



# Table of contents

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

## Over Ballast Nedam

<b>1</b>	<b>Ballast Nedam's profile</b>	<b>13</b>
1.1	Vision, mission and strategy	15
1.2	Key activities	17
1.3	The company brands	20
1.4	Stakeholders	22
1.5	Operational organization structure	25
1.6	Statement of the Board of Management	27
<b>2</b>	<b>Strategy</b>	<b>28</b>
2.1	Our living environment is changing around us	28
2.2	SWOT-analysis 2013	30
2.3	Strategic Plan 2014–2016	31
2.4	Strategic focus	32
2.5	Prospect for 2014	39
<b>3</b>	<b>Strategic objectives and results</b>	<b>41</b>
3.1	Financial results	46
3.2	Strategic objectives for 2014	51
<b>4</b>	<b>Segments</b>	<b>54</b>
4.1	Infrastructure	54
4.2	Building & Development	59
4.3	Specialized Companies	68
4.4	Supplies	71
<b>5</b>	<b>Risk and risk management</b>	<b>77</b>
5.1	Risk management and internal control	77
5.2	Salient risks	81
5.3	Specific risks	89
<b>6</b>	<b>Our CSR policy</b>	<b>93</b>
6.1	Implementing CSR policies in the organization	94
6.2	CSR objectives	94
6.3	Life-cycle thinking and acting (the environment)	99
6.4	Our people, standards and values (employees)	107
6.5	Chain cooperation (market)	123
6.6	Being at the heart of the community (community)	128

7	Stakeholder dialogue	135
7.1	Guaranteeing commitment	135
7.2	Materiality matrix	136
7.3	Dialogue with stakeholders on four levels	137

## Corporate governance

8	Corporate governance	143
8.1	Management and control structure	145
8.2	Report of the Supervisory Board	152
8.3	Members of the Supervisory Board	161
8.4	Remuneration report	163
8.5	Members of the Board of Management	169

## Financial Statements

9	Financial Statements	171
9.1	Consolidated statement of financial position	172
9.2	Consolidated income statement	173
9.3	Consolidated statement of changes in equity	174
9.4	Consolidated statement of cash flows	175
9.5	Notes to the consolidated financial statements	176
9.6	Operating segments	191
9.7	Acquisitions and disposals	194
9.8	Notes to the consolidated statement of financial position	195
9.9	Notes to the consolidated income statement	212
9.10	Company statement of financial position	225
9.11	Company income statement	225
9.12	Notes to the company financial statements	226

## Other information

10	Other information	235
10.1	Independent auditor's report	236
10.2	Definitions	238
10.3	Profit sharing and dividend policy	239
10.4	Board members of the Ballast Nedam Administration Office	240
10.5	Report of the Ballast Nedam Administration Office	241
10.6	On this report: reporting principles	243
10.7	GRI indicators	246
10.8	Independent assurance report	250
10.9	Management as at March 2014	252
10.10	Organization structure as at March 2014	254

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

*This annual report is posted on our website [www.ballast-nedam.com](http://www.ballast-nedam.com). For additional information about this Annual Report, please contact Ballast Nedam's Communication & Investor Relations department on +31 (30) 285 47 33 or at [pr@ballast-nedam.nl](mailto:pr@ballast-nedam.nl).*



# Report structure

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

Chapter 1 *Ballast Nedam's profile* on page 13 sets out our vision and mission, and our key activities. It describes the market environment in which we operate and how our organization fits together. We also explain how our work is based on the five pillars that support our strategy.

Chapter 2 *Strategy* on page 28 presents our business strategy and explains our ambitions and how they are influenced by the prevailing conditions in society at large. We have used the *SWOT analysis* on page 30 in devising our strategic plan for the 2014 - 2016 period. We present specific aspects of the strategic plan and outline the prospects.

Chapter 3 *Strategic objectives and financial results* on page 41 expresses our strategic objectives for 2014. We give an account of the financial and non-financial results of the efforts to achieve our objectives in financial year 2013, in which we distinguish between the qualitative and quantitative objectives and the results achieved.

Chapter 4 *Segments* on page 54 explains the segments' contribution to the strategic objectives and action plans for 2013. This chapter also sets out the segments' contribution to the strategic objectives for 2014.

Chapter 5 *Risk and risk management* on page 77 describes Ballast Nedam's approach to risks and how the organization is structured to control them. We also identify the company-specific risks and the salient strategic risks that emerge from the *SWOT analysis* on page 30.

Chapter 6 *Our CSR policy* on page 93 describes the CSR policy assurance in our organization. The CSR objectives are an integral part of our strategic objectives. An account is also given for each CSR theme of our objectives, the results achieved, and how we plan to achieve our objectives in 2014, linked to our strategic pillars.

Chapter 7 *Stakeholder dialogue* on page 135 describes how we involve our stakeholders in our policy and strategy and how we engage with them.

Chapter 8 *Corporate governance* on page 143 explains how the company is controlled and managed. The Supervisory Board reports in this chapter on the supervision of the company, and accounts in the remuneration report for Ballast Nedam's remuneration policy.

Chapter 9 *Annual Accounts* on page 171 presents our financial statements for 2013.

Chapter 10 *Other information* on page 235 has additional details of Ballast Nedam and the creation of this Annual Report.

# Ten-year summary

x € 1 million	2013	2012	2011
<b>Revenue and profit</b>			
Revenue	1 268	1 296	1 382
the Netherlands	1 020	1 153	1 252
international	248	143	130
Order book	1 460	1 761	1 950
EBITDA	(6)	2	47
Impairment	(3)	(10)	(2)
Depreciation	(21)	(23)	(25)
EBITA	(30)	(31)	20
Amortization	-	-	(1)
EBIT	(30)	(31)	19
Profit before income tax	(37)	(38)	12
Profit for the period before amortization	(41)	(41)	10
Profit for the period	(41)	(41)	9
<b>Investments</b>			
Investments	32	70	80
Disposals	10	9	6
Net investments	23	61	74
<b>Balance sheet data</b>			
Non-current assets	211	245	286
Current assets	638	641	655
Assets	849	886	941
Current liabilities	(639)	(634)	(625)
<b>Capital structure</b>			
Capital employed	156	176	229
Shareholders' equity	90	131	171
Interest-bearing non-current liabilities	106	108	121
Net cash	32	76	87
Net financing position	(83)	(49)	(45)
<b>Ratios</b>			
EBIT / revenue	(2%)	(2%)	1%
Profit for the period / revenue	(3%)	(3%)	1%
Profit for the period / average shareholders' equity	(31%)	(27%)	5%
Shareholders' equity / assets	11%	15%	18%
<b>Average number of employees</b>	3 399	3 859	3 929
<b>Shares</b>			
Number of ordinary shares (x 1 000)		10 000	10 000
Number of ordinary shares issued (x 1 000)		9 668	9 668
Market capitalization at year-end		95	129
Dividend paid		5	4
<b>Per average share in issue of € 6 nominal value</b>			
Shareholders' equity	9.72	13.55	17.66
Dividend paid	(0.00)	0.47	0.36
Profit for the period	(4.22)	(4.24)	0.93

	2010	2009	2008	2007	2006	2005	2004
	1 359	1 384	1 426	1 270	1 310	1 206	1 164
	1 275	1 272	1 348	1 157	1 206	1 105	1 042
	84	112	78	113	104	101	122
	1 841	1 818	1 667	1 438	1 093	1 064	971
	45	42	67	63	63	58	63
	(1)	-	-	-	-	-	(8)
	(25)	(23)	(24)	(20)	(19)	(18)	(19)
	19	19	43	43	44	40	36
	(1)	(2)	(1)	(1)	(2)	(2)	(1)
	18	17	42	42	42	38	35
	11	8	31	38	38	28	24
	8	8	25	28	46	22	14
	7	6	24	27	44	20	13
	104	102	64	37	67	32	20
	12	6	22	7	12	67	20
	92	96	42	30	55	(35)	-
	420	352	274	242	253	211	268
	664	682	730	656	541	636	556
	1 084	1 034	1 004	898	794	847	824
	(598)	(644)	(660)	(590)	(555)	(644)	(586)
	425	279	252	256	177	74	78
	161	162	168	172	158	124	101
	285	197	126	97	36	54	99
	61	111	92	52	62	129	160
	(231)	(92)	(41)	(63)	23	68	56
	1%	1%	3%	3%	3%	3%	3%
	1%	0%	2%	2%	3%	2%	1%
	4%	4%	14%	16%	31%	18%	14%
	15%	16%	17%	19%	20%	15%	12%
	3 841	3 947	3 941	3 838	3 701	3 721	4 022
	10 000	10 000	10 000	10 000	10 000	10 000	10 000
	9 700	9 702	9 870	9 900	9 924	9 847	9 861
	140	147	137	280	328	327	123
	3	12	14	13	10	-	-
	16.58	16.62	17.05	17.31	15.98	12.54	10.26
	0.31	1.24	1.38	1.34	1.02	-	-
	0.73	0.62	2.46	2.75	4.44	2.05	1.36

# The share and dividend proposal

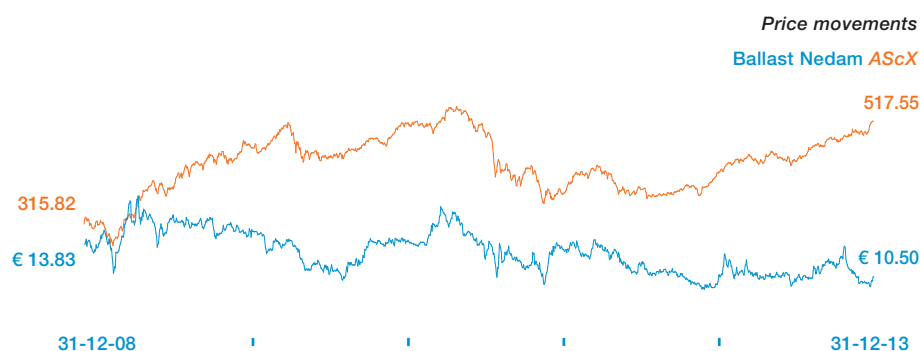
## Shares and stock exchange listing

On 31 December 2013 Ballast Nedam had 9 667 500 in issue out of the 10 million issued shares. On this date we had 332 500 repurchased own shares and depositary receipts for shares. The 332 500 repurchased shares and depositary receipts for shares are needed to cover the liabilities arising from the current management option scheme.

The Ballast Nedam Administration Office issues depositary receipts for shares and administers the underlying shares. The depositary receipts are fully exchangeable. At year-end 2013, depositary receipts had been granted for 99.46 per cent of the capital in issue. Ballast Nedam depositary receipts for shares are listed on NYSE Euronext Amsterdam. Ballast Nedam has been included in Euronext's Amsterdam Small Cap Index (AScX) since 2006. ABN AMRO Bank, ING Bank and Kempen & Co act as liquidity providers for Ballast Nedam shares.

## Price movements

The Ballast Nedam share price quoted at the end of 2012 on NYSE Euronext was 9.82 euros. The year 2013 ended with a 7 per cent higher price at 10.50 euros. The Amsterdam Small Cap Index (AScX), which includes Ballast Nedam shares, rose by 26 per cent in 2013. The highest closing price of 13.60 euros was reached on 23 October 2013. The lowest closing price of 9.56 euros was quoted on 19 December 2013.



## Trading volume

The liquidity of Ballast Nedam shares declined in 2013. An average of 3 878 shares were traded per trading day in 2013. This is a decrease from 2012 when the average was 5 770 shares per trading day.

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

	2013	2012	2011	2010	2009	2008	2007
Shareholders' equity euros	9.65	13.55	17.66	16.58	16.62	17.05	17.31
Dividend paid euros	0.00	0.47	0.36	0.31	1.24	1.38	1.34
Basic earnings euros	(3.75)	(4.24)	0.93	0.73	0.62	2.46	2.75

The average outstanding shareholders' equity per share was 9.65 euros. The average basic earnings (loss) per share rose from (4.24) euros in 2012 to (3.75) euros.

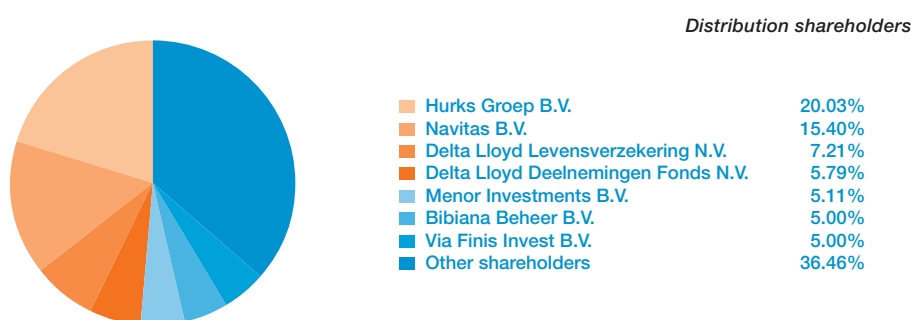
### No dividend

The dividend policy is to place 50 per cent of the profit for the period at the disposal of shareholders for distribution as dividend. The agreement with the banks stipulates that dividend will be paid on shares only if the leverage ratio is less than 2.

In 2013, a substantial loss was incurred, solvency declined, the difficult market conditions were expected to persist, and the leverage ratio was above 2. For these reasons, the Board of Management, with the approval of the Supervisory Board, has decided in line with the dividend policy to refrain from paying a dividend for 2013.

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

As at 6 March 2014 the following organizations had reported to the Authority for the Financial Markets (AFM) that they held shares or depositary receipts for shares in Ballast Nedam representing an interest of 5 per cent or more, pursuant to Section 5.3 of the Financial Supervision Act.



### General Meeting of Shareholders

The Annual General Meeting of Shareholders of Ballast Nedam is scheduled for 25 April 2014 at the Ballast Nedam head office, Ringwade 71, Nieuwegein. The meeting will commence at 9.30 am. Prior to this meeting, the Ballast Nedam Administration Office will convene a meeting of holders of depositary receipts for shares. The agendas for these meetings will be available to interested parties on request from the company, or can be downloaded from the Ballast Nedam website.

### Financial calendar 2014

Publication of annual results for 2013	Friday, 7 March 2014
Registration date for the Annual General Meeting for shareholders 2014	Thursday, 17 April 2014
First quarterly report 2014	Friday, 25 April 2014
General Meeting of Shareholders	Friday, 25 April 2014
Publication of interim results for 2014	Friday, 11 July 2014
Third quarterly report 2014	Friday, 24 October 2014

### Investor Relations

Investor Relations focuses on the interests of the shareholders and on upholding financial market interest in Ballast Nedam. Investor Relations aims to inform the focus groups transparently and honestly about Ballast Nedam's strategy, Ballast Nedam's business model, our distinctive character and the financial position of the company.

We do this by providing all available relevant information, through the Annual Report, the annual and interim results presentation, the 1st and 3rd quarter reports, press releases, presentations to (potential) investors and analysts, and on our website [www.ballast-nedam.com](http://www.ballast-nedam.com)

# Foreword

In 2013 an extremely unfavourable scenario unfolded for Ballast Nedam. Disappointing results were caused by the A15 Maasvlakte-Vaanplein project, a number of old regional infrastructure projects that predate the 2012 restructuring operation, undercoverage in the regional construction companies, and two specialized companies. Capacity in the two specialized companies has been reduced, and several loss-making products were discontinued in 2013. The issues on the old regional projects are nearing resolution. The persistently poor market conditions, the disappointing results, and revenues from disposals that materialized later than foreseen, necessitated an even faster pace of intervention. This is happening through a package of strategic, operational and financial measures that was announced at the start of 2014.



The key activities that are oriented to the major, integrated projects have remained profitable throughout the cycle. The results achieved on the ongoing major projects in the offshore wind turbines and industrial construction niche markets were also good. The major complex construction projects also made a fine contribution. Ballast Nedam succeeded in 2013 in strengthening its position on the niche markets of offshore wind turbines, alternative fuels and secondary raw materials. In the Specialized Companies segment, the large losses in two companies were accompanied by successes in others that are performing well. Improved results in the prefabricated concrete companies, the sale of Yvoir and favourable results in the raw material companies bolstered the performance of the Supplies segment.

In 2013 Ballast Nedam again added several projects to its track record on the growth market of integrated projects, including the Zaanstad Penitentiary project, the Butendiek offshore wind turbine project in Germany for the design, delivery and installation of 80 foundations, and the design and construction of the Nobo Otrabanda Hospital in Curaçao. Our track record and our well-filled order book of 1 460 million euros with major integrated complex projects endorse Ballast Nedam's strategy and underline its position in this market segment.

## Package of measures

The strategic focus has been sharpened further. Ballast Nedam is concentrating on major integrated complex projects that perform well throughout the cycle, which means focusing on design, construct and engineering projects, PPP projects, and projects in the niche markets that have growth prospects, such as offshore wind energy and industrial construction. Modular building is a fitting response to clients' life-cycle management approach.

Certain supply and specialized companies that no longer contribute to this strategic proposition will be disposed of. The regional construction companies will be restructured into a construction company with integrated operations, and a renovation company, Bouwborg, with national scope. From 2014, operational control will be further integrated from six clusters to the three clusters of Infrastructure, Building & Development, and Specialized Companies & Supplies. Having made the transition to an infrastructure company with nationwide operations in 2013, with the attendant departure from the loss-making traditional markets, Ballast Nedam is now focusing its organization more sharply on the strategic route that it has embarked upon.

The long-term financial position has been strengthened with support from all 5%-plus shareholders and banks. The refinancing comprises a 30 million euro rights issue and new loans of 80 million euros that mature in 2017. The rights issue strengthens the balance sheet, and together with the new loans it gives the company sufficient financial scope to concentrate fully on the accelerated implementation of its strategy. Ballast Nedam is now better positioned for the future. 2014 will be a transitional year.

#### Concentrating on key activities

The change of corporate profile reflects the transition from a supply-oriented to a customer-oriented construction organization, with integrated solutions for the entire life cycle. Ballast Nedam is now concentrating on its key activities in order to add user value. We have accordingly further concentrated and reduced the number of objectives in our CSR policy to eight key performance indicators (KPIs). Taking operational excellence further, which involves tightening cash flow management, risk management and reducing failure costs, while enhancing the commercial strength of the company, will continue to be an important point for attention in 2014. The post-transition corporate profile is more appropriate in the new reality.

#### Employees

We have placed great demands on our employees. On behalf of the Board of Management I would like to thank all employees for their unfailing effort, flexibility and drive. With respect for all the effort that has been put in, we will have to continue to invest in 2014 in integrated working methods, and in the knowledge and conduct of our people, mindful that they are playing a new role in a changing market.

#### Finally

With the sharper strategic focus and the refinancing of Ballast Nedam, now is a good time for a change of management. After twenty-four fine years at Ballast Nedam, eleven of which as a member of the Board of Management, and the last seven as chairman, the time has come for something new, both for the company and myself. I look back with great satisfaction on an inspiring and dynamic period. I will continue to contribute to this excellent company in the coming months.

Theo Bruijninckx  
Chairman of the Board of Management



#### MEANDER MEDICAL CENTRE, AMERSFOORT

The construction consortium completed the Meander Medical Centre exactly on schedule. The first patients were transferred to the new, conveniently laid-out hospital shortly before Christmas.

Meander Medical Centre is continuing to work with the parties in the construction consortium through a flexible framework contract for preventive and corrective maintenance of the new hospital for the next three years.







# Ballast Nedam's profile

---

1	Ballast Nedam's profile	15
2	Strategy	28
3	Strategic objectives and results	41
4	Segments	54
5	Risk and risk management	77
6	Our CSR policy	93
7	Stakeholder dialogue	135



'The municipality couldn't balance the road maintenance budget. Ballast Nedam and Hooijer came up with the solution'

Rob van Moerkerk - Project leader for the Multiyear Road Maintenance contract in Wageningen

# 1

## Ballast Nedam's profile

### 1.1 Vision, mission and strategy

#### Vision: working together for a better living environment, today and tomorrow

Working together for a better living environment means creating enduring quality in the life cycle of development, construction, management and reuse of the living environment. An integrated approach to projects enables us to create solutions at the lowest possible life-cycle costs: appealing, future-proof and in harmony with the broader picture. We achieve these aims by working together with our customers and partners and through open innovation. This is how we add value to the wellbeing of people in their living environment.

#### Mission: creating enduring quality

The needs of customers and society as a whole are changing. Ballast Nedam is taking a proactive approach to these market trends. They determine the strategic course, the structure of the organization and the corporate profile. Ballast Nedam strives to add customer value and to stand out in all we do, which is manifest in our practical solutions, our knowledge and experience, and the innovative capacity of our people. We always act with safety and integrity. As a result we create enduring quality. We believe it is the best way to ensure the continuity of Ballast Nedam and to enhance shareholder value.

#### Strategy for 2014 – 2016

The focus of Ballast Nedam's strategy is on major integrated complex projects and related activities in the niche markets. This means that we focus on design, construct and engineering projects, PPP projects, and on projects in offshore wind energy, industrial construction, and modular construction. These projects perform well throughout the cycle. The market conditions are compelling Ballast Nedam to increase the pace of strategy execution in the coming period. The speed at which Ballast Nedam is reducing exposure to loss-making traditional markets, aligning the key activities to major integrated complex projects, and structuring the organization accordingly, is being stepped up.

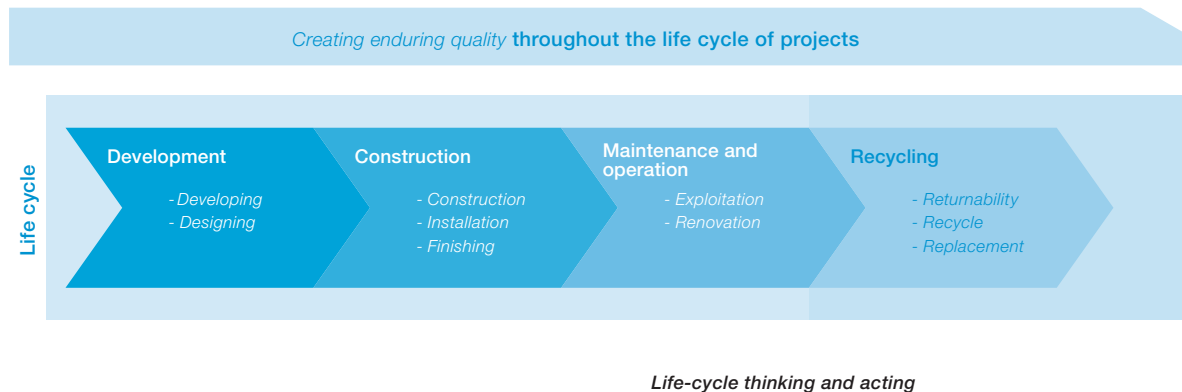
Our track record and our well-filled order book with major integrated complex projects endorse Ballast Nedam's strategy and underline its strong position in this market segment.

### Five pillars support our strategy

Ballast Nedam's strategy is supported by five pillars, as explained below.

#### 1. Life-cycle thinking and acting

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



#### 2. Our people, standards and values

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

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

3. Chain cooperation

Ballast Nedam creates real solutions within innovative forms of cooperation with a wide variety of partners. These solutions are better than those we could achieve separately. For instance, we contribute to a lower burden on space, raw materials and energy, a smaller CO2 footprint, higher quality, lower life-cycle costs, reduced failure costs, innovation and knowledge capture. Not only do we aim for chain cooperation with our partners, but also enter into dialogue with NGOs and knowledge institutes.

4. Innovation

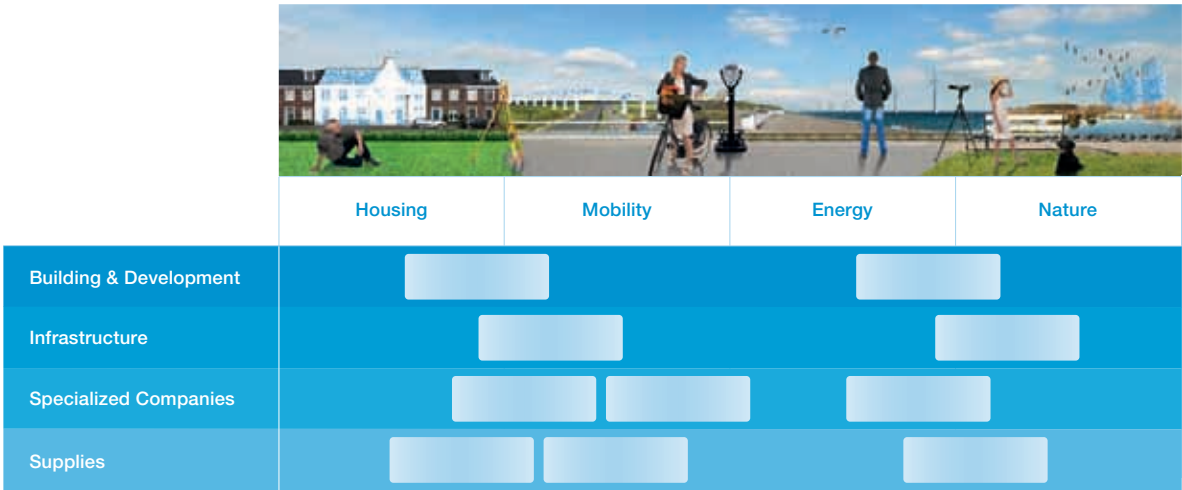
Innovation is deeply anchored in our organization. It is what we do every day. Our belief is that the best ideas are joint ideas! The point is to plough back innovations of proven practical value for our customers' benefit. Besides substantial upgrades we also innovate through stepwise improvement. We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

5. Being at the heart of the community

We perform our work at the heart of the community, and we are fully aware of the impact of our work on the living environment. We control the impact of our projects through community relations management. Our social commitment is reflected in our community investment and social sponsoring.

1.2 Key activities

Our customers' needs are in *housing, mobility, energy* and *nature*, which are our four areas of work, and together they encompass the entire living environment. Ballast Nedam concentrates within these areas of work on major integrated complex projects and related activities in the niche markets of industrial construction, offshore wind turbines, secondary raw materials and alternative fuels.



Ballast Nedam's segments perform integrated activities in four areas of work

**Housing: creating quality of use and preserving value wherever people live, work and spend time**

Housing encompasses the entire life cycle of a wide variety of buildings for the public, for business and for public authorities. Our focus is on optimizing useful life, where possible through industrially manufactured and returnable modular concepts, for area and project development, urban restructuring, large logistically complex projects, and renovation assignments.

**Mobility: creating access while respecting livability and safety**

Alongside maintenance and management, our work involves the development, implementation and efficient utilization of built features for road, rail, air, and water transport. Our aim is to make better use of existing infrastructure, to coordinate the different transport modes more effectively and to minimize disruption around projects through the increased application of manufactured products, and other means.

**Energy: clean, available and renewable energy for today and tomorrow**

The focus is on the transition to 'clean' fuels from the most sustainable possible energy sources and from waste streams, alternative fuels as a transition to renewable fuels, and new energy models, such as smart grids and the infrastructure for these energy streams. We are also working on conventional systems and investing in sustainable energy facilities.

**Nature: finding the right balance between the development, preservation and use of natural assets**

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



#### ERASMUS MEDICAL CENTRE, ROTTERDAM

The new Erasmus Medical Centre building, with a gross floor area of 185 000m<sup>2</sup>, is the largest nonresidential building project in the Netherlands. The hospital will remain open through to project completion, so all the work has to be performed with the minimum disturbance to patients, staff and visitors. The project construction consortium comprises Ballast Nedam and BAM.





## 1.3 The company brands

Alongside the main Ballast Nedam operations, work is also performed by companies with their own brand name, as follows.

### The Infrastructure segment



Wind24 invests in wind energy through the development, management, maintenance and operation of wind farms.



Bouwborg performs maintenance, renovation, service and restoration work as a national partner for housing corporations and institutional investors. [www.bouwborg.nl](http://www.bouwborg.nl)

### The Building & Development segment



CNG Net is making natural gas a viable vehicle fuel in the Netherlands by investing in a national natural gas filling station network. [www.cngnet.nl](http://www.cngnet.nl)



LNG24 is investing in a national network of liquefied natural gas (LNG) filling stations, and in the road and water transport sectors.. [www.lng24.com](http://www.lng24.com)



Heddes Building & Development operates in the north of the Netherlands throughout the building column. [www.heddes.nl](http://www.heddes.nl)



Laudy Bouw & Ontwikkeling is based in Limburg, where it serves the entire building column. [www.laudybouw.nl](http://www.laudybouw.nl)



Zomers Bouwbedrijf has residential property new build, renovation and maintenance operations in the north of the Netherlands. [www.zomersbouwbedrijf.nl](http://www.zomersbouwbedrijf.nl)



F.W. Onrust Vastgoedonderhoud has residential property maintenance, renovation and restoration operations in the greater Amsterdam region. [www.fwonrust.nl](http://www.fwonrust.nl)

### The Specialized Companies segment



Spanstaal is a specialist in the design and application of prestressed systems, suspension cables, expansion joints and supporting bearings, casing tubes, bonded external reinforcement and jacking constructions.

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



GEBR. VAN LEEUWEN HARMELEN BV.

Gebr. Van Leeuwen Verankeringen specializes in anchorage. The company's focus is on innovative anchorage methods for constructions. [www.gebr-vanleeuwen.nl](http://www.gebr-vanleeuwen.nl)



Dibec provides various environmental, safety, dimensioning and materials technology services for large and small building projects alike. [www.dibec.nl](http://www.dibec.nl)



## The Supplies segment



Omnia Plaatvloer produces wide panel flooring, waffle flooring, beam bottoms and concrete planks for custom solutions in residential and non-residential building and the agricultural sector.

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



Bichterweerd of Belgium is one of the largest sand, gravel and stone chippings producers for the concrete industry, concrete batching plants and asphalt and concrete road building. [www.bichterweerd.be](http://www.bichterweerd.be)



Großkunkel Rurkies GmbH in Germany supplies sand and gravel for use in the concrete product and ready-mix industry. [www.grosskunkel.de](http://www.grosskunkel.de)



N.V. Algri in Belgium produces sand and gravel for use in the concrete product and ready-mix industry.

[www.algri.be](http://www.algri.be)



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



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



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



The Rademakers foundry supplies cast components to all branches of industry where material economy and light weight are important. [www.rademakersgieterij.nl](http://www.rademakersgieterij.nl)



Zand- en Grindhandel Verkaik V.O.F. sells and transports raw materials, such as sand, gravel and stone chippings, for concrete and civil engineering applications.

[www.verkaik-vof.nl](http://www.verkaik-vof.nl)



TBS Soest supplies the civil engineering industry with drainage, water management and water level control products. [www.tbs.nl](http://www.tbs.nl)



**Feniks  
Recycling**

Feniks designs, builds, operates and manages installations for reprocessing waste power plant ash.

