liabilities and the back payments of these liabilities benefited in financing needs of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

The cashflow statement is prepared utilising the indirect method.

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3 Cash and cash equivalents

	31 December 2017	31 December 2016
Cash at banks	121,052	110,760
- Demand deposit	121,052	110,760
- Other cash equivalents	-	6,228
	<u>121,052</u>	<u>116,988</u>
Less: Restricted cash	-	(6,228)
Short term	-	(6,228)
Long term	-	-
Cash and cash equivalents	<u>121,052</u>	<u>110,760</u>

In 2016, € 6,228 thousand Escrow account at banks was restricted due to the bank borrowings, this amount became available in the first week of 2017.

4 Trade receivables

The details of the trade receivables of the Group as at balance sheet dates are as follows:

Current trade receivables	31 December 2017	31 December 2016
Contract receivables	77,402	76,940
Retention held by clients	103	188
Trade receivables	13,378	16,904
Trade receivables from related parties	47	387
Allowance for doubtful trade receivables (-)	(2,433)	(2,606)
	<u>88,497</u>	<u>91,813</u>

The Group uses 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 collection period is 46 days (2016: 45 days). References are made to note 33 with respect to receivables from related parties. The nature and level of the risks on trade receivables are disclosed in note 32.

The aging of overdue receivables is as follows:

	31 December 2017	31 December 2016
Overdue by 1-30 days	13,685	12,369
Overdue by 1-3 months	3,722	6,242
Overdue by 3-12 months	3,896	2,223
Overdue by 1-2 years	5,921	4,765
Total overdue receivables	<u>27,224</u>	<u>25,599</u>

Movements on the Group's provision for allowance of trade receivables are as at 31 December 2017 and 31 December 2016 as follows:

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<u>Movement of allowance for doubtful receivables</u>	<u>1 January - 31 December 2017</u>	<u>1 January - 31 December 2016</u>
Balance at the beginning of the period	(2,606)	(5,131)
Charge for the period	(301)	(913)
Liabilities held for sale	-	205
Amounts recovered during the period	-	83
Collections	474	3,150
	<u>(2,433)</u>	<u>(2,606)</u>

5 Other short-term receivables

<u>Other short-term receivables</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Non-trade receivables from related parties	23,418	26,060
Restricted cash	-	6,228
Other receivables	11,334	20,312
	<u>34,752</u>	<u>52,600</u>

Non-trade receivables from related parties include receivables from joint arrangements and associates. Other receivables include primarily the Group's share of receivables of partners in the joint operations, totalling € 6,458 thousand (2016: € 13,191 thousand).

6 Inventories

	<u>31 December 2017</u>	<u>31 December 2016</u>
Raw materials	2,644	3,103
Lands to be developed for projects	93,532	85,866
Residential units to be sold	1,980	211
Residential units under development	958	1,442
Finished goods	5,541	4,205
Allowance for inventory	(95)	-
	<u>104,560</u>	<u>94,827</u>

The accumulated impairment recognised within land to be developed for projects amounts to € 56,978 thousand (2016: € 56,100 thousand). In 2017 the impairment due to a number of land positions to lower net realisable value amounted to € 878 thousand (2016: € 5,100 thousand).

The present value estimates used to determine the net realisable value include amongst other variables a discount rate of 9%.

Under the bank borrowing agreements, € 63,000 thousand of land to be developed for projects are pledged.

Advances received on inventories amounted to € 7,887 thousand (2016: € 1,413 thousand) and were related to housebuilding projects in which the value of the work performed was lower than the amount of the instalments invoiced. This amount is presented within other current payables.

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7 Short-term prepaid expenses

Prepaid expenses of the amount € 3,706 thousand (2016: € 2,986 thousand) are mainly related to the general administrative expenses and include mainly prepayments for insurance and rent costs.

8 Due to/from customers under construction contracts

Due to/from customers under construction contracts	31 December 2017	31 December 2016
Construction cost incurred on ongoing projects	1,915,776	1,038,413
Recognised profit less recognised losses to date	<u>(17,565)</u>	<u>(53,848)</u>
	1,898,211	984,565
Less: progress billings	(1,984,378)	(1,041,118)
Recognised and included in the financial statements as amount due	<u>(86,167)</u>	<u>(56,553)</u>
Due from customers under construction contracts	26,804	46,682
Due to customers under construction contract	(112,971)	(103,235)
	<u>(86,167)</u>	<u>(56,553)</u>

The value of work in progress is assessed periodically for each project by the project manager and the management of the entity concerned. Estimates are an inherent feature of this process and the assessment is made on the basis of records in project files, cost monitoring, including estimates of financial settlements of projects such as contract variations and claims. It may turn out at a later stage that actual results differ from the estimates. This is particularly relevant for long-term projects that include considerable customisation. It can also occur if there are unsettled claims or discussions with clients about additional work that are still continuing on the closing date. Further consideration about project estimations are included in paragraph 2.4.

Due from customers under construction contracts under current assets consists of all construction contracts on behalf of third parties where the expenses incurred plus the deferred profit, minus the recognised losses, exceed the instalments invoiced. This balance in 2017 decreased by € 19,879 thousand relative to 2016.

Due to customers under construction contracts under current liabilities consists of all construction contracts on behalf of third parties where the expenses incurred plus the deferred profit, minus the recognised losses, are less than the instalments invoiced. This liability in 2017 increased by € 9,735 thousand relative to 2016. The total work in progress thus decreased by € 29,614 thousand.

The work in progress item predominantly has a term of less than 12 months.

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9 Assets held for sale

Ballast Nedam measures assets held for sale at the lower of carrying amounts and fair value less costs to sell (see also note 29).

Assets held for sales include the interests in Ballast Nedam Environmental Engineering, assets of IQ Woning and Hotel Merici (2016 investment property). This aligns with the divestment strategy of the Company to focus on core business lines. The impact on the consolidated statement of financial position of Ballast Nedam is shown in the table below.

	<u>31 December 2017</u>	<u>31 December 2016</u>
Property, plants and equipment	15,182	5,546
Inventories	-	6,501
Trade receivables	1,536	3,141
Financial assets	-	1,800
Total assets	<u>16,718</u>	<u>16,988</u>
Current liabilities	(11,534)	(4,878)
Non-current liabilities	(654)	-
	<u>(12,188)</u>	<u>(4,878)</u>
Nett assets of assets held for sale	<u><u>4,530</u></u>	<u><u>12,110</u></u>

The sale of Hotel Merici took place on 8 January 2018 for the same value as in the financial statements. It is expected that the sale of Ballast Nedam Environmental Engineering Belgium and assets of IQ Woning are expected during 2018.

Prior year balances included TBS Soest B.V., Rademakers Gieterij B.V., and Wâldwei.com.B.V.

10. Investments accounted for using the equity method

Balances consist of joint ventures in which Ballast Nedam exercises significant influence on the financial and operating policy, but over which it does not have control.

Joint ventures are collaboration agreements in which Ballast Nedam works with other parties and has joint control and a right to the net assets of the joint venture.

The parties concerned have contractually agreed that control will be shared and that decisions on relevant activities require the unanimous consent of the parties which have joint control of the joint venture.

The summary of financial information is included in the summary below. In general, the payment of dividend and/or depositing of temporary liquidity surpluses from joint ventures depends on the authorisations of other shareholders.

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The table below gives an overview of the effective ownership and voting power percentage:

Name of associate / Joint venture	31	31	31	31
	December 2017	December 2016	December 2017	December 2016
	Effective ownership ratio (%)	Effective ownership ratio (%)	Voting power held (%)	Voting power held (%)
A-Lanes Management Services B.V.	25.00%	25.00%	25.00%	25.00%
BNC IXAS SPC Holding B.V.	20.00%	20.00%	20.00%	20.00%
Ontwikkelingsmaatschappij G4 Beheer B.V.	25.00%	25.00%	25.00%	25.00%
Venneppark N207 C.V.	62.15%	62.4%	62.4%	62.4%
POM Vikingsite B.V.	50.00%	50.00%	50.00%	50.00%
Marktkwartier C.V.	100.00%	50.00%	50.00%	50.00%
Marktkwartier Amsterdam Beheer B.V.	50.00%	50.00%	50.00%	50.00%
Riederwaard Beheer B.V.	50.00%	50.00%	50.00%	50.00%
Riederwaard C.V.	49.5%	50.00%	50.00%	50.00%
Wind Invest B.V.	50.00%	50.00%	50.00%	50.00%
BNC A-Lanes A15 Holding B.V.	20.00%	20.00%	20.00%	20.00%
Coeur du Sud B.V.	2.5%	2.5%	2.5%	2.5%
CV Property B.V.*	50.00%	50.00%	50.00%	50.00%
Cconcrete Valley Group B.V.*	40.00%	40.00%	40.00%	40.00%
Coöperatie Ballast Nedam Infra Materieel Lease U.A.	45.00%	45.00%	45.00%	45.00%
J.V. Siemens Cuxhaven	50.00%	50.00%	50.00%	50.00%
IXAS Gaasperdammerweg B.V.	33.33%	33.33%	33.33%	33.33%
Ursem Modulaire Bouwsystemen B.V.*	41.00%	41.00%	41.00%	41.00%
Exploitatie Maatschappij Komfort B.V.	50.00%	50.00%	50.00%	50.00%
Exploitatie Maatschappij DC 16 B.V.	50.00%	50.00%	50.00%	50.00%
Ontwikkelingsmaatschappij G4 C.V.	25.00%	25.00%	25.00%	25.00%
Gebiedsontwikkeling Oud-Beijerland Oost C.V.	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Oost Beheer B.V.	50.00%	50.00%	50.00%	50.00%
Olympia Beheer B.V.	50.00%	50.00%	50.00%	50.00%
Olympia C.V.	50.00%	50.00%	50.00%	50.00%
Coberco Kwartier C.V.	50.00%	50.00%	50.00%	50.00%
Coberco Kwartier Beheer B.V.	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Zuid Beheer B.V.	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Zuid C.V.	50.00%	50.00%	50.00%	50.00%
IJ2 Projecten B.V.	50.00%	50.00%	50.00%	50.00%
Asfalt Productie Tiel (APT) B.V.*	33.33%	33.33%	33.33%	33.33%
Traffic Service Nederland B.V.*	25.17%	25.17%	25.17%	25.17%
Asfalt Productie Amsterdam (APA) B.V.*	25.00%	25.00%	25.00%	25.00%
Nederlandse Frees Maatschappij B.V.*	16.07%	16.67%	16.67%	16.67%
Asfalt Productie Rotterdam Rijnmond (APRR) B.V.*	25.00%	25.00%	25.00%	25.00%
Graniet Import Benelux B.V.*	8.75%	8.75%	8.75%	8.75%
Exploitatie Maatschappij A-Lanes A15 B.V.	33.33%	33.33%	33.33%	33.33%
Ontwikkelingsmaatschappij Centrumgebied Amsterdam Zuidoost B.V.	33.33%	33.33%	33.33%	33.33%
Stadion Amsterdam C.V.*	6.25%	5.55%	5.55%	5.55%
GEM Vleuterweide Beheer B.V.*	14.00%	14.00%	14.00%	14.00%
N.V. Stadsherstel Breda*	5.8%	5.8%	5.8%	5.8%
GEM Vleuterweide C.V.*	13.44%	13.44%	13.44%	13.44%
BAAK Blankenburgverbinding B.V.*	15.00%	0%	-	-

* Associates of Ballast Nedam NV

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The table below gives an overview of the financial information of these joint ventures:

31 December 2017			
Name of joint venture	Total Asset	Total Liability	Net Assets
A-Lanes Management Services B.V.	23	5	18
BNC IXAS SPC Holding B.V.	1,505	324	1,182
Ontwikkelingsmaatschappij G4 Beheer B.V.	2	(48)	50
Venneppark N207 C.V.	371	370	1
POM Vikingsite B.V.	2,447	2,690	(243)
Marktkwartier C.V.	12,555	12,553	2
Marktkwartier Amsterdam Beheer B.V.	11	1	10
Riederwaard Beheer BV	3	3	-
Riederwaard C.V.	2,510	2,644	(134)
Wind Invest B.V.	344	4	340
BNC A-Lanes A15 Holding B.V.	1,878	1,581	297
Coeur du Sud B.V.	23,085	22,216	869
Coöperatie Ballast Nedam Infra Materieel Lease U.A.	848	497	351
J.V. Siemens Cuxhaven	10,703	12,793	(2,090)
IXAS Gaasperdammerweg B.V.	19,222	53,312	(34,090)
Ursem Modulaire Bouwsystemen B.V.	3,576	2,454	1,122
BAAK Blankenburg-Verbinding B.V.	4,220	4,230	(10)
Exploitatie Maatschappij Komfort B.V.	5,942	6,674	(732)
Exploitatie Maatschappij DC 16 B.V.	642	2,083	(1,441)
Ontwikkelingsmaatschappij G4 C.V.	258	(2)	260
Gebiedsontwikkeling Oud-Beijerland Oost C.V.	11,879	12,227	(348)
Gebiedsontwikkeling Oud-Beijerland Oost Beheer B.V.	41	75	(34)
Olympia Beheer B.V.	(7)	1	(8)
Olympia C.V.	-	631	(631)
Coberco Kwartier C.V.	87	-	87
Coberco Kwartier Beheer B.V.	3	(2)	5
Gebiedsontwikkeling Oud-Beijerland Zuid Beheer B.V.	26	42	(16)
Gebiedsontwikkeling Oud-Beijerland Zuid C.V.	7,859	8,155	(296)
IJ2 Projecten B.V.	-	-	-
Asfalt Productie Tiel (APT) B.V.	4,771	3,339	1,432
Traffic Service Nederland B.V.	17,867	11,449	6,418
Asfalt Productie Amsterdam (APA) B.V.	9,879	3,729	6,150
Nederlandse Frees Maatschappij B.V.	12,982	5,825	7,157
Asfalt Productie Rotterdam Rijnmond (APRR) B.V.	8,735	2,304	6,431
Graniet Import Benelux B.V.	19,275	9,685	9,590
Exploitatie Maatschappij A-Lanes A15 B.V.	5,916	13,419	(7,503)
Ontwikkelingsmaatschappij Centrumgebied Amsterdam Zuidoost B.V.	93	608	(515)
Stadion Amsterdam C.V.	40,917	29,753	11,164
GEM Vleuterweide Beheer B.V.	4,129	3,232	897
N.V. Stadsherstel Breda	7,033	5,464	1,569
GEM Vleuterweide C.V.	2,543	1,242	1,301
Total	244,173	235,562	8,611

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(Amounts expressed in thousand of euro (€) unless otherwise indicated)

The table below gives an overview of the financial information of these joint ventures:

Name of joint ventures	31 December 2016		
	Total Asset	Total Liability	Net Assets
A-Lanes Management Services B.V.	144	126	18
Ontwikkelingsmaatschappij G4 Beheer B.V.	54	4	50
HEEH B.V.	49	465	(416)
Venneppark N207 C.V.	2,229	2,229	-
POM Vikingsite B.V.	2,451	2,564	(113)
Marktkwartier C.V.	694	684	10
Marktkwartier Amsterdam Beheer B.V.	10	-	10
Riederwaard Beheer BV	5	-	5
Riederwaard C.V.	314	304	10
Exploitatie Maatschappij Komfort B.V.	4,360	5,377	(1,017)
Exploitatie Maatschappij DC 16 B.V.	847	2,290	(1,443)
Wind Invest B.V.	304	32	272
Windenergie Nauerna B.V.	-	-	-
Bouwcombinatie Wâldwei V.O.F.	20,063	14,662	5,401
BNC PI2 Holding BV	-	0	-
BNC A-Lanes A15 Holding B.V.	7	47	(40)
IXAS Zuid-Oost B.V.	-	-	-
Coeur du Sud B.V.	12,886	12,530	356
Concrete Valley Property	3,332	183	3,149
Concrete Valley Group Holding	7,436	676	6,759
J.V. Siemens Cuxhaven	31,421	31,421	-
IXAS Gaasperdammerweg B.V.	78,450	78,522	18
Ursem Modulaire Bouwsystemen B.V.	5,117	5,383	(266)
Ontwikkelingsmaatschappij G4 C.V.	260	-	260
Gebiedsontwikkeling Oud-Beijerland Oost C.V.	11,461	13,531	(2,070)
Gebiedsontwikkeling Oud-Beijerland Oost Beheer B.V.	(42)	35	(76)
Olympia Beheer B.V.	(7)	1	(8)
Olympia C.V.	4	635	(631)
Coberco Kwartier C.V.	87	8,432	(8,345)
Coberco Kwartier Beheer B.V.	(166)	(2)	(164)
Gebiedsontwikkeling Oud-Beijerland Zuid Beheer B.V.	(21)	20	(41)
Gebiedsontwikkeling Oud-Beijerland Zuid C.V.	7,677	8,837	(1,160)
IJ2 Projecten B.V.	4,502	6,323	(1,821)
IJsseloord 2 Projecten B.V.	502	72	430
Asfalt Productie Tiel (APT) B.V.	2,130	975	1,155
Traffic Service Nederland B.V.	6,771	-	6,771
Asfalt Productie Amsterdam (APA) B.V.	5,256	-	5,256
Nederlandse Frees Maatschappij B.V.	7,500	-	7,500
Asfalt Productie Rotterdam Rijnmond (APRR) B.V.	6,374	-	6,374
Cobeton B.V.	78	-	78
Graniet Import Benelux B.V.	10,100	-	10,100
Exploitatie Maatschappij A-Lanes A15 B.V.	335	3,851	(3,516)
Ontwikkelingsmaatschappij Centrumgebied Amsterdam Zuidoost B.V.	46	303	(257)
Total	224,043	215,463	32,598

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(Amounts expressed in thousand of euro (€) unless otherwise indicated)

The table below gives an overview of the revenue, costs of sales and the profit/loss of the joint ventures reported for 2017 (at 100%):

Name of joint ventures	31 December 2017		
	Revenue	Cost of Sales	Profit /(loss) for the period
A-Lanes Management Services B.V.	-	-	-
BNC IXAS SPC Holding B.V.	-	(2,077)	2,077
Ontwikkelingsmaatschappij G4 Beheer B.V.	-	-	-
Venneppark N207 C.V.	1,917	1,917	-
POM Vikingsite B.V.	-	130	(130)
Marktkwartier C.V.	424	432	(8)
Marktkwartier Amsterdam Beheer B.V.	-	-	-
Riederwaard Beheer BV	-	5	(5)
Riederwaard C.V.	-	144	(144)
Wind Invest B.V.	16	(52)	68
BNC A-Lanes A15 Holding B.V.	-	237	(237)
Coeur du Sud B.V.	36,004	35,491	513
CV Property B.V.	132	56	76
Cconcrete Valley Group B.V.	5,316	5,275	41
Coöperatie Ballast Nedam Infra Materieel Lease U.A.	606	611	(5)
J.V. Siemens Cuxhaven	102,140	114,410	(12,270)
IXAS Gaasperdammerweg B.V.	190,944	209,166	(18,222)
Ursem Modulaire Bouwsystemen B.V.	14,186	14,548	(362)
Exploitatie Maatschappij Komfort B.V.	22,583	22,298	285
Exploitatie Maatschappij DC 16 B.V.	3,031	3,029	2
Ontwikkelingsmaatschappij G4 C.V.	-	-	-
Gebiedsontwikkeling Oud-Beijerland Oost C.V.	109	465	(356)
Gebiedsontwikkeling Oud-Beijerland Oost Beheer B.V.	-	7	(7)
Olympia Beheer B.V.	-	-	-
Olympia C.V.	-	-	-
Coberco Kwartier C.V.	-	-	-
Coberco Kwartier Beheer B.V.	-	-	-
Gebiedsontwikkeling Oud-Beijerland Zuid Beheer B.V.	-	5	(5)
Gebiedsontwikkeling Oud-Beijerland Zuid C.V.	-	234	(234)
IJ2 Holding B.V.	-	173	(173)
IJ2 Projecten B.V.	-	(21)	21
Asfalt Productie Tiel (APT) B.V.	369	92	277
Traffic Service Nederland B.V.	36,021	35,874	147
Asfalt Productie Amsterdam (APA) B.V.	21,927	20,033	1,894
Nederlandse Frees Maatschappij B.V.	27,276	25,119	2,157
Asfalt Productie Rotterdam Rijnmond (APRR) B.V.	14,927	13,870	1,057
Graniet Import Benelux B.V.	45,987	44,497	1,490
Exploitatie Maatschappij A-Lanes A15 B.V.	19,149	23,136	(3,987)
Ontwikkelingsmaatschappij Centrumgebied Amsterdam Zuidoost B.V.	-	350	(350)
Stadion Amsterdam C.V.	32,774	32,774	-
GEM Vleuterweide Beheer B.V.	611	611	-
N.V. Stadsherstel Breda	-	-	-
GEM Vleuterweide C.V.	14,168	14,168	-
Total	590,617	617,007	(26,390)

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(Amounts expressed in thousand of euro (€) unless otherwise indicated)

The table below gives an overview of the revenue, costs of sales and the profit/loss of the joint ventures reported for 2016 (at 100%):

31 December 2016			
Name of joint venture	Revenue	Cost of sales	Profit /(loss) for the period
A-Lanes Management Services B.V.	-	(6)	6
Ontwikkelingsmaatschappij G4 Beheer B.V.	-	9	(9)
HEEH B.V.	-	(532)	532
Venneppark N207 C.V.	2,391	2,391	-
POM Vikingsite B.V.	-	213	(213)
Exploitatie Maatschappij Komfort B.V.	15,283	15,324	(41)
Exploitatie Maatschappij DC 16 B.V.	3,088	3,008	80
Wind Invest B.V.	-	84	(84)
Bouwcombinatie Wâldwei V.O.F.	-	(308)	308
BNC PI2 Holding BV	-	(747)	747
BNC A-Lanes A15 Holding B.V.	-	(728)	728
IXAS Zuid-Oost B.V.	198,150	195,280	2,870
Coeur du Sud B.V.	20,009	19,694	315
Concrete Valley Property	312	159	153
Concrete Valley Group Holding	537	972	(435)
J.V. Siemens Cuxhaven	21,900	21,590	310
IXAS Gaasperdammerweg B.V.	204,600	203,945	(1,261)
Ursem Modulaire Bouwsystemen B.V.	10,067	11,211	(1,144)
Ontwikkelingsmaatschappij G4 C.V.	-	(175)	175
Gebiedsontwikkeling Oud-Beijerland Oost C.V.	109	735	(626)
Gebiedsontwikkeling Oud-Beijerland Oost Beheer B.V.	-	18	(18)
Olympia Beheer B.V.	-	6	(6)
Olympia C.V.	-	4	(4)
Coberco Kwartier C.V.	-	(1)	1
Coberco Kwartier Beheer B.V.	-	2	(2)
Gebiedsontwikkeling Oud-Beijerland Zuid Beheer B.V.	-	12	(12)
Gebiedsontwikkeling Oud-Beijerland Zuid C.V.	-	346	(346)
IJ2 Projecten B.V.	-	(8)	8
IJsseloord 2 Projecten B.V.	-	1	(1)
Asfalt Productie Tiel (APT) B.V.	2,330	2,225	105
Traffic Service Nederland B.V.	38,720	37,100	1,620
Asfalt Productie Amsterdam (APA) B.V.	21,716	19,860	1,856
Nederlandse Frees Maatschappij B.V.	27,630	24,938	2,692
Asfalt Productie Rotterdam Rijnmond (APRR) B.V.	12,774	11,570	1,204
Cobeton B.V.	19	19	-
Graniet Import Benelux B.V.	55,000	53,400	1,600
Exploitatie Maatschappij A-Lanes A15 B.V.	1,962	5,485	(3,524)
Ontwikkelingsmaatschappij Centrumgebied Amsterdam Zuidoost B.V.	-	277	(277)
Total	636,597	652,027	(7,307)