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



Ursem Modulaire Bouwsystemen (41% Ballast Nedam) creates permanent buildings using modular concepts to house students and young people, and as hotel rooms and care-adapted home extensions.

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



Concrete Valley (50% Ballast Nedam) is a production facility for innovation-driven concrete producing businesses: WacoLingen and Microbeton's products include culverts, light-weight balcony elements, and roof and wall elements.

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



Beheersmaatschappij Bontrup (30% Ballast Nedam) is majority owner of the Bremanger Quarry in Norway and operates two terminals in Amsterdam (Granite Import Benelux) and Antwerp (Antwerp Stone Terminal).

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

*The modular product brands iQwoning®, ModuPark®, Plug and Play Core® and Ursem 3D® are presented under Modular construction on page 45.*

## 1.4 Stakeholders

### Clients and customers

	Important clients and customers		Characteristics	
National	Public clients	National Government	<ul style="list-style-type: none"> <li>- Tighter government budgetary policy</li> <li>- Larger role for PPP projects</li> <li>- Local authorities now also leaning towards PPP</li> <li>- Focus on sustainability in various projects (CO<sub>2</sub> performance ladder, economically most favourable bid)</li> <li>- Legislation playing a larger role in projects</li> </ul>	
		Municipalities		
		Provincial Governments		
		Water Authorities		
	Semipublic clients	Housing Associations	<ul style="list-style-type: none"> <li>- Property development and management taking a strategic position in business operations</li> <li>- Focus in residential construction shifting from new building to renovation and maintenance</li> <li>- Larger role for PPP projects</li> <li>- Importance of building life-cycle management (20 years or more)</li> <li>- Care Institutions: uncertainty about unlinking of contributions for housing and care</li> </ul>	75%
		Care Institutions		
		Utility Companies		
		Educational Institutions		
	Private clients	Investors	<ul style="list-style-type: none"> <li>- Private clients cautious about investing in projects</li> <li>- Investors are a new client type in the private sector</li> <li>- Focus on sustainability in transport and shipping</li> </ul>	25%
		Property Developers		
		Power Companies		
		Transport Operators		
International	Offshore Wind Energy	Northwest Europe	<ul style="list-style-type: none"> <li>- Offshore wind energy is a priority area in European climate policy</li> <li>- European objective for 2020: 40 GW of offshore wind energy</li> </ul>	
	Construction and Infrastructure	West Africa		
		The Caribbean Area		

### Consumers

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

Customer-oriented development is one of our organization's core values. We routinely use this expertise in the development of new build homes and renovation projects alike. In large-scale renovation work we unburden housing associations by communicating clearly with the stakeholders, and keeping in direct contact with the occupiers.

As a supplier of solar panels, we are also closely involved with individual consumers.

### Our project neighbours

We are aware of the impact of our projects on numerous parties with wide-ranging interests in the nearby communities. Ballast Nedam endeavours to provide these parties with clear information and to minimize disruption. To this end Ballast Nedam involves stakeholders early in projects, entering into dialogue with them about the work and impact-mitigating measures, thereby creating support for the chosen solutions. Due care and reliability are important criteria in this process.

### Suppliers and subcontractors

Working closely in the chain of suppliers and subcontractors enables Ballast Nedam to provide its clients with the best solutions that meet our sustainability criteria. Working together gives us a better understanding of each other's processes, as we build a continuous learning organization and keep each other's specialized knowledge up-to-date. We use the Lean methodologies.

Our buyers select suppliers and subcontractors on the basis of references, quality, innovative capacity and price. In the supply chain we engage our suppliers and subcontractors in our projects by means of a purchasing contract, in which they commit to our Code of Conduct for Subcontractors and Suppliers. Ballast Nedam pursues integrity in business and demands compliance with all applicable legislation in the work and conduct of its employees, but also of suppliers and subcontractors. In 2014 we will assess the compliance of our approved suppliers and subcontractors that we do business with. We embarked on this process in 2013 (see also Section 6.4.3 *Compliance & Integrity* on page 117).

### Public authorities

The public sector is an important contact for Ballast Nedam in view of its role in regulations, permits, setting priorities and supervision. Municipalities, provincial governments and the national government have a powerful influence on how the various Ballast Nedam companies operate. They are more than important clients; the national government is also an important driver of more highly integrated contracts in construction and infrastructure. We opt for constructive dialogue with these stakeholders, both within projects and through industry associations. Ballast Nedam also has representatives on various Dutch regulatory standards committees. Ballast Nedam also participates in various platforms where public and private parties come together, such as the Nederland Boven Water area development programme.

### Knowledge and educational institutions

Students at universities of applied sciences and research universities are potential employment candidates for Ballast Nedam. Dialogue and partnership with these institutions are therefore important for us. Our main focus is on the universities of applied sciences in the Netherlands, but we also collaborate with other institutions.

Various Ballast Nedam staff advise on the main policy lines of several educational institutions in the Netherlands through their active role on university advisory boards, including for Hogeschool Utrecht, TU Delft and the University of Twente.

### Industry associations

Ballast Nedam participates in a variety of national and European partnerships and industry associations, including membership of the European Network of Construction Companies for Research and Development (ENCORD). Together we are taking the initiative to carry out industry-led research on virtual building (Building Information Models, or BIM), sustainability, infrastructure, health and safety, Lean Building, population ageing and knowledge management.

### Social organizations

Ballast Nedam also enters into dialogue with social and non-governmental organizations (NGOs). Examples include our partnership SKAO (which is responsible for the CO2 performance ladder), the Forest Stewardship Council (FSC - controlled wood) and MVO Nederland (CSR network for the concrete industry, and the Community of Practice for Circular Economy). See also Section 6.3.4 *Materials* on page 105.

### Our employees

Specific attention is given to Ballast Nedam's employees in Section 6.4 *Our people, standards and values* on page 107.



#### ENBW BALTIC 2 OFFSHORE WIND FARM

Despite two of the most severe storms in the past ten years in October and November 2013, the 39 monopiles for Baltic 2 were transported and installed in little more than two months. The monopiles are among the largest of their kind to be installed for offshore wind energy to date (930 tonnes).

### Shareholders and investors

As a publicly listed company, Ballast Nedam attaches much importance to maintaining good relations with its shareholders. Investor Relations aims to inform shareholders in a straightforward, honest and transparent way about Ballast Nedam's strategy, business model, distinctive capabilities, financial position and social responsibility.

The Board of Management provides information to shareholders and investors. Ballast Nedam's investor relations policy for communicating with shareholders prevents the dissemination of price-sensitive information. The Board regularly engages in dialogue through bilateral talks, roadshows, seminars, the presentation of the yearly and half-yearly figures, and the Annual General Meeting of Shareholders. Ballast Nedam also holds a shareholders' excursion each autumn. In 2013 Ballast Nedam visited the Erasmus Medical Centre in Rotterdam with its shareholders. A construction consortium consisting of Ballast Nedam and BAM Utiliteitsbouw is implementing this exceptional project.

### Banks and trade credit insurers

Banks and trade credit insurers make an important financial contribution to Ballast Nedam. There has been frequent contact with these parties in the past year in connection with the refinancing operation.

There is more about the contacts we maintain on project level in Section 7.3 *Dialogue with stakeholders on four levels* on page 137.

## 1.5 Operational organization structure

Market developments and prospects set the direction of the strategic route, the structure of the organization, and the corporate profile.

Ballast Nedam operates as one company. Our organization was aligned further in 2013 with our strategy of strengthening the position on the growing integrated projects market. Ballast Nedam is continuing to execute the strategy at an accelerated pace. The operational measures that we announced in early 2014 to accompany the financial measures included restructuring regional construction companies into a construction company with integrated operations, the disposal of several supply and specialized companies that no longer contribute to Ballast Nedam's strategic proposition, and a stronger governance structure. We will continue along these lines in 2014.

We had completed the transition to an infrastructure company with national operations, withdrawing in the process from loss-making traditional markets, at an earlier stage. Ballast Nedam is now focusing through the above measures on moving the organization further along the strategic route that has been taken. The company is now better positioned for the future.

Ballast Nedam's profile is accordingly shifting from a large player on traditional markets to a prominent player on major integrated complex projects, such as PPP projects and specific niche markets.

### Stronger corporate governance

In 2013 Ballast Nedam's operations were based on a structure of four segments and six constituent clusters. In line with our strategic focus, operational control will be integrated further, starting in 2014, from six clusters to three: Infrastructure, Building & Development and Specialized Companies & Supplies. The number of cluster Managing Directors had already been reduced to three in 2013. The Board of Management and the three cluster Managing Directors jointly form the Ballast Nedam Concern Council.

#### Four segments

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

Details of the legal structure are given in Section 8.1 *Management and control structure* on page 145.

#### **The Infrastructure segment**

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

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

The companies in the Building & Development segment develop, construct, manage, operate and maintain integrated complex property and area development projects in the Netherlands, both large and small.

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

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

#### **The Supplies segment**

The companies in the Supplies segment extract primary raw materials and produce secondary raw materials. The Supplies segment also includes the prefabricated concrete companies, the plants that create modular products, a foundry and various holdings.

#### Changes to the organization in 2013

In 2013 Ballast Nedam completed the envisaged transition to an infrastructure company with national operations, also reducing exposure to the loss-making traditional markets. The regional construction companies, the specialized companies and the head office were reorganized further in the fourth quarter. This means a capacity reduction in two loss-making specialized companies of more than one half and the discontinuation of certain products. Management changes have been made in the regional construction companies and the specialized companies. The Personnel & Organization, ICT and Communication & Investor Relations support services have been reorganized. Activities concerned with corporate social responsibility, strategy and innovation management have been combined into the new Sustainable Business Innovation support service.

The sales of raw material company Yvoir and Gebr. Van Leeuwen Boringen were completed in 2013. The sales processes of the stake in the raw material company Beheermaatschappij Bontrup and of Feniks Recycling are ongoing.

Gebr. Van Leeuwen Verankeringen and Ballast Nedam Funderingstechnieken started joint operations in 2013, capacity was adjusted in line with the new organization structure, and the two business units relocated to Maarssen.

Board of Management		CEO <i>Theo Bruijninx</i>		CFO <i>Peter van Zwieten</i>	
Segment Building & Development		Segment Infrastructure		Segment Specialized companies	Segment Supplies
Building & Development Special Projects	Building & Development	Infrastructure Special Projects	Infrastructure	Specialized companies	Supplies
<ul style="list-style-type: none"> <li>- BN Bouw &amp; Ontwikkeling Speciale Projecten</li> <li>- BN Beheer</li> <li>- T&amp;H</li> <li>- BN Concessies</li> <li>- CNGNet</li> <li>- LNG24</li> </ul>	<ul style="list-style-type: none"> <li>- BN Ontwikkelingsmaatschappij</li> <li>- Bouwborg</li> <li>- BNBO North</li> <li>- Heddes, Zomers, Onrust</li> <li>- BNBO West</li> <li>- BNBO South</li> <li>- LAUDY</li> </ul>	<ul style="list-style-type: none"> <li>- BN Infra Speciale Projecten</li> <li>- BN International Projects</li> <li>- BN Offshore</li> <li>- BN Industriebouw</li> </ul>	<ul style="list-style-type: none"> <li>- BN Infra North</li> <li>- BN Infra South</li> <li>- BN Parking</li> <li>- BN Geluidwering</li> <li>- BN Industriebouw</li> </ul>	<ul style="list-style-type: none"> <li>- BN Engineering</li> <li>- DIBEC</li> <li>- BN Funderings-techniek/ Gebr. Van Leeuwen</li> <li>- BN Specialistisch Grondverzet-</li> <li>- BN Materieel</li> <li>- BN Milieutechniek</li> <li>- BN Asfalt</li> <li>- BN IPM</li> <li>- BN Infra Specialiteiten</li> </ul>	<ul style="list-style-type: none"> <li>- BN Grondstoffen</li> <li>- Feniks Recycling</li> <li>- Hoco Beton</li> <li>- Omnia Plaatvloer</li> <li>- Concrete Valley (50%)</li> <li>- Haitsma Beton</li> <li>- Rademakers Gieterij</li> <li>- TBS Soest</li> <li>- Infra Participatie</li> <li>- Ursem Modulaire Bouwsystemen (41%)</li> <li>- iQwoning®</li> <li>- BN Phoenix (92,5%)</li> </ul>

## 1.6 Statement of the Board of Management

The 2013 Financial Statements (which are presented after page 171 below) give a true and fair view of the assets, liabilities, financial position and profit of Ballast Nedam and the undertakings included in the consolidation taken as a whole. The Annual Report gives a fair review of the development and performance of the business during the financial year and the position at the end of the reporting period of Ballast Nedam and the undertakings included in the consolidation taken as a whole.

No transactions took place in 2013 that involved any material conflict of interest on the part of managing directors, and likewise there were no transactions that involved any material conflict of interest between the company and natural persons or legal entities holding more than 10 per cent of the shares. Corporate Governance Code best practice provisions II.3.2, II.3.3 and II.3.4. have been complied with.

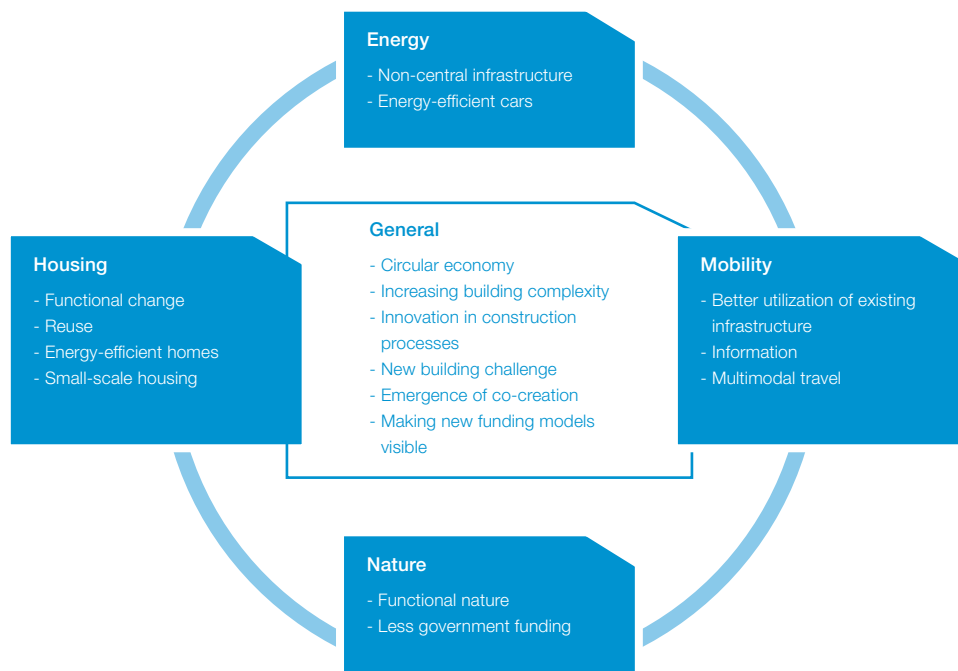


# 2

## Strategy

### 2.1 Our living environment is changing around us

Market developments present openings and opportunities for new products and services. This section briefly describes the key trends and how we are responding to them.







MERICI HOTEL, SITTARD



#### Circular economy – Life-cycle management

A conspicuous trend has emerged towards sharing and reuse instead of possessing and discarding, which is known as the circular economy. This trend is being driven by rising raw material prices and greater public awareness of sustainability. Among other things, more stringent regulations for recycling are leading many companies to accept the return of products at the end of the life cycle, with a view to product reuse or raw material recovery. Ballast Nedam has embraced Life-cycle thinking and acting in its style of working. We are engaged on life-cycle extending opportunities through functional change (e.g. in housing), the return of products for reuse (ModuPark®, Plug & Play Core®, Ursem and iQwoning®), and the recycling of raw materials (incineration ash from waste power plants).

#### Innovative construction processes – modular construction

Innovative, more industrial, building methods under controlled conditions in response to market needs. Modular products are fabricated in controlled environments and assembled easily and quickly on site, greatly limiting the number of transport movements and the associated disruption to the living environment. This construction approach is a step forward in sustainability as well as offering greater efficiency and constant quality. The various modular concepts mean that Ballast Nedam can make a real difference on the markets for residential and non-residential construction, new building and renovation. There is more about Ballast Nedam's modular projects under *Modular construction* on page 45.

#### Functional change, Merici Hotel, Sittard

A former cloister transformed into an imposing housing, leisure, retail and hotel complex: the Merici Hotel in Sittard. Ballast Nedam was responsible in this project for development, construction and renovation. The crowning glory was the cheque awarded by the provincial government of Limburg. A historic wing of this complex has been restored and redeveloped into a luxury four-star 48-room hotel. The building and development timescale was extremely brief, and included all fitting-out work, to combine modern luxury with tangible history.

### New building challenge – digitization

The new building challenge comes from our changing world of advancing technology and digitization, population ageing and the impact of the New World of Work. As people find it easier to access Internet technology, many opportunities present themselves for giving form and content to social innovation. This translates into remotely controllable products (e.g. an app to turn on the central heating at home), the influence of social media and online information services. Ballast Nedam is responding to this trend with 3D presentation and serious gaming. We are also the market leader in Building Information Models (BIM).

### BIM Data Manager

The BIM Data Manager is a digital tool that helps optimize digital quality assurance throughout the life cycle of a project. It was used for the first time in projects in 2013. The BIM Data Manager links data captured in the building process and the management and maintenance phases with the Building Information Model (BIM). There are both immediate and long-term benefits for the project, through the ability to analyse the collected data. Projects in which BIM Data Manager has been used include the Breda public transport terminal and the Schiphol Hilton Hotel.

## 2.2 SWOT-analysis 2013

Strengths	Opportunities
<ul style="list-style-type: none"> <li>- Well-filled order book with major integrated complex projects</li> <li>- Strong position in major integrated complex projects and niche markets, such as offshore wind turbines, alternative fuels and secondary raw materials</li> <li>- Infrastructure Special Projects and Building &amp; Development Special Projects operations profitable throughout the cycle</li> <li>- Persistently strong performance in several supply and specialized companies</li> <li>- Optimum solutions for the entire life cycle with arrangements for financial feasibility</li> <li>- An integrated organization structure</li> <li>- Own production plants for modular building systems</li> <li>- Good reputation and recognized name</li> </ul>	<ul style="list-style-type: none"> <li>- Increasing demand for major integrated complex projects in the Netherlands and abroad</li> <li>- Life-cycle management approach on the part of clients</li> <li>- New clients and forms of cooperation based on new business models</li> <li>- Industrialization of the building process</li> <li>- Increasing demand for available renewable energy and alternative fuels</li> <li>- Demand for functional change and functional improvement of existing property</li> <li>- Increasing demand for secondary (recycled) materials</li> <li>- Influence of demographic trends on the housing market</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>- Sustained crisis depressing volumes and margins</li> <li>- Relative overdependence on the Dutch market</li> <li>- Financial performance</li> <li>- Presence of regional construction companies in capacity-driven markets</li> <li>- Ongoing restructuring</li> <li>- Insufficient solvency</li> </ul>	<ul style="list-style-type: none"> <li>- Projects becoming more capital intensive</li> <li>- Market contraction because of economic circumstances</li> <li>- New (international) entrants</li> <li>- Juridification of society</li> <li>- Political decision-making surrounding legislation</li> <li>- Financial institutions reluctant to provide long-term project financing</li> <li>- Financial position of suppliers and joint venture partners</li> <li>- Availability of labour capacity with advanced (technical) knowledge</li> </ul>

## 2.3 Strategic Plan for 2014 - 2016

### Ballast Nedam's strategy:

- a. to focus on major, integrated complex projects and the development within this of niche operations such as offshore wind turbines, industrial construction and modular construction;
- b. to improve operational excellence;
- c. to export expertise gained in major integrated complex projects.

The focus of Ballast Nedam's strategy is on major integrated complex projects and related activities in the niche markets that perform well throughout the cycle. Modular construction is an appropriate answer to clients' life-cycle management approach and the changing social needs and requirements of end-customers.

In early 2014 Ballast Nedam announced several financial and operational measures that provide sufficient financial scope to concentrate fully on the accelerated execution of the strategy and on bringing the organization further into line with it. The company is now better positioned for the future.

### Financial and operational measures:

- a rights issue of 30 million euros to strengthen the balance sheet, guaranteed by a combination of all 5%-plus shareholders (approximately 69%) and coordinating banks (approximately 31%);
- agreement with banks about committed loans totalling 80 million euros maturing in 2017, and a bridging loan of 30 million euros to be repaid from the proceeds of the rights issue;
- further restructuring of the Building & Development segment – capacity adjustment affecting 150 jobs;
- controlled disposal of certain supply and specialized companies in the medium term;
- improved solvency in line with Ballast Nedam's strategic focus on major integrated complex projects.

## 2.4 Strategic focus

### DBFM(O) projects / PPP projects

The market for integrated PPP projects continues to grow. These public-private partnerships have the specific form of Design, Build, Finance, Maintain (Operate) (DBFM(O)) projects. These projects add value: the Ministry of Finance stated in the DBFM(O) Progress Report for 2012 that it had achieved an added value of 800 million euros, and expected to add 100 million euros to this on the projects that were then out to tender.

DBFM(O) is applied within the national government on housing projects above 25 million euros, such as offices, barracks and prisons. DBFM(O) is also applied on infrastructure projects above 60 million euros, such as road, rail and 'wet' infrastructure (such as locks). The national government is set to put many more projects on the market as PPPs in the coming years. For 2014 and 2015 the Ministry of Infrastructure and the Environment has already decided on several DBFM(O) projects and has identified many more projects that are eligible for PPP. The Government Buildings Agency has four ongoing tenders and several more projects being prepared for tender in 2014 and 2015. Local authorities are also opting increasingly often for PPP, sometimes arriving at more hybrid contract forms that integrate development risk. The trend for institutional investors also to provide part of the external funding for DBFM(O) projects continued in 2013. Ballast Nedam is closely involved in these developments, which may secure the benefits of DBFM(O) in the long term.

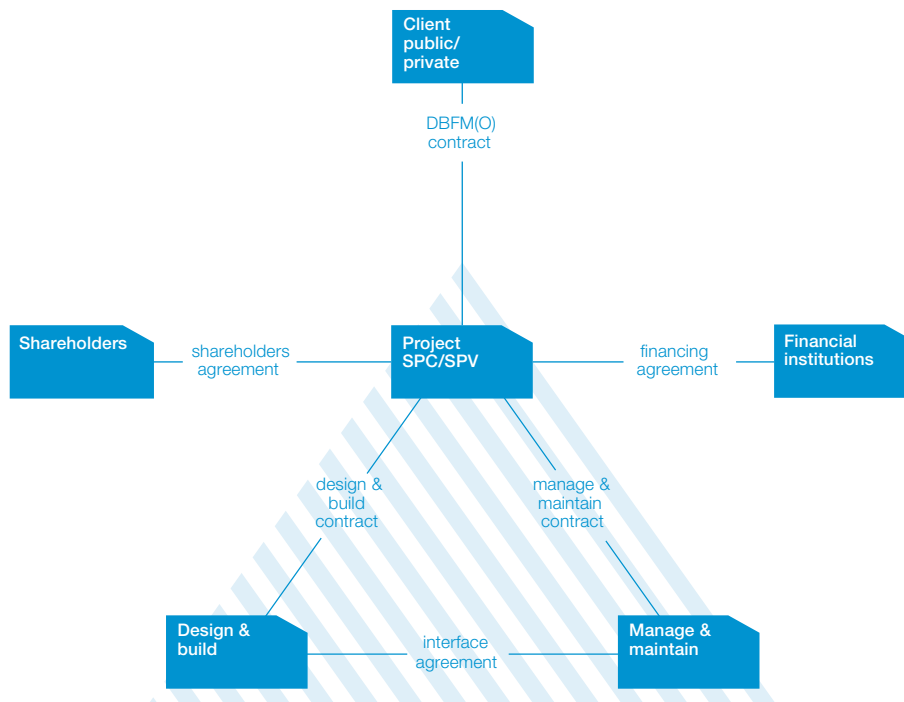
Ballast Nedam has considerable knowledge and experience with PPP projects, such as the Confederation Bridge in Canada, N31, Komfort, DUO2, A15 Maasvlakte-Vaanplein, and the Zaanstad Penitentiary. Ballast Nedam recently won the contract for the Hart van Zuid urban development project in Rotterdam. This PPP project is a unique combination of DBFM(O) and area development. Our experience with and focus on major integrated complex projects means we will also be able to deliver the right price and quality on the many projects set to come onto the market in the next few years.

In 2014 Ballast Nedam will be engaged on the following DBFM(O) tenders:  
A9 Gaasperdammerweg, the District Court in Breda and the Lock at Limmel.

Ballast Nedam acquired the Zaanstad Penitentiary PPP project in 2013, which has long-term funding from institutional parties from France, Belgium and Germany. This project won the European PFI Award 'PPP deal of the year 2013', largely on the strength of the innovative financing solution.

### Ballast Nedam's PPP business model

The Concessies business unit manages the PPP project portfolio and the acquisition, investment, operation and disposals in concession projects. Following disposal Ballast Nedam continues to be a partner and co-investor in these concession projects, and to be responsible for multiyear management and maintenance through our 20 per cent stake in the Benelux Secondary PPP Fund I and continued partnership with the investor DG Infra (which is also involved in the Benelux Secondary PPP Fund I). It is our intention also to transfer the new Ballast Nedam PPP projects to these funds.



A key feature of the PPP business model is a Special Purpose Company (SPC) or Special Purpose Vehicle (SPV), which manages the PPP project as a contractor throughout the life cycle. This project organization exercises overall control as a contract partner for all parties in the process. The parties concerned are the government as client; the financial institutions for funding; the design and construction consortium for project implementation; and the management and maintenance consortium that will manage the built object throughout its useful life in accordance with the performance requirements. The shareholders are the member companies of the consortiums, which may, as Ballast Nedam does, also invest in the project. At some point Ballast Nedam releases capital for new PPP projects by transferring its stake to an investment fund.

### Industrial construction

The industrial construction niche market designs, constructs, manages and maintains civil engineering and building projects for private and semi-private companies in the sustainable and conventional energy, oil and gas, food, and chemicals industries. We operate both nationally and internationally with multinationals, national companies and local parties.

Ballast Nedam and a partner bid more frequently in 2013 for the complete scope of installations and mechanical elements, and we will continue to do so in 2014.

The sectors that the industrial construction niche market serves provide the basic needs of the community: energy for housing, employment and transport, as well as food and health. There is therefore a constant demand for new building, replacement, renewal and maintenance of accommodation in this sector.

In other countries we observe growth in small-scale smart plants (EU), biomass plants (EU), nuclear power stations (outside the EU), sustainable energy, and the maintenance and renewal of existing power plants. Growth is discernible in the other sectors in the construction of tank terminals and the maintenance of industrial facilities.

Ballast Nedam is responding to this trend, and is developing into an all-round party for all civil engineering projects. Our focus within these areas aligns with our expertise in maintenance and renewal, cooling water systems (CWS) and geothermal technology, which we intend to put on the map together with partners in the Netherlands. We submitted a variety of promising proposals in this field in the second half of 2013. We also specialize in turnkey site preparation, project management and operation of energy sources.

#### Offshore wind turbines

Ballast Nedam designs, installs, maintains and manages foundations for offshore wind farms. We link reliability with cost reduction and innovation by developing new foundation installation methods and equipment. This strategy ensures that Ballast Nedam will retain, and where possible expand, its prominent position in the market for offshore wind turbine foundations.

Offshore wind energy is a key element of European climate policy. The offshore wind energy target for 2020 is 40 GW of installed capacity. The Dutch government's 2013 Energy Agreement made a firm commitment to this, in line with the surrounding countries of France, Belgium, the United Kingdom, Germany and Denmark. 3,450 MW additional capacity is to be achieved by 2023. The growth in offshore wind energy translates into larger offshore wind farms further from the coast. The technical requirements being set on wind farm foundations are becoming ever more challenging. The demand for more cost-efficient foundation solutions has been boosted by pressure to make sustainable energy more affordable.

Ballast Nedam is excellently placed both to achieve the expected growth and to contribute to the cost reductions that have been called for. We have established a fine reputation for the reliable design, delivery, installation and management of foundations for offshore wind farms. This experience puts Ballast Nedam in an unparalleled position to design and install large-scale offshore foundations reliably and on time. In addition, the innovative logistical and installation methods we are using to optimize construction and installation will also enable us to achieve the required cost reductions. There is more about these innovative solutions under *Sustainable innovation* on page 127.

#### International Projects

For many years our international operations have included industrial construction, hospitals, non-residential construction and civil engineering projects in west Africa and the Caribbean. Outside these regions the International Projects business unit supports our specialized companies on projects, so that we add value as a specialized construction company. We will shift the focus in 2014 onto products based on the expertise we have acquired in niche markets and integrated projects.

Ballast Nedam's offshore wind energy operations (see *Offshore wind turbines*) are concentrated in northwest Europe.

Our specialized companies (see Section 4.3 *Specialized Companies* on page 68) and supply companies (see Section 4.4 *Supplies* on page 71) operate in Belgium, the United Kingdom and Germany in soil remediation and environmental consultancy, secondary raw and building materials, alternative fuels and concrete elements.

Geothermal technology allows the heat to be used that originates in the earth's inner core and is captured in underground sources of water. This can be used to heat buildings, greenhouses and homes, or to generate electricity by means of a turbine.

In the Netherlands, the temperature below ground rises by 30°C for every kilometre, so the deeper the borehole, the more energy will be obtained. There are different categories of geothermal technology for heat/cold storage at depths less than 500 metres, heat production at depths around 2 to 3 kilometres, and deep geothermal energy for generating electricity and steam at 6 kilometres or more..

#### Butendiek

Ballast Nedam and wpd have a contract for the design, delivery and installation of 80 foundations for the Butendiek offshore wind farm located in the German Bight, 32 kilometres west of the German island of Sylt. Foundation design and planning are now in full swing, with installation scheduled for the spring of 2014. Ballast Nedam is using the Heavy Lift Vessel (HLV) Svanen for installing the foundations. The project is scheduled for completion in early 2015.



We present below three examples of our current international projects.

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

We are in the final stage of the foundation work for the Refinery Expansion Project in Surinam. The work consists of delivering and installing 320 steel piles, processing approximately 25,000 cubic metres of concrete, and earthmoving for the foundations.

#### [Carolina Bridge, Surinam River – Surinam](#)

On 15 December 2013 Ballast Nedam signed a contract for the design, delivery and installation of a new bridge over the Surinam River. The existing bridge had become unusable some years ago after it was damaged by a barge. The new bridge will be built to create a second east-west crossing. The project management on behalf of the Ministry of Public Works is to be performed by a consortium of four Surinamese engineering consultancies.

#### [Hospital, Willemstad – Curaçao](#)

Ballast Nedam won an international Design & Build tender in August 2012 for a new hospital in Willemstad, Curaçao. The 300-bed hospital will occupy approximately 38,250 m<sup>2</sup> and will include a two-storey car park. The final design is complete, but the start of construction has been postponed until 2014 following the Curaçao government's revised decision on the location of the hospital in August 2013. When finished, the hospital will make an important contribution to affordable healthcare for the island's population.

#### **DELTA FLUME, DELFT**

Precision measurements will be possible in this unique wave flume only if the concrete channel is absolutely smooth. The walls have to be straight as a die and perfectly flat. The civil engineering construction of a renowned research facility demands the highest quality and expertise.



### Secondary raw materials

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

There are two secondary (recycled) material market segments:

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

### Secondary materials that replace primary raw materials

Ballast Nedam has secondary material storage and handling sites in the Netherlands and Belgium. These water-bound sites are accessible by both inland waterway and road.

Secondary material storage, handling and inspection are subject to strict environmental and other legislation. Ballast Nedam's specialists in DIBEC and the Environmental Engineering business unit ensure that we comply with this legislation.

### Materials for reuse after cleaning

Ballast Nedam operates in a number of specialized areas in the market segment for reusable materials that require cleaning. The first is for the cleaning of contaminated mineral streams, such as soil, sand, dredge spoil, sieve sand and street refuse.

We clean these materials, and use the resulting aggregates (secondary building materials) in concrete and asphalt production, and for civil engineering applications. We have a static cleaning installation, as well as mobile installations for deployment on site.

Ballast Nedam's storage and handling sites accept contaminated mineral streams, which we clean and put back on the market. Enhanced landfill mining and other ways of recovering valuable metals from waste are set to take off. Ballast Nedam is anticipating this trend now. We are working on the hitherto barely feasible extraction of metal concentrates from waste streams, for which Ballast Nedam has developed a mobile unit that can be set up anywhere within a week.

### Incineration ash from waste power plants

Ballast Nedam is a market leader in incinerator bottom ash from waste power plants.

We are engaged on both the reprocessing and marketing of this material. The Dutch government is keen to achieve a long-term environmental improvement in the incineration of ash from waste power plants. Numerous parties are offering partial solutions to this problem. However, Ballast Nedam is among the few companies with sufficient knowledge and market position to be able to serve the existing market, while joining with the waste power plant operators and the Dutch government to identify new application areas and to implement the necessary reprocessing and cleaning technologies. In 2013, Ballast Nedam and its partner NV Afvalzorg developed a bottom ash reprocessing method that yields a widely applicable product, which can also be used instead of primary raw materials.



### Waste power plants

We are also exporting our knowledge and experience in waste power plants. Ballast Nedam is the market leader in this field, with a particularly strong position in the United Kingdom, which is making up lost ground in the waste management field and building many new waste power plants. Further growth is foreseen in the next few years in view of the future expansion of waste power plants in the United Kingdom and the declarations of intent that have been signed by the plant operators. Section 6.2.2 *Waste and recycling* on page 104 explains how this fits in with our CSR policy.

### Alternative fuels

On the alternative fuels niche market, Ballast Nedam is aiming to create access to the necessary fuelling infrastructure, in response to the growing public demand for clean mobility. We design, construct, operate and maintain alternative fuel filling stations: CNG and green gas, liquefied natural gas (LNG), liquefied biomethane (LBM), electricity and hydrogen.

The Renewable Energy Directive sets the European targets for the share of energy from renewable sources in 2020, which is 20 per cent on average in the EU, with an obligation on the Netherlands to achieve 14 per cent renewable energy in that year. In 2020 at least 10 per cent of gross final consumption of energy for all forms of transport must come from renewable sources. Various alternative fuels and propulsion systems are available in the Netherlands to meet this target.

Ballast Nedam' is responding by creating access to the alternative fuelling infrastructure. Ballast Nedam has been working actively with the chain in recent years and has acquired substantial expertise in providing the fuelling infrastructure for CNG and LNG.

Knowledge sharing within our international network puts us in a position to maintain our specialized know-how at a high level and to keep pace with trends abroad, inside and outside Europe.

### Hydrogen

We also use the knowledge of alternative fuels that we have acquired in the development phase of hydrogen as an energy carrier. At the end of 2013 a semi-permanent 350-bar hydrogen station was taken into use on the AutomotiveCampusNL. This station will be converted to 700 bar in 2014, making it suitable for the first hydrogen cars that are expected to appear in 2015.

## Modular construction

Modular construction is an appropriate answer to clients' life-cycle management approach and the changing social needs and requirements of end-customers.

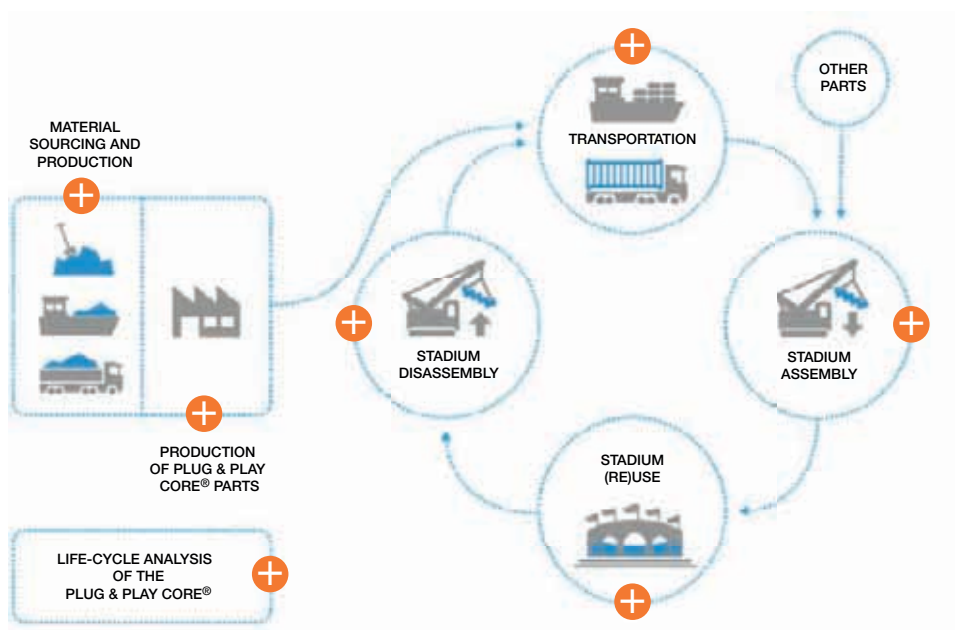
The technique relieves pressure on available labour capacity by reducing the amount of work performed on the construction site, as well as improving safety, greatly reducing the number of logistics streams, and limiting disruption in the surrounding community.

Our modular products meet the demanding requirements for quality of use and comfort, are returnable, and are a flexible way of providing age-proof homes. There is more about the modular projects in 2013 under *Modular construction* on page 45.

Ballast Nedam has a good starting position in the market for modular building systems. The company has seven production sites of its own that manufacture modular building systems under controlled conditions. Ballast Nedam currently provides a variety of modular concepts: iQwoning®, Ursem Modular Building Systems, and ModuPark®, the modular car parking product. With these concepts we serve the new build and renovation markets for residential and non-residential construction.

Ballast Nedam has presented a new concept for the 2022 FIFA World Cup in Qatar: Plug & Play Core®. This modular sports stadium concept is designed for ease of dismantling, transport and returnability. We are also developing applications of this concept for the Dutch market, with an emphasis on sustainability and reuse.

### Plug & Play Core® value chain



## 2.5 Prospects for 2014

Ballast Nedam expects a continued rise in demand for major integrated complex projects, both in the Netherlands and abroad, and has the strategic ambition to further increase its share of this market in the Netherlands, and to export more of this knowledge in specific areas of expertise. Projects of this kind are expected to become more capital intensive. Clients will exhibit an increasing preference for financially strong partners.

The Infrastructure segment remained profitable throughout the cycle and is expected to continue to perform well in 2014. The order book for 2014 is well filled, and the profitability of regional projects is expected to improve, thanks to measures put in place in 2012 and 2013 to move the company away from relatively small infrastructure projects and to bring the old loss-making projects to a close. Ballast Nedam expects a lower revenue in the Infrastructure segment as a result of avoiding relatively small, but generally less profitable, projects.

The company expects no significant improvement in the market situation for the Building & Development segment. However, the order book for 2014 is already well filled. The Building & Development segment continues to focus on major integrated complex projects. Building & Development is performing well on relatively large projects, but for the regional units the announced restructuring will mean that 2014 will be a transitional year. As in the Infrastructure segment, Ballast Nedam expects a modest decrease in revenue in the Building & Development segment because of the cessation of relatively small projects in loss-making traditional regional markets. From 2014 onwards these restructured regional units are expected to return to profit.

The Specialized Companies segment continues to focus on supporting the larger projects in other segments, and is expected to make a positive contribution again in 2014 as a result of the measures taken in 2013 at two loss-making companies, albeit that revenue is expected to be 25% lower.

The Supplies segment is expected to show a modest revenue growth. Revenue is set to increase in the next few years as several new raw material extraction sites are taken into use and the iQwoning® concept expands. The autonomous growth of Feniks Recycling and the rationalizations carried out in 2013 in the prefabricated concrete companies are having a favourable effect on performance.

The market conditions for 2014 continue to be challenging and uncertain, despite the first signs of an eventual construction industry revival. At the start of the year we announced several strategic, operational and financial measures that will be carried out in the course of the year. With the sharper strategic focus on integrated projects and the completed refinancing, the company is well positioned for the future. The coming year will be a transitional year.



A tour of the iQwoning® plant in Weert gave Woonbedrijf housing association tenants a good opportunity to see their home being made, and to get to know each other at the same time. More than 140 residents took the opportunity to find out all about the production process, the layout and the technical features of their new homes. Small groups were given a tour of the plant in four rounds. The novel production process and the model homes in the plant prompted lively discussion. After the tour there were opportunities in the information market to discuss specific options in person with Woonbedrijf and Ballast Nedam staff. Ballast Nedam is building 74 energy-neutral iQwoning® homes in Eindhoven's Tongelresche Akkers district (Berckelbosch) for Woonbedrijf.



'The negotiations were something of a tug of war, but we're delighted with our final bid'

---

Josje van der Kemp – corporate lawyer in the bid team for Hart van Zuid in Rotterdam

# 3

## Strategic objectives and results

The focus of Ballast Nedam's strategy is on major integrated complex projects and related activities in the niche markets. We accordingly focus on projects with substantial design responsibility (design & construct and engineer & build) and PPP projects. Modular construction is an appropriate answer to clients' life-cycle management approach and the changing social needs and requirements of end-customers.

We have set six strategic objectives for 2013.

**Objective 1: To acquire more integrated projects and apply the life-cycle management approach more intensively by expanding management, renovation and maintenance operations**

In 2013 we achieved much of the revenue in integrated projects and in projects with substantial design responsibility. The Beheer business unit, which has operations in the housing, mobility and energy areas of work, was able to increase revenue through the multiyear management of PPP projects. Under the Infrastructure Asset Management integrated performance contract for the Port of Rotterdam, Ballast Nedam will be responsible for the operational management and maintenance of all dry infrastructure in the port for a five-year period starting in 2014.

In 2013 Ballast Nedam acquired the Zaanstad Penitentiary PPP project and the Hart van Zuid multiyear integrated area development in Rotterdam. The PPP portfolio for the Infrastructure segment remained unchanged in 2013.

Financial close was reached for the work for Amsterdam Airport Schiphol's transition to central security. We also acquired the design, build & maintain contract for the new hospital in Curaçao. Furthermore, Ballast Nedam won the engineering & construct contract for the Katwijk Coastal Works project and the design & construct contract for the renovation of sheet piling along the Amsterdam-Rhine Canal. The proportion of integrated projects in the order book increased from 66 per cent in 2012 to 68 per cent in 2013. The order book contracted by 301 million euros to 1 460 million euros.



## Objective 2: To strengthen our position in the niche markets of industrial construction, offshore wind turbines, secondary raw materials and alternative fuels

Our position in the industrial construction niche market deteriorated in 2013 because no new major projects were acquired and many current major projects were completed, such as the Nuon Magnum Plant and the Eneco Bio Golden Raand plant. We did take on more national maintenance projects, thereby expanding our position in industrial maintenance.

Our position in the offshore wind turbines niche market was strengthened in 2013 through the financial close of the Butendiek offshore wind farm in Germany, the utilization of the Heavy Lift Vessel Svanen on the installation of 39 monopiles and transition pieces in the EnBW Baltic 2 offshore wind farm, and the acquisition of the contract for the design, delivery and installation of 48 wind turbine foundations for the Northeast Polder near-shore wind farm in the IJsselmeer. Financial close of this project is expected in the spring of 2014. To date Ballast Nedam has used the Heavy Lift Vessel Svanen to install more than 400 offshore wind farm foundations.

Our position in the secondary raw materials niche market strengthened in 2013. Feniks Recycling made a fine contribution. Preparations started in 2013 for the construction of new plants in Cleveland and Ipswich, which entered operation in 2014. Work is also in progress on the capacity enlargement of plants in Sheffield and Castle Bromwich, which will be operational in 2015. Feniks Recycling had a total of seven installations in use in 2013. In 2013, Ballast Nedam and its partner NV Afvalzorg developed a bottom ash reprocessing method that yields a widely applicable product, which can also be used instead of primary raw materials.

Our position in the alternative fuels niche market continued to expand in 2013. CNG Net B.V., which operates in the mobility and energy areas of work, succeeded in increasing revenue by adding eleven CNG (natural gas and green gas) filling stations in the Netherlands. With CNG Net, Ballast Nedam now operates 68 CNG filling stations supplying natural gas and green gas. Approximately ten more filling stations were built for private investors in 2013. The first public LNG filling station in Zwolle, which LNG24 operates, saw more than a doubling of the number of kilograms provided in the past year, with over 300 drivers receiving refuelling instruction. A start was made in 2013 on preparations for a second station in Delfgauw.

## Objective 3: To develop and extend modular products

Production rates in the modular product plants remained low in 2013. This is attributable to the weak market conditions and delays in the start and execution of housing and student accommodation projects caused by the developments surrounding the levy on lessors. The number of iQwoning® homes accounts for 13 per cent of the total number of home starts in 2013.

In total Ballast Nedam produced 111 iQwoning® homes, of which approximately 26 were being assembled in the early months of 2014. Ballast Nedam also won the contract from student accommodation organization DUWO for the redevelopment and new building of the Uilenstede campus in Amstelveen. Ursem Modular Building Systems is applying modular construction techniques on this project; Ursem Modular Building Systems is a pioneer in modular building to a height of eleven floors. For the (Y)ours Leiden project Ursem Modular Building Systems is supplying modular bathrooms for the almost 600 student units. We have created a ModuPark® temporary parking solution near Nieuwersluisstraat in The Hague.

On the market for modular construction we are observing a growing demand for rented housing in the liberalized segment. Another favourable trend is the future need for accommodation for specific target groups, such as young people, first-time buyers and elderly people, which translates into good market prospects for iQwoning® and Ursem Modular Building Systems.

Alongside the energy-neutral iQwoning®, Ballast Nedam has two other innovative modular concepts. The completely modular Plug & Play Core® stadium solution has been developed further, and prototype tests have been performed to assess feasibility. For the Stoomversnelling project we are renovating 1960s housing into homes that generate on average enough energy to satisfy the total needs of the building and occupier. The first prototype has now been delivered.

We have brought together all the information about developments in modular construction under *Modular construction* on page 45.

#### Objective 4: To improve the financial position

The persistently poor market conditions, the disappointing results, and revenues from disposals that materialized later than foreseen, have prevented us from improving the financial position. Solvency deteriorated. A rights issue was accordingly announced in early February 2014.

#### Objective 5: To achieve the CSR objectives given in Chapter 6.2 CSR objectives, on page 94

Corporate social responsibility is an integral part of our strategy. Our CSR themes are linked to the five pillars that support our strategy, and on which our work is based (see Section 1.1 *Vision and mission* on page 15). We have identified the issues and defined the CSR objectives within every CSR theme.

The companies are adopting the CSR policy appropriately. However, the current scope for investment is constraining the companies in their implementation of further energy-saving measures. There is still room for considerable improvement in terms of absence through illness and safety. The waste management field is no exception. Chapter 6 *Our CSR policy* on page 93 reports the results achieved on our sustainability objectives for 2013.

#### Objective 5: To achieve the financial objectives: an operating profit of approximately 15 million euros

Ballast Nedam has been through a difficult year with a disappointing operating loss of 30 million euros, which includes 18 million euros of restructuring costs and write-downs. See Chapter 3.1 *Financial results* on page 46 for additional information.



#### **IQWONING®**

An iQwoning® home has the attributes and appearance of a traditionally built home. It is largely fabricated in a production plant and assembled on site in less than six weeks. [www.iqwoning.nl](http://www.iqwoning.nl)



#### **MODUPARK®**

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



#### **URSEM 3D®**

This is the label under which Ursem Modular Building Systems develops modular products for new building and renovation, such as hotel rooms, student accommodation and bathrooms.





# Modulair construction

A list of our modular construction achievements in 2013, with references to the pages with more details, is given below.

## Plug and Play Core®

### Modular concepts

The completely modular Plug & Play Core® stadium solution has been developed further. We have produced a full-scale prototype with two concrete elements to test the feasibility for constructing the stadiums for the 2022 FIFA World Cup in Qatar.

[▶ More on page 38](#)

### Prototype home

#### De Stroomversnelling Stadskanaal

For the Stroomversnelling project we are renovating 1960s housing into zero net energy homes, which generate enough energy on average to cover the total consumption of the building and



the occupier. We have delivered an initial prototype in Stadskanaal, with prefabricated roofs and brick external walls.

[▶ More on page 62](#)

## iQwoning®

### 74 energy-neutral iQwoning® homes in Eindhoven

For the Eindhoven housing association Woonbedrijf, Ballast Nedam is creating 74 energy-neutral iQwoning® homes in the Tongelresche Akkers district (Berkelbosch). The first phase was completed in December 2013.

[▶ More on page 62](#)

### Four iQwoning® homes in Haaren

In Haaren (Brabant) we have created four type 5.40R iQwoning® homes under joint project commissioning. iQwoning® homes can be provided in quantities as low as three, which makes small-scale demolition and new building a quick and easy process.

### Thirty iQwoning® homes in Hillegom

For the Stek housing foundation in Hillegom we have created thirty type 5.40R iQwoning® homes at Patrimoniumplein. Six of these are for sale, and the other 24 for rent. The pace of building was of overriding importance for Stek in its decision for iQwoning®.

### Student accommodation in The Hague

We have created fifteen self-contained student rooms at Steijnlaan in The Hague for the Staedion housing association. This was achieved with three type 5.40K iQwoning® units on a compact construction site between existing buildings.

## ModuPark®

### ModuPark® parking solution at Nieuwersluisstraat in The Hague

The area around Nieuwersluisstraat in The Hague has a temporary parking problem while major sewer works and redevelopment of the public space are in progress.

We erected a ModuPark® parking solution there. The capacity can be adjusted during its useful life to suit a changing demand for parking space. After use the structure will be completely dismantled and all components reused.

[▶ More on page 38](#)

### ModuPark® parking solution at Meander Medical Centre

This ModuPark® parking solution was designed together with Pro-Architecten. The novel external wall combines clean horizontal lines with a coarse tree structure. The tree structure is made from the trunks of the trees that had to be felled to make way for the new hospital. With ivy and vines covering the external wall, the car park will blend in with its surroundings.

### Ursem 3D® modular bathrooms 583 prefabricated bathrooms for the (Y)ours project in Leiden

We have delivered 538 prefabricated bathrooms for the (Y)ours project in Leiden. These complete bathrooms are fabricated as modules and tiled in the production plant, complete with sanitary facilities and essential shaft systems. The bathrooms are transported in watertight packaging in batches of a few dozen to the project site on a just-in-time basis, which considerably shortens the total construction time of the project.

[▶ More on page 73](#)

## Ursem 3D® student rooms

### New building of 233 student dwellings in Amstelveen

For this project we are stacking ready-made modular student apartments eleven floors high – a first in the Netherlands. The buildings will be completed in the third quarter of 2014.

Phase 2 will be built faster and at lower cost than phase 1 thanks to the 3D® student rooms.

[▶ More on page 62](#)

### New build of 258 hotel rooms in The Student Hotel in Amsterdam

The Student Hotel in Amsterdam consists of 258 Ursem 3D® student rooms that are fabricated as modules in the production

plant. These units are also finished and fitted with technical systems, bathrooms and fixtures in the production plant, which guarantees precise planning and a constant quality. The building was originally envisaged as a tunnel-form construction, but modular production is less expensive, and completion is possible in an unprecedentedly short building timescale of eight months.

[▶ More on page 152](#)

### 3.1 Financial results

#### Operating profit

Ballast Nedam has had a difficult year, with a disappointing operating loss of 30 million euros, which includes 18 million euros of restructuring costs and impairment.

The operating losses are attributable to the A15 Maasvlakte-Vaanplein highway project, several old regional infrastructure projects, two specialized companies, and undercoverage in the regional construction companies. Capacity in the two specialized companies has been reduced, and several loss-making products discontinued. The old regional infrastructure projects predate the 2012 restructuring operation, and are nearing completion. Since early 2013 new projects have been started in accordance with the more stringent acceptance procedures.

The key activities that are oriented to the major, integrated projects have remained profitable throughout the cycle. The results of the relevant Infrastructure and Building & Development business units were good, and endorse the chosen strategic route. The order book at year-end 2013 stood at 1.5 billion euros. The net loss was 41 million euros (2012: 41 million euros loss).

#### Revenue

x € 1 million	2013	2012
Infrastructure	546	496
Building & Development	531	573
Specialized Companies	260	262
Supplies	212	216
	<b>1 549</b>	<b>1 547</b>
Other	(281)	(251)
<b>Total</b>	<b>1 268</b>	<b>1 296</b>

Revenue decreased by 2 per cent from 1 296 million euros to 1 268 million euros, in particular because of the decline in regional activities in Building & Development.

#### EBIT

x € 1 million	2013	2012
Infrastructure	4	10
Building & Development	(11)	(26)
Specialized Companies	(19)	(10)
Supplies	8	2
	<b>(18)</b>	<b>(24)</b>
Other	(12)	(7)
<b>Total</b>	<b>(30)</b>	<b>(31)</b>

The operating loss was 30 million euros. Disregarding the impairment losses on land positions, property, plant and equipment and goodwill, and the restructuring costs, the operating profit deteriorated from 18 million euros in 2012 to a loss of 12 million euros. The 'Other' result consisted mainly of holding company costs.

## Margin

x € 1 miljoen	2013	2012
Infrastructure	0,8%	2,1%
Building & Development	(2.2%)	(4.6%)
Specialized Companies	(7.5%)	(3.8%)
Supplies	3.8%	0.9%
<b>Total</b>	<b>(2.4%)</b>	<b>(2.4%)</b>

The overall margin was 2.4 per cent negative. Disregarding the impairment losses and restructuring costs, the margin changed from 1.4 per cent positive for 2012 to 0.1 per cent negative.

## Profit for the period

x € 1 miljoen	2013	2012
Infrastructure	(30)	(31)
Building & Development	(7)	(7)
<b>Specialized Companies</b>	<b>(37)</b>	<b>(38)</b>
Supplies	(4)	(3)
<b>Total</b>	<b>(41)</b>	<b>(41)</b>

The financing item was unchanged relative to 2012 at 7 million euros. Both the capitalized interest on PPP receivables and the interest expenses of the PPP loans decreased through the sale of the PPP projects. The income tax expense for the year was 4 million euros because of profits outside the fiscal unity. The loss for the period was unchanged at 41 million euros.

## Order book

x € 1 miljoen	2013	2012
Infrastructure	596	900
Building & Development	691	731
Specialized Companies	113	90
Supplies	55	56
<b>Total</b>	<b>1 455</b>	<b>1 777</b>
Other	5	(16)
<b>Total</b>	<b>1 460</b>	<b>1 761</b>

The order book contracted by 301 million euros to 1 460 million euros, attributable mainly to the absence of major project acquisitions by Infrastructure in the past year, and the substantial capacity reduction in the regional operations. The main reason for the reduction in the order book for Building & Development was the decrease in the regional companies. The size, quality and composition of the order book, together with the past radical capacity adjustment, make disciplined bidding still feasible.

### Equity and cash flows

Ballast Nedam's shareholders' equity decreased to 90 million euros because of the loss for the period of 41 million euros.

The loss led to a fall in solvency from 17 per cent at year-end 2012 to 13 per cent. The above solvency is as calculated using the method that accounts for joint ventures by recognizing the share in the assets (i.e. the equity method). The solvency as calculated in accordance with the proportionate consolidation method that is currently allowed under IFRS and is applied for the joint ventures, such as the PPP projects, decreased from 15 per cent at year-end 2012 to 11 per cent.

Total assets decreased by 37 million euros to 849 million euros because of lower investments and the sale of the raw material company Yvoir. Current assets minus current liabilities went from 7 million euros to 1 million euros negative. Capital employed decreased by 40 million euros to 210 million euros.

The cash outflow for 2013 was 44 million euros, compared with a cash outflow for 2012 of 11 million euros.

The operating cash flow deteriorated from 1 million euros positive for 2012 to a cash outflow of 24 million euros for 2013, attributable to increased work in progress through lower prepayments.

The cash outflow from investing activities was 16 million euros compared with an outflow of 60 million euros for 2012, consisting of 34 million euros of investment and 18 million euros of disposals. Investments included 19 million euros of property, plant and equipment, 6 million euros of intangible assets, 2 million euros for associates, and 7 million euros of financial assets. The financial assets consisted largely of the PPP receivables for the Zaanstad Penitentiary Pi2. The 12 million euros net investment in property, plant and equipment was lower than the 21 million euros of depreciation.

Most of the cash outflow from financing activities of 4 million euros consisted of the net 4 million euros repayment of long-term loans and financial lease instalments paid.

### Financing position

x € 1 miljoen	2013	2012
Cash and cash equivalents	54	84
Bank overdrafts	(22)	(8)
<b>Net cash</b>	<b>32</b>	<b>76</b>
Recourse loans	(91)	(96)
<b>Financing position</b>	<b>(59)</b>	<b>(20)</b>
Non-recourse loans	(24)	(29)
<b>Financing position including non-recourse</b>	<b>(83)</b>	<b>(49)</b>

Ballast Nedam's financing position declined by 39 million euros from 20 million euros debt at year-end 2012 to a debt position of 59 million euros. The financing position including the non-recourse loans declined by 34 million euros from a debt position of 49 million euros at year-end 2012 to 83 million euros.

Net cash decreased by 44 million euros to 32 million euros. The prepayments on projects went down by 26 million euros to 42 million euros. We expect these prepayments to continue to reduce in the next few years, and more use to be made of the working capital facilities in 2014 than in 2013. At year-end 17 million euros of these facilities had been drawn. The normal pattern is for a larger capital requirement to arise in mid year.

## Loans

x € 1 million	2013	2012
PPP loans	8	6
Land bank financing	40	44
Business loans	51	51
Finance leases	4	7
Other loans	12	17
	<b>115</b>	<b>125</b>
Recourse	91	96
Non-recourse	24	29
	<b>115</b>	<b>125</b>
Current loans	9	17
Non-current loans	106	108
<b>Financing position including non-recourse</b>	<b>115</b>	<b>125</b>

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

The other long-term loans of 41 million euros consist of 8 million euros of PPP loans, for which the interest rate is fixed by means of derivatives. There is no opportunity of recourse on Ballast Nedam for 24 million euros of the 115 million euros of long-term loans.

### Improved solvency in 2014 through a rights issue of 30 million euros and the sale of Feniks Recycling

Ballast Nedam is strengthening its balance sheet through the rights issue of 30 million euros of depositary receipts for shares with tradable rights. Based on the financial position and performance for the full year 2013, solvency in accordance with the equity method at year-end 2013 was approximately 11 per cent. Solvency is expected to rise to 15 per cent following the 30 million euro rights issue. Solvency will rise by a couple more percentage points in 2014 when the sale of Feniks Recycling materializes. Ballast Nedam is aiming for a solvency greater than 20 per cent and a leverage ratio of less than 2.0 in the medium term.



The 5%-plus shareholders, Hurks Group B.V., Navitas B.V., Delta Lloyd Life assurance N.V., Delta Lloyd Holdings Fund N.V., Bibiana Management B.V., Via Finis Invest B.V. and Menor Investments B.V., have committed unconditionally to a participation of approximately 69 per cent in the rights issue. The remainder of the rights issue will be guaranteed through a volume underwriting commitment under the normal conditions by ING and Rabobank, acting as Joint Global Coordinators and Joint Bookrunners.

The rights issue will be submitted to the shareholders at the General Meeting of Shareholders to be held on 25 April 2014. The net proceeds of the rights issue will be used to reduce the company's debt burden, strengthen its financial position, and enhance its financial flexibility. The rights issue must be accompanied by an AFM-approved prospectus. Ballast Nedam's aim is to complete the emission in the third quarter.

#### **Agreement on committed loans**

Ballast Nedam and the banking syndicate of ING Bank, Rabobank and Royal Bank of Scotland, have reached agreement on the key conditions for the committed loans to be extended to Ballast Nedam.

The committed loan facilities of 110 million euros comprise a loan of 80 million euros that matures in 2017, and a bridging loan of 30 million euros that will be repaid in 2014 from the proceeds of the proposed rights issue. The loans under the current non-committed facility of 60 million euros will be repaid with these funds. The financing documentation, including the usual bank covenants, will be completed in the coming weeks.

The interest rate for the loan of 80 million euros is a function of the amount outstanding under the loans and the leverage ratio, and is initially Euribor +4%. The normal securities will be provided in connection with the committed loans. The agreement with the banks stipulates that dividend will be paid on shares only if the leverage ratio is less than 2.0. Ballast Nedam expects to pay out no dividend in 2014.

The committed loans will satisfy the short-term liquidity requirements and provide sufficient financial scope for Ballast Nedam to concentrate on the execution of its strategy.

#### **Controlled disposal of supply and specialized companies in the medium term**

In the medium term the portfolio of supply and specialized companies will be brought further in line with the strategic focus through the controlled disposal of companies that do not contribute to major integrated complex projects. This measure will also strengthen Ballast Nedam's financial position. The sales of raw material company Yvoir and of Gebr. Van Leeuwen Boringen were completed in 2013. The sales processes of the stake in the raw material company Beheermaatschappij Bontrup and of Feniks Recycling are ongoing.