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11 Investment properties

	<u>31 December 2017</u>	<u>31 December 2016</u>
Investment properties	35,255	5,412
	<u>35,255</u>	<u>5,412</u>
<u>Investment properties</u>	<u>1 January - 31 December 2017</u>	<u>1 January - 31 December 2016</u>
Opening balance	5,412	6,013
Investments	37,370	-
Transferred to asset held for sale	(5,412)	-
Value change	<u>(2,115)</u>	<u>(601)</u>
Closing balance	<u>35,255</u>	<u>5,412</u>

During the year, Hotel Merici was transferred from investment properties to asset held for sale and sold in 2017. The investment of € 37,370 thousand relates to the Rotterdam Building which was acquired at the end of 2017. Therefore the rental income and direct operating expenses are limited.

The fair value of investment property has been determined using the transaction price at year end 2017.

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(Amounts expressed in thousand of euro (€) unless otherwise indicated)

12 Property, plants and equipment

	Buildings	Machinery and equipment	Other tangible assets	Total
Cost				
Opening balance 1 January 2017	53,352	118,169	15,189	186,710
Additions	1,374	2,811	743	4,928
Disposals	(1,644)	(5,520)	(2,724)	(9,888)
Sale of subsidiary	-	-	-	-
Assets held for sale	(10,751)	(3,838)	-	(14,589)
Closing balance 31 December 2017	<u>42,331</u>	<u>111,622</u>	<u>13,208</u>	<u>167,161</u>
Accumulated depreciation				
Opening balance 1 January 2017	(27,210)	(96,856)	(14,333)	(138,399)
Cum, depreciation - disposals	1,067	4,476	2,718	8,261
Assets held for sale	2,560	2,729	-	5,289
Sale of subsidiary	-	-	-	-
Depreciation	(2,028)	(4,412)	(451)	(6,891)
Impairment	(28)	(893)	(15)	(936)
Exchange rate fluctuation input	-	(25)	-	(25)
Closing balance 31 December 2017	<u>(25,639)</u>	<u>(94,981)</u>	<u>(12,081)</u>	<u>(132,701)</u>
Carrying value as of 31 December 2017	<u>16,692</u>	<u>16,641</u>	<u>1,127</u>	<u>34,460</u>

	Buildings	Machinery and equipment	Other tangible assets	Total
Cost				
Opening balance 1 January 2016	72,222	155,868	20,427	248,517
Additions	647	5,746	1,197	7,590
Disposals	(1,056)	(9,025)	(1,070)	(11,151)
Sale of subsidiary	(4,569)	(6,929)	-	(11,498)
Assets held for sale	(13,892)	(27,491)	(5,365)	(46,748)
Closing balance 31 December 2016	<u>53,352</u>	<u>118,169</u>	<u>15,189</u>	<u>186,710</u>
Accumulated depreciation				
Opening balance 1 January 2016	(37,930)	(128,452)	(19,062)	(185,444)
Cum, depreciation - disposals	1,628	6,477	997	9,102
Asset held for sale	8,995	27,490	4,717	41,202
Sale of subsidiary	2,348	4,705	-	7,053
Depreciation	(2,251)	(4,933)	(766)	(7,950)
Impairment	-	(2,149)	(219)	(2,368)
Exchange rate difference	-	6	-	6
Closing balance 31 December 2016	<u>(27,210)</u>	<u>(96,856)</u>	<u>(14,333)</u>	<u>(138,399)</u>
Carrying value as of 31 December 2016	<u>26,142</u>	<u>21,313</u>	<u>856</u>	<u>48,311</u>

Other tangible assets mainly include lease hold improvements and ICT hardware. Impairments are mainly related to asset held for sale fair value adjustment.

Property, plants and equipment with a carrying amount of € 14,525 thousand (2016: € 21,064 thousand) are pledged as collateral under the bank loan agreements.

The useful lives used in the calculation of depreciation are as follows;

Buildings	Useful Life 10-30 years
Machinery and equipment	5-20 years
Other tangible assets	1-3 years

There are no significant financial lease contracts.

From the total depreciation of € 6,891 thousand (2016: € 7,950 thousand) €3,586 thousand was charged to costs of revenue (2016: € 5,157 thousand) and € 3,305 thousand to general costs (2016: € 2,893 thousand).

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(Amounts expressed in thousand of euro (€) unless otherwise indicated)

13 Intangible assets

Cost value	Rights	Other	Total
Opening balance 1 January 2017	4,718	8,242	12,960
Addition	269	562	831
Closing balance 31 December 2017	4,987	8,804	13,791
Accumulated Amortisation			
Opening balance 1 January 2017	(3,504)	(7,542)	(11,046)
Sale of subsidiary	-	-	-
Amortisation	(363)	(205)	(568)
Closing balance 31 December 2017	(3,867)	(7,747)	(11,614)
Carrying balance as of 31 December 2017	1,120	1,057	2,177

Cost value	Rights	Other	Total
Opening balance 1 January 2016	19,499	7,992	27,491
Addition	1,023	250	1,273
Sale of subsidiary	(15,804)	-	(15,804)
Closing balance 31 December 2016	4,718	8,242	12,960
Accumulated Amortisation			
Opening balance 1 January 2016	(9,335)	(7,230)	(16,565)
Sale of subsidiary	8,170	-	8,170
Amortisation	(1,414)	(312)	(1,726)
Impairment	(925)	-	(925)
Closing balance 31 December 2016	(3,504)	(7,542)	(11,046)
Carrying balance as of 31 December 2016	1,214	700	1,914

Rights consist of the concessions for high-grade primary raw materials in the Netherlands. Amortisation is proportionate to extraction. The remaining weighted average amortisation period for concessions at the year end was 20 years (2016: 21 years). Ballast Nedam incurred no significant exploration costs in 2017 for raw materials and minerals with unproven technical or commercial extraction potential.

The useful lives used in the calculation of amortisation for intangible assets are as follows:

	<u>Useful Life</u>
Rights	5-40 years
Other intangible assets (including software)	3 years

Total amortisation expense is included in cost of revenue.

The amortisation of € 568 thousand was included in the cost of revenue (2016: € 1,726 thousand).

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Goodwill

Cost value	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance	1,023	2,670
Disposals	-	(1,647)
Closing balance sheet	1,023	1,023

Goodwill is allocated at acquisition date, to the cash-generating units. An impairment test is performed annually, or earlier if there are indications of impairment. The recoverable amount of the cash-generating unit was determined based on projections for 2018 – 2020. The key assumptions for the value-in-use calculations are those regarding discount rate, revenue growth rate and profit before tax margin.

14 Other non-current assets

Balance includes receivables from third parties, which are related to a loan for a PPP project. In 2017 this amount was € 2,989 thousand (2016: € 2,985 thousand).

15 Short- / long-term borrowings

The details and redemption schedule of the borrowings are as follows:

	31 December 2017	31 December 2016
Short-term borrowings	88	2,165
Short-term obligation under finance leases	-	15
Short-term portion of long-term borrowings	58,026	14,638
Total short-term borrowings	58,114	16,803
Long-term bank borrowings	33,113	61,900
Total long-term borrowings	33,113	61,900
Total borrowings	91,227	78,703

Movement of borrowings is as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Balance at 1 January	78,703	111,102
Additions to loans	41,000	10,000
Payments	(28,476)	(42,399)
Balance as of 31 December	91,227	78,703

Applicable margin of the bank loans is between 0.8% and 3.75%. The majority of the loans have floating interest rate (Euribor + margin).

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Short-term obligation under finance leases

<u>Finance lease</u>	<u>2017</u>	<u>2016</u>
Less than 1 year	-	15
1-5 years	-	-
Future lease instalments	<u>-</u>	<u>15</u>
	<u>2017</u>	<u>2016</u>
Less than 1 year	-	15
1-5 years	-	-
Present value of finance lease	<u>-</u>	<u>15</u>

16 Trade payables

The details of the trade payables of the Group as at balance sheet dates are as follows:

<u>Current trade payables</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Trade payables	132,247	169,106
Trade payables to related parties	935	283
Other trade payables	<u>3,379</u>	<u>4,480</u>
	<u>136,561</u>	<u>173,869</u>

Average maturity for trade payables is approximately 50 days (31 December 2016: 60 days).

Risk characteristics and levels in trade receivables and trade payables are disclosed in note 32.

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17 Other short-term payables

<u>Other short-term payables</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Non-trade payables to related parties	10,953	17,217
Other short term payables	<u>42,926</u>	<u>36,164</u>
	<u>53,879</u>	<u>53,381</u>

Non-trade payables to related parties (see note 33).

Other short-term payables include the group share of the payables of the partner(s) in the joint operations, total amount € 10,006 thousand. Also it includes a reservation for negative equity of joint ventures, total amount € 21,400 thousand (2016: € 17,905).

18 Payables for employee benefits

<u>Short-term payables</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Payables to personnel	1,568	1,415
Social security premiums payable	8,214	8,569
Other payables for employee benefits	<u>1,301</u>	<u>2,159</u>
	<u>11,083</u>	<u>12,143</u>

<u>Short-term payable related to employee benefits</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Unused vacation pay liability	<u>5,376</u>	<u>6,205</u>
	<u>5,376</u>	<u>6,205</u>

<u>Long-term provisions related to employee benefits</u>	<u>31 December 2017</u>	<u>31 December 2016</u>
Other long-term provisions related to employee benefits	<u>2,842</u>	<u>4,251</u>
	<u>2,842</u>	<u>4,251</u>

Other long-term employee benefits consist of long-term illness and long-service bonuses.

The discount rate of the provision for long-term illness and long-service bonuses was 1.5% (2016: 1.5%).

Pensions

Other employee benefits concern pension contributions payable to various pension funds. Most pension liabilities are with Stichting Pensioenfonds Ballast Nedam. As of 1 January 2016, Ballast Nedam has transferred its basic pension scheme to a third party, the Pension Fund Foundation for the Construction Industry. Existing rights and supplementary pension schemes will remain with the Ballast Nedam Pension Fund Foundation for a maximum of 3 years. Apart from a small number of very limited defined benefit schemes, Ballast Nedam does not currently have such schemes. Ballast Nedam has a number of defined contribution pension schemes with fixed premiums under which employees' rights are based on the number of years' service and salary level. The obligations under these pension schemes are systematically covered by means of payments to funds or to insurance companies. Under IAS 19 these are recognised as defined contribution schemes. Ballast Nedam is obliged to pay

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the prescribed contribution for these schemes. Ballast Nedam cannot be compelled to make up any deficits other than through future premium adjustments and cannot claim any surpluses in the pension funds. The coverage ratio of the industry pension scheme for the building industry (bpfBouw) that is accounted for as a defined contribution pension scheme was estimated as 115.9% at the end of 2017.