### 3.2 Strategic objectives for 2014

For 2014 we have defined five strategic objectives:

- to focus strategy by acquiring more major, integrated complex projects, applying the life cycle management approach by expanding management and maintenance operations, and adjusting the portfolio through disposals;
- to strengthen the financial position through a rights issue and sales of business units;
- to develop and extend modular products;
- to achieve the CSR objectives stated in Chapter 6 *Our CSR policy* on page 93;
- to achieve the financial objective: a solvency of at least 20 by year-end 2016.

#### YOUR(S) LEIDEN

VORM Ontwikkeling, Ballast Nedam and Syntrus Achmea are creating (Y)ours Leiden, the most sustainable student campus in Europe, with 1900 student apartments, 205 homes for first-time buyers and associated facilities. The first pile was driven on 10 July 2013. Sales of the initial phases have been extremely successful. The first students will be able to move in in 2015.





#### **BRIDGE AT EWIJK**

A fine example of bridge renovation. Ballast Nedam and Strukton are setting about this steel colossus in a unique renovation project. The work is being carried out by the CVB consortium for the Directorate-General for Public Works and Water Management. The consortium partners are Ballast Nedam Infrastructure and Strukton Civil Projects.







# 4

## Segments

### 4.1 Infrastructure

The Infrastructure segment's operations are organized in two clusters, which in 2013 completed the transition to an infrastructure company with national operations, also reducing exposure to the loss-making traditional markets.

#### *Market developments*

Pressure on the volume in the infrastructure market is undiminished. There number of foreign players on the domestic market is increasing, which is in addition to competition from the Dutch market. Competition is also increasing for the large Design, Build, Finance and Maintain (DBFM) projects, and in the industrial construction niche market. On the other hand the offshore wind turbines niche market remains favourable, albeit that there are delays because of permit procedures and grid connection issues. Our expectation is competition in this niche market will intensify with the arrival of new installation vessels. We are embarking on cost reductions with a view to achieving and sustaining the profitable operation of offshore wind farms. For the industrial construction niche market we are observing an increasing number of requests from the market. We see promising developments In the sustainable – geothermal – energy market.



Infrastructure projects that were postponed in 2013 were mainly in rural areas, because of the national government's priority on areas of key economic importance to the Netherlands. Local companies and regional governments have taken various advance financing initiatives for these projects, with a view to bringing forward their execution nonetheless. This approach has been successful so far for the A58 projects, the A1 corridor, Rotterdamsebaan and N35 Zwolle-Wijthmen.

Several road projects to improve traffic flow and access will be given priority in the next few years: the Blankenburg link, the Utrecht Ring (A27/A12), A13/A16 and the extended A15. Also significant are the renewals of major train stations in Utrecht, Rotterdam, The Hague and elsewhere. The quality of our waterways is also essential for accessibility, and various locks are being tackled under the DBFM locks programme. The government has put various infrastructure projects out to tender in accordance with Best Value Procurement (BVP), with more expected to follow.

Best Value Procurement is an approach based on the greatest customer value at the lowest price. Bidders are given an opportunity to demonstrate their expertise to the full, and the freedom to distinguish themselves from others.

The national government's Structure Vision for Infrastructure and Space provides the framework for spatial, water and mobility plans for the Netherlands to 2040, and determines the investment focus. It provides input for the Multiannual Programme for Infrastructure, Space and Transport (MIRT). The MIRT Project Book 2014 that the national government issued at the end of October 2013 suggests that the tendency to postpone projects will continue.

#### 4.1.1 Results for the Infrastructure segment

x € 1 million	2013	2012
Revenue	546	496
EBIT	4	10
Margin	0.8%	2.1%
Order book	596	900
Assets	247	214

Infrastructure achieved a profit of 4 million euros. Good results on several major projects exceeded the losses incurred on the major A15 Maasvlakte-Vaanplein highway project and several old regional projects that predate the 2012 restructuring operation. The results achieved on the ongoing major projects in the offshore wind turbines and industrial construction niche markets were also good. Disregarding the restructuring costs, the operating profit went down by 13 million euros to 4 million euros.

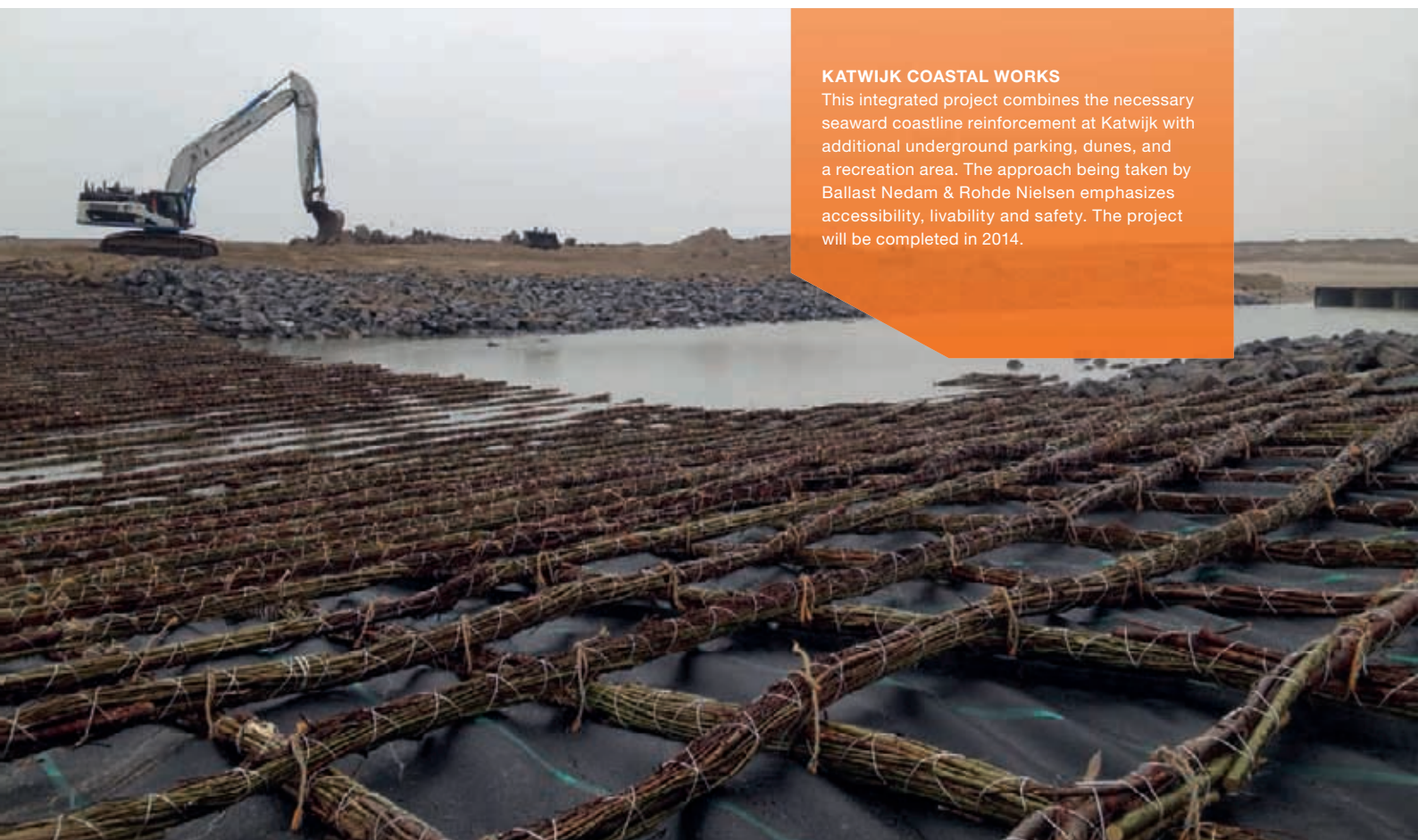
2013 saw the transformation to an infrastructure company with national operations, which has reduced our exposure to loss-making traditional markets. Total employee numbers have been reduced from more than 800 to approximately 475 in the past two years. This adjustment is larger than the fall in volume in the market. The issues on the old regional projects are nearing resolution.

The order book contracted from 900 million euros at year-end 2012 to 596 million euros because of good progress on several major multiyear projects and the absence of new large project acquisitions on the domestic market in the past year. In the offshore niche market, Ballast Nedam acquired a contract in early 2013 for the Northeast Polder near-shore wind farm. Ballast Nedam is designing, delivering and installing the foundations for 48 water-based wind turbines along the dikes of the polder. Financial close of the project is expected in the spring of 2014, after which preparations will start for the installation work in 2015. The project has yet to enter the order book.

Financial close for the Butendiek offshore wind farm project was reached at the beginning of 2013. The project, which has now started, is for the design, delivery and installation of 80 foundations for the Butendiek offshore wind turbine project in Germany. In the second half of 2013 Ballast Nedam installed 39 monopiles and transition pieces in the EnBW Baltic 2 offshore wind farm. Ballast Nedam used its Heavy Lift Vessel (HLV) Svanen to install the foundations. The method used involves bringing the monopiles to the Svanen, which acts as a floating installation platform. This working method has been optimized in recent years to achieve an extremely time-efficient installation.

To date Ballast Nedam has used the Heavy Lift Vessel Svanen to install more than 400 offshore wind farm foundations.

Major projects in the industrial construction niche market that we completed in 2013 were the Nuon Magnum and the Eneco Bio Golden Raand power plants. Projects scheduled for completion in 2014 are BP water treatment in Rotterdam and the new Delta Flume for Deltares in Delft. We took on more maintenance projects in the Netherlands in 2013 than in recent years, thereby expanding our national position in industrial maintenance with new regions in Groningen-Friesland, Amsterdam and Brabant-Limburg.



#### KATWIJK COASTAL WORKS

This integrated project combines the necessary seaward coastline reinforcement at Katwijk with additional underground parking, dunes, and a recreation area. The approach being taken by Ballast Nedam & Rohde Nielsen emphasizes accessibility, livability and safety. The project will be completed in 2014.

The construction consortium of Ballast Nedam & Rohde Nielsen started work in October 2013 on the Katwijk Coastal Works project. This integrated project combines the necessary seaward coastline reinforcement at Katwijk with additional underground parking, dunes, and a recreation area. The beach will stay open for recreational purposes for the whole 2014 summer season. This is an engineering & construct (E&C) contract worth approximately 38 million euros, which will be completed in 2014.

The construction consortium of Ballast Nedam & De Klerk started preparations in 2013 for the renovation of sheet piling along the Amsterdam-Rhine Canal. Having a standard approach to renovating all 67 sheet pile sections helps save costs. More than 23 kilometres of sheet piling between Amsterdam and Wijk bij Duurstede are to be renovated. This is a design & construct contract with a value of over 30 million euros, which will be completed at the end of 2015.

In 2013 the Port of Rotterdam awarded Ballast Nedam the Infrastructure Asset Management integrated performance contract. For five years from 2014 Ballast Nedam will have responsibility for the operational management and maintenance of all Port of Rotterdam dry infrastructure. This integrated performance contract comprises the multiyear maintenance of all dry infrastructure in the Rotterdam port area, which stretches for almost 40 kilometres and covers 12,500 hectares, including Maasvlakte 2. The contract includes approximately 250 kilometres of road infrastructure, overground cables and lines, the external area, the allocatable sites, some 6,700 lighting masts and around 8,000 trees. The contract also includes large-scale lighting modifications.

The Surinam Ministry of Public Works has awarded Ballast Nedam a new contract for the design and construction of the Carolina Bridge over the Surinam river. There is a separate agreement settling the termination by the ministry of an earlier contract in August 2011. The project management on behalf of the Ministry of Public Works is to be performed by a consortium of four Surinamese engineering consultancies. The contract value for the design and construction of the bridge is approximately 19 million euros.

Infrastructure's total assets rose from 214 million euros to 247 million euros because of increased work in progress.

#### *Action plans for 2013*

The Infrastructure segment's primary focus is on improving the operational performance and enlarging the PPP portfolio. We report below on our progress in 2013.

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

*Building Information Models (BIM)*: our aim is to use BIM on all new complex projects in the Infrastructure segment, which will help us manage risks more effectively. Two projects started in 2013: Amsterdam-Rhine Canal sheet piling renovation (DARK) and Katwijk Coastal Works. We are using BIM only in Katwijk, because BIM adds less value for projects of relatively low complexity. However, we are using the Geographical Information System (GIS) on the DARK project, specifically for the cables and lines involved.

*Company manual:* in accordance with our action plan for 2013 we are evaluating our company manual for compliance with Lean Management principles. We use many Lean methodologies in Infrastructure segment projects. A group of 75 of the segment's employees attended a Lean Management training course in 2013. Process owners have updated processes in the company manual on the basis of Value Stream Mapping (VSM) and other Lean methodologies. We passed the audit in September 2013.

*Health, Safety, Security and Environmental (HSSE) Officer:* in accordance with our action plan for 2013, we have appointed an HSSE Officer, which has helped increase safety awareness in the organization. The HSSE Officer calls employees to account, monitors the projects and makes recommendations to guarantee the safety of construction site workers.

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

The planned focus on product-market combinations (PMCs) did not fully materialize in 2013. After the integration of the two Infrastructure clusters, the focus was mainly on the results. Industrial construction persevered steadily on the cooling water systems and geothermal technology product-market combinations .

Plans for product-market combinations for sustainable parking and underpasses did not take shape in 2013.

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

The PPP portfolio remained unchanged. No successes were added to the two projects in portfolio: the A15 Maasvlakte-Vaanplein (MaVa) and A2 Maastricht. The proposal for Schiphol-Amsterdam-Almere (SAA) A9 will be crucial in 2014.

**4.1.2 Specific focus and action plans for 2014**

The main spearhead for the Infrastructure segment for 2014 is to improve the financial position and raise the quality of the results. The segment's focus in 2014 will also be on the following:

- to improve safety: in 2014 we intend to achieve 1.0 or below on the Lost Time Incident Report (LTIR), which means one accident resulting in absence from work in 200,000 worked hours;
- to apply the environmental aspect register to all projects in 2014, which will lead to more environmentally aware behaviour;
- to improve EBIT per project, and improve project control. Each project must achieve the financial criteria as a minimum;
- for Lean thinking and acting to stand for the learning organization in 2014. We will record progress on this point through regular measurements in a fixed group.

## 4.2 Building & Development

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

### Market developments

The markets deteriorated further last year. Price pressure increased accordingly. The new build production rate for homes has fallen by 35 per cent since the crisis began. There was a particularly sharp fall in regional building production, resulting in intense competition and low prices. For 2014 we expect the volume to decrease further (7 per cent, source: EIB). Loans continue to be issued only sparingly, and the borrowing capacity of many households has declined considerably.

The stimulus provided by VAT and transfer tax changes and sustainability-related incentives do not currently outweigh the fall in demand caused by changes in the systems on the mortgage market and in the social rented sector. Pressure on the volume in the housing market increased further because of the introduction of the extra tax on housing associations, which have duly scrapped or postponed projects. Exceptions to the rule were homes for first-time buyers, student accommodation and recreational dwellings, which performed relatively well.

There are tentative signs of a housing market recovery. The signs are still faint, but if they continue in a favourable direction then 2014 will be largely a transitional year. In the medium term the picture for the building industry is promising. Home production has fallen back to 45,000 a year, while there is a structural demand for 70,000 homes a year. Meanwhile the number of households that need a home is growing.

There are now various positive and negative factors in the Dutch economy that affect non-residential construction. First, the overcapacity is slowing the new non-residential building production rate: the occupancy level in industry is low, there is vacant commercial property on many industrial estates, the overcapacity on the office market is over 15 per cent, and vacancy levels are increasing on the retail market because of the emerging internet economy. There is also a structural decline in space requirement per employee. These factors are partly related to economic circumstances, but also have a structural element. We therefore expect recovery in the office market to occur later.

There are good opportunities in the renovation and maintenance market in residential and non-residential construction, with help from the government's VAT changes and the measures in the new Energy Agreement. The transformation of vacant property into different functions remains interesting.

### 4.2.1 Results for the Building & Development segment

x € 1 million	2013	2012
Revenue	531	573
EBIT	(11)	(26)
Margin	(2.2%)	(4.6%)
Order book	691	731
Assets	289	314

Building & Development incurred an operating loss of 11 million euros because of impairment losses and restructuring costs.





Disregarding the write-downs and restructuring costs, the result was break-even. The major projects made an excellent contribution. The regional companies and property development produced a loss.

Results in the regional construction companies were under pressure because of low revenues, undercoverage and high costs. The rigorous restructuring of the regional construction companies will accordingly continue in the first half of 2014, to produce a company with integrated operations, and a focus on relatively large, integrated complex projects, together with a renovation company, Bouwborg, with national scope. The property and area development activities will be integrated into the Concessies business unit, which also manages the PPP and concession project portfolio. Laudy Bouw & Ontwikkeling will continue to operate as a regional company in the south of the Netherlands, whereby the cost structure will also be improved. These capacity adjustments are estimated to involve the loss of 150 jobs.

The revenue of Building & Development decreased by 7 per cent to 531 million euros. The underlying revenue of all operations was lower, with the exception of the CNG activities. CNG Net B.V., which operates in the mobility and energy areas of work, succeeded in increasing revenue by expanding the number of CNG (natural gas and green gas) filling stations in the Netherlands. With CNG Net, Ballast Nedam operates 68 CNG filling stations supplying natural gas and green gas, which represents an expansion of 11 stations in 2013. In addition some ten more filling stations were constructed for private investors in 2013. LNG24 operates the first public LNG filling station in the Netherlands, in Zwolle. A start was made in 2013 on preparations for a second station in Delfgauw.

The Building & Development order book contracted by 40 million euros relative to 2012 because of the completion of several major projects and fewer contracts in the regional construction companies.



#### **CYCLE PARK ROTTERDAM CENTRAL STATION**

The new underground cycle park in front of the station has room for 5190 bikes in 3760 free spaces and 1430 paid attended spaces.

The new underground cycle park is linked directly with Rotterdam Central metro station and the public transport terminal.

#### *Major integrated, complex projects*

The Pi2 consortium, a joint undertaking of Ballast Nedam (65 per cent) and Royal Imtech (35 per cent), has reached financial close for the Zaanstad Penitentiary PPP project. Pi2 is responsible under the DBFMO contract with the Government Buildings Agency for the design, new construction, financing, maintenance and technical facilities management for a 25-year period following availability.

The construction consortium completed the Meander Medical Centre exactly in accordance with the contractual schedule. The first patients were transferred to the new site shortly before Christmas. The conveniently laid-out hospital is of exceptionally high quality, certainly in the light of the tight building budgets in the healthcare sector. Progress on the construction of the logistically complex Erasmus Medical Centre in Rotterdam is also right on schedule. Ballast Nedam was able to use the expertise gained on major integrated, complex projects on the Dutch hospitals market in acquiring the Design, Build & Maintain contract for the new hospital in Curaçao.

Financial close was also reached for the work for Amsterdam Airport Schiphol's transition to central security. Ballast Nedam is constructing an overlay on the E and F piers and a terminal extension between them. The quality criteria on which Schiphol selected the economically most favourable bid were oriented to a predictable, flexible and disruption-free implementation. This is one project that has been won that is a perfect match for Ballast Nedam's strategy to build in a dynamic, logistically challenging environment.

The official start of building on the new Hilton Hotel at Amsterdam Airport Schiphol has been celebrated. The new Hilton Hotel will have 433 rooms, 23 meeting rooms, an 'all-day' restaurant and bar, an executive lounge, a spa and fitness centre, a large atrium with a lobby, and an underground car park with 138 spaces. A covered promenade links the hotel directly with the Schiphol terminal building. The new Hilton Hotel is sited prominently along the terminal approach road, opposite the current Hilton Hotel.

The existing Hilton Hotel will remain in use until its replacement opens, which is expected in mid 2015.

Producing the winning bid for the Hart van Zuid development area was an extraordinary achievement after a tendering procedure of over one-and-a-half years. Ballast Nedam's plan is for the area around the Zuidplein retail centre and Ahoy event centre to grow in the coming twenty years into a focal point for shopping, business and entertainment. The human scale of the urban development will be restored in this area, so that Rotterdam South residents will feel at home there. Ballast Nedam is responsible for the development and construction of various social property projects, and future project development results will enable it to achieve another of the city's package of requirements.

The new Food Center Amsterdam is another 25-year area concession, where the consortium of Ballast Nedam and VolkerWessels is managing the pace and content of this integrated area development. The project will transform the current area of about 23.5 hectares into a new and modern Food Center. Some 100,000 m<sup>2</sup> will be for commercial activities, and there will be around 1,600 new build homes. The Central Market Hall, which is a listed building, is also to be restored.

Ballast Nedam has also received the provisional award for the Thialf stadium renovation in Heerenveen.

Rotterdam's mayor Ahmed Aboutaleb and alderman Hamit Karakus, and Ballast Nedam's CEO Theo Bruijninx, signed the principal contract on Friday, 1 November 2013, setting down the criteria, division of roles and agreements. This vision will give Hart van Zuid a substantial quality boost in the coming decades, delivering hundreds of new jobs and opportunities, and better facilities for local residents while adding social value for Rotterdam as a whole.



#### *Modular construction*

Woonbedrijf and Ballast Nedam are to build 74 energy-neutral iQwoning® homes in Eindhoven. The building style and advanced quality of the new rented homes match the owner-occupied housing that Ballast Nedam built in the area at an earlier stage. The homes' energy-neutral properties are attributable to excellent insulation, including triple glazing, extra roof insulation and gap seals, and the application of various sustainable systems, such as solar panels. Every day two homes are erected, with finishing work completing six weeks later. The homes in the first phase were complete in week 51, with the homes in the final phase expected to follow in April 2014.

Ballast Nedam also won the contract from student accommodation organization DUWO for the redevelopment and new building of the Uilenstede campus in Amstelveen. Ursem Modular Building Systems is applying modular construction techniques on this project. The building, which has 233 new accommodation units, will be identical in style to the other new campus buildings. Ursem Modular Building Systems is a pioneer in modular building to a height of eleven floors.

#### *Renovation and maintenance*

Bouwborg, Ballast Nedam's national renovation company, started a large-scale renovation project for BrabantWonen in early 2013. This is a three-year project for the renovation of 324 homes in the Graafsewijk Barten-Zuid district of Den Bosch. A feature of this project is the compelling social challenge that Bouwborg seeks to meet together with the client and chain partners. Ballast Nedam was also the lowest bidder on the engineer and build contract for the Thuisvester housing association, for the renovation and energy-efficiency improvement of 363 homes in Oosterhout. The preparations for this project are already in progress. Ballast Nedam also acquired a contract for three large maintenance projects in Capelle aan den IJssel and Leiden. Laudy Building & Development received an order for specialized restoration work on St. John's Bastion in Den Bosch.

Ballast Nedam, six housing associations and three construction companies signed the Stroomversnelling Green Deal at the end of June 2013, which involves the sustainable renovation of 111 000 rented homes from between 1950 and 1970.

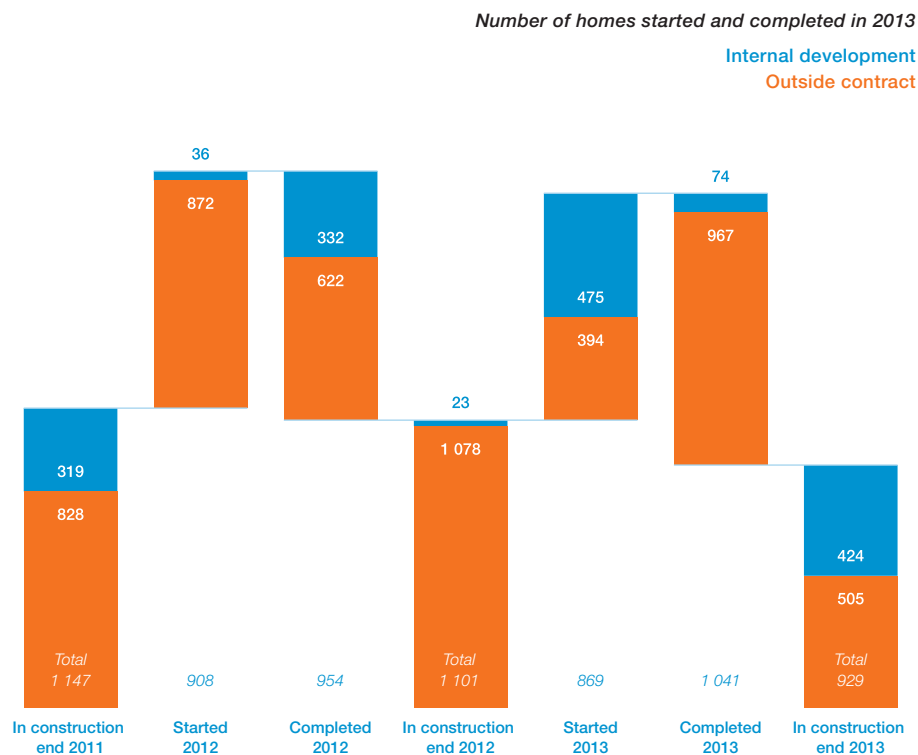


The development of the first four prototypes started in September 2013, and the first projects will be tackled in 2014. The contract stipulates that with a viable business case the sustainable renovation of the first 11 000 homes will be guaranteed by the four participating construction companies. Residents will have more comfortable homes, and no more energy bills. Landlords, such as housing corporations, will then meet their sustainability targets, increase the value of their residential property, and improve existing residential areas.

Building & Development's assets decreased by 25 million euros to 289 million euros as a result of lower housing stocks and land positions.

### Property development

The number of completed homes increased in the past year by 9 per cent to 1 041, so that the number of homes under construction was 172 fewer, at 929. The number of in-house developed homes under construction rose strongly from 23 at year-end 2012 to 424. There was a shift in 2013 from construction contracts to in-house developed homes, largely because of the start on 350 student apartments for (Y)ours Leiden, 74 energy-neutral iQwoning® homes in Berckelbosch and 35 recreational dwellings for the Nieuwvlietbad beach resort project.



## Property development exposure

x € 1 million	2013	2012
Land positions	142	152
Unsold stock under construction	5	6
Unsold stock delivered	10	18
<b>Total on balance</b>	<b>157</b>	<b>176</b>
Liabilities to complete projects under construction	3	1
Liabilities to acquire land positions	44	39
<b>Total liabilities off-balance</b>	<b>47</b>	<b>40</b>
<b>Exposure property development</b>	<b>204</b>	<b>216</b>

The total property development exposure, which consists of investments in land positions, investments in unsold stock and the unconditional purchase commitments and subsequent payment obligations, decreased in 2013 by 12 million euros to 204 million euros.

In addition, the conditional purchase commitments increased by 12 million euros from 143 million euros at year-end 2012 to 155 million euros. The ambition is to lower the capital invested in property in the next few years by studying the prospects for each location, while accelerating the development of some relatively large locations.

The total investment in unsold stock, both delivered and under construction, went down in 2012 by 9 million euros to 15 million euros. The number of unsold homes went up from 67 at year-end 2012 to 96. The number of unsold homes went down from 56 at year-end 2012 to 27 at year-end 2013, spread over ten projects.

There was a net decrease of 8 million euros in unsold delivered stock to 10 million euros, attributable in part to the sale of homes in the Nieuwvlietbad beach resort and Entrada Meuse Cuijck projects.

In December construction started on Building C (60 rented and 57 privately owned apartments) of (Y)ours Leiden. The sale of the 57 apartments went extremely well, and 55 apartments have now been sold, with options on the other 2. In June construction started on Building B of (Y)ours Leiden, which comprises 583 student apartments, 457 of which have been sold and 126 unsold. VORM Ontwikkeling, Ballast Nedam and Syntrus Achmea Real Estate & Finance are developing and constructing (Y)ours Leiden, the most sustainable student campus in Europe, with 1 900 student apartments, 205 homes for first-time buyers and associated facilities.

On behalf of the Ymere housing association, Ballast Nedam is replacing two of the five apartment buildings on Tugelaweg in Amsterdam-Oost with mixed new building. The 157 newly built homes are a combination of 85 for social rent, 33 for market rent, and 39 for owner-occupation. Ballast Nedam and the Thuisvester housing association in Oosterhout have agreed on the price for building 56 houses and 104 apartments. 37 of these homes are now under construction.

Sales started in early September of the 29 owner-occupied homes in the first phase of the Weidelanden building plan. In the meantime, 23 sales contracts have been signed. We now have preparations in place for Wonen Central for the new building of a retail strip with built parking facilities and 112 apartments in Alphen aan den Rijn.

#### Land positions

x € 1 miljoen	2013	2012
1-jan	152	154
Net investment	(9)	19
Write-down	(1)	(21)
<b>31 December</b>	<b>142</b>	<b>152</b>
Cumulative write-down	40	39

Each year, or earlier if the need arises, a plan assessment based on scenario analyses is performed for each land position.

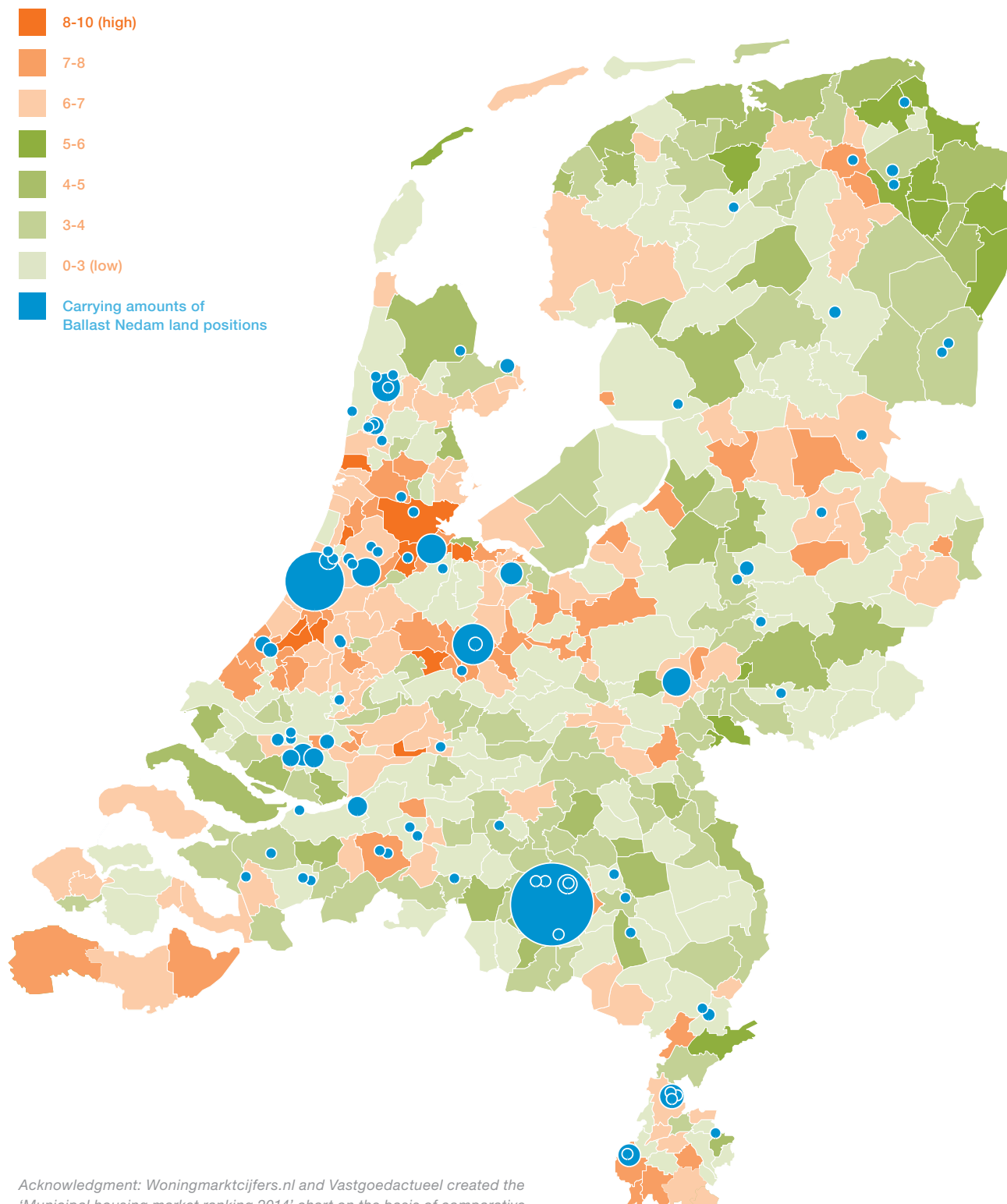
The present value of all future cash flows is estimated using a weighted average cost of capital of 9 per cent. These cash flows at the current price level are not indexed. We have also factored in a 3 per cent margin for sale risk and we are taking no account of the result on the building. The carrying amount of the land bank comprises almost no interest and preparatory expenses.

The land positions decreased by 10 million euros to 142 million euros, consisting of a net disposal of 9 million euros and a write-down of 1 million euros. The net disposal of 9 million euros consisted largely of the sale of the Brakkenstein land position in Nijmegen and various smaller positions in 2013. The still outstanding unconditional obligations to acquire land positions increased by 5 million euros to 44 million euros, of which 30 million euros will fall in the 2014 to 2018 period, and 14 million euros in 2019 and later.

The write-down of 1 million euros related to a position, within the entire land bank of approximately 100 positions, in connection with a future obligation to sell. The cumulative write-down on land positions therefore increased by 39 million euros at year-end 2012 to 40 million euros, which is 21 per cent on the entire land bank since 2008.



## Carrying amounts of Ballast Nedam land positions



Acknowledgment: Woningmarktcijfers.nl and Vastgoedactueel created the 'Municipal housing market ranking 2014' chart on the basis of comparative research of all municipalities on the following seven components: average purchase price, price trend, trend in number of transactions, housing supply trend, theoretical sale time, and ratios of transactions/stock for sale, and of housing supply/stock for sale.

For practical reasons the chart does not show the place names concerned.  
For additional information: [www.woningmarktcijfers.nl](http://www.woningmarktcijfers.nl)

The estimated development potential of the land bank fell by 15 per cent from 10 000 homes at year-end 2012 to approximately 8 500, mainly because of lower estimates of the numbers of homes to be built and the sale of land.

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

On the Nieuwvlietbad beach resort project, phase 1, with 88 recreational dwellings, and which started in 2012, has been completely sold and delivered. The rental yield on the park is above expectation. Phase 2a with 55 recreational dwellings, and which started in 2013, has been completely sold and delivered, and is now for rent. The construction of phase 2b has also started, and 17 of the 23 recreational dwellings have been sold. The sale of phase 2c started in late 2013, and 17 of the 34 homes have now been sold.

#### *Action plans for 2013*

The Building & Development segment's focus was on improving operational performance and the existing package of products.

##### **To improve operational performance through permanent improvement programmes**

The several bottom-up improvement programmes that have started within Building & Development enjoy broad support and commitment. We have shared the experience gained within the segment, and worked out how working methods relate to results. These are the first steps towards a company with integrated operations, which is organized for relatively large, integrated, complex projects. We reassessed the impact of the Better Performing Organizations (BPO) programme that was started in 2012 through an employee survey in 2013: the scores had increased on average.

##### **To improve the existing package of products**

The concept teams that were introduced in the Building & Development segment in 2013 jointly develop concepts, from the selection of promising ideas to market introduction, and work systematically and efficiently on a new Ballast Nedam product or service with high added value for client groups.

The benefits obtained with the concept teams are tighter current business models, better approaches to market segments and client groups, new service packages, and innovative product applications. All concept teams engage in intensive dialogue with stakeholders as part of their quest to collect and analyse information about what the market expects from Ballast Nedam.

#### *4.2.2 Specific focus and action plans for 2014*

The regional construction companies will undergo drastic restructuring in the first half of 2014, including improvements to the cost structure. The Building & Development segment's focus is also on improving operating performance and the existing package of products. We also aim to involve users and project partners directly in the organization's improvement objectives. There is more in Section 7.3 *Operational dialogue on four levels* on page 137 about the customer satisfaction survey and how it relates to our improvement targets.

## 4.3 Specialized Companies

The companies aspire to being specialized subcontractors for integrated projects in construction, infrastructure and niche markets. Risk-bearing participation in the projects is restricted to their own scope.

### Market developments

The volume in the markets for the specialized companies declined, since they are largely derivative markets of infrastructure and construction. The price level in road-building and concrete construction continues to be poor. The demand for hydraulic engineering constructions, such as quay walls, bank improvements, locks, coastal works, jetties and temporary berths, is increasing. Significant sources of these projects in the Netherlands include the High Water Protection Programme (HWPP), the Space for the River programme, and the Delta Fund.

#### 4.3.1 Results for the Specialized Companies segment

x € 1 million	2013	2012
Revenue	260	262
EBIT	(19)	(10)
Margin	(7.5%)	(3.8%)
Order book	113	90
Assets	115	131

The Specialized Companies segment incurred a very disappointing loss in 2013 of 19 million euros. The successes achieved in the companies that performed well were overshadowed by sustained losses in two specialized companies. Capacity in the two specialized companies has been reduced, and several loss-making products were discontinued in 2013. Disregarding the restructuring costs the loss increased from 7 million euros in 2012 to 14 million euros. Ballast Nedam sold the Boringen (Drilling) unit of the wholly owned subsidiary Gebr. Van Leeuwen to Kleywegen Group at the end of 2013.

Revenue decreased by 2 million euros to 260 million euros. Much of the revenue achieved in the specialized companies arose from projects such as the A15 Maasvlakte-Vaanplein (MaVa), the A2 Maastricht, Amsterdam-Rhine Canal sheet piling renovation (DARK), Katwijk Coastal Works, Breda public transport terminal and the overlay of the E and F piers at Amsterdam Airport Schiphol. These projects will continue to contribute to revenue in 2014. Nonetheless, as last year, this year's revenue will decrease further as these large projects decline, and because of the sale of Gebr. Van Leeuwen Boringen and capacity adjustments following the restructuring of the Funderingstechnieken business unit and Gebr. Van Leeuwen and IPM. In 2013 the Specialized Companies segment and Van Oord acquired the Maasvlakte 2 Public Berths project.

In alternative and conventional fuels, where the Specialized Companies segment's main operations are in filling station construction and maintenance, investments are falling and there is a shift from new building to refurbishment and maintenance. We build dedicated CNG filling stations for small parties who wish to avoid dependence on a public filling station. Potential customers from Germany, Switzerland and the Czech Republic know where to find Specialized Companies. In 2013 Ballast Nedam delivered a professional home-base CNG filling installation on a turnkey basis to the Portuguese energy company EDP.

The filling installation serves the fleet of 20 new natural gas vehicles rapidly and simply on EDP's own site in Porto.

The demand for LNG filling stations is less than expected. LNG24 operates the first public LNG filling station in the Netherlands, in Zwolle. A start was made in 2013 on preparations for a second station in Delfgauw. In late 2013 a semi-permanent 350-bar hydrogen station was taken into use at AutomotiveCampusNL in Helmond. Ballast Nedam has acquired a follow-on contract for the construction and maintenance of a hydrogen filling station for the Flemish-Dutch WaterstofNet, this time for the first 700-bar station in the Netherlands. This filling station type is compatible with the new generation of hydrogen-fuelled passenger cars that will be put on the market.

The Dutch remediation market is declining, and we are withdrawing from it. The environmental activities are now focused on Belgium, where the remediation market is better, and is set to remain stable for the next few years. Our strategic soil storage and cleaning site in Zutendaal is in a good starting position for 2014. The number of soil remediation projects to be carried out for the governments of Flanders and Wallonia strengthens this position.

Several business units within the Specialized Companies segment focus on consultancy and engineering, and generally they are performing well. The main customers of these business units are fellow Ballast Nedam companies. In order to retain the specialized position of these companies, we are investing continuously to enhance employee knowledge in areas such as legislation, BIM, Reliability, Availability, Maintainability and Safety (RAMS), and the latest technical systems.

The order book grew by 26 per cent to 113 million euros, and total assets went down by 16 million euros to 115 million euros as a result of lower investment.

#### *Action plans for 2013*

The action plans for 2013 were:

- to improve compatibility with activities in the Building & Development segment;
- to reduce the burden on the local community from construction activities;
- to expand our secondary raw materials activities.

We report below on our progress in 2013.

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

The compatibility with activities in the Building & Development segment improved reasonably well. Together with Ursem Modular Building Systems we are studying further constructional developments of their building system, the engineering department is performing an increasing number of consultancy assignments for Building & Development, and more dimensioning support is being provided.

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

To reduce the burden on the local community, we are carrying out fuel-reducing measures, using hybrid machines, and increasing the number of CNG-fuelled vehicles in our fleet (45 per cent). We have investigated the opportunities for using LED technology. We have decided not to do so yet, but to follow technological developments closely.

#### **To expand our secondary raw materials activities**

The expansion of our secondary raw materials activities is generally progressing well. The production rate at the Nauerna soil remediation site is in line with our expectations.

After intensive tests for the application of incineration ash from waste power plants, we are working on an initial pilot project for processing the ash using wet cleaning technologies. There is additional information in Section 4.4.1 *Results of the Supplies segment - action plans for 2013* on page 73.

#### 4.3.2 Specific focus and action plans for 2014

In line with our strategic focus, operational control will be integrated further starting in 2014. The Specialized Companies and the Supplies clusters will be merged into a single Specialized Companies & Supplies cluster, and the policy within the clusters will be brought further into line. The main priorities for the Specialized Companies segment in 2014 are to improve the financial position and enlarge the third party market proportion in our order book. In 2014 the segment will also focus on:

- process optimization and the reduction of failure costs;
- strengthening sales, marketing and innovation;
- making the companies more flexible.

We explain these points below.

##### *Process optimization and the reduction of failure costs*

The specialized companies' distinctive products give Ballast Nedam a demonstrable competitive advantage. Process optimization and the reduction of failure costs will lower costs and raise product quality. Tighter process management in the proposal and contracting stages helps reduce risks. We will depart where possible from heavily capacity-driven markets, with the focus of operations shifting to niche markets. Some companies have already conducted improvement programmes in recent years. The aim in these companies is to bring about a permanent change of attitude.

##### *Strengthening sales, marketing and innovation*

The strength of a specialized company resides in the capacity to innovate. As well as expanding and strengthening knowledge and skills, we will endeavour in 2014 to strengthen sales and marketing in the specialized companies, in particular for the third-party market. We will continue the current commercial activities for the foreign market.

##### *Making the companies more flexible*

The companies need to be more flexible to be able to anticipate market shifts and so ensure the health of the business in the future. Flexibility is being enhanced both inside and outside the company. Internally we work with essential key staff, supplemented with a flexible shell. All key staff must have all-round skills and training. Externally the business units are working together more intensively, making use of each other's capacity, and partnership with external parties is not ruled out.





#### AQUEDUCT LEEUWARDEN

The provincial government of Friesland and the municipality of Leeuwarden are creating access to Leeuwarden with the Western approach road, which connects to the Haak om Leeuwarden highway. The project involves the creation of an aqueduct in the Van Harinxma canal.

## 4.4 Supplies

The Supplies segment comprises the companies that extract primary raw materials and produce secondary raw materials, the prefabricated concrete companies, the modular product plants, a foundry, and various holdings. The companies operate on a variety of competitive markets, and there have been differences in their respective performance in the past year.

The supply companies' distinctive products give Ballast Nedam a demonstrable competitive advantage in the integrated projects, besides which they focus on promising growth markets and niche markets inside and outside Ballast Nedam. The companies supply knowledge and devise innovative solutions in the early stages of these projects, and continue to contribute to their implementation.

### *Market developments*

There is some variation within the segment, but all the companies are confronted with an extremely competitive market.

The market for sand and gravel continued to be difficult in 2013, with little demand and abundant supply leading to falling prices. In general the market for waste processing ash can be said to have been reasonable to good in 2013.

A price war is also in progress in the prefabricated concrete market because of the plentiful supply. The result is poor prices and low margins, in particular for standard products. There is still a market for specialized concrete applications in both the Netherlands and Belgium. A further increase in production of the prefabricated concrete companies for non-residential construction in industry, distribution and agriculture is expected in 2014.

In the office market, conversion is a potentially interesting market, from which companies such as Microbeton (with external walls) and Ursem Modular Building Systems (with prefabricated bathrooms) stand to benefit.

On the market for modular construction we are observing a growing demand for rented housing in the liberalized segment. Another favourable trend is the future need for accommodation for specific target groups, such as young people, first-time buyers, and elderly people, which translates into good market prospects for iQwoning® and Ursem Modular Building Systems.

#### 4.4.1 Results for the Supplies segment

The supply companies have generally had a difficult year. Low production in residential, non-residential and infrastructure construction has restricted demand for the prefabricated concrete and raw material companies, which coincides with ample supply on the market and low margins. Companies such as Recycling Maatschappij Feniks, Ballast Phoenix, TBS Soest and Concrete Valley, which have a strong position in the markets in which they operate, proved their added value in 2013 and contributed profitably to the Supplies segment.

x € 1 miljoen	2013	2012
Revenue	212	216
EBIT	8	2
Margin	3.8%	0.9%
Order book	55	56
Assets	187	205

The revenue of Supplies went down by 4 million euros to 212 million euros because of the sale of the raw material company Yvoir.

Operating profit rose by 6 million euros to 8 million euros. Disregarding the write-downs and restructuring costs, operating profit remained unchanged at 9 million euros. There was also an impairment loss in 2012. Improved results in the prefabricated concrete companies and the sale of Yvoir and an associated asphalt plant supported the profit.

Price and volume pressure caused by the poor market conditions led to a modest loss for the prefabricated concrete companies. The raw material companies achieved a lower but positive profit because of the lower revenue. Feniks Recycling made a fine contribution on the secondary raw materials niche market. Preparations started in 2013 on the construction of new plants in Cleveland and Ipswich, which entered operation in 2014. Work is also in progress on the capacity enlargement of plants in Sheffield and Castle Bromwich, which will be operational in 2015.

The margins in the raw materials market were under severe pressure. Granite Import Benelux was also confronted with falling prices. We expect little improvement on this front in 2014. The offshore industry was a favourable exception: Bremanger Quarry performed extremely well in 2013. There was great pressure on raw material deliveries by Granite Import Benelux and Antwerp Stone Terminal to the concrete and asphalt industry end markets. The Bichterweerd companies are in a transitional period to new concession areas.

The margins in the raw materials market were under severe pressure. Granite Import Benelux was also confronted with falling prices. We expect little improvement on this front in 2014. The offshore industry was a favourable exception: Bremanger Quarry performed extremely well in 2013. There was great pressure on raw material deliveries by Granite Import Benelux and Antwerp Stone Terminal to the concrete and asphalt industry end markets. The Bichterweerd companies are in a transitional period to new concession areas.

Work on the 'New Life in the Lus van Linne' project started in the autumn of 2013. In close collaboration with the Limburg Landscape Foundation, the municipalities of Roermond and Maasgouw and local residents, Ballast Nedam will transform the meander known as the Lus van Linne in phases over the next fifteen years into 200 hectares of species-rich river nature, with a variety of recreational facilities and flood protection measures. This redevelopment will be combined with estimated resource extraction of 10 million tonnes of sand and gravel.

Ballast Nedam has an excellent position in the secondary raw materials niche market. Feniks Recycling's development and construction activities for new installations and expansions are focused mainly on the United Kingdom, where work is in progress on the construction of new installations in Cleveland and Ipswich, and capacity enlargement of the installations in Sheffield and Castle Bromwich. The prospects are extremely favourable.

In August 2013 Remex Mineralstoff made a nonbinding bid for Feniks Recycling, and carried out a due diligence investigation. Ballast Nedam and Remex Mineralstoff did not reach agreement in the negotiations.

The continued low production in the modular product plants in 2013 was attributable to weak market conditions and delays in the start and execution of housing and student accommodation projects caused by the developments surrounding the extra tax on housing corporations. Ursem Modular Building Systems is supplying modular bathrooms for the almost 600 student apartments in the (Y)ours Leiden project (see also *Modular construction* on page 45).

Ballast Nedam Participatie, with its holdings in asphalt batching plants, Freesmij, and Traffic Service Nederland, closed 2013 satisfactorily. After poor market conditions in early 2013 because of the long winter, the companies more than made up for the lost ground. Rademakers Gieterij performed better than expected despite a poor market in 2013. The market for water control and management products in which TBS Soest operates achieved reasonable stability in 2013.

The adjustments in capacity and range of products that have been implemented in some of our companies have had a favourable impact. Control of failure costs on the production sites and commercial strength continue to be points for attention.

The order book of 55 million euros remained largely unchanged.

The assets of Supplies decreased by 18 million euros to 187 million euros mainly because of the sale of Yvoir and a stake in an asphalt plant.

#### *Action plans for 2013*

The action plans for 2013 were:

- to improve operational performance through focus, Lean Management and cost-reducing investment;
- to contribute through teamwork to Ballast Nedam's product-market combinations;
- to exploit the favourable starting position on the primary and secondary raw materials market.

We report below on our progress in 2013.

**To improve operational performance**

We have made good progress on improving operational performance. We have followed up ongoing improvement programmes for process optimization and failure cost reduction by monitoring well-defined performance indicators and taking action accordingly.

New improvement programmes were started in 2013 at Haitsma Concrete, and recently at Omnia Plaatvloer, which will also introduce a clear focus into the product portfolio.

Concrete Valley and others have also made smart, cost-reducing investments. Concrete Valley has set up a new production line for 3D formed elements, strengthening its position in light-weight architectural concrete.

**To contribute to Ballast Nedam's product-market combinations**

At iQwoning® we have expanded on the product developments already made: iQwoning® offers multiple energy variants and is at an advanced stage in the development of management and maintenance packages. Haitsma Concrete supplies concrete elements to Modupark® and Ursem Modular Building Systems. Hoco Concrete is a strategic supplier to Ballast Nedam Building & Development Special Projects.

**To exploit the favourable starting position on the primary and secondary raw materials market**

We have put down several markers with a view to exploiting our favourable starting position in primary and secondary raw materials. The Lus van Linne earth removal project has started, and in Belgium two future earth removal projects have been brought one step closer. The second phase of earth removal in Grosskunkel (Germany) has also started.

In the market for secondary raw materials, Recycling Maatschappij Feniks' British subsidiary Ballast Phoenix has acquired three new contracts for future reprocessing sites, with a fourth contract at an advanced stage.

The Green Deal that was made with the Ministry of Infrastructure and the Environment in 2012 includes a commitment to further improve incinerator bottom ash quality. Feniks Recycling and Ballast Nedam Milieutechniek together with NV Afvalzorg have developed a wet cleaning technology. The small-scale tests carried out in 2012 were scaled up in 2013. Work will be carried out in 2014 on a pilot project to use incinerator ash that has been processed using wet cleaning technologies.

**4.4.2 Specific focus and action plans for 2014**

In line with our strategic focus, operational control will be integrated further starting in 2014. The Specialized Companies and the Supplies clusters will be merged into a single Specialized Companies & Supplies cluster, and the policy within the clusters will be brought further into line.

In 2014 the Supplies segment will continue to pursue the policy that was embarked on in 2012 and 2013. The main priority within the Supplies segment remains to improve the financial position. In 2014 the focus of the segment will be on:

- process optimization and the reduction of failure costs;
- strengthening sales, marketing and innovation;
- making the companies more flexible.

We explain these points below.

***Process optimization and the reduction of failure costs***

The supply companies' distinctive products give Ballast Nedam a demonstrable competitive advantage. Process optimization and the reduction of failure costs will lower costs and raise product quality. Some companies have already conducted improvement programmes in recent years. We are bringing about a permanent improvement in the culture in these companies through constant attention to process optimization based on performance indicators.



### *Strengthening sales, marketing and innovation*

In anticipation of an upturn in the domestic market, we are taking steps to strengthen our business development performance. We are accordingly expanding the commercial departments of several companies. We are also giving extra attention to brand-oriented product and service development, such as management and maintenance contracts tailored to user requirements. The commercial departments will then be well equipped to approach the market with these new products.

Adjustments to processes and products have been carried out in several companies in the Supplies segment in recent years. The companies concerned are now performing better. The benefits of their improvement efforts must materialize starting in 2014. Extra attention is therefore being given to sales, marketing and innovation in these companies too.

### *Making the companies more flexible*

The companies need to be more flexible to be able to anticipate market shifts, which we are achieving through internal and external measures. Internally we work with essential key staff, supplemented with a flexible shell. All key staff must have all-round skills and training. Externally the business units are working together more intensively, making use of each other's capacity. A good example of this is the Concrete Valley concept, in which the participating organizations use each other's workers to absorb peaks in production.

#### **MODUPARK® CAR PARK, THE HAGUE**

The temporary parking problem around the Nieuwsluisstraat has been solved with a ModuPark® car park. The capacity can be adjusted to suit the demand for parking space. After use the car park can be fully dismantled and reused.







'With as many as 110 000 passengers every day, it's just as busy here as at Schiphol'

---

John de Vroome – project leader Underground Cycle Park Rotterdam Central Station

# 5

## Risk and risk management

### 5.1 Risk management and internal control

#### 5.1.1 Criteria

Business is about recognizing opportunities, but also about taking calculated risks. The risks apply to Ballast Nedam as a whole, and also for the companies within Ballast Nedam and the projects they perform. The application area for risk management is therefore the whole of Ballast Nedam with its companies and projects. This demands a specific approach to risk management, in which there is a shared set of criteria to compare and contrast the risks and opportunities of the projects and the operating companies.

The Ballast Nedam Board of Management has the ultimate responsibility to identify, prioritize, manage and control the risks within the company. However, the risks reside at various places in the organization, so that employees are also encouraged to signal any risks they identify. To put them in a position to do so, Ballast Nedam employs a variety of systems and tools tailored to the needs of a specific project or operating company. As well as identifying strategic risks and controlling the significant risks, these tools also help us achieve our operational, financial and compliance objectives.

### 5.1.2 Risk philosophy

Effective risk management requires us to identify risks in good time, assess the feasibility of control, and assess the costs of control against the possible gain. Ballast Nedam sets out to control the identified and prioritized risks as effectively as possible. The most important risk management principles are as follows:

- Ballast Nedam deems the management of risks to be a core competency, which is enshrined in our governance structure;
- Ballast Nedam is willing to take only responsible business risks: the probability of these risks materializing, and the possible consequences, must not imperil business continuity;
- the management of the operating companies must identify, analyse, prioritize and control the risks at their company level. Subsequently the cluster Managing Director concerned must identify, analyse, prioritize and control the risks at cluster level, together with the directors of the operating companies and with the cluster financial director. The objective is to mitigate the material risk as effectively as possible. Ultimately the same process must be repeated in the Concern Council, in which the cluster Managing Directors and the Board of Management jointly identify, analyse, prioritize and control the risks;
- the risks of the projects must be identified, analysed, prioritized and controlled. The risks of the projects are also spread, so that they can be included in the risk analyses of the operating companies, clusters, and Ballast Nedam as a whole, with reference to the same set of criteria.

### 5.1.3 Organization

Ballast Nedam manages its operations through a structure of four segments, which are formed around products and processes. The three cluster Managing Directors and the Board of Management constitute the Ballast Nedam Concern Council.

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

### 5.1.4 Authorities and allocation of duties

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

#### 5.1.5 Reporting

The Board of Management discusses the course of events quarterly with the cluster Managing Directors and with the directors of the Shared Service Centres with reference to the financial and operational reports, which always give the current material risks and controls. The cluster Managing Directors conduct a similar dialogue with the directors of the business units.

The reports are:

- a daily liquidity report of Ballast Nedam's cash position;
- a weekly cash flow forecast for twelve weeks;
- a four-weekly financial group report;
- an extensive quarterly report of major, integrated projects;
- an extensive management quarterly report with qualitative and quantitative information.

#### 5.1.6 General controls

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

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

#### 5.1.7 Contractual risk management

It is becoming more important for us to perform integrated contractual management of projects in the light of the increasing juridification of society. The Legal Department helps us draw up, document, monitor and, if necessary, defend our agreements with clients and contractors. By tackling issues of law, contracts and insurance in an integrated way, we are able to contractually control the risks of projects and business units more efficiently. A fixed contact communicates intensively with the business unit or department concerned to signal any potential contractual risks and to take proactive steps if any risks arise. Some projects have specialist contract managers for both the tendering and implementation phases. Insurance complements the risk management contribution from Legal by providing sufficient cover for insurable risks and our liability. Legal also has an independent signalling and reporting role in relation to risks arising from changing legislation.

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

Ballast Nedam's risk profile and the internal risk management and control systems are on the agenda of all meetings with the Supervisory Board and the Audit Committee. The achievement or otherwise of the corporate objectives in the light of acceptable risks is a factor in determining the remuneration of Board of Management members. There are at least five Audit Committee meetings a year attended by the chairman, the CFO of the Board of Management and the external auditor. The meetings are to discuss the financial course of events and the findings of the company's internal audits and risk management. The activities are covered in Section 8.2 *Report of the Supervisory Board* on page 152.





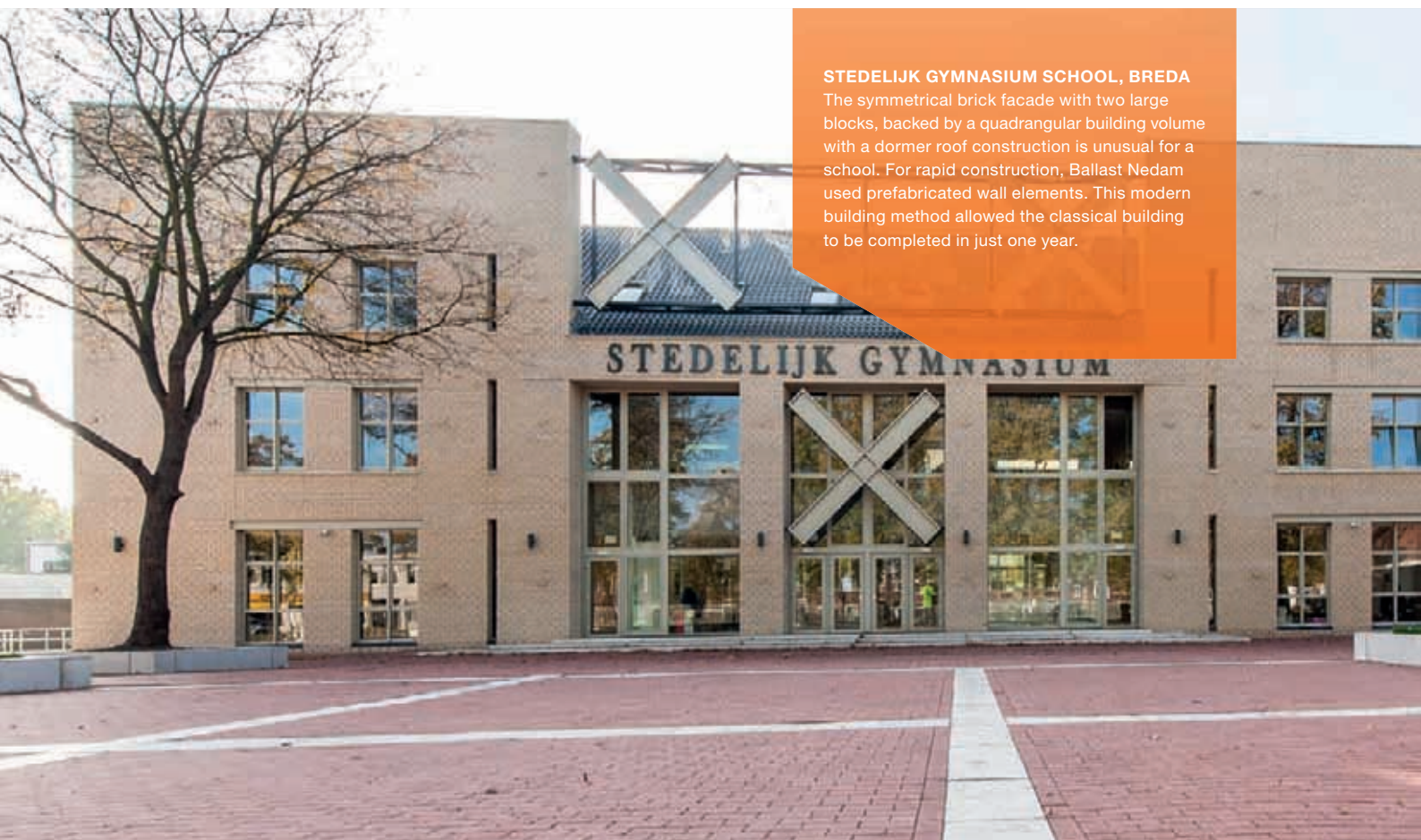
#### 5.1.9 Evaluation

In 2013 Ballast Nedam refined its compliance policy to make us better able to monitor abuses and infringements of legislation. We have also felt the consequences of the negative publicity surrounding past compliance violations, which has strengthened our resolve to continue in 2014 the zero tolerance policy that we adopted in 2012. The compliance structure and zero tolerance policy are explained in Section 6.4.3 *Compliance & Integrity* on page 117.