19 Other short-term provisions

Short-term provisions	31 December 2017	31 December 2016
Warranty provisions	6,498	6,857
Other Short-term provisions	1,829	3,557
Restructuring provisions	11,052	6,257
	19,379	16,671

Long-term provisions	31 December 2017	31 December 2016
Warranty provisions	218	745
Other Long-term provisions	651	695
Restructuring provisions	1,500	6,060
	2,369	7,500

Movements of warranty provisions	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance 1 January	7,602	3,616
Reclassification	1,736	2,321
Charge for the year	3,548	4,612
Utilisation	(4,361)	(2,772)
Reversal	(1,809)	(175)
Closing balance 31 December	6,716	7,602

< 1 year	6,498	6,857
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The provision for warranty claims represents the present value of the management's best estimate of the future outflow of economic benefits that will be required under the Group's warranty program for construction contracts. In 2017, project liabilities of € 1,736 thousand (2016: € 2,321 thousand) from projects which have been finalised were transferred to provisions.

Movements of other provisions	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance 1 January	4,252	1,960
Reclassification	114	1,960
Charge for the year	520	1,967
Utilisation	(1,182)	(1,381)
Liabilities held for sale	(654)	(251)
Reversal	(570)	(3)
Closing balance 31 December	2,480	4,252

< 1 year	1,829	3,557
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The remaining provisions are related to other claims against Ballast Nedam. The reclassification of € 114 thousand (2016: € 1,960 thousand) consists of a transfer from liabilities to provisions. The charge

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for the year of € 520 thousand was included in the statement of profit and loss (2016: € 1,967 thousand). The utilisation of € 1,182 thousand (2016: € 1,381 thousand) related to the settlement of claims.

Movements of restructuring provisions	1 January - 31 December 2017	1 January - 31 December 2016
Opening balance 1 January	12,317	7,067
Reclassification	57	321
Charge for the year	7,868	14,691
Utilisation	(5,410)	(7,943)
Reversal	(2,280)	(1,819)
Closing balance 31 December	12,552	12,317
< 1 year	11,052	6,257

The € 7,868 thousand is related to the reorganisation and restructuring which continued in 2017 (2016: € 14,691 thousand). The reclassification of € 57 thousand (2016: € 321 thousand) consists of a transfer from liabilities to provisions.

20 Current tax debts

Current tax debt	31 December 2017	31 December 2016
Taxes and dues payable	1,987	1,982
	1,987	1,982

The taxes are related to the subsidiaries outside the fiscal unity of Ballast Nedam.

21 Other short-term liabilities

Other short-term liabilities	31 December 2017	31 December 2016
VAT payable	9,292	9,255
	9,292	9,255

22 Other long-term liabilities

Other long term payables	31 December 2017	31 December 2016
Non-trade payables to majority shareholder	-	10,000
	-	10,000

The majority shareholder loan of € 10,000 thousand was converted to share premium during 2017. The non-trade payables as of 31 December 2017 relate to other payables to joint ventures.

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23 Deferred tax assets and liabilities

As at 31 December 2017 no deferred tax asset or liability for temporary differences exist and therefore no deferred tax asset or liability has been recognised in the financial statements. Consistent with prior years, management has determined that the Dutch tax group has approximately € 409 million of carry-forward losses (2016: approximately € 364,9 million), for which no deferred tax has been recognised. These losses can be carried forward between one and nine years.

Besides carry-forward losses, Ballast Nedam's Dutch tax group has unrecognised pre-incorporation profit of approximately € 105 thousand from foreign permanent establishments which are eligible for set-off to prevent double taxation.

24 Shareholder's equity

The name of shareholder's	%	31 December		31 December	
		2017	%	2016	%
Renaissance Infrastructure B.V.	100%	2,203	97.8%	2,186	
Other	0.0%	0	2.2%	17	
Total paid in capital	100%	2,203	100%	2,203	

The authorised capital consists of 800,000,000 ordinary shares and amounts to € 8 million. The issued share capital consists of 220,299,776 ordinary shares each at a par value of € 0.01.

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 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 Board of Management proposed that the net result for the year will be added to the accumulated losses within the shareholder's equity.

25 Revenue

Revenue	1 January - 31 December 2017	1 January - 31 December 2016
Revenue from construction activities	687,963	740,538
Rent revenue from investment properties	100	636
Trading and other revenue	52,497	47,751
	740,560	788,925

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26 Cost of Revenue

Cost of revenue	1 January - 31 December 2017	1 January - 31 December 2016
Personnel expenses	(134,146)	(160,613)
Raw materials and supplies expenses	(113,783)	(157,938)
Worksite expenses	(27,121)	(14,879)
Subcontractor expenses	(360,896)	(365,459)
Depreciation and amortisation expenses	(4,155)	(6,883)
Machinery, equipment and other rent expenses	(65,073)	(67,637)
Other costs of revenue	(12,189)	(18,353)
	(717,363)	(791,762)

Personnel expenses	1 January - 31 December 2017	1 January - 31 December 2016
Wages and salaries	(107,982)	(130,043)
Social security costs	(14,879)	(18,150)
Pension charges	(11,285)	(12,420)
	(134,146)	(160,613)

The total number of employees is 1,747 (2016: 1,899) of which 19 (2016: 24) are employed abroad. The total number of employees in the head office is 21 (2016: 22) and in the operational entities is 1,246 (2016: 1,877). The number of employees in Building is 675 and total number of employees in Infra is 425.

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27 General administrative expenses and Marketing, Selling and Distribution expenses

	1 January - 31 December 2017	1 January - 31 December 2016
General administrative expenses	(38,071)	(38,548)
Marketing, selling and distribution expenses	(127)	(379)
	(38,198)	(38,927)

Details of general administrative expenses	1 January - 31 December 2017	1 January - 31 December 2016
Employee benefit expenses	(20,784)	(19,689)
Consultancy expenses	(1,164)	(2,515)
Depreciation and amortisation expenses	(3,304)	(2,793)
Office administration expenses	(2,154)	(3,367)
Rent expenses	(2,161)	(1,907)
Representative expenses	(78)	(337)
Transportation and travelling expenses	(1,592)	(1,361)
Insurance expenses	(989)	(1,143)
Other general administrative expenses	(5,845)	(5,436)
	(38,071)	(38,548)

Personnel expenses	1 January - 31 December 2017	1 January - 31 December 2016
Wages and salaries	(16,730)	(15,941)
Social security costs	(2,305)	(2,225)
Pension costs	(1,748)	(1,523)
	(20,784)	(19,689)

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28 Other operating income/expenses from main activities

Other operating income from main activities	1 January - 31 December 2017	1 January - 31 December 2016
Reversal of allowance for doubtful receivables	1,308	83
Reversal of provisions	6,069	1,997
Other operating income from main activities	6,421	5,277
	13,798	7,357

The reversal of provision includes the amendment to the jubilee provision plan which is € 1,232 thousand. The remaining increases are mainly due to developments in the reorganisation and warranty provision. The other operating income from main activities includes multiple small items such as settlement of Ballast Nedam offshore projects in 2016.

Other operating expense from main activities	1 January - 31 December 2017	1 January - 31 December 2016
Provision expenses	(12,031)	(21,270)
Provision for doubtful receivables	(301)	(913)
Other operating expense from main activities	(5,850)	(2,798)
Change in fair value of investment properties	(2,115)	-
	(20,297)	(24,981)

The provision expenses include the restructuring cost which are significantly less than 2016. Other operating expense from main activities include various cost concerning legal restructuring and refinancing cost. Furthermore, it includes the fixed cost for our asphalt companies totalling € 1,499 thousand.

29 Other operating income/expenses from investing activities

Income from investing activities	1 January - 31 December 2017	1 January - 31 December 2016
Gain on disposal of property and equipment	355	1,349
Other incomes from investing activities	-	3,111
	355	4,460

Other Income from investing activities is due to sale of a number of PPP projects in 2017.

Expense from investing activities	1 January - 31 December 2017	1 January - 31 December 2016
Impairment on tangible and intangible assets	(936)	(3,293)
Loss on disposal of property, plant and equipment	(4,132)	(3,734)
	(5,068)	(7,027)

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30 Financing expenses

<u>Financing Expenses</u>	<u>1 January - 31 December 2017</u>	<u>1 January - 31 December 2016</u>
Interest expenses	(3,128)	(6,731)
Foreign exchange losses from financing activities	606	(18)
Realised loss on derivative instruments carried at fair value through profit or loss	-	14
	<u>(2,522)</u>	<u>(6,735)</u>

The interest expenses are charged for interest on the outstanding loans in 2017 and 2016.

31 Current tax expenses

The tax expense is related to the entities outside the fiscal unity of Ballast Nedam.

<u>Income tax recognised in profit or loss</u>	<u>1 January - 31 December 2017</u>	<u>1 January - 31 December 2016</u>
Current tax expense	(68)	(89)
Deferred tax income / (expense)	-	-
	<u>(68)</u>	<u>(89)</u>

32 Financial risk management

General

The Board of Management has the overall responsibility for the establishment and oversight of the Company's risk management framework. One component of the overall risk framework is the financial risk; the categories identified and result of the assessment are disclosed in the following paragraphs. During 2017, certain measures were taken. The treasury activities were centralised and the objectives are to create and maintain the best possible financial conditions for the operating activities. The majority of the bank accounts are held in a bank in two cash pool arrangements which allows the efficient use of funds (for wholly owned activities). The Group only works with banks which have high credit ratings. In addition, centralisation of certain accounting activities continued with the improvement of the systems and transaction flow approvals, and the centralisation of accounting activities also continued, which strengthen the control environment. The Company has established an Internal Audit department, which started implementing a plan to carry out both regular and ad hoc reviews of controls and procedures.

Credit risk

Credit risk is the risk of financial loss to Ballast Nedam if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. The carrying amount of financial assets represents the maximum credit exposure. Ballast Nedam actively pursues a policy designed to minimise credit risks. Credit risks consist of the risk that counterparties will not be able to meet contractual obligations relating to a financial instrument. Creditworthiness assessments are performed for all other clients requiring credit. Ballast Nedam uses prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on instalments and trade receivables. As at the balance sheet date, there was no concentration of credit risks among debtors for substantial amounts.

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Credit risk exposure based on financial instrument categories

31 December 2017	Trade Receivables		Other receivables		Bank deposits
	Related party	Third party	Related party	Third party	
Maximum credit risk exposure at balance sheet date	47	88,450	23,418	11,334	121,052
Secured portion of maximum credit risk by guarantee or etc,	-	-	-	-	-
Net book value of not due or nor impaired financial assets	47	61,226	23,418	11,334	121,052
Net book value of assets that are due but not impaired	-	27,224	-	-	-

Credit risk exposure based on financial instrument categories

31 December 2016	Trade Receivables		Other receivables		Bank deposits
	Related party	Third party	Related party	Third party	
Maximum credit risk exposure at balance sheet date	387	91,426	26,060	26,540	110,760
Secured portion of maximum credit risk by guarantee or etc,	-	-	-	-	-
Net book value of not due or nor impaired financial assets	387	65,827	26,060	26,540	110,760
Net book value of assets that are due but not impaired	-	25,599	-	-	-

Liquidity risk

Liquidity risk is the risk that Ballast Nedam will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

During the year the Company obtained new loans from several financial institutions. In addition, the Company increased the bank guarantee facilities. Renaissance Infrastructure B.V. as the shareholder provided a € 70 million loan, € 60 million of which was converted to share premium in 2016. In 2017, the remaining € 10 million was also converted to share premium. Apart from this, the shareholder contributed € 42 million in cash as share premium. This resulted in a net cash position of € 121 million. The current cash surplus, and the strengthened risk management activities, are expected to provide management with a basis to execute its business plans.