Ballast Nedam is continuing the zero tolerance policy for Code of Conduct compliance. Alleged infringements will be investigated thoroughly. Immediate measures will be taken in response to any infringements found by the investigation.

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

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



#### STEDELIJK GYMNASIUM SCHOOL, BREDA

The symmetrical brick facade with two large blocks, backed by a quadrangular building volume with a dormer roof construction is unusual for a school. For rapid construction, Ballast Nedam used prefabricated wall elements. This modern building method allowed the classical building to be completed in just one year.



## 5.2 Salient risks

Ballast Nedam is exposed to risks in various areas. We categorize risks as strategic, financial, operational, or compliance-related. This section gives details of these risks and their sensitivity, and about the controls Ballast Nedam employs. We also explain certain specific risks.

### 5.2.1 Risks related to our strategy

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

#### **Economic risks in the industry**

The average construction volume in the Netherlands varies, expanding by 5 to 10 per cent in good years, but stagnating, or contracting by 5 to 10 per cent, in bad years,

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

#### *Market risks in residential construction*

The revenue of the Building & Development segment depends strongly on consumers' confidence in the future. Consumer confidence has been at a low ebb for some considerable time. There are now signs of a tentative recovery of the housing market. Residential construction normally represents about 25 per cent of annual revenue. The sales of the homes developed by Ballast Nedam remained under heavy pressure because of the recession and the associated decline in consumer confidence. We have accordingly taken the following additional measures:

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

If the housing markets deteriorate further than we currently estimate, there is a risk of further impairment of the land positions, despite the almost complete absence of interest and preparatory expenses in the valuation of these positions, and despite the cumulative write-down of 21 per cent on the entire land bank since 2008. In the long term the housing market actually has good prospects.

The Development Shared Service Centre supports all the clusters in the risk management of property positions. This back office controls all secondary business processes for property development, and also the land bank.

## **Political risks**

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

The main political decisions that have an impact on Ballast Nedam are housing market interventions, long-term infrastructure investment cutbacks, regulations on alternative fuels and secondary raw materials, and offshore wind energy investment. There is more about these issues below.

### *Housing market interventions*

The owner-occupied housing market has stalled because of low consumer confidence. Alongside the limited opportunities for financing and falling prices, uncertainty remains about future mortgage interest tax relief in the Netherlands. On the rented housing market, the housing associations' increasing financial problems are putting the housing market volume under pressure. The introduction of an extra tax on housing corporations is having a severe impact on their investment options.

The implementation of the housing policy agreement of February 2013 is providing some clarity for the next few years, and has eliminated some of the disadvantages of the original government policy. Clarity and continuity of policy are important for housing market recovery.

### *Infrastructure cutbacks*

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

It is important for Ballast Nedam and the industry for the government to make an effort on all levels and, despite the cutbacks, to continue to invest in infrastructure by putting integrated contracts onto the market.

### *Regulations affecting alternative fuels*

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

#### *Regulations affecting secondary raw materials*

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

#### *Investments in offshore wind energy*

Offshore wind energy is one of the most important means of achieving European sustainable energy objectives. An estimate of the total market in northwest Europe based on the sum of national offshore wind energy objectives in 2020 is approximately 50 000 MW. The major European energy companies in particular are investing in offshore wind energy. Market conditions differ in the various countries that are investing in offshore wind energy.

There are two aspects that are influenced by the government's policy and legislation:

- *the cost-increasing* trend of building wind farms in deeper water further offshore;
- possible constraints on network operators' ability to implement the necessary *transport infrastructure* for offshore-generated electricity.

Ballast Nedam is factoring in these aspects by:

- gathering information about the issues in individual countries, in particular France, Belgium, the Netherlands, the United Kingdom, Germany, Denmark and Sweden;
- continuously improving the cost efficiency of our foundation solutions.  
The foundations account for approximately one quarter of the investment needed for an offshore wind farm.

#### **Labour capacity**

Ballast Nedam's success is largely determined by our ability to attract and retain the right employees. It is therefore crucial to our strategy to continue to have a workforce with advanced technical and other knowledge. Imminent shortages of qualified employees make it important to maintain a satisfactory intake of young employees with diverse skills.

### **Reputation risks**

Ballast Nedam was confronted again in 2013 with adverse publicity surrounding a number of difficult issues. One of these issues was the settlement that Ballast Nedam reached with the Public Prosecutor's Office in late 2012 in a case from over ten years ago involving former foreign activities. Although this settlement was the end of the matter for the company, the same is not true with respect to possible criminal investigations of third parties outside our company. The recent settlement that the former auditors reached with the Public Prosecutor's Office in the same case attracted considerable media attention.

Another issue was concerned with alleged abuses in the A2 Maastricht integrated project. The Avenue2 project organization and the shareholders Ballast Nedam and Strukton have been accused of breaking the terms of a collective agreement. Avenue2 regrets the impression that has been created of allegedly underpaid Portuguese workers, despite the findings of the expert committee that no forced labour or exploitation were involved. The accommodation arrangements were also in proper order.

The cooperating public clients – the A2 Maastricht steering group – have constantly pressed for measures to be taken in line with social responsibility. Avenue2 has resolved to effect a project-specific scheme to repay to the Portuguese workers the accommodation expenses that were withheld for 2012 and 2013, and to permanently reduce the deductions for the coming period.

Fortunately, there has also been plenty of media attention to the progress of ongoing Ballast Nedam projects, and projects that Ballast Nedam acquired in 2013. Among the most striking projects to be taken into use are the new building for the Ministry of Security & Justice and the Ministry of the Interior and Kingdom Relations, and the new Meander Medical Centre in Amersfoort. Much attention was also given to the Butendiek offshore wind farm in Germany, the Zaanstad Penitentiary PPP project, and the multiyear integrated area developments Hart van Zuid in Rotterdam and Food Center in Amsterdam.

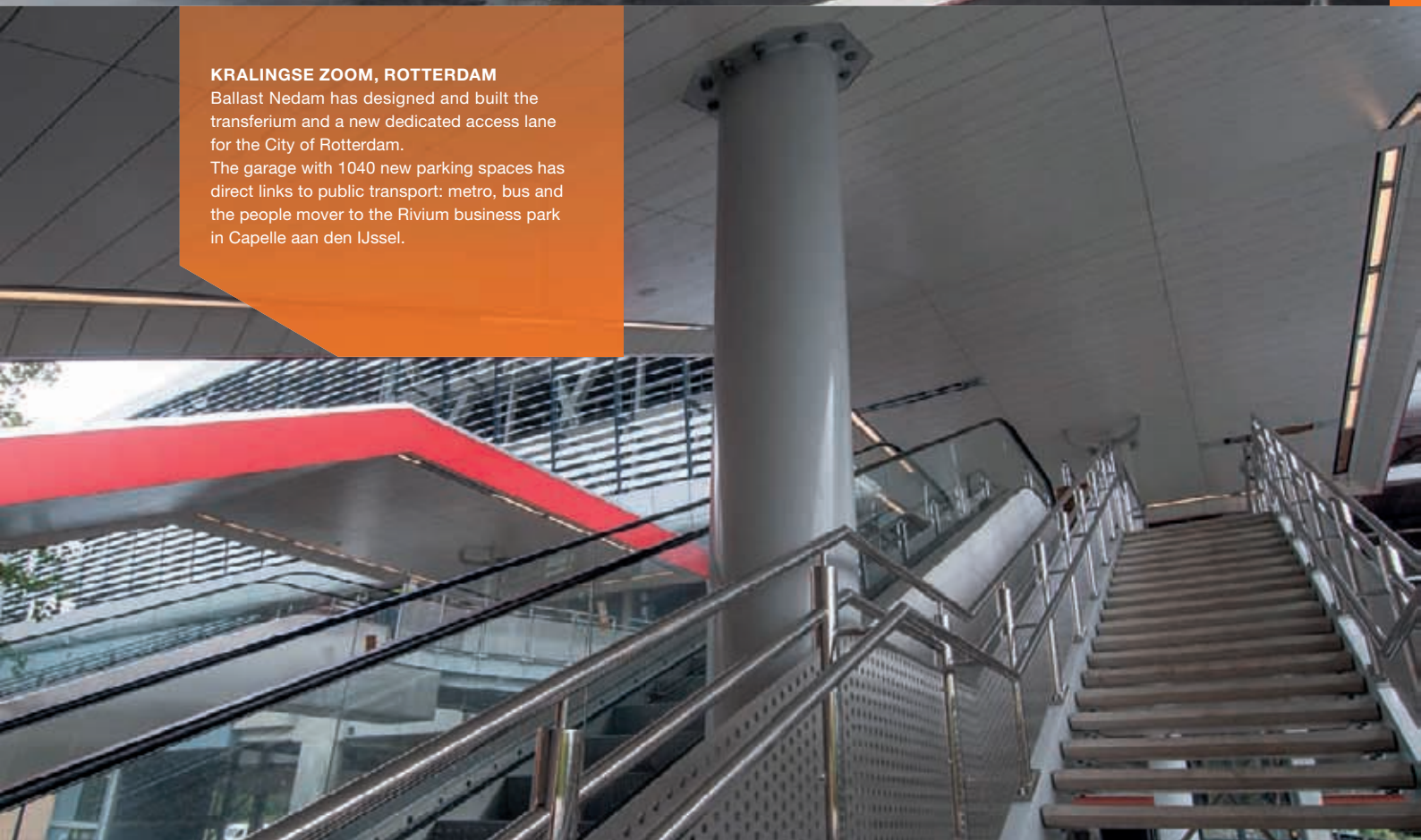




#### **KRALINGSE ZOOM, ROTTERDAM**

Ballast Nedam has designed and built the transferium and a new dedicated access lane for the City of Rotterdam.

The garage with 1040 new parking spaces has direct links to public transport: metro, bus and the people mover to the Rivium business park in Capelle aan den IJssel.





### 5.2.2 Financial risks

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

#### Liquidity

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

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

The current market conditions are exacerbating the trend for advance payments to be harder to collect. Even when invoices, production and completion are all on time, payment may still be delayed by clients' administrative procedures, which puts great pressure on the financing of working capital. At the end of the period the net work in progress item had deteriorated relative to 2012.

Ballast Nedam controls the liquidity risk by:

- making a twelve-week cash flow forecast each week;
- discussing the work-in-progress position of each project every four weeks;
- drawing on committed cash facilities of 80 million euros in total.

#### Finance

Ballast Nedam and the banking syndicate of ING Bank, Rabobank and Royal Bank of Scotland reached agreement in February 2014 on the key conditions for the committed loans to be extended to Ballast Nedam. The committed loans satisfy the liquidity requirements and provide sufficient financial scope to allow Ballast Nedam to concentrate on the execution of its strategy. Ballast Nedam is also strengthening its balance sheet through the rights issue of 30 million euros of depositary receipts for shares with tradable rights.

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

Alongside banks' current reluctance to lend for long periods, we are also observing increasing restraint on the part of banks towards the construction and property sector. In order to continue to gain the long-term benefits of DBFM projects, Ballast Nedam is increasingly turning to institutional investors as a source of borrowed capital.

An example is our 20 per cent stake in the Benelux Secondary PPP Fund I, about which there is additional information in Section 3.2.1 Integrated projects: *DBFM(O) projects / PPP projects* on page 33.

### Currency and interest

Ballast Nedam carries out projects outside the euro zone on a limited scale. Foreign currency translation risk is estimated and where possible covered on a project basis. The financial statements include on page 216 an explanation and sensitivity analysis of the foreign currency translation risk.

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

### 5.2.3 Operating risks

Ballast Nedam's projects are exposed to risks that may arise if people, processes or systems fail to perform properly. If major setbacks were to occur on multiple projects simultaneously, the current operating profit could fall sharply, and the relatively low profit margins increase the need to control the risks. We have embedded various mechanisms and checks in the organization in order to obtain a clear picture of the project portfolio and the associated operating risks, and to monitor and manage these to an acceptable level. There is additional information about this subject below.

### Control of project risks

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

The knowledge and experience that the Ballast Nedam specialized companies contribute in the tendering stage of projects allows the timely identification of operating risks, which puts us in a position to consult appropriate experts regarding the associated responsibilities. When specific expertise is unavailable within the company, we engage partners to perform the relevant project components with us. The risks associated with each area of expertise are always allocated in a process of consultation to the party that is best able to control them.

Technical risks are often present in the implementation phase, and ideally they are controlled in the project design and preparation stages. Ballast Nedam aims for continuous process improvement, quality assurance and systematic analysis of failure costs.

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

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

### **Safety risks**

Ballast Nedam's safety policy is to create a proactive safety culture, which is documented in a safety policy plan. Section 6.4.2 *Safety* on page 113 presents our measures to raise and maintain a high level of safety awareness among our employees.

The chief structural engineer has a vital role in ensuring constructional safety on projects. Ballast Nedam controls the risks by firmly and comprehensively engaging the in-house engineering consultancy, Ballast Nedam Engineering, whose role is embedded in the primary process from high-level design to detailed engineering.

### **ICT risks**

All business units use an ICT infrastructure and ICT information systems intensively. We continuously improve and upgrade these systems in various processes, enabling us to manage the associated change processes effectively with relatively little risk. The ICT infrastructure is based on a wide range of services, modern communication technology and advanced virtualization techniques for data storage and processing. We are able in this way to continuously achieve and safeguard the required capacity, availability and sustainability.

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

Ballast Nedam has drawn up an internal ICT code of conduct, known as the Code for Information Security. For instance, access to Ballast Nedam networks is subject to authentication, access to these networks over Internet is subject to central control, and firewalls are in place to restrict access to approved applications and protocols. All Ballast Nedam web servers are checked for abnormalities by external staff every month, portals are protected by a combination of user name and password issued by Ballast Nedam, and management software (Mobile Iron) is installed on mobile devices to allow them to be deleted or disabled remotely.

#### **5.2.4 Compliance risks**

2013 was again an eventful year for Ballast Nedam in terms of integrity and compliance in the light of various media reports (see also Section 6.4.3 *Compliance & Integrity* on page 117). Infringements of the Code of Conduct and the competition rules may lead to a severe loss of reputation. Any human rights violations, child labour, or environmental threats on the part of our suppliers or subcontractors also pose risks to our reputation. The consequences of any infringement are hard to quantify, but Ballast Nedam is fully aware that they may threaten the company's viability.

Ballast Nedam integrates compliance into all aspects of its business activities. In this way we add value to the business and protect the interests of Ballast Nedam, its shareholders, employees, customers, business partners and other stakeholders. We refine our compliance policy continuously in order to guarantee the organization's integrity. Ballast Nedam pursues integrity in business and demands the same of its employees, suppliers and subcontractors alike. There is additional information on this subject in Section 6.5.1 *Chain responsibility* on page 123.

### 5.3 Specific risks

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

#### Blauwestad

The provincial government of Groningen brought legal action in 2012 against Ballast Nedam and its partner for damages of 17 million euros in respect of the Blauwestad development project. The position adopted by the Provincial Executive of Groningen is that each of the parties should have taken 100 plots in the project in 2011. Ballast Nedam's opinion is that we withdrew in 2007 in a legally valid way with the provincial government's consent, and that we have complied with the agreements we made at the time.

Ballast Nedam accordingly sees no grounds for damages. This action is ongoing. There were no relevant developments in 2013.



### Noordzeewind

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

It has been ruled in arbitration that the client is liable for the upward contract variation that Ballast Nedam performed. The parties are now attempting to reach a settlement regarding the amount of the client's liability. According to Ballast Nedam this is above 20 million euros.

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

Babylon has applied for a court ruling that the pAnnaB construction consortium is liable for the delay in the adjacent New Babylon project. Babylon is claiming a loss of 25 million euros. The district court ruled in 2013 that pAnnaB is liable for damages, with the amount to be determined in follow-up proceedings. pAnnaB is to appeal this ruling.

### Nedereindse Plas

The Court of Arbitration for the Building Industry in the Netherlands ruled against Ballast Nedam in 2012 in a dispute with the municipality of Utrecht regarding work on the Nedereindse Plas, for which Ballast Nedam designed and implemented a foil construction. The Court found that there was a design error in the foil construction. Procedures that were subsequently followed did not bring a solution closer. Both parties are now studying the opportunity to arrive at a practical solution, under the supervision of independent consulting engineers.

### Zandwinplas Cattenbroek

A difference of insight has emerged between the municipality of Woerden and Ballast Van Oord regarding the completion of work on the banks of the former Cattenbroek sand winning lake. Ballast Van Oord is of the opinion that its work is complete. The municipality's position touches on complex technical sand winning issues. The municipality finds that it has incurred losses, but has failed to comply with Ballast Van Oord's request to provide documentary evidence of the liability and extent of the loss. The municipality has suspended consultation and summoned Ballast Van Oord for damages arising from encroaching beyond the shoreline of the sand winning lake.

### Bitumen

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



#### Saoedi-Arabië

Proceedings are ongoing in Saudi Arabia regarding a tax claim on a contract from 1999. Ballast Nedam is of the opinion that the client bears the contractual responsibility for this tax claim. The client lodged an appeal in 2013, after Ballast Nedam had won the proceedings in the first instance. Ballast Nedam's position is accordingly unchanged, and we see no need to form an additional provision.

#### Breda Public Transport Terminal

Bouwcombinatie OV-Terminal Breda v.o.f. has submitted an initial claim for 17 million euros against its client ProRail for project delays and a difference of insight about design responsibility. Although talks with ProRail about this claim are still ongoing, the need for legal action cannot be ruled out.

#### N329

Bouwcombinatie Pro N329 v.o.f. has submitted a claim for more than 7 million euros against its client the municipality of Oss regarding settlement and a sanction imposed in connection with 'most economically advantageous tender' (MEAT), and has referred to arbitration.

#### North-South Line, Amsterdam

In 2003 Ballast Nedam brought action against its then joint venture partner Max Bögl for breach of contract in the tendering stage of three underground stations on the North-South Line. In proceedings on the merits in 2013 the District Court of Amsterdam gave final judgment setting the amount of the loss at over 9 million euros, including interest and costs. Max Bögl has appealed the damages, and the case will come before the Court of Appeal in 2014.

#### Surinam refinery expansion project

Ballast Nedam engaged in talks about a claim for more than 20 million euros against its client Staatsolie Maatschappij Suriname with a view to reaching an amicable settlement. The claim arose in 2012 following delays and disruption to the project, for which Ballast Nedam is holding the client liable.

#### A15 Maasvlakte–Vaanplein (MaVa)

The A-Lanes A15 consortium that includes Ballast Nedam is engaged in talks with the client, the Directorate-General for Public Works and Water Management, regarding a contract variation. There is still some considerable bandwidth in the forecasts for both revenues and costs for this project.



'Refreshing, this integrated approach. Now I don't work like a subcontractor – we're all in the same team'

---

Melvin Frank – contracts manager for the Meander Medical Centre, Amersfoort

# 6

## Our CSR policy

Corporate social responsibility is an integral part of our strategy. The chart below lists our CSR themes linked to the five pillars that support our strategy (see Section 1.1 *Vision, mission and strategy* on page 15). We have identified various issues within each CSR theme.

General CSR policy			
Innovation			
Environment	Employees	Market	Community
<i>Life-cycle thinking and acting</i>	<i>Our people, standards and values</i>	<i>Chain cooperation</i>	<i>Being at the heart of the community</i>
<ul style="list-style-type: none"> <li>- Energy</li> <li>- Air quality and CO<sub>2</sub> -emission policy</li> <li>- Waste and recycling</li> <li>- Materials</li> </ul>	<ul style="list-style-type: none"> <li>- Recruitment and deployment</li> <li>- Binding and motivating</li> <li>- Development, advancement and departure</li> <li>- Vitality</li> <li>- Safety</li> <li>- Integrity</li> </ul>	<ul style="list-style-type: none"> <li>- Chain responsibility</li> </ul>	<ul style="list-style-type: none"> <li>- Community relations management</li> <li>- Community investment</li> </ul>

Ballast Nedam takes its responsibility for the impact of its operations on the built environment and society as a whole seriously. In our view, socially responsible, or sustainable, business practices are about creating value for society at large, and earning social approval. Furthermore, in the current economic situation, corporate social responsibility (CSR) is also an important cost-reducing driver.

Ballast Nedam's CSR activities are the result of conscious, carefully considered choices, which we base on stakeholder dialogue and a materiality matrix (see also Chapter 7 *Stakeholder dialogue* on page 135). Each year we analyse the results of our activities and adjust our policy accordingly. Any relevant additional details of the results are documented for each issue.

## 6.1 Implementing CSR policies in the organization

In the past year we have taken a critical look at how our CSR policy is embedded in our organization. We identified opportunities for improvement, and made the following changes.

1. In order to embed the CSR issues more firmly, the responsibility for their achievement has been placed more explicitly in the line in 2014. There is more information below in this section.
2. We have defined eight key performance indicators (KPIs) and six objectives within our CSR policy. This means we are concentrating on a smaller number of objectives. More details can be found in Section 6.2 *CSR objectives* on page 94.
3. We are grouping some CSR issues together: Energy and Air quality & CO<sub>2</sub> emission policy; and Waste & Recycling and Materials. Henceforth we will also combine the various sections of the report concerned with good employment practice into a single section.

### CSR organization

Ballast Nedam implements its CSR policy throughout the organization. We aim on a clear organization structure, the creation and maintenance of an efficient management information system, and on specific actions with a favourable impact on our organization, our stakeholders and the living environment.

The cluster Managing Directors and other directors are responsible for one or more CSR issues and for defining the associated vision and policy. Specific people are given operational responsibility for the different CSR issues. They submit proposals to the Concern Council about matters including policy amendments, KPIs, objectives, tools, actions and analyses. A person with operational responsibility may be supported by a core team. Core teams (e.g. for safety, QEHS, and compliance) are formed for activities that transcend clusters.

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

### Consolidation and reporting

The assurance results are measured on Ballast Nedam, cluster and company levels, and consolidated on holding company level. Every quarter the quantitative and qualitative results are reported to the Concern Council (Board of Management and the cluster Managing Directors). We are working towards integrating the existing CSR policy basic reporting structure and the reports of the nonfinancial targets more into the main financial reporting line.

## 6.2 CSR objectives

A list of the CSR objectives defined in 2012 and the results achieved in 2013 are given below, followed by information about the changes to the CSR objectives for 2014.

<i>Objectives for 2013: CSR</i>	<i>Result</i>	<i>Achieved/ not achieved</i>	<i>Information in section</i>
To reduce CO <sub>2</sub> emission in 2013 by 2% in proportion to revenue in the Dutch operations (i.e. a 16 per cent reduction relative to 2008)	17.1% reduction relative to 2008	Achieved	Section 6.3.1 <i>Energy</i> on pagina 99
To remain on the CO <sub>2</sub> performance ladder at level 5 for all of Ballast Nedam	Level 5	Achieved	Section 6.3.1 <i>Energy</i> on pagina 99
To promote energy-efficiency initiatives, and to develop products and services based on sustainable energy	With the innovation programme	Achieved	Section 6.3.1 <i>Energy</i> on pagina 99
To successfully perform at least 1 of the 3 action plans for energy saving	0 out of 3	Not achieved	Section 6.3.1 <i>Energy</i> on pagina 99
To expand the number of CNG vehicles in our total fleet by 5%	10%	Achieved	Section 6.3.2 <i>Air quality and CO<sub>2</sub> emission</i> on page 102
For at least ten projects to apply the Ballast Nedam waste management plan	17	Achieved	Section 6.3.3 <i>Waste and recycling</i> on page 104
For 50% of the plants to use the Ballast Nedam waste management plan	83%	Achieved	Section 6.3.3 <i>Waste and recycling</i> on page 104
To draw up an action plan for the reuse of waste streams within our own production processes	Done	Achieved	Section 6.3.4 <i>Materials</i> on page 105
To perform life-cycle analyses of two of our concrete products	2 life-cycle analyses	Achieved	Section 6.3.4 <i>Materials</i> on page 105
To have at least 150 people on work placements and graduation projects per year	266	Achieved	Section 6.4.1 <i>Recruitment and deployment</i> on page 108
To have at least 50 apprentices in the apprenticeship system per year.	41	Not achieved	Section 6.4.1 <i>Recruitment and deployment</i> on page 108
To have at least 10 trainees from universities of applied sciences or research universities per year	55	Achieved	Section 6.4.1 <i>Recruitment and deployment</i> on page 108
To achieve a score in the staff satisfaction survey of each business unit of at least 7	Not measured	Not applicable	Section 6.4.1 <i>Binding and motivating</i> on page 110
To hold an assessment or performance review with all employees at least once a year	65%	Not achieved	Section 6.4.1 <i>Organization development, advancement and departure</i> on page 111
To have 30% of all employees attend a course or training programme at least once a year	32.5%	Achieved	Section 6.4.1 <i>Organization development, advancement and departure</i> on page 111
To lower the rate of absence through illness to less than 4.5%.	4.48%	Achieved	Section 6.4.1 <i>Vitality and health</i> on page 112
For 90% of employees to receive a regular occupational health examination	7%	Not achieved	Section 6.4.1 <i>Vitality and health</i> on page 112





<i>Objectives for 2013: CSR</i>	<i>Result</i>	<i>Achieved/ not achieved</i>	<i>Information in section</i>
To have fewer than 10% of those receiving a regular occupational health examination assessed as being in 'poor condition'	Results unknown	Achieved	Section 6.4.1 <i>Vitality and health</i> on page 112
No fatal accidents	0	Achieved	Section 6.4.2 <i>Safety</i> on page 113
For the injury frequency (the number of fatal and lost-time injuries involving Ballast Nedam employees per million hours worked) to be less than 6.5	7.45	Not achieved	Section 6.4.2 <i>Safety</i> on page 113
To have 100% of Ballast Nedam managerial, technical and administrative staff take an e-learning training module about the Code of Conduct within one month of joining the company	96%	Not achieved	Section 6.4.3 <i>Integrity</i> on page 117
To survey and analyse the risks related to the Code of Conduct	Surveyed and analysed	Achieved	Section 6.4.3 <i>Integrity</i> on page 117
To draft an investigation manual, specifying the procedure to be followed when investigating reports of fraud and other unethical acts	Complete	Achieved	Section 6.4.3 <i>Integrity</i> on page 117
To implement a web tool for reporting compliance and integrity infringements	Complete	Achieved	Section 6.4.3 <i>Integrity</i> on page 117
To implement a web tool for requesting and reporting all gifts and entertainment	Complete	Achieved	Section 6.4.3 <i>Integrity</i> on page 117
To hold 2 dialogues about partnership and sustainable purchasing with the top 20 suppliers that have done business with Ballast Nedam for more than ten years	0	Not achieved	Section 6.5.1 <i>Chain responsibility</i> on page 123
To implement in 2013 at least 2 sustainable innovations through cooperation on innovation with chain partners	2	Achieved	Section 6.5.2 <i>Innovation, the common denominator</i> on page 124
To submit all projects with a value above 5 million euros and every city-centre project above 500 000 euros in the Netherlands as a Bewuste Bouwers project	Method of measurement changed in 2013	Not achieved	Section 6.6.1 <i>Community relations management</i> on page 128
To add a section to the quality manual about how community relations management is anchored in the projects	The addition is not yet anchored	Not achieved	Section 6.6.1 <i>Community relations management</i> on page 128
To add depth to the community investment policy for social return activities linked to our projects	Complete	Achieved	Section 6.6.2 <i>'Community investment'</i> on page 128

The large number of CSR objectives and KPIs tended to fragment attention on their implementation. We have therefore referred back to the findings of our stakeholder dialogues, and narrowed our focus on the CSR issues that are most relevant. We then defined our long-term ambition. Based on the analysis we have defined eight KPIs and six objectives. The selected issues and associated KPIs and objectives are shown in the table below.

CSR issue	KPI 2014	Objective for 2014
Energy, CO <sub>2</sub> and air quality	CO <sub>2</sub> (scope 1&2) / Dutch revenue	18% reduction relative to 2008
Waste & recycling and Materials	Number of current projects and plants with waste management plan	40
Safety	Injury frequency	6.5
Vitality	Rate of absence through illness	4.5%
Integrity	Number of infringements	No objective
Innovation	Number of green innovations/business models	3
Community relations management	Number of current projects registered with <i>Bewuste Bouwers</i> at year-end	40
Community Investment	Aantal Social Return initiatieven	No objective

Corporate social responsibility is fully integrated in our strategy. The above sustainability ambitions are related to Ballast Nedam's five strategic pillars (see Section 1.1 *Vision, mission and strategy* on page 15). We also see sustainability opportunities in the following three themes:

- transition to renewable energy;
- transition to a circular building process (returnability, residual value creation and industrialization);
- habitat creation.

There is more about the trends that we are anticipating in Section 3.3 *Our living environment is changing around us* on page 28.



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

We are taking a close look at the entire life cycle in all new product, building and area developments, from development and construction to management and maintenance. Our environmental policy addresses how we can develop sustainably (energy and materials) while consuming and wasting less (energy, CO<sub>2</sub> and waste). This section explains how we deal with the issues of energy, air quality and CO<sub>2</sub> emission, waste and recycling, and materials. Information is given for each issue about our policy, objectives and results in 2013, and our policy, policy changes and objectives for 2014.

### 6.3.1 Energy

#### Policy

Ballast Nedam's energy policy is oriented to making our business operations more energy efficient and sustainable in the coming years, by applying a three-pronged strategy.

Our target for 2020 is at least a 30 per cent CO<sub>2</sub> reduction in proportion to revenue from our Dutch operations relative to reference year 2008.