Ballast Nedam's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Ballast Nedam controls the liquidity risk through weekly cashflow forecasting followed by adequate corrective measures and monitoring.

The statement for <1 year and 1-5 years includes the repayments of the mortgage loan of € 30,452 thousand (December 2018), the bank loan of € 16,923 thousand (December 2018), the loan of € 20,000 thousand for acquiring Rotterdam Building (January 2020), other bank loans of € 9,000 thousand (November 2020), and of € 10,000 thousand (April 2018).

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31 December 2017						
<u>Due date on agreement</u>	<u>Carrying value</u>	<u>Cash outflows according to agreements</u>	<u>Less than 3 months</u>	<u>3-12 months</u>	<u>1-5 year</u>	<u>More than 5 years</u>
Non-derivative Financial liabilities						
Bank loans	91,227	95,212	690	60,072	29,672	4,778
Issued bonds	-	-	-	-	-	-
Trade payables (including related parties)	136,561	136,561	136,561	-	-	-
Finance lease obligations	-	-	-	-	-	-
Other payables	61,766	61,766	61,766	-	-	-
Total liabilities	289,554	293,539	199,017	60,072	29,67	4,778
31 December 2016						
<u>Due date on agreement</u>	<u>Carrying value</u>	<u>Cash outflows according to agreements</u>	<u>Less than 3 months</u>	<u>3-12 months</u>	<u>1-5 year</u>	<u>More than 5 years</u>
Non-derivative Financial liabilities						
Bank loans	78,688	81,573	-	17,405	61,464	2,704
Issued bonds	-	-	-	-	-	-
Trade payables (including related parties)	173,869	173,869	173,869	-	-	-
Finance lease obligations	15	15	-	15	-	-
Other payables	53,381	53,381	53,381	-	-	-
Total liabilities	305,953	308,838	227,250	17,420	61,464	2,704

The contractual cashflows that will occur within one year amount to € 60,072 thousand, including among others an amount of € 16,924 thousand and € 30,452 thousand of the mortgage loan. Regarding the remaining liabilities € 199,017 thousand is due within approximately three months (2016: € 227,250 thousand).

Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Exchange risk

Ballast Nedam is primarily exposed to foreign currency risk on revenue, project operating costs, and loans and investments in associates held in currencies other than Ballast Nedam's functional currency. Such risk is very low as the majority of the activities are in countries where the euro is functional currency or local currencies have low volatility against euro.

Forward exchange contracts with highly rated banks may be contracted to hedge the transaction risk on cashflows generated by ordinary business activities. At year-end 2017, Ballast Nedam had no outstanding forward exchange contracts recognised at fair value in the statement of financial position. Ballast Nedam is exposed to the following foreign currency translation risks in nominal amounts:

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EUR / foreign currency	2017	Exchange rate on 31 December	2016	Exchange rate on 31 December
	average exchange rate		average exchange rate	
Exchange rates				
USD	1,129	1,198	1,070	1,048

Foreign currency translation risk

USD	2017	2016
Due from customers under construction contracts	17,158	17,200
Total assets	<u>17,158</u>	<u>17,200</u>
Non-monetary other liabilities	676	8,900
Due to customers under construction contracts	<u>28,303</u>	<u>10,500</u>
Short-term liabilities	28,979	19,400
Net foreign currency asset/liabilities position	(12,508)	(2,200)
Monetary items net foreign currency assets/(liabilities)	<u>(12,057)</u>	<u>6,700</u>

A 10% increase in the exchange rate of the euro against USD would affect the shareholder's equity and income statement as follows, assuming that all other variables, including interest rates, remain unchanged.

31 December 2017	
Profit / Loss	
Appreciation of foreign currency	Depreciation of foreign currency
If US Dollars, 10% appreciated/depreciated vs euro	
US Dollars net assets/(liabilities)	
(1,206)	1,206

31 December 2016	
Profit / Loss	
Appreciation of foreign currency	Depreciation of foreign currency
If US Dollars, 10% appreciated/depreciated vs euro	
US Dollars net assets/(liabilities)	
(670)	670

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Interest risk

Ballast Nedam's interest policy is to limit the impact of interest rate changes on the Company's results. Management believes that the interest is not significant. Although long-term PPP contracts do not form a significant part of the interest risk related transactions, Ballast Nedam limits exposure with interest rate swaps for PPPs. Cashflow hedge accounting is applied to derivative financial instruments where the hedge relationship is effective. Ballast Nedam has both loans with a fixed and a floating rate. The interest risk is limited to potential movements in the market value of the loans and of positive cash balances. It is expected that loans will be continued until the maturity date. The interest risk profile of the Company's interest-bearing financial instruments as at the end of the reporting period was as follows:

Interest rate position table

Floating rate financial instruments	31 December 2017	31 December 2016
Financial liabilities	70,392	78,025
Fixed rate financial instruments	31 December 2017	31 December 2016
Financial liabilities	20,835	678
Total financial liabilities	91,227	78,703

Financing risk

Ballast Nedam is subject to certain key performance indicators, based on a number of its loan agreements. The Board of Management closely monitors compliance with these indicators and covenants. A covenant holiday was obtained for year-end 2017. During 2018 a revised cure mechanism has been effectuated for the remainder duration of the loans. This mechanism could trigger additional funding requests from the shareholder. The terms of these loans include commitments to share financial information with the banks and certain covenants: EBITDA floor, guaranteed capital floor, net cash and loan to value. These covenants differ from GAAP terminology.

A large part of the existing financing package – consisting of the syndicated guarantee facility and bilateral loans – is due year-end 2018 and refinancing is expected before half year 2018. Furthermore, the company is working on extending and increasing its guarantee limits for upcoming projects with other parties. The ultimate shareholder will continue to support Ballast Nedam throughout the year and in completion of the refinancing.

Fair value estimates

As at 31 December 2017, Ballast Nedam had a number of derivatives recognised at fair value. The carrying amount of cash, receivables, current loans and other current liabilities approximates the fair value, due to the short term of these instruments.

The fair value of long-term loans with variable interest approaches the amortised cost.

The above values are based on level 2 of the valuation methods described in the following section.

The fair value of investment property is primarily based on the present value of the estimated future cash flows discounted with the effective interest rate.

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Valuation methods

The valuation method of the financial instruments, including derivatives, is categorised in three levels. 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 under Level 3 are measured on the basis of cashflow models.

There were no transfers from Level 1 to Level 2 or Level 3, or vice versa, in 2017 (2016: also no transfers). Changes in the value of other fair value investments are recognised in the statement of income.

Commitments**Guarantees**

	<u>31 December 2017</u>	<u>31 December 2016</u>
Letters of guarantees given	<u>145,958</u>	<u>154,818</u>

Letters 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'. In addition, assets amounting to € 68,740 thousand (2016: € 65,087 thousand) are pledged as collateral with respect to the bank borrowings.

Fair value

	31 December 2017		31 December 2016	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Borrowings	91,139	91,139	76,538	76,538
Bank overdrafts	88	88	2,165	2,165
Trade payables	135,626	135,626	173,586	173,586
Income tax payables	-	-	1	1
Due to customers under constructions contracts	112,971	112,971	103,235	103,235
Prepayments on inventories	-	-	1,413	1,413
Other liabilities	78,611	78,611	76,761	76,761
	<u>418,435</u>	<u>418,435</u>	<u>433,699</u>	<u>433,699</u>

Lease and rental commitments	31 December 2017			31 December 2016		
	<u>< 1 year</u>	<u>1 - 5 years</u>	<u>> 5 years</u>	<u>< 1 year</u>	<u>1 - 5 years</u>	<u>> 5 years</u>
Other operating assets	5,017	6,155	4	4,678	6,208	-
Offices	2,033	6,945	7,998	4,321	6,669	7,151
Land purchases	21,905	5,939	-	24,112	23,684	-
Total	<u>28,955</u>	<u>19,039</u>	<u>8,002</u>	<u>33,111</u>	<u>36,561</u>	<u>7,151</u>

Ballast Nedam has contingent liabilities concerning land acquisition rights amounting to € 111,791 thousand (2016: € 123,700 thousand). These rights include a composition of conditional and not yet certain payment commitments (depending on factors such as changes in zoning, decision to develop, decision to exercise certain rights).

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Other commitments

Subsidiaries have joint and several liability for projects executed by joint arrangements. Some subsidiaries are joint and severally liable for liabilities to a number of banks. On the basis of credit and guarantee facilities, there is an obligation to refrain from issuing any collateral.

Fully owned and consolidated subsidiaries form a tax fiscal unity, the head of which is Ballast Nedam N.V. for Dutch corporate income tax and VAT. All members of the fiscal unity are jointly and severally liable for Dutch corporate income tax and VAT.

Capital contribution commitments

There were no unconditional capital contribution commitments as at 31 December 2017 (2016: nil) in PPP projects.

33 Related Party Transactions

The parties related to Ballast Nedam are Rönésans group companies and its related parties, the Company's management (Board of Management and Supervisory Board), its subsidiaries, associates, joint ventures, Stichting Pensioenfonds Ballast Nedam and the directors and senior officials of these entities.

The table below gives an overview of the receivables and payables as at reporting date outstanding to intercompany parties within the Rönésans group, joint ventures/associates and joint operations