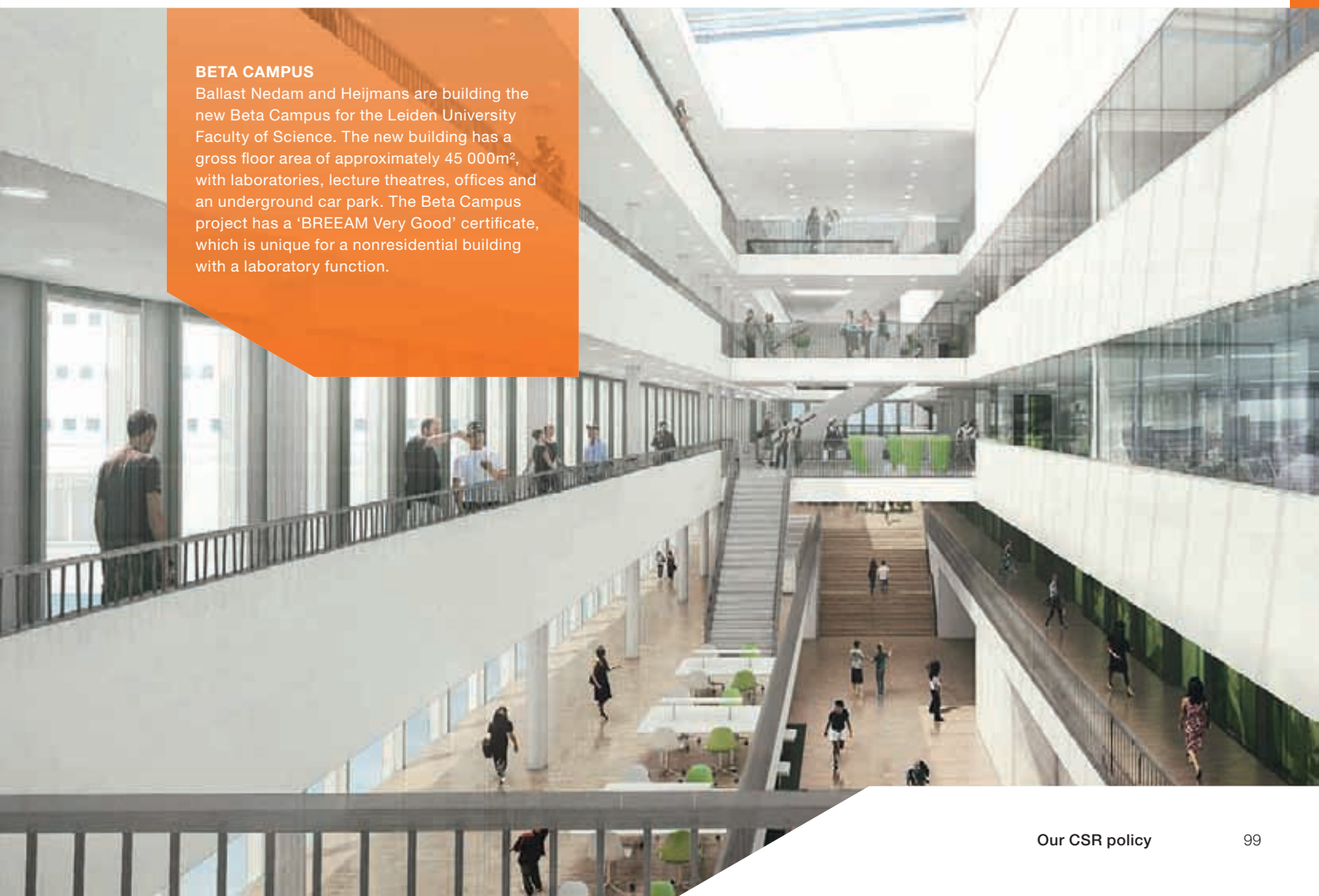
In line with the strategic focus Ballast Nedam is developing sustainable fuels and wind energy, and we reprocess waste streams.

The three-pronged strategy is to:

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

#### BETA CAMPUS

Ballast Nedam and Heijmans are building the new Beta Campus for the Leiden University Faculty of Science. The new building has a gross floor area of approximately 45 000m<sup>2</sup>, with laboratories, lecture theatres, offices and an underground car park. The Beta Campus project has a 'BREEAM Very Good' certificate, which is unique for a nonresidential building with a laboratory function.

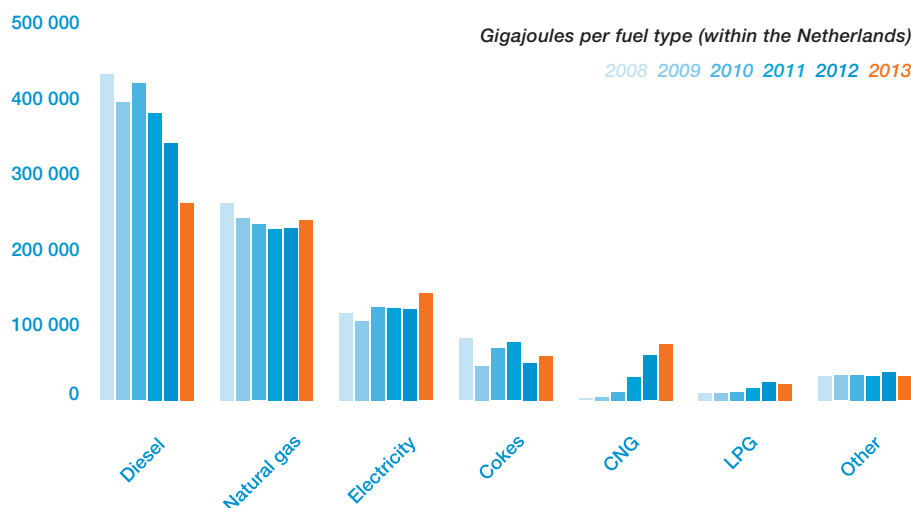


### Objectives for 2013: energy

To reduce CO <sub>2</sub> emission in 2013 by 2 per cent in proportion to revenue in the Dutch operations (i.e. a 16 per cent reduction relative to 2008)	Achieved
To remain on the CO <sub>2</sub> performance ladder at level 5 for all of Ballast Nedam	Achieved
To promote energy-efficiency initiatives, and to develop products and services based on sustainable energy	Achieved
To successfully perform at least 1 of the 3 energy action plans	Not achieved

### Results for 2013

#### Reduction of CO<sub>2</sub> emission



Ballast Nedam's main consumption of energy occurs in commuting, transport, the use of construction plant and equipment, factory production, and on construction sites. 35 per cent of our energy consumption is in the form of diesel and petrol, 29 per cent natural gas, and the remaining 17 per cent electricity. Electricity consumption has become greener because of Renewable Energy Guarantees of Origin for Dutch wind energy, and Ballast Nedam has introduced its green gas certificates for road vehicles. Ballast Nedam's footprint comprises the CO<sub>2</sub> emission from energy consumption and is therefore presented here under the Energy issue.

The CO<sub>2</sub> footprint consists of:

- scope 1: natural gas, diesel, petrol, cokes, CNG and other fossil fuels;
- scope 2: electricity and district heating.

In 2013 Ballast Nedam achieved the target of a 16 per cent CO<sub>2</sub> reduction relative to 2008 and related to the revenue of the Dutch activities. The total Scope 1 (direct) CO<sub>2</sub> footprint was 49 591 tonnes and the Scope 2 (indirect) CO<sub>2</sub> footprint was 651 tons, which is a total of 50 243 tonnes of CO<sub>2</sub> emission.



CO <sub>2</sub> emission reduction summary	2008	2009	2010	2011	2012	2013
CO <sub>2</sub> footprint (Dutch activities) in kilotons	80	71	71	65	59	50(*)
Revenue of the Dutch operations (in millions of euros)	1 348	1 272	1 275	1 252	1 153	1 020
CO <sub>2</sub> emission (ton) per million euros revenue	59	56	56	52	51	49
Relative to reference year	100%	94%	94%	87%	86%	83%
Reduction relative to reference year		6%	6%	13%	14%	17%

(\*) included in the EY assurance.

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

In its footprint, Ballast Nedam reports the Scope 1 (natural gas, petrol, CNG, cokes, diesel, CNG, kerosene, propane, and business travel) and Scope 2 (electricity and district heating) emissions of the Dutch operations, based on the Greenhouse Gas (GHG) protocol.

Subsidiaries with interests ≥ 16.5 per cent and consortiums are included in the footprint on a pro rata basis. Year-end estimates are made for unknown consumption based on the revenue trend. We calculate the CO<sub>2</sub> emission with reference to the conversion factors given in the SKAO performance ladder 2.1. The performance ladder has no conversion factors for CNG and green gas for mobility, and the factors we use are obtained by averaging the CO<sub>2</sub> emission for natural gas from SKAO and from UK DEFRA. For the third time this year, assurance has been provided for the CO<sub>2</sub> footprint for this issue. Section 10.8 on page 250 has the independent assurance report by EY.

There are two possible reasons for a reduction in the footprint (Scope 1 and Scope 2):

1. effective energy-saving measures;
2. reduced activity on or in energy-intensive projects and companies.

### Results for 2013: CO<sub>2</sub> performance ladder

Again this year Ballast Nedam was certified on (the highest) Level 5 of the CO<sub>2</sub> performance ladder. This means we are eligible for preference in tendering when clients such as the Directorate-General for Public Works and Water Management (RWS) and ProRail include this aspect in MEAT (Most Economically Advantageous Tender) criteria.

The action plans that are presented below in this section give the steps we are taking to further reduce CO<sub>2</sub> emission.

### Results for 2013: to promote energy-efficiency initiatives, and to develop products and services based on sustainable energy

We are promoting these initiatives with our innovation management programme and by creating a culture that favours the development of initiatives of this kind in tenders and projects. Among these projects are *Stroomversnelling* and the 74 energy-neutral iQwoning® homes for Woonbedrijf in Eindhoven (for both projects see *Modular construction* on page 45).

DARK is a project for the renovation of sheet piling along the Amsterdam-Rhine Canal, which the Directorate-General for Public Works and Water Management has awarded to the consortium of Ballast Nedam and De Klerk. More than 23 kilometres of sheet piling between Amsterdam and Wijk bij Duurstede are to be renovated. Project planning will proceed between now and 2014, and the renovation will be completed at the end of 2015. The design & construct contract has a value of over 30 million euros.

In 2013 Princess Laurentien presented the Road of the Future in Brabant with the HIER Energie Nul (zero energy) Award. The jury judged the Road of the Future to be the best project among the six entrants. The road's energy consumption has been almost halved by dimming the lighting and using LED technology. All remaining energy needs, such as for traffic lights and petrol pumps, are provided by solar panels. 'This road is a true showpiece of sustainability and conspicuous innovation', the jury said. (<http://www.hier.nu/energienulprijs>)

### Results for 2013: to successfully perform at least 1 of the 3 action plans for energy saving

In 2012 we drew up three specific action plans to reduce our energy consumption and CO<sub>2</sub> emission. Various actions were carried out for all the plans, and measures taken that had had an immediate impact. Experience has shown that a project-specific approach works better than the project-transcending approach that the plan proposed. We amended our choices in the light of this experience, which is why the objective was not achieved.

#### *Action plan for energy scan at production plants*

We performed energy scans at three of the five production plants to arrive at specific energy-saving measures. Several 'quick wins' were implemented immediately.

#### *Action plan for reducing CO<sub>2</sub> emission from company mobility*

This action plan was oriented to reducing the CO<sub>2</sub> emission from our lease cars and company buses.

- We have taken measures that directly influence our vehicle fleet, such as defining a maximum emission per job category.
- Changes in the priorities of our work have diverted attention from the measures in the plan, which were oriented to employee awareness and behavioural change. Employees on the A2 Maastricht project have been given a mobility budget as an experiment that started in 2012, with final results expected in mid 2014.

#### *Action plan for use of diesel in projects*

The proposed measures in this action plan are oriented to cost savings by reducing the use of diesel in projects. Some of these measures have been carried out:

- switches have been fitted in the seats of approximately 25 machines, and the earth-moving machine operators from Ballast Nedam Specialistisch Grondverzet have been given training in 'new excavation techniques' to improve energy efficiency;
- following the success of the pellet burner we installed last year, we have acquired two new ones for our projects.

#### *Objective for 2014: energy*

To reduce the CO<sub>2</sub> emission in 2014 by 2 per cent in proportion to the revenue of the Dutch operations (i.e. an 18 per cent reduction relative to reference year 2008).

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

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

We will continue to reduce our energy consumption in 2014. Our main focus is on the actions with an immediate impact and that help cut costs. The actions to be performed are determined for each business unit or project by the director or project leader concerned. In the Quality, Environment, Health and Safety (QEHS) Core Team, representatives of the business units and projects share the knowledge and experience gained with the measures that have been taken, so that all of Ballast Nedam can learn from the successes and dilemmas that occurred.



#### **Expansion of the Millennium Forest**

The widening and rerouting of the A2 highway through a tunnel at Maastricht destroyed an important foraging area for bats, which must be compensated in compliance with the Code of Conduct for the Flora and Fauna Act.

The compensation measures were designed to be an optimum solution for flora and fauna. Expanding the park-like forest will improve the habitat for bats. The planting of many crop trees also creates an extremely interesting habitat for a variety of birds and mammals. A total of 7.6 hectares of deciduous forest and 1.1 hectares of flowering grassland have been created.

The municipality of Maastricht provided the design. Avenue2 will plant the forest in the 2013-2014 winter season.

### Policy

Our policy is to reduce the emission of CO<sub>2</sub>, nitrogen oxides (NO<sub>x</sub>) and particulate matter in order to improve air quality. Since Ballast Nedam's CO<sub>2</sub> emission is mainly related to energy consumption, the CO<sub>2</sub> policy and figures are given in Section 6.3.1 *Energy* on page 99. With a view to reducing emissions of NO<sub>x</sub> and particulate matter, we are cutting down on the use of fossil fuels. We also take air quality into account in our area development. Our aim when redeveloping these areas is a sustainable living environment. We translate this aim into tangible results by planning in habitat creation and nature conservation.



### Objectives for 2013: air quality and CO<sub>2</sub> emission policy

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

Achieved

### Results for 2013

Ballast Nedam has promoted the use of natural gas as a fuel for many years. Our new vehicles run on CNG. Where this is impracticable, Ballast Nedam purchases only vehicles with soot filters in environmental categories A and B.

	2011	2012	2013
Total number of vehicles	2027	1932	1664
Number of CNG-fuelled vehicles	458	677	751
% of total Ballast Nedam vehicle fleet	23%	35%	45%

The objective was again achieved in 2013. However, the total number of vehicles in our fleet has decreased because of the lower level of employment.

### Objective for 2014: air quality and CO<sub>2</sub> emission policy

Since CNG is now the standard fuel in our company car scheme, we have removed this as a separate objective. However, we remain alert to opportunities to eliminate harmful airborne emissions. There is more on this subject in Section 6.3.1 *Energy* on page 99. Energy consumption produces CO<sub>2</sub>, NO<sub>x</sub> and particulate matter. Efforts to reduce energy consumption also reduce emissions and improve air quality accordingly. The policy for air quality is consequently a derivative of the energy policy.

### 6.3.3 Waste and recycling

Ballast Nedam takes a whole life cycle view of waste. We look upon waste as the result of design, purchasing and implementation choices.

#### Policy

Our policy is to eliminate waste in a way that minimizes the environmental and human impact, which also means we avoid unnecessary costs. We adopt two approaches:

- quantitative: we are systematically reducing the quantity of waste at source by raising material productivity, since better processes and innovative approaches produce less waste;
- qualitative: we are reducing the adverse effects of waste and avoiding resource depletion by using renewable and secondary materials. We also combat pollution by using degradable and reusable materials and optimizing waste management procedures.

#### Objectives for 2013: waste and recycling

For at least 10 projects to apply the Ballast Nedam waste management plan	Achieved
For 50 per cent of the plants to use the Ballast Nedam waste management plan	Achieved

#### Results for 2013

We introduced waste management plans throughout Ballast Nedam at the start of 2013 based on our own distinctive method that we developed in 2012, which takes a life-cycle approach: we do not take waste for granted, but do all we can either to prevent it, or reuse it intelligently. It is not simply a question of segregating and tidying up waste, but about smarter design, purchasing and construction. For instance, we may arrange for materials to be supplied to a specification and in reusable packaging, or we may return unused material to the supplier, who is better placed to arrange reuse. This method helps us reduce environmental impact and eliminate unnecessary expense.

The essence of our waste management plans comes from devising measures of this kind and putting them into practice. Seventeen projects and 87.5 per cent of our own production plants are now using the complete set of tools from Ballast Nedam's waste management plan.

Our subsidiary LNG24 has acquired one of the first seven certificates for Lean and Green Solutions, which are part of the Connekt Lean and Green programme. Connekt is an enthusiastic and growing community of companies and public authorities in the mobility sector. They are demonstrating how competitiveness and sustainability go hand in hand by reducing CO<sub>2</sub> by 20 per cent within five years. The Lean and Green Star is a sign that this target has been achieved. Having started in the logistics sector, Lean and Green is expanding to other sectors, such as personal transport, and is also having an international impact.



#### Ballast Nedam waste management plan

The set of tools supported by the waste management plan consists of a work plan and communication resources, such as instructional films, posters and a travelling information container. The various tools encourage the project teams to come up with innovative ideas to eliminate waste. They are reinforced by a network of waste coaches, who drive improvements and capture and disseminate relevant know-how. You can watch the instructional films on the Ballast Nedam YouTube channel.

Waste material	Quantity x 1.000 kg	Is reused as
Hardcore	11 349	Crushed demolition waste
Construction and demolition waste	9 220	New materials / energy
Asfalt	8 139	New asphalt
Wood	1 484	New wood products / energy
Industrial waste	726	Energy
Paper / board	198	Paper / board
Household chemicals	63	Miscellaneous
Roofing waste	5	Mineral products
Asbestos	14	Landfill
Other – not hazardous	3 336	Miscellaneous
<b>Total 2013</b>	<b>34 532</b>	
<b>Total 2012</b>	<b>43 986</b>	
<i>Total 2011</i>	<i>10 724</i>	
<i>Total 2010</i>	<i>13 280</i>	
<i>Total 2009</i>	<i>16 849</i>	

#### Objectives for 2014: waste and recycling

To have at least 40 projects and production plants use the Ballast Nedam waste management plan

#### 6.3.4 Materials

##### Policy

Looking ahead, Ballast Nedam will endeavour where possible to use good materials, in the sense of being nontoxic and fit for use in closed (biological or technological) cycles. Ballast Nedam is investigating opportunities for working with closed material cycles.

#### Objectives for 2013: materials

To draw up an action plan for the reuse of waste streams within our own production processes	Achieved
To perform life-cycle analyses of two of our concrete products	Achieved

#### iSPEX

To cement their relationship, Ballast Nedam's subsidiary CNG Net and Longfonds have become joint main partners of iSPEX, which is an experiment in which members of the public measure particulate matter using their smartphones. 10 000 Dutch people have installed an app that measure how much particulate matter is present in the air, the size of the particles, and their chemical composition. The experimental findings will be the subject of a scientific article to be published in the first quarter of 2014. It is also being investigated whether the measurements can be repeated by means of a request through the app. iSPEX could be the basis for a new measurement method for particulate matter.

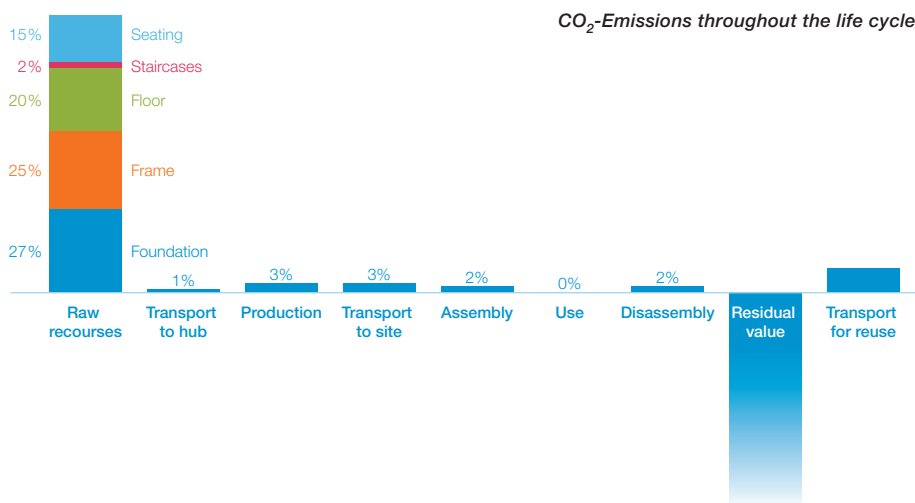


### Results for 2013

The Ballast Nedam waste management plans have shed light on the waste streams that our own production processes generate. We have produced an action plan based on the new information. One of the measures is to collect our own concrete waste, to be crushed and then reused in the concrete plants. This means less primary raw material, and savings in transport to the processing and reuse sites.

We perform a life cycle analysis (LCA) in the environmental impact assessment of materials and processes. We have investigated the environmental impact per m<sup>2</sup> of balcony for two of our products: traditional concrete and an innovative concrete product with an EPS core. The investigation revealed that the environmental impact per m<sup>2</sup> of the concrete with EPS core was approximately 10 per cent lower. We are using this information to define actions to lower the environment impact through appropriate choices of materials and processes. An example is the use of cleaner concrete mixes, and local suppliers.

Ballast Nedam is also using an LCA approach in various new construction projects, infrastructure projects, and modular products such as the Plug & Play Core®.



In order to acquire more know-how about closed cycles, Ballast Nedam joined a Circular Economy Community of Practice in the past year. There is more about the teamwork with NGOs in Section 7.3 *Dialogue with stakeholders on four levels* on page 137. Ballast Nedam is also involved in initiatives such as FSC controlled wood and MVO Network Beton (for concrete).

### Objectives for 2014: materials

The *Materials* CSR issue is strongly linked in Ballast Nedam with the *Waste and recycling* CSR issue. By having the production sites apply waste management we will generate information about the waste streams from our own production processes. We can then take targeted measures, which will contribute directly to the use of good materials. This is why we have not set the materials issue as a company-wide objective for 2014.

Voor ons modulaire stadionkern Plug & Play Core® hebben we een LCA uitgevoerd om te kwantificeren hoeveel CO<sub>2</sub> er wordt uitgestoten door de gehele levenscyclus heen. Hierdoor zijn we in staat om voor Plug & Play Core® de CO<sub>2</sub>-voetafdruk verder te verkleinen door het materiaalgebruik, de processen en het transport aan te passen. Plug & Play Core® is volledig demontabel, waardoor bij hergebruik slechts minimale additionele energie wordt gebruikt. Dit verlaagt de CO<sub>2</sub>-voetafdruk per stadion aanzienlijk.

### MVO Network Beton wins Green Deal Runner Up Award

At the Innovation Estafette in November 2013, the Minister of Economic Affairs, Henk Kamp, and State Secretary for Infrastructure and the Environment, Wilma Mansveld, presented a Runner Up Award to the Green Deal for a Sustainable Concrete Chain. Two years ago Ballast Nedam signed up to the Green Deal for a Sustainable Concrete Chain, which is now known as MVO Network Beton. This network made firm commitments at last year's annual Concrete Day event, which were recorded in Concreet 1.0.

### Concrete chain could reduce CO<sub>2</sub> emission by up to 30 per cent by 2020

One of MVO Network Beton's recent actions is aimed at reducing CO<sub>2</sub> emission throughout the chain. The network has engaged the environmental consultancy CE Delft to calculate the effects of several possible technical options that the chain could use to achieve this aim.



#### **BP WATER TREATMENT, ROTTERDAM**

Ballast Nedam is performing the civil engineering and the work on the underground lines for the Effluent Treatment Plant (ETP) at the BP refinery in the Rotterdam port area. Ballast Nedam is working on all the individually dimensioned pools of the ETP, which have an internal synthetic coating. Complying with the demanding safety requirements and the high pace and extreme precision of work is a feat of craftsmanship.

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

Our people are the most important factor in our success. We invest in integrated working methods, in our people, in their knowledge and conduct, and in their potential role in a changing market.

### 6.4.1 Our employees

2013 was a tense year for our employees. Restructuring operations that were announced in 2012 were continued in 2013. The difficult market conditions – with building projects declining in number and exhibiting low margins – compelled senior management to implement additional measures to reduce capacity in the organization. These measures have far-reaching personal consequences for the employees concerned.

The enormous changes we have been through as a company this year have altered our priorities. Our main focus has been on carefully implementing the announced measures, with respect for our employees who have directly or indirectly felt the impact of them. There is a redundancy package for employees who have received notice of termination, which has the aim of helping them find other work as quickly as possible. We have set up the Ballast Nedam Mobility Bureau to help and guide them to a new job. This proved to be a successful approach in 2013, with many of the affected employees finding employment again reasonably quickly. By searching for both internal and external vacancies, and focusing on placement opportunities, the Mobility Bureau helped almost 50 per cent of the affected employees find a new job in 2013.

### Employee representation

There is an open dialogue on all levels in Ballast Nedam between employee representatives and management. Employees elect their representatives. The Central Works Council had a total of sixteen meetings in 2013, of which six were ordinary meetings, and ten were extraordinary meetings with the Chairman of the Board of Management. Among the subjects discussed were the overall state of affairs, the half-yearly and annual figures, the possible sale of business units, and a new member of the Supervisory Board.

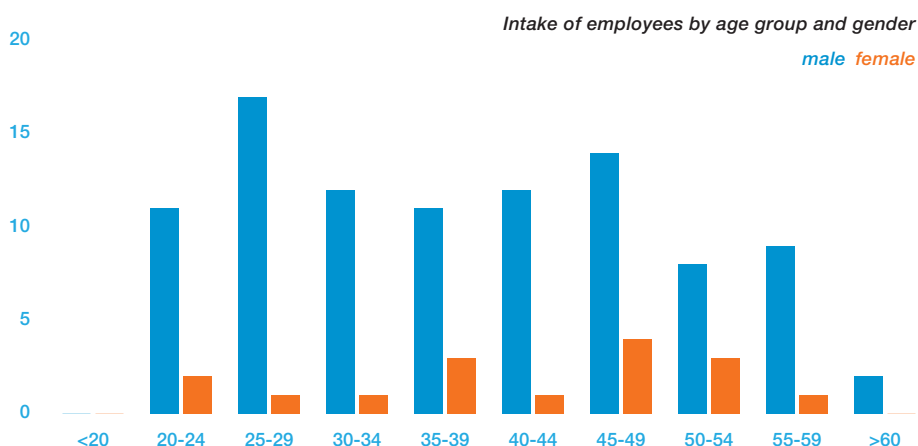
As the need arises the Central Works Council uses employees as a sounding board, as happened in discussions about amendments to the pension agreement and the new personnel record system. Regular meetings were also started in 2013 for the chairs and secretaries of the employee representation structures in Ballast Nedam.

Other issues affecting employees alongside employment security are compliance, safety and training.

### Recruitment and deployment

We exercised great caution in creating vacancies in 2013. The limited number of vacancies were filled internally where possible, failing which – in a restrained but targeted way – we approached the external labour market.

We did so mainly to attract young talented employees. Ballast Nedam is a professional organization in which the employees make the difference, and determine the quality of the organization. Attracting young employees is a way of assuring that we have key staff who are well-trained and well-versed in our core values in the long term. With this in mind, we achieved the envisaged number of the work placements and trainees in 2013. Once the economy picks up, the demand for talent will again be many times higher than the supply, and this trend is only reinforced by population ageing. Arranging for an inflow of young talent now will enable us to minimize our reliance on the external labour market in the future.



94 per cent of all employees are covered by a collective agreement. The remaining 181 employees (six per cent) are not covered by a collective agreement, but some have terms that are tied to a collective agreement.

Ballast Nedam aspires to a corporate culture in which the diversity of people is valued, and people enjoy their work and feel at liberty to share and apply their different points of view. We aim for a balanced male-female distribution in managerial positions, equal promotion opportunities regardless of ethnicity, and we encourage the use of senior employees. Our pay scales depend on the job, not on gender. Our long-term aim is to have at least 30 per cent men and at least 30 per cent women in the Board of Management.

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

	Male	Female	Total
FTEs in the Netherlands	2 598	299	2 897
FTEs international	107	5	112
<b>FTEs total</b>	<b>2 705</b>	<b>304</b>	<b>3 009</b>

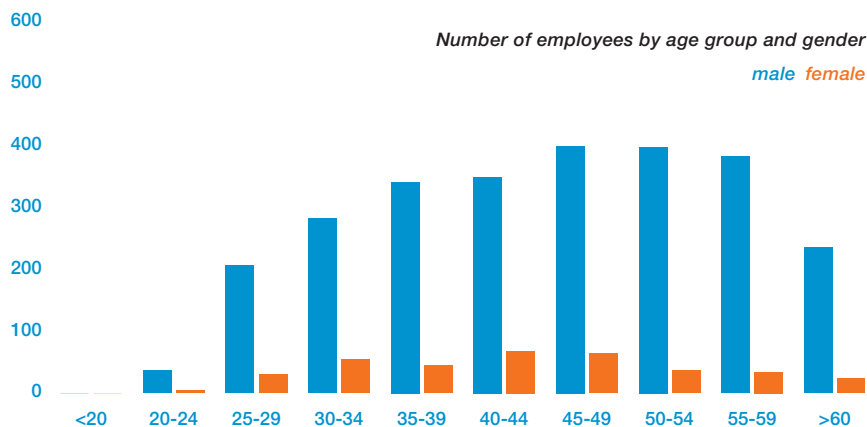
	Male	Female	Total
Full time	2 507	153	2 660
Part time	113	206	319
Netherlands	2 620	359	2 979
International	107	7	114
<b>Total</b>	<b>2 727</b>	<b>366</b>	<b>3 093</b>

#### Objectives for 2013: our employees

To have at least 200 people on work placements and graduation projects per year	Achieved
To have at least 100 apprentices in the apprenticeship system per year	Not achieved
To have at least 10 trainees from universities of applied sciences or research universities (with a technical background) per year	Achieved
To have at least 3 financial trainees from universities of applied sciences and at academic level per year	Achieved
To participate in at least three relevant jobs markets or career fairs each year	Achieved

### Results for 2013

- In 2013 we filled a total of 266 work placement and graduation project positions, achieving the objective. The number of incoming technical and financial trainees was significantly higher than foreseen: 38 compared with 13.
- We maintain contacts with various educational institutions, and our presence at university job fairs allows us to talk directly with interesting potential trainees and recruits. Having attended eight jobs markets, Ballast Nedam has amply fulfilled its objective to enter into direct contact with the target groups.
- The number of apprentices in the apprenticeship system was less than the 100 that were envisaged. Ballast Nedam was able to place no more than 41 apprentices because of the restricted number of suitable positions, and limited supervision capacity.



### Binding and motivating

Our policy is to bind employees to the organization and motivate them at the same time. Ballast Nedam's conviction is that success in the construction industry stands or falls with the commitment of our own employees in their work. The best way we can guarantee this commitment is to create an inspiring and challenging working environment.

By providing career development opportunities, such as through training, or career guidance in the organization, we promote and guarantee permanent employability. We are aware that challenging work is an indispensable condition for this. We motivate our employees by joining with them in a constant search for new challenges. We make this possible by always aiming for challenging new building projects, even while the construction and infrastructure market is under the current severe pressure.

### Objective for 2013: binding and motivating

We set ourselves the objective in 2013 to have an average term of employment of at least 10 years. We achieved this objective, with an average term of employment of 12 years.

This objective may create the inaccurate impression that we are aiming for lifetime employment, in the sense of a lifelong career in the same company. In fact, our main goal is for employees to continuously uphold and develop their knowledge and skills, and to use them to satisfy the needs of their employer, Ballast Nedam. At the same time we endeavour to bind to our company for the long term those employees who are a good match. A bound employee is one who knows the company and how it works, and shares our vision, mission, standards and values.