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31 December 2017

Balances with related parties	Receivables				Payables			
	Short term		Long term		Short term		Long term	
	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
BLD Investments B.V. (2)	-	-	-	-	132	-	-	-
Heitkamp Ingenieur Und Kraftwerksbau GmbH (2)	31	-	-	-	-	-	-	-
REC Uluslararası İnşaat Yatırım San. ve Tic. A.Ş. (2)	-	-	-	-	51	-	-	-
Porr Construction Holding GmbH (2)	-	29	-	-	-	-	-	-
Asfalt Productie Tiel (APT) B.V. (3)	-	525	-	-	-	-	-	-
J.V. Siemens Cuxhaven (4)	-	357	-	-	-	-	-	-
Comb. DARK (5)	-	-	-	-	-	234	-	-
Combinatie Versterken Bruggen V.O.F. (5)	-	25	-	-	-	-	-	-
THV Franki-Ballast Nedam (5)	-	430	-	-	-	-	-	-
Exploitatie Maatschappij A-Lanes A15 B.V. (4)	-	1,300	-	-	-	-	-	-
Bouwcombinatie Wäldwei V.O.F. (5)	-	-	-	-	-	167	-	-
V.O.F. Ontwikkelingscombinatie Mossenest II (5)	-	255	-	-	-	-	-	-
Dijkzone V.O.F. (5)	-	-	-	-	-	1,067	-	-
Groote Dok Oost V.O.F. (5)	-	-	-	-	-	240	-	-
Ontwikkelingsmaatschappij Centrumgebied Amsterdam Zuidoost B.V. (4)	-	196	-	-	-	-	-	-
Haagse Veste Holding B.V. (5)	-	28	-	-	-	-	-	-
Gebiedsontwikkeling Oud-Beijerland Oost C.V. (4)	-	5,703	-	-	-	398	-	-
Gebiedsontwikkeling Oud-Beijerland Oost Beheer B.V. (4)	-	1	-	-	-	24	-	-
Vof Grondbank Langedijk (5)	-	982	-	-	-	1,105	-	-
De Vijfde Stad V.O.F. (5)	-	262	-	-	-	-	-	-
Olympia C.V. (4)	-	315	-	-	-	-	-	-
Gebiedsontwikkeling Oud-Beijerland Zuid Beheer B.V. (4)	-	-	-	-	-	17	-	-
Gebiedsontwikkeling Oud-Beijerland Zuid C.V. (4)	-	3,859	-	-	-	119	-	-
HEEH B.V. (4)	-	221	-	-	-	-	-	-
VOF Bedrijventerrein Zuid (5)	-	331	-	-	-	266	-	-
Venneppark N207 C.V. (4)	-	-	-	-	-	1	-	-
Marktkwartier C.V. (4)	-	5,484	-	-	-	189	-	-
Riederwaard C.V. (4)	-	1,186	-	-	-	-	-	-
V.O.F. De Leidse Schans (5)	-	-	-	-	-	2,400	-	-
VOF Entreegebied Ter Borch (5)	-	13	-	-	-	-	-	-
Bouwcombinatie LAUDY - ENGIE V.O.F. (5)	-	131	-	-	-	-	-	-
Resource House V.O.F. (5)	-	16	-	-	-	-	-	-
Bouwcombinatie Duurzaam Eindhoven V.O.F. (5)	-	639	-	-	-	-	-	-
Bouwcombinatie Avans 2 (5)	-	35	-	-	-	-	-	-
Bouwcombinatie Zoetermeer Oosterheem V.O.F. (5)	-	-	-	-	-	641	-	-
Onderhoudscombinatie BNB-West/BAM (5)	-	25	-	-	-	-	-	-
Bouwcombinatie BAM-Bouwborg V.O.F. (5)	-	71	-	-	-	-	-	-
OVT Breda VOF (5)	-	220	-	-	-	-	-	-
OVT Arnhem VOF (5)	-	-	-	-	-	114	-	-
R Creators DBMO vof (5)	-	-	-	-	-	1,396	-	-
Bouwcombinatie voor de nieuwbouw Erasmus MC v.o.f. (5)	-	-	-	-	-	1,273	-	-
Exploitatie Maatschappij Komfort B.V. (4)	-	-	-	-	-	1,270	-	-
Exploitatie Maatschappij DC 16 B.V. (4)	-	782	-	-	-	-	-	-
Volga Dış Ticaret ve Danışmanlık A.Ş. (2)	-	-	-	-	59	-	-	-
Rönesans Proje Mühendislik Mimarlık Danışmanlık Yönetim A.Ş. (2)	-	-	-	-	7	-	-	-
Rönesans MEA İnşaat A.Ş. (2)	-	-	-	-	118	13	-	-
Renaissance Construction ZAO Saint-Petersburg (2)	-	-	-	-	3	33	-	-
Mercator OOO (2)	-	-	-	-	13	-	-	-
PVS-Consulting (2)	14	-	-	-	-	-	-	-
Renaissance Infrastructure B.V. (1)	-	-	-	-	-	460	-	-
Heitkamp Construction Suomi OY (2)	2	-	-	-	-	-	-	-
Rönesans Holding A.Ş. (2)	-	-	-	-	-	59	-	-
RTI İnşaat Taahhüt Anonim Şirketi (2)	-	-	-	-	-	20	-	-
Total	47	23,421	-	-	383	11,506	-	-

- (1) Parent company of Ballast Nedam NV
(2) Group companies of the ultimate parent company Rönesans Holding A.Ş.
(3) Associate of Ballast Nedam NV
(4) Joint Venture of Ballast Nedam NV
(5) Joint Operation of Ballast Nedam NV

Ballast Nedam N.V. – Consolidated Financial Statements 2017

(Amounts expressed in thousand of euro (€) unless otherwise indicated)

(6) The table below gives an overview of the receivables and payables as at reporting date 2016 outstanding to intercompany parties within the Rönésans group, joint ventures/associates and joint operations.

	31 December 2016							
	Receivables				Payables			
	Short term		Long term		Short term		Long term	
	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Balances with related parties								
Renaissance Infrastructure B.V.	-	-	-	-	-	1.456	-	10.000
Volga Diş Ticaret ve Danışmanlık A.Ş.	-	-	-	-	130	-	-	-
Rönésans MEA İnşaat A.Ş.	-	-	-	-	119	-	-	-
BLD Investments B.V.	387	-	-	-	-	-	-	-
Heitkamp IKB GMBH	-	-	-	-	20	-	-	-
BN Concessies BV	-	-	-	-	14	-	-	-
J.V. Siemens Cuxhaven	-	-	-	-	-	2.115	-	-
Combinatie Versterken Bruggen VOF	-	-	-	-	-	1.773	-	-
IXAS Gaasperdammerweg B.V.	-	-	-	-	-	3.000	-	-
V.O.F. Ontwikkelingscombinatie Mossenest II	-	569	-	-	-	-	-	-
Dijkzone VOF	-	-	-	-	-	780	-	-
Groote Dok Oost VOF	-	-	-	-	-	241	-	-
Ontwikkelingsmaatschappij Centrumgebied Amsterdam Zuidoost B.V.	-	87	-	-	-	-	-	-
Haagse Veste Holding B.V.	-	28	-	-	-	-	-	-
Gebiedsontwikkeling Oud-Beijerland Oost C.V.	-	6.323	-	-	-	71	-	-
Gebiedsontwikkeling Oud-Beijerland Oost Beheer B.V.	-	-	-	-	-	24	-	-
Vof Grondbank Langedijk	-	3.933	-	-	-	38	-	-
De Vijfde Stad VOF	-	232	-	-	-	-	-	-
Olympia Beheer B.V.	-	-	-	-	-	7	-	-
Olympia C.V.	-	315	-	-	-	4	-	-
Coberco Kwartier C.V.	-	4.214	-	-	-	-	-	-
Gebiedsontwikkeling Oud-Beijerland Zuid Beheer B.V.	-	-	-	-	-	17	-	-
Gebiedsontwikkeling Oud-Beijerland Zuid C.V.	-	4.257	-	-	-	-	-	-
HEEH B.V.	-	191	-	-	-	-	-	-
VOF Bedrijventerrein Zuid	-	338	-	-	-	-	-	-
IJ2 Projecten B.V.	-	4.035	-	-	-	-	-	-
IJsseloord 2 Parking BV	-	60	-	-	-	-	-	-
IJsseloord 2 Projecten B.V.	-	-	-	-	-	251	-	-
Venneppark N207 C.V.	-	-	-	-	-	1	-	-
Marktkwartier C.V.	-	158	-	-	-	-	-	-
Marktkwartier Amsterdam Beheer B.V.	-	-	-	-	-	5	-	-
Riederwaard C.V.	-	75	-	-	-	-	-	-
VOF De Leidse Schans	-	-	-	-	-	1.830	-	-
Bouwcombinatie Avans 2	-	35	-	-	-	-	-	-
Onderhoudscombinatie BNB-West/BAM	-	-	-	-	-	641	-	-
BC IJsseloord 2 VOF (50%)	-	25	-	-	-	-	-	-
Bouwcomb. PPS Komfort	-	48	-	-	-	-	-	-
Bouwcombinatie BAM-Bouwborg VOF	-	71	-	-	-	-	-	-
Bouwcomb. PPS Komfort	-	2	-	-	-	-	-	-
OVT Breda VOF	-	237	-	-	-	-	-	-
OVT Arnhem VOF	-	46	-	-	-	-	-	-
R Creators DBMO VOF	-	-	-	-	-	2.855	-	-
Bouwcombinatie voor de nieuwbouw Erasmus MC v.o.f.	-	-	-	-	-	655	-	-
Exploitatie Maatschappij Komfort B.V.	-	-	-	-	-	1.453	-	-
Exploitatie Maatschappij DC 16 B.V.	-	781	-	-	-	-	-	-
	387	26.060	-	-	283	17.217	-	10.000

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(Amounts expressed in thousand of euro (€) unless otherwise indicated)

The table below shows the revenue/costs of the Rönesans group in 2017. The revenue/costs of the joint ventures can be found in note 10.

<u>Transactions with related parties</u>	<u>Purchases</u>	<u>Sales</u>	<u>Interest received</u>	<u>Interest given</u>	<u>Other income</u>	<u>Other expense</u>
BLD Investments B.V.	-	-	-	-	564	(78)
Rönesans Proje Mühendislik Mimarlık Danışmanlık Yönetim A.Ş.	-	-	-	-	23	(42)
Renaissance Infrastructure B.V.	-	-	-	(460)	-	-
Heitkamp Ingenieur Und Kraftwerksbau GmbH	-	-	-	-	117	(17)
Rönesans MEA İnşaat A.Ş.	(764)	-	-	-	-	(79)
RTI İnşaat Taahhüt Anonim Şirketi	(104)	-	-	-	-	(62)
Mercator OOO	(8)	-	-	-	-	-
PVS-Consulting	-	11	-	-	-	-
Heitkamp Bauservice GMBH	-	-	-	-	35	-
Heitkamp Construction Suomi OY	-	-	-	-	9	-
Renaissance Construction ZAO Saint-Petersburg	(1)	-	2	-	-	-
Rönesans Holding A.Ş.	-	-	-	-	-	(102)
Volga Dış Ticaret ve Danışmanlık A.Ş.	(501)	-	-	-	-	(23)
Total	(1,379)	11	2	(460)	747	(403)

In joint operations, mainly comprising construction or development consortia, Ballast Nedam assumes its share of the assets, liabilities, revenues and costs. Ballast Nedam has recognised the following interests in joint operations in the consolidated statement of financial position.

	<u>31 December 2017</u>	<u>31 December 2016</u>
Non-current assets	2,813	3,055
Current assets	46,241	39,580
Non-current liabilities	(1,932)	(2,018)
Current liabilities	(55,504)	(39,776)
Net assets and liabilities	<u>(8,382)</u>	<u>841</u>

The revenue and the cost of sales relating to the share in joint operations amounted to approximately 15% (2016: 14%) of total revenue and cost of sales. The total liabilities to third parties of companies for which Ballast Nedam holds joint and several liabilities, such as partnerships, excluding bank guarantees issued by those companies, amounted to € 158,178 thousand at the end of 2017 (2016: € 114,986 thousand), of which the € 57,436 thousand portion of Ballast Nedam (2016: € 41,794 thousand) is included in the consolidated statement of financial position. The entities below were included in the consolidation of the statement of financial position and statement of income of Ballast Nedam in 2017. The entities relate to joint operations. Only the principal active entities are included for practical reasons. A full list of the subsidiaries included in the consolidation has been filed with the Commercial Register at the offices of the Chamber of Commerce in Utrecht. Details of the material joint ventures and associated interests in which Ballast Nedam has participating interests can be found in note 5.

In general, the payment of dividend and/or depositing of temporary liquidity surpluses from joint ventures and associates depends on the authorisations of shareholder. The main joint operations are determined on the basis of their contribution to revenue, risk profile, strategic importance and contribution to results.

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(Amounts expressed in thousand of euro (€) unless otherwise indicated)

Overview of principal joint operations

Name of Joint Operation	Place of incorporation and operation	Principal activity	Effective ownership ratio	2017 Voting power held	Effective ownership ratio	2016 Voting power held
V.O.F. Ontwikkelingscombinatie Mossenest II	Netherlands	Development	11.30%	11.30%	11.30%	11.30%
Dijkzone V.O.F.	Netherlands	Development	33.33%	33.33%	33.33%	33.33%
Groote Dok Oost V.O.F.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
V.O.F. Grondbank Langedijk	Netherlands	Development	27.50%	27.50%	27.50%	27.50%
V.O.F. Bedrijventerrein Zuid	Netherlands	Development	60.00%	60.00%	60.00%	60.00%
V.O.F. De Leidse Schans	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
V.O.F. Entreegebied Ter Borch	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Ballast Van Oord Grondstoffen V.O.F.	Netherlands	Extraction raw materials	50.00%	50.00%	50.00%	50.00%
V.o.f. Zandexploitatie maatschappij Echten	Netherlands	Extraction raw materials	25.00%	25.00%	25.00%	25.00%
OVT Breda VOF	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie OV Terminal Arnhem V.O.F	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
R Creators DBMO vof	Netherlands	Construction	45.00%	45.00%	45.00%	45.00%
Hart van Zuid Vof	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie voor de nieuwbouw Erasmus MC v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Comb. DARK	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
A-Lanes A15 Mobility V.o.f.	Netherlands	Construction	10.00%	10.00%	10.00%	10.00%
Mava Rail vof	Netherlands	Construction	33.33%	33.33%	0.00%	0.00%
Combinatie Versterken Bruggen V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie G3 Woontorens V.O.F.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Centrumgebied Amsterdam Zuidoost B.V.	Netherlands	Development	33.33%	33.33%	33.33%	33.33%
Haagse Veste Holding B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
De Vijfde Stad V.O.F.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Laudy-Van Wijnen Sittard V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Ontwikkel- en Bouwcombinatie LAUDY - Strukton V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie LAUDY - ENGIE V.O.F.	Netherlands	Construction	50.00%	50.00%	52.30%	50.00%
Resource House V.O.F.	Netherlands	Construction	20.00%	20.00%	0.00%	0.00%
Bouwcombinatie Duurzaam Eindhoven V.O.F.	Netherlands	Construction	50.00%	50.00%	0.00%	0.00%
Bouwcombinatie Avans Lovensdijkstraat	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Wegenbouw BAM Ballast Combinatie (WBBC) V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
BNRA Gladheid v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Consortium Rijksweg 11 V.O.F.	Netherlands	Construction	16.67%	16.67%	16.67%	16.67%
Bouwcombinatie Wäldwei V.O.F.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
Reiniging Combinatie Randstad V.O.F.	Netherlands	Recycling	50.00%	50.00%	50.00%	50.00%
THV Franki-Ballast Nedam	Belgium	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie BAM-Bouwborg V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Merbouw Onrust B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Zoetermeer Oosterheem V.O.F.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Bouwcombinatie Campus V.O.F	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie De Leidse Schans v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Onderhoudscombinatie BNB-West/BAM	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Onderhoudscombinatie EMC V.O.F.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Bouwcombinatie New Babylon v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%

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(Amounts expressed in thousand of euro (€) unless otherwise indicated)

Overview of principal 100% subsidiaries:

Name of subsidiary	Place	Main activity	Share 2017	Share 2016
Ballast Nedam Infra B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Parking B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Industriebouw B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam International projects B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Engineering B.V.	Nieuwegein	Engineering	100%	100%
Ballast Nedam Bouw & Ontwikkeling Holding B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Bouw & Ontwikkeling B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Ontwikkelingsmaatschappij B.V.	Nieuwegein	Development	100%	100%
Heddes Bouw & Ontwikkeling B.V.	Hoorn	Construction	100%	100%
Laudy Bouw & Ontwikkeling B.V.	Sittard	Construction	100%	100%
IQ Woning B.V.	Weert	Concrete factory	100%	100%
Ballast Nedam Concessies B.V.	Nieuwegein	Development	100%	100%
Ballast Nedam Beheer B.V.	Nieuwegein	Maintenance	100%	100%
Ballast Nedam Bouw & Ontwikkeling Speciale Projecten Nederland B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Bouw & Ontwikkeling Speciale Projecten B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Specialismen & Toelevering Corporate B.V.	Nieuwegein	Holding	100%	100%
Ballast Nedam Specialismen Holding B.V.	Nieuwegein	Holding	100%	100%
Ballast Nedam Specialistisch Grondverzet B.V.	Maarssen	Construction	100%	100%
Ballast Nedam Infra Specialiteiten B.V.	Leerdam	Construction	100%	100%
Ballast Nedam International Product Management B.V.	Leerdam	Trade	100%	100%
Ballast Nedam Milieutechniek B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Funderingstechnieken B.V.	Maarssen	Construction	100%	100%
Ballast Nedam Materieel B.V.	Almere	Construction	100%	100%
Dibec B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Holding Toelevering B.V.	Nieuwegein	Holding	100%	100%
Haitsma Beton B.V.	Kootsterille	Concrete factory	100%	100%
Hoco Beton B.V.	Weert	Concrete factory	100%	100%

Ballast Nedam N.V. – Consolidated Financial Statements 2017

(Amounts expressed in thousand of euro (€) unless otherwise indicated)

Remuneration of members of the Board of Management and the Supervisory Board

The total remuneration of members of the Board of Management in 2017 was € 676 thousand (2016: € 582 thousand).

	<u>31 December 2017</u>	<u>31 December 2016</u>
Gross Salary	598	519
Pension charges & social security costs	70	52
Other	8	11
Total	676	582

The total remuneration of the Supervisory Board in 2017 was € 32 thousand (2016: € 40 thousand).

The remuneration of members of the Supervisory Board and the Board of Management is commensurate with their term of office. Members of the Board of Management are entitled to the use of a company car.

No loans were granted to members of the Board of Management or the Supervisory Board.

34 Events after the reporting period.

On Monday, 8 January 2018, Ballast Nedam sold Hotel Merici at the same value as included in the consolidated financial statement.

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(Amounts expressed in thousand of euro (€) unless otherwise indicated)

35 Disposals

In 2017, Concrete Valley, Wâldwei.com.B.V., TBS Soest B.V. and Rademakers Gieterij B.V were disposed of. This aligns with the divestment strategy of the company to focus on core business lines. Assets were sold close to their book value.

Overview of disposals

Financial assets	6,097
Property, plants and equipment	5,546
Inventories	6,501
Receivables	3,210
Trade payables	(4,448)
Provisions	(251)
Loan	<u>(1,069)</u>
Net assets and liabilities	<u>15,586</u>
Considerations received in cash	15,893
Net cash-inflow	<u>15,893</u>

8 Company Financial Statements

8.1 Company statement of financial position (before appropriation of result)

ASSETS	Note	31 December 2017	31 December 2016
Current assets		112,964	93,024
Cash and cash equivalents		79,171	91,782
Receivables		952	88
Prepaid expenses		44	135
Receivables from subsidiaries		32,797	1,019
Non-current assets		284,213	246,570
Investment in subsidiaries	2	284,213	246,570
TOTAL ASSETS		397,177	339,594
LIABILITIES			
Current liabilities		372,507	317,052
Trade payables		2,193	2,806
Other liabilities		1,549	1,894
Due to customers under construction contract		-	5,412
Provisions	3	10,547	4,593
Debts to subsidiaries		317,766	302,347
Current portion of long term borrowings		40,452	-
Non-current liabilities		10,584	16,250
Provisions	3	1,584	6,250
Long-term borrowings		9,000	10,000
Shareholder's equity	4	14,086	6,292
Paid in capital		2,203	2,203
Share premium		291,497	239,497
Currency translation reserve		181	194
Legal reserve		6,677	8,608
Hedging reserve		(1,115)	(1,452)
Accumulated losses		(285,357)	(166,945)
Net result for the year		(44,530)	(75,813)
TOTAL LIABILITIES AND EQUITY		397,177	339,594

8.2 Company statement of income

	<u>2017</u>	<u>2016</u>
Result of subsidiaries after tax	(30,315)	(46,448)
Other results after tax	<u>(14,215)</u>	<u>(29,365)</u>
Result for the period	<u><u>(44,530)</u></u>	<u><u>(75,813)</u></u>

8.3 Notes to the Company Financial Statements

1. Basis of preparation and significant accounting policies

The company financial statements of Ballast Nedam N.V. have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. If no other policies are mentioned, we refer to the accounting policies as described in the accounting policies as set out on pages 75 - 85 in the consolidated financial statements of this Annual Report. For an appropriate interpretation, the company financial statements of Ballast Nedam N.V. should be read in conjunction with the consolidated financial statements.

Investments in subsidiaries are measured at net asset value. The net asset value is calculated using the accounting policies, as described in note 2 to the consolidated financial statements. The net asset value of subsidiaries comprises the cost, excluding goodwill, of Ballast Nedam's share in the net assets of the subsidiary, plus Ballast Nedam's share in income or losses since acquisition, less dividends received.

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 recognised.

2. Subsidiaries

	Interests in subsidiaries	Long-term receivables from subsidiaries	Total
Opening balance 1 January 2016	275,547	17,471	293,018
Result for the year	(46,448)	-	(46,448)
Investments	-	-	-
Disposals	-	-	-
Acquisition of non-controlling interest	-	-	-
Conversion of capital	17,471	(17,471)	-
Repayment	-	-	-
Dividend received	-	-	-
Net changes in hedging reserve	-	-	-
Foreign currency translation differences	-	-	-
Closing balance 31 December 2016 / opening balance 1 January 2017	246,570	-	246,570
Result of the year	(30,315)	-	(30,315)
Investments	67,633	-	67,633
Disposals	-	-	-
Acquisition of non-controlling interest	-	-	-
Conversion of capital	-	-	-
Repayment	-	-	-
Dividend received	-	-	-
Net changes in hedging reserve	337	-	337
Foreign currency translation differences	(12)	-	(12)
31 December 2017	284,213	-	284,213

The interests in subsidiaries are direct interests, of which the main ones are shown in the organisation chart. A list of interests as referred to in section 379 of Book 2 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.

3. Provisions

	Reorganization	Other	Total
31 December 2015	718	474	1,192
Addition	14,591	-	14,591
Interest accrual	-	-	-
Reversals	-	-	-
Utilisation	(4,834)	(106)	(4,940)
31 December 2016	10,475	368	10,843
Addition	7,868	-	7,868
Interest accrual	-	-	-
Reversals	(1,466)	(284)	(1,750)
Utilisation	(4,830)	-	(4,830)
31 December 2017	<u>12,047</u>	<u>84</u>	<u>12,131</u>

Current (< 1 year)

31 December 2016	4 593	-	4 593
31 December 2017	10,547	-	10,547

4. Shareholder's equity

	Paid in capital	Share Premium	Currency translation reserve	Hedging reserve	Legal Reserve	Accumulated losses	Total
Opening balance 1 January 2016	2,203	179,397	212	(2,249)	22,000	(180,337)	21,226
Net result for the year	-	-	-	-	-	(75,813)	(75,813)
Change in currency translation reserve	-	-	(18)	-	-	-	(18)
Change in hedge reserve	-	-	-	797	-	-	797
Other comprehensive income	-	-	(18)	797	-	-	779
Repurchased own shares	-	100	-	-	-	-	100
Share premium	-	60	-	-	-	-	60
Change in legal reserve	-	-	-	-	(13,392)	13,392	-
Closing balance 31 December 2016	<u>2,203</u>	<u>239,497</u>	<u>194</u>	<u>(1,452)</u>	<u>8,608</u>	<u>(242,758)</u>	<u>6,292</u>
Opening balance 1 January 2017	2,203	239,497	194	(1,452)	8,608	(242,758)	6,292
Net result for the year	-	-	-	-	-	(44,530)	(44,530)
Change in currency translation reserve	-	-	(13)	-	-	-	(13)
Change in hedge reserve	-	-	-	337	-	-	337
Other comprehensive income	-	-	(13)	337	-	-	324
Shares (emission)	-	-	-	-	-	-	-
Share premium	-	52,000	-	-	-	-	52,000
Change in legal reserve	-	-	-	-	(1,543)	1,543	-
Closing balance 31 December 2017	<u>2,203</u>	<u>291,497</u>	<u>181</u>	<u>(1,115)</u>	<u>7,065</u>	<u>(285,745)</u>	<u>14,086</u>

* 2017 result is subject to appropriation by the General Meeting.

The legal reserves of the associates relate to profits and/or reserves of the associates and joint ventures which are subject to legal restrictions on distribution or restrictions imposed by the articles of association. Further details on the movement schedule are included in the consolidated financial statement.

For the profit appropriation and dividend policy, please refer to section 9.2.

5. Off-balance sheet commitments

Letter of guarantees

	<u>31 December 2017</u>	<u>31 December 2016</u>
Letters of guarantees given	<u>145,958</u>	<u>154,818</u>

Letters 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'.

In 2017, € 145,958 thousand of guarantees were outstanding (2016: € 154,818 thousand), of which € 20,699 thousand relate to joint ventures (2016: € 62,000 thousand).

Other liabilities

Ballast Nedam N.V. has filed a declaration of joint and several liability as referred to in section 403, paragraph 1(f), of Book 2 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., Ballast Nedam Infra Corporate B.V., Ballast Nedam Infra Specialiteiten B.V., Ballast Nedam Specialismen & Toelevering Corporate B.V., Ballast Nedam Specialismen Holding B.V. and Ballast Nedam Toelevering Holding B.V..

In connection with credit and guarantee facilities, Ballast Nedam N.V. has given undertakings not to furnish any security in the form of charges on fixed assets.

Ballast Nedam N.V. has issued guarantees for a number of subsidiaries' contracts, totalling approximately € 3.3 billion (2016: approximately € 2.6 billion). This often involves the entire contract sum for long-term projects.

Fiscal unity

Together with the subsidiaries which form the tax fiscal unity, Ballast Nedam N.V. bears joint and several liability for corporation tax and value added tax liabilities in the Netherlands.

6. Audit fees

The audit fees recorded by the Company and its subsidiaries, as set out in section 382a of Book 2 of the Dutch Civil Code are as follows:

<u>Recognised audit fee</u>	<u>2017</u>	<u>2016</u>
Audits	865	830
Other audit assignments	19	23
Other non-audit assignments	-	-
Total	<u>884</u>	<u>853</u>

7. Employees

Number of employees as of 31 December 2017 is 21 (2016: 22).

8. Remuneration of members of the Board of Management and the Supervisory Board

For notes on the remuneration of the members of the Board of Management and the Supervisory Board, see the section on transactions with related parties in the notes to the consolidated financial statements.

9. Events after the reporting date

On Monday, 8 January 2018, Ballast Nedam sold Hotel Merici at the same value as included in the consolidated financial statement.

Nieuwegein, 28 March 2018

Board of Management,

C. Düzyol

S.R. Lefevre

H. Koçak

Ö. Canbaş

O.P. Padberg

Supervisory Board,

Ilıcak Kayaalp

H. Avni Akvardar

E. Baki

P.R.H.M. van der Linden (appointed on 26 February 2018)

9 Other Information

9.1 Independent auditor's report

To the General Meeting and the Supervisory Board of Ballast Nedam N.V.

Our opinion

We have audited the accompanying financial statements 2017 of Ballast Nedam N.V., based in Nieuwegein, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements included in this annual report give a true and fair view of the financial position of Ballast Nedam N.V. as at December 31, 2017, and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements included in this annual report give a true and fair view of the financial position of Ballast Nedam N.V. as at December 31, 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2017.
2. The following statements for 2017: the consolidated statement of profit and loss, the consolidated statements of comprehensive income, changes in equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company statement of financial position as at December 31, 2017.
2. The company statement of income for 2017.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Ballast Nedam N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 7 million. The materiality is based on 1% of consolidated revenues. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 0.325 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Ballast Nedam N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Ballast Nedam N.V..

Our group audit mainly focused on significant group entities in terms of size and financial interest or where significant risks or complex activities were present, in the Property Development, Construction, International and S&T Division.

We performed a substantial part of the audit procedures for significant components ourselves. Furthermore, we performed audit procedures for other components and corporate topics such as consolidation, joint venture accounting, restructuring, litigation, taxation and divestments. We have involved specialists in the areas of land property valuation, valuation of large and complex projects and information technology.

For selected component teams, the group audit team provided detailed written instructions to Deloitte and non-Deloitte auditors, which in addition, to communicating the requirements of component audit teams, detailed significant audit areas and information obtained centrally relevant to the audit of individual components including awareness for risks related to management override of controls. Furthermore, we developed a plan for overseeing each component team based on its relative significance to the group and certain other risk characteristics.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated and company financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of large and complex construction contracts

Inherent to the business the group's net result is affected by large and complex construction contracts, especially by contracts that carry a higher risk than others due to the type of contract, technical complexities, size and phase of the project. The valuation of these contracts, and the related recognition of results, involves a high degree of management estimate in relation to the costs to complete. The inherent uncertainty around this management estimate is critical from a risk and financial impact perspective, and therefore the estimation of the cost to complete is considered a key audit matter. We emphasize the risk and draw your attention to Note 2.4 to the financial statements which describes the uncertainties related to these risks. Our opinion is not qualified in respect of this matter.

How our audit addressed the matter:

Our audit procedures included an evaluation of Ballast Nedam N.V.'s key project controls, retrospective reviews, site visits and challenging Board of Management's estimate. We involved technical engineering expertise to evaluate specific construction risks. We performed substantive procedures on the valuation of claims and variation orders and validated compliance with revenue recognition and loss provision criteria. We challenged Board of Management's assumptions at various levels in order to assess the reasonableness and consistency of the forecasted project result. The scope and nature of the procedures performed were appropriate and sufficient to address the risks of material misstatement of the valuation of large and complex construction contracts.

Liquidity and financing

Restructuring efforts and continuing project losses incurred on large and complex projects put a strain on cash availability. As to assure appropriate liquidity levels, the remaining shareholder loans were converted to share premium and new funding was obtained for in part the acquisition of an investment property. During the year 2018 the Board of Management also agreed on a revised covenant cure mechanism. This mechanism could trigger additional funding requests from the ultimate shareholder. With the current cash position, management forecasts that it has sufficient means to finance operations until the fourth quarter of 2018 as a large part of the existing financing package, consisting of bilateral loans of EUR 58 million and guarantee facilities of EUR 55 million, will mature on or before 31 December 2018. Furthermore, the Company is negotiating a refinancing of the bilateral loans and an extension of guarantee facilities. Negotiations are in an advanced stage and will probably be completed before yearend of 2018. The ultimate shareholder will continue to support and enable Ballast Nedam N.V. to complete the contemplated refinancing of, at a minimum, the existing loan values on or before 31 December 2018, and obtain sufficient guarantee facilities for the 2018 order portfolio and recently awarded projects. As explained in Note 2.3, the availability of funds and a refinancing of bilateral loans and guarantee facilities is important for the execution of the Company's business plans, and therefore we draw attention to these circumstances and consider it as a key audit matter.

How our audit addressed the matter:

We evaluated internal procedures and controls around the treasury process. Among other substantive audit procedures, we reviewed the amended facility agreements, revised covenant cure mechanism, and the new loan agreements and guarantee facilities signed. We reviewed management's assessment of debt covenant compliance (primarily LTV and EBITDA based), the ability to comply with the revised covenant cure mechanism and compliance with arrangements in the guarantee facilities agreement. In addition, we assessed management's ability to obtain sufficient funding and refinance the Company with a continued support of the ultimate shareholder. We performed a review on the liquidity forecast and performed a sensitivity analysis.

Valuation of land bank

The valuation of land held for residential property development is based on the historical cost or lower net realizable value. The assessment of potential impairment triggers and net realizable values involves assumptions relating to among others future market developments, future changes in cost levels and discount rates. Also based on its financial significance, the valuation of the land held for residential property development is considered to be a key audit matter.

How our audit addressed the matter:

We assessed the existence of potential impairment triggers based on the net realizable value calculations prepared by the Board of Management. We challenged the reasonableness and consistency of assumptions and the model used by the Board of Management. We verified changes to and assumptions for future residential property development. We compared assumptions concerning the development of house prices with market references. We involved a valuation specialist to assess the underlying assumptions and methodologies used. The scope and nature of the procedures performed were appropriate and sufficient to address the risks of material misstatement of the valuation of land bank.

Valuation of litigations and claims

In the construction business it is commonly known that there are disputes between constructor and contractee (e.g. variation orders, quality of work) resulting in litigation and claims at year-end. Within the Company the monitoring of litigation and claims follows a central led process. The Board of Management's estimates on potential exposures, net of any potential insurance coverage, are significant both from a quantitative and a qualitative perspective. The valuation of claims and litigation are therefore considered a key audit matter.

How our audit addressed this matter:

Our audit procedures included, amongst others, discussion on pending legal matters with the Company's head of legal to gain understanding of the claims and latest developments. We challenged management's positions against underlying documentation including confirmations of lawyers, as well as the review of legal proceeding outcomes and settlements which led to additions or releases of provisions. We also assessed the developments with prior estimates and valuations. We challenged management's assumptions in order to evaluate the reasonableness and consistency of the valuation. The scope and nature of the procedures performed were appropriate and sufficient to address the risks of material misstatement of the valuation of litigation and claims.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- Report of the Board of Management
- Report of the Supervisory Board
- Corporate Social Responsibility
- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code
- Other information included in the Annual Report

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of Ballast Nedam N.V. on May 24, 2017, as of the audit for the year 2017. Since 2016, we operated as statutory auditor.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management and the supervisory board for the financial statements

The Board of Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, March 28, 2018

Deloitte Accountants B.V.

Signed on the original: C. Binkhorst

9.2 Appropriation of result and dividend policy

Sections of the articles of association concerning result appropriation

Article 23 of the Ballast Nedam Articles of Association governs profit appropriation. The text of this clause is as follows.

1. The Company may make distributions to the shareholder's and to other persons entitled to the profits eligible for distribution only up to a sum not exceeding the amount of the distributable reserves.
2. Distribution of profits will be done after the adoption of the Annual Accounts from which it appears that it is allowed.
3. From the profits made evidenced by the adopted Annual Accounts, a part to be determined by the Board of Management will be reserved.
The part of the profit remaining after application of the previous sentence shall be at the free disposal of the General Meeting.
4. In calculating the profit appropriation, the shares held by the Company in its own capital shall not count, unless a usufruct has been created on these shares.
5. Insofar as profit is available in the Company, the Board of Management may resolve upon payment of an interim dividend on account of the dividend to be expected, provided that the provisions laid down in paragraph 1 of this article have been satisfied, evidenced by an interim capital statement as referred to in article 2:105 paragraph 4 of the Dutch Civil Code.
6. Upon a motion by the Board of Management the General Meeting may resolve to make a distribution against the distributable reserves.
7. The (interim) dividend shall be made payable on a day to be determined by the Board of Management, no later than 14 days after the determination of the (interim) dividend.

Dividend Policy

The basic principle of Ballast Nedam N.V.'s dividend policy is that 50% of the net profit is distributed as dividend, provided that the leverage ratio is less than 2 and subject to the limitations set out in the agreements with the banks.

Proposal of appropriation of 2017 result

It is proposed to add the 2017 result to the accumulated losses.

This Annual Report is published in the English language and can be read and downloaded on our website www.ballast-nedam.com.

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