### Organization development, advancement and departure

Ballast Nedam has a wide range of in-company personal development and management skills training programmes. The programmes are improved on a continuous basis through feedback from the course participants and in line with the organization's requirements. Ballast Nedam's core values are given prominent attention in our in-company training programmes.

Our management training programmes give considerable attention to how Ballast Nedam's current and future managers can best develop and utilize the talents of employees to achieve our objectives. Our Initial Management Programme (for potential managers) is one example of this.

Under normal circumstances the reason for employees to leave is related to personal development. Employees leave the organization at their own initiative if favourable development opportunities arise elsewhere, or at Ballast Nedam's initiative if an employee's development is less than expected. In the current economic climate, however, we are confronted with forced exit because of circumstances.

### Objectives for 2013: organization development, advancement and departure

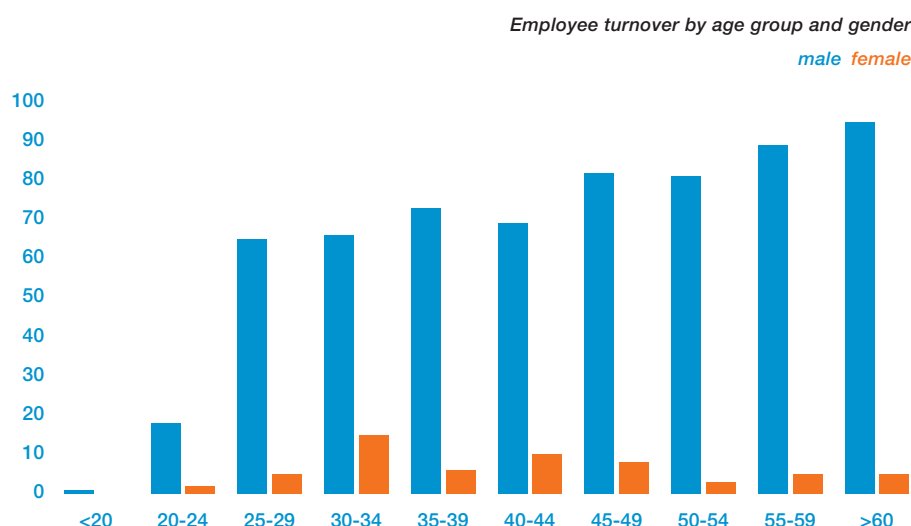
To have 30 per cent of the employees attend a course or training programme at least once a year	33 per cent
To hold an assessment or performance review with all managerial, technical and administrative employees at least once a year, and with all construction site workers once every two years	65 per cent

### Results for 2013

33 per cent of all employees attended a training course. More than half of these were professional or technical in nature, or were connected with safety certificates, such as VCA. Much attention was also given to custom training, such as for senior project managers in DBFM projects at the Twente School of Management (TSM).

The assessment round is a fixed component of Ballast Nedam's annual performance and development cycle, in which a manager and employee discuss various important issues concerned with performance, results, career and general development and employee performance. In the past year 65 per cent of eligible\* employees were given a performance review (78.8 per cent of those with a collective agreement and 56.6 per cent of managerial, technical and administrative staff). This means we did not achieve the objective. The restructuring operations and the accompanying personnel reduction have meant that an assessment or performance review was no longer relevant for a large group of employees.

(\*Not counting employees on long-term absence through illness and those retiring within one year.)



### Vitality and health

This policy has the aim of protecting the vitality, health and wellbeing of all our employees. The actions arising from this policy fall into two categories:

- preventive action to avoid absence;
- curative action to reduce absence to a minimum.

The P&O Department implemented numerous changes in 2013: 1) the internal management approach was introduced, 2) the Sick Leave Coordination Department was founded, and 3) there is now a single health and safety service for all of Ballast Nedam.

The internal management approach places more responsibility on the manager as case manager, and on the employee concerned. The aim is to avoid medicalization where possible, recognizing that situations often have other than medical causes. The communication between managers and employees is essential in this regard. For some business units, the restructuring operations delayed the planned roll-out of this internal management approach throughout Ballast Nedam in 2013.

The annual occupational health examinations are scheduled between November and February, and are conducted by Active Living, a partner organization of the health and safety service. Employees are allowed time off work to attend these examinations at the employer's expense. The aim in 2013 was to increase the participation rate to 90 per cent. Employees who were unwilling to take part have been requested to give their reasons, to allow us to determine any necessary adjustments to raise the participation rate.

### Objective for 2013: vitality and health

To reduce the absence through illness rate to less than 4.5 per cent	Achieved
For 90 per cent of employees to receive a regular occupational health examination	Not achieved
To have fewer than 10 per cent of those receiving a regular occupational health examination assessed as being in 'poor condition'	As yet unknown

### Results for 2013

The results of the objectives for 2013 were not yet known at the time of writing, because the year had not ended (the examinations are scheduled between November 2013 and February 2014).

#### Rate of absence through illness:

2008	2009	2010	2011	2012	2013
5.00%	5.00%	4.78%	5.01%	4.81%	4.48%

### Objectives for 2014: vitality and health

To achieve a rate of absence through illness of 4.5 per cent or less

#### 6.4.2 Safety

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

#### Policy

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

- integrating safety and safe working into project plans;
- employees having pride in their safety performance;
- employees looking out for each other and their environment;
- managers being aware of the value of safety recommendations and improvement actions;
- investigating accidents and near accidents thoroughly and systematically;
- the company distributing investigation findings so that lessons can be learned;
- having two-way communication about safety between the construction site and management;
- also encouraging subcontractors and suppliers to comply with the demanding safety requirements.

To support our objectives we are defining many internal and external initiatives, and we are investing in training courses. We report on the salient results in this section.

### Objectives for 2013: safety

No fatal accidents	Achieved
For the injury frequency (the number of fatal and lost-time injuries involving Ballast Nedam employees per million hours worked) to be less than 6.5	Not achieved

## Results

The injury frequency (IF) for 2013 was 7.45, which is slightly less than for 2012, when it was 8.3. A high IF occurs in particular in the regional companies, the Building & Development cluster and the Supplies cluster. The remaining clusters have performed significantly better. Many Ballast Nedam companies had no accidents leading to absence in 2013. We are upholding our objective to have an IF less than 6.5 for 2014, culminating in an injury-free Ballast Nedam.

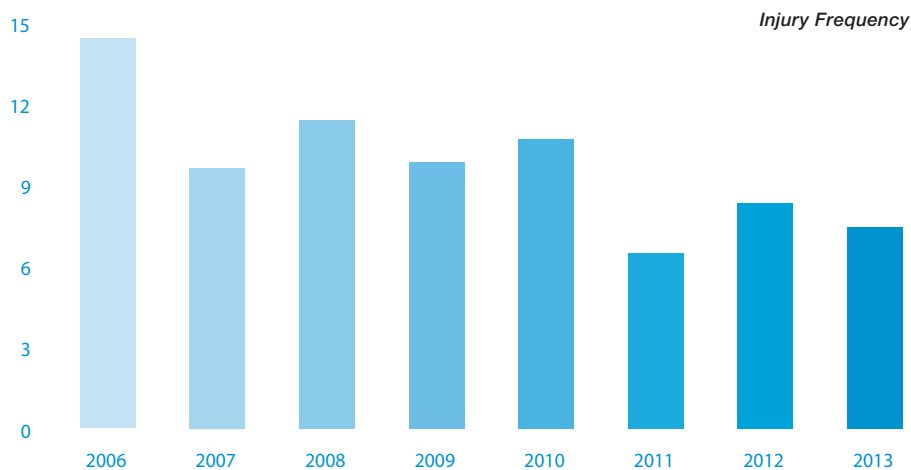
We are investigating the reason why some companies have a significantly high injury frequency, with a view to implementing measures and reducing the number of accidents.

The increased attention to safety has raised safety awareness throughout the organization. In order to maintain awareness at a high level, safety is a fixed agenda item for Board of Management meetings with the cluster Managing Directors.

Various Ballast Nedam companies are seeking to identify, or are experimenting with, an appropriate reward system. Giving an incentive for desirable behaviour can help reduce the number of accidents and near accidents substantially. If our employees approach safety with a positive attitude, a no blame culture will be created in which conduct is open to discussion.

On Avenue2 in Maastricht and the Magnum Bio Power Plant in Eemshaven, the teams are rewarded for exceptional safety contributions. In June the Magnum Bio Power Plant project in Eemshaven celebrated the team's achievement of six million accident-free hours. The Staatsolie Maatschappij Suriname project celebrated 400 000 accident-free hours at the start of July.

**Injury frequency (the number of lost-time accidents per million hours worked)**



## Results: internal initiatives

### 'SOS' (unsafe situation reporting)

Ballast Nedam is to make greater use of SOS reports. The idea for a photo app, which was launched in 2012, was developed in 2013. Testing is nearly complete, and the app will be rolled out in early 2014.

The photo app simplifies SOS reporting. This idea came out of *tok!*, the digital ideas and discussion platform for employees.

### Yellow and red cards

A safety enforcement system has been introduced on some projects. Employees who break the safety rules are given a yellow card.

Employees who exhibit deliberate unsafe behaviour, such as failing to use fall protection, or repeatedly disregarding safety rules, will receive a red card and will be expelled permanently from the project.

#### *Audio-visual project box*

In order to achieve a lasting improvement in project safety, employees, subcontractors and suppliers are given instruction about the construction site and the rules that apply there, through the audio-visual project box. This is a compelling and project-specific presentation that is available in five languages.

#### *Results: training courses*

##### *Safety workshop for managers*

To support managers, the Board of Management added a Safety Workshop to the 2013 Ballast Nedam training programme. This interactive programme gives managers an opportunity to exchange experience and pick up tips for how to manage their employees' safe behaviour more effectively.

##### *Workshop about openly discussing safety*

In 2013 some 150 employees attended a workshop to learn to consciously enter into discussion with fellow building site workers about safety and health issues. Our aim is to bring about a lasting behavioural change.

##### *Health and safety coordination course*

Several Ballast Nedam companies have attended the health and safety coordination course, which covers all the issues relevant to the job of implementation phase health and safety coordinator. The course first sheds light on the formal and legal duties and responsibilities of the health and safety coordinator. There is also specific discussion of Ballast Nedam's policy regarding these duties and responsibilities.

#### *Results: external collaboration and evaluation*

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

The letter of intent that was drawn up in 2013 has been finalized and made quantifiable. In January 2014 the final 'Safety in the Construction Industry' Governance Code was signed by the CEOs of the participating clients and contractors. In 2013 we started on the implementation agenda and carried out the first actions under the Code.

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

The Directorate-General for Public Works and Water Management has set up a safety system to measure the safety performance of consortiums. The various related pilots that were carried out in 2012 have led to safety-related changes. SPIC version 1.2 was also released in 2013. The Directorate-General for Public Works and Water Management has yet to decide whether this system will be followed up.



### Objectives for 2014: safety

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

Management and employees are on the way to a higher level of safety awareness. They are making it easier to discuss safety openly, and there is more support for the safety policy. We will continue this trend in 2014 to make the vision of an injury-free Ballast Nedam a reality. We will achieve this aim through:

- permanent management attention to safety, which includes keeping discussion of safety alive, and rewarding safe behaviour;
- making safety a fixed component of the performance assessment and review interviews;
- extending the subcontractor assessment system with additional safety-related points;
- continuing to develop the Safety Workshop for managers;
- continuing to encourage the reporting of unsafe situations in the organization (SOS reports).

#### SVANEN

To date Ballast Nedam has used the Heavy Lift Vessel Svanen to install more than 400 offshore wind farm foundations.

Ballast Nedam's foundation installation methods using the Svanen have been refined over the years, leading to high reliability, and low and extremely efficient installation times.



#### 6.4.3 Compliance and integrity

In 2012 we announced that the identified compliance policy infringements gave cause to tighten this policy. The higher priority duly given to compliance and integrity had operational repercussions in 2013. Our ambition is to be the company with the greatest integrity in the construction industry, because this will set us apart in the market and create business opportunities.

##### Policy

We intend to realize this ambition through our approach to the organization and assurance of compliance: we comply with all applicable legislation and ethical standards (see Section 8.1 *Management and control structure* on page 145) and we operate a zero tolerance policy. This policy means we overlook no infringements of integrity (however minor, and whether on the part of our own employees or third parties) and that every report of a possible infringement will be investigated.

With this policy we seek to render conduct and action in the company transparent, and to raise our employees' awareness of the importance of honest and ethical individual and collective behaviour. We view compliance as part of culture and behaviour.

##### Objectives for 2013: compliance and integrity

To compile an investigation manual: with the procedure to be followed to investigate reports of fraud and other dishonest conduct	Achieved
To have 100 per cent of Ballast Nedam managerial, technical and administrative staff take an e-learning training module about the Code of Conduct within one month of joining the company	Not achieved
To implement a web tool to report compliance and integrity infringements	Achieved
To implement a web tool for requesting and reporting all gifts and entertainment	Achieved
To survey and analyse the risks related to the Code of Conduct	Achieved

##### Results

The higher priority given to compliance and integrity in 2013 has led to the creation of a set of four operational instruments:

- more detailed documents and tighter processes;
- the registration and investigation of reports;
- compliance and integrity training for employees and management;
- convenient tools for reporting infringements.

There is more information below about these four instruments, which were developed as a consistent set to assure compliance. Alongside these instruments, every employee is personally responsible and accountable for his or her ethical conduct, and is obliged to comply with applicable legislation and standards.

#### **More detailed documents and tighter processes**

The standards for compliance and integrity are recorded in the following documents.

- *The Code of Conduct*

This sets down the rules of behaviour that Ballast Nedam subscribes to, in terms of our core values in the relationship with our employees, customers, subcontractors and suppliers, and society at large. The Code of Conduct now has greater consistency between the various policy documents. The working group that was formed for this purpose was drawn from a cross section of the company. The Central Works Council also provided extensive input;

- *The Corporate Compliance Charter*

This is the formal basis for all compliance and integrity actions. It sets down the duties and authorities related to compliance.

- *Separate codes*

Some of the standards given in the Code of Conduct are worked out in more detail for each issue in separate codes. Because of the importance we attach to these issues, the tighter standards are worked out in detail and the procedural aspects of enforcement are also recorded. For instance, there are codes for conflict of interest, gifts and bribery, and for competition, sponsoring and dealing with computer facilities. The procedure for investigating fraud and the rights and duties of employees are documented in the fraud protocol.

- *Fraud Handbook*

The Fraud Handbook sets down the procedure that the fraud team follows in its investigations. The fraud team members are the CCRO, an internal auditor and a senior legal expert. The Fraud Handbook gives the correct procedure and the process for hearing both sides of the case. Reports of dishonest behaviour are investigated immediately and may lead to disciplinary sanctions, up to dismissal. Reports may also give reason to amend or tighten policy.

The strict observance of the zero-tolerance policy has made our employees much more aware of compliance. It can be seen that action is taken almost immediately because of the priority given to new reports, which helps accelerate the process of change in relation to compliance.

Ballast Nedam endorses the guidelines of the Organization for Economic Cooperation and Development (OECD) and the International Labour Organization (ILO). We also subscribe to the Guiding Principles in the Construction Industry and observe the Dutch codes of conduct of Bewuste Bouwers (which is similar to the UK Considerate Constructors scheme), the Netherlands Association of Property Developers and Investors (NEPROM), Flora and Fauna, Structural Safety, and the 'Safety in the Construction Industry' Governance Code.

### **Registration and investigation of reports**

In the reporting year we recognize the registration and investigation of two types of report:

- compulsory reports for 2013;
- reports made in 2013 using the new 'incident reporting tool' on the compliance site, and reports made through other, existing, channels, such as compliance officers, managers, e-mail and the anonymous hotline.

#### *Compulsory reports for 2013*

In November 2012 all senior managers were required to report all events that had occurred within their span of control within the past five years. All 44 reports were then investigated, and all but five reports handled fully. Most reports were concerned with gifts and entertainment that did not comply with the strict rules that we introduced in 2012. There was also one report of the theft of copper, and of scrap iron being sold for cash, despite the strict ban on cash transactions. These reports led to two dismissals and several reprimands.

#### *Reports in 2013*

The user-friendly online incident reporting tool that went live on our new compliance site in April 2013 was used in reporting 17 incidents. Before this tool had been introduced and promoted, most incidents were reported face to face, by e-mail, or by phone to a compliance officer. No use was made in 2013 of the option to make anonymous reports on the hotline. We conclude from this that our employees saw no need for this channel, and felt confident enough to file reports through the other means mentioned above.

The greater emphasis now being placed on compliance has given rise to a considerable number of reports. Since 1 January 2013 there have been 45 reports in total, which excludes the compulsory reports made in November 2012. The reports were concerned with internal and external integrity issues such as theft, fraud, extortion and threats. 32 reports have been investigated and handled, and 13 reports are still under investigation. All but two of these reports have led to specific measures, ranging from dismissal (in five cases) to a reprimand and an endorsement in the personnel file. We have blacklisted eleven companies. Six reports were judged to be unfounded following investigation. Some reports were concerned with individuals who did not work for Ballast Nedam (externals) and who caused a compliance incident. In 2013 there were six reports in total about externals, including for extortion, threats and fraud. These reports led to two community service orders, one for 240 hours and the other for 120 hours. We report every punishable offence to the police.

We register reports of corruption, discrimination and anticompetitive practices separately, in accordance with GRI guidelines. There were four reports of corruption in 2013. Two predate the new policy (2012), and further investigation led in one case to resignation and in the other to dismissal. There was also a report of bribery of a client. Ballast Nedam informed the client's Board of Management about their employee's explicit soliciting of a bribe, which led to the dismissal of the employee concerned. A project leader reported a corrupt request from a public sector client, with which he did not comply.

A complaint about discrimination against a male applicant was rejected because it was found that there were reasonable and objective grounds to give preference to female candidates.

In 2013 there were no reports or legal proceedings concerned with anticompetitive practices.

### **NAUERNA WIND TURBINE**

Ballast Nedam Concessies is operating two onshore wind turbines at Nauerna through Wind24.







### **Compliance and integrity training for management and employees**

In order to emphasize compliance, all senior managers have been given training in integrity issues, their exemplary role, and enforcement of the integrity policy. They have also been instructed to inform all employees under their responsibility about the Code of Conduct and the related integrity and compliance policy.

All employees with access to the Ballast Nedam intranet are able to consult the Code of Conduct and the related procedures and protocols.

We have also made a new e-learning module on compliance available to 2510 managerial, technical and administrative employees. Allowing for restructuring and long-term illness, 96 per cent of employees have completed this e-learning module. As many as possible of the remaining 4 per cent will be urged to do so in order to achieve our objective for 2013. New Ballast Nedam employees are required to complete the e-learning module on compliance within three weeks of commencement of employment.

### **Development of straightforward tools**

We have implemented several tools to raise employee awareness of the compliance guidelines, and to provide the means to observe these guidelines and keep them alive. Two of the tools on our intranet provide an uncomplicated way to assess invitations (I receive) or gifts (I give) against the compliance policy. The regular tool response will be monitored and handled in accordance with the established procedures. Both tools are used frequently. They were introduced in June 2013, since when they have been used 368 times. Of the 238 gifts offered to Ballast Nedam, 25 were rejected by the manager concerned. Another six assessments are ongoing.

We observe a favourable effect of the feedback about the acceptance or rejection of gifts, and the surrounding dialogue. This is conspicuous not only in the frequent use of the tools, but also in the feedback. There has been pressure from employees themselves to develop an additional tool to allow them to register offers that they have refused at their own initiative pursuant to the rules .

### **Compliance screening of suppliers and subcontractors**

The details of the great majority of Ballast Nedam's suppliers and subcontractors are recorded in a Central Suppliers Database. Suppliers and subcontractors that are not in the Central Suppliers Database are screened on a regular basis. This screening involves investigating our suppliers' and subcontractors' integrity credentials based on open sources. We examine all relevant information that relates to the past five years, both in the Netherlands and abroad. The screening is performed by an external party. The process allows for interim screenings outside the predetermined schedule.

### *Objectives and actions for 2014: compliance and integrity*

A compliance theme for 2014 will be control, and the existing organization will be optimized further. Our aim is unchanged: for all our employees to be aware of the Code of Conduct, and for no infringements of the compliance guidelines. The first concrete objective is the launch of the new 'BeN Wijzer' code of conduct, which explains our values and standards.

We are rolling out the anticorruption & fraud and the competition e-learning modules, and revising several subcodes and protocols from 2012 in line with the latest 'BeN Wijzer' code of conduct. Based on an extensive analysis of all reports made in 2013, we are categorizing the risks and refining the compliance checks at the leading edge of the tendering process.

## 6.5 Chain cooperation (market)

Ballast Nedam aims to add value for all customers through chain cooperation with suppliers and subcontractors. We create real solutions within innovative forms of cooperation with a wide variety of partners. These solutions are better than those we could achieve separately.

### 6.5.1 Chain responsibility

We interpret chain cooperation as extensive collaboration in the construction and infrastructure chain. The collaboration may transcend individual projects. Chain cooperation allows us to take a more market-operated approach, add customer value, reduce failure costs, increase customer satisfaction and promote sustainable innovation in the industry. Within our chain we value clear agreements about energy consumption, waste management, safety, compliance and integrity.

#### Policy

Ballast Nedam takes account of the total life cycle of a project or feature in its chain cooperation. Chain cooperation adds value through combined innovative strength, cost efficiency and optimum coordination of procurement. One of our principles is that all parties must have a sense of responsibility for people, the environment and the community, which they demonstrate through their actions.

#### Objectives for 2013: chain responsibility

---

To hold two dialogues about partnership and sustainable purchasing with the top 20 suppliers that have done business with Ballast Nedam for more than ten years

---

Not achieved

#### Results for 2013

There has been a 'hands on' approach to chain cooperation in the projects in the past year. We held dialogues with our key suppliers, including transport operators, steel constructors, synthetic material suppliers, steel fixers, installers and exterior wall specialists. Among the subjects discussed were CO<sub>2</sub> emission reduction, efficient logistics and loading (fuel consumption), waste prevention and removal, and the origin of materials.

We present several initiatives below that we have tackled together with the chain.

Our purchasing contract refers to the Ballast Nedam general purchasing conditions and the Ballast Nedam code of conduct for subcontractors and suppliers. This code is addressed to all our subcontractors and suppliers, and applies throughout the chain. By signing the contract, our partners also promise to abide by the code.

#### Lean principle

The creation of customer value and a shorter turnaround time are key. Using improvement technologies to learn to see where you want to go while highlighting opportunities for improvement, and implementing them. This requires cooperation with customers, partners and colleagues. Together we define the ideal value stream to arrive at the best product for the customer.

### **New build homes at Schepenlaan for Eigen Haard – Heddes Bouw & Ontwikkeling**

The teamwork between the Eigen Haard housing association and Heddes Bouw & Ontwikkeling and its chain partners arose spontaneously out of mutual trust and a willingness to share responsibility. Both partners have a passion for building and are keen to invest in relationships between people, which provides common ground for their teamwork on the Schepenlaan project. Eigen Haard's Eddo Braam explains: 'From early design through to project completion we worked from our conviction that anything we give each other will be returned. We put the interests of the project first, and our own interests on an equal footing. For the new build homes at Schepenlaan we as client also took our place in the chain. Contacts criss-cross the chain team. Our experience is that it is better not to bring in the cost experts too early, but to keep the dialogue open and encourage creativity. Using the chain partners' know-how and skills, a simple change like reorienting a kitchen on the plan can save as much as 400 euros for every home.'

#### *Objectives for 2014: chain responsibility*

In line with the CO<sub>2</sub> performance ladder we encourage our chain partners to take measures to demonstrably reduce their relative CO<sub>2</sub> production. We are aware that this ambition presents a considerable challenge in view of the current overriding importance of 'most economic price'. Each year we ask our suppliers to provide a CO<sub>2</sub> footprint, with which we fulfil the objective set down in the standards of the CO<sub>2</sub> performance ladder.

We have not set a separate objective for this aspect in 2014. Ballast Nedam has not aimed specifically at chain cooperation in the past two years, although a 'hands on' approach is taken to chain cooperation in projects where value may be added.

#### **6.5.2 Innovation, the common denominator**

Innovation is firmly anchored in our organization. The point is to plough back innovations of proven practical value for our customers' benefit. Besides substantial upgrades we also innovate through stepwise improvement. Our approach to innovation sets us apart and strengthens our position on the growth market of integrated projects and the niche markets. Our conviction is that innovation leads to opportunities for sustainability, and vice versa.

#### **Policy**

Ballast Nedam operates a virtual innovation network (*tok!* Open), in which Ballast Nedam employees and stakeholders jointly generate new business in an open innovation environment.

#### **Futura explained at the Dutch Green Building Week (DGBW)**

The theme of the third DGBW was sustainable building, living and working, and sustainable area development. Ballast Nedam took the opportunity to present the Futura project in Zoetermeer. The Zoetermeer CSR Foundation, one of the DGBW participants, commented that 'Chain integration has paid off. Weekly meetings of all the parties involved in the building allowed direct communication of possible problems and minor adjustments.'

Futura is an extremely sustainable atrium building with 69 apartments with patio in Zoetermeer. Ballast Nedam collaborated closely with all chain partners on this project. Futura is the first sustainable residential complex in the Netherlands to be assessed as '(Very) Good' for New Construction Design Phase BREEAM certification. This certificate is issued for an apartment that is engineered using the latest BIM and 3D technologies, and where the internal and external parties and subcontractors work together in a chain.

#### **Agreements with shipping companies and forwarding agents**

Ballast Nedam has attended annual meetings with the shipping companies that we use. Among the items discussed were the use and development of cleaner marine engines, on which we also made agreements. The meetings are consistent with our LNG ambitions for shipping. We also discussed the Code of Conduct for subcontractors and suppliers in these meetings.

Ballast Nedam is the first Dutch construction company to be a member of the Clean Shipping Index, and we will make maximum use of recommended shipping companies for our goods transport. Ballast Nedam's aim with the Clean Shipping Index is to avoid using polluting vessels and to promote the use of cleaner marine engines. The Heavy Lift Vessel Svanen was duly nominated for and accepted into the Clean Shipping Index in 2013.

We present below some examples of our initiatives in this network for improving the effectiveness of our organization:

- *tok!* Open: the digital ideas and discussion platform for our employees and stakeholders;
- *tok!* formula: a coherent set of activities surrounding the *tok!* platform, including the *tok!* ideas café, *tok!* brainstorming sessions and *tok!* information sessions;
- *tok!* business case factory: together with Business Model Canvas, this supports the development of business cases on the *tok!* platform;
- *tok!* innovation panels: discuss specific issues with stakeholders with a view to defining concrete forms of teamwork. The *tok!* innovation panels for Corporations, Modular Building, City and Energy, and Healthcare concluded in 2013, and have delivered the first successes;

In the past year we have mainly supported initiatives for transsectoral cooperation. For example, Ballast Nedam and events organizer ID&T signed a letter of intent in 2013 to cooperate on open innovations in the construction and events sectors.

#### *Objective for 2013: innovation, the common denominator*

To implement at least two sustainable innovations through cooperation on innovation with chain partners

Achieved

A list of the key innovations and innovative projects that we started or carried out in 2013 is given under Sustainable Innovation on the next page. We have brought together the information about the developments in modular construction (strategic focus) under *Modular construction* on page 45.

#### *Objectives for 2014: innovation, the common denominator*

To implement three sustainable innovations through cooperation on innovation with chain partners

ETTU and Ballast Nedam have agreed on the shared intellectual ownership of the *tok!* software and *tok!* formula, in which ETTU will include the *tok!* software as a social innovation building block in its eConnect product line. ETTU sees great potential in improving social innovation processes for and with its customers by means of *tok!* software and the *tok!* formula.

Summer Village, a partnership between TU Delft, ID&T and Ballast Nedam, is a forerunner of the Green Village: a campus in which scientists, students, entrepreneurs and companies work together on sustainable innovation. This initiative will be implemented in 2014.

The Plug and Play Transformation idea worked its way to the top 30 of the TEDxAwards in 2013, making it 'an idea worth spreading'. Plug & Play Transformation allows vacant office buildings to be transformed rapidly and efficiently into housing locations. The concept is based on 'life-cycle thinking and acting' with modular elements.





#### **IQWONING®**

Woonbedrijf and Ballast Nedam are building 74 energy-neutral iQwoning® homes in Eindhoven. The building style and advanced quality of the new rented homes match the owner-occupied housing that Ballast Nedam built in the area at an earlier stage. The homes achieve energy neutrality through excellent insulation and the application of a variety of sustainable systems. Two homes are erected every day, with finishing work completing six weeks later.



# Sustainable innovation

## Product innovations

### Extension spindles for drains

The extension spindle locks the stench screen to prevent it being lifted from the seat.

An additional advantage is that extra manual operations are no longer needed when cleaning the drain. A damaged stench screen can still be replaced.

### 700-bar hydrogen filling station

This filling station type, which will be built as part of the cross-frontier 'Hydrogen Region Flanders-Netherlands' Interreg IVA programme, will be compatible with the hydrogen-fuelled passenger cars that are to be introduced onto the market. These cars are expected to be available in 2015. The first 700-bar hydrogen filling station in the Netherlands will be built in early 2014 for WaterstofNet.

### ZigZag screen

We developed this modular noise screen together with Grontmij. It has no prominent concrete or steel uprights. The folding construction avoids deformation of the concrete panels, because only normal forces are transmitted to an adjacent panel. The resultant material savings lead to a CO<sub>2</sub> emission reduction of 25 per cent.

## Process innovations

### Logistics modelling

With this innovation we are using software modelling and analysis techniques to optimize the logistics process for offshore wind turbines.

The first version has been used successfully for the Walney 2 offshore wind farm.

### Bridging the Gaps (BtG)

The BtG programme has the objective of raising the standard of tendering within Ballast Nedam and forging connections between people and departments. The Tender Canvas tool that was developed as part of BtG has already led to the first successful contract award from the Port of Rotterdam: for the management of the dry infrastructure.

## Materials innovation



### mbX composite mixture

This newly developed mixture is a highly flexible composite from which extreme forms can be made without reinforcing steel. mbX composite is currently being applied in the construction of the public transport terminal in Arnhem.

## Innovative concepts



### One-lift-concept

This concept enables us to transport a fully assembled wind turbine (tower, nacelle and rotor blades) from land and install it in an offshore wind farm. This dependable installation method is based on our Heavy Lift Vessel Svanen.



## Innovative partnerships

### Stroomversnelling

The Stroomversnelling innovation projects are bringing corporations and builders together to improve 110 000 post-war series-built homes to a zero net energy standard. The necessary investment will be paid for by contributions equal to the former energy bills. An initial prototype has been delivered in Stads kanaal. There is more about Stroomversnelling in Section 4.2 Building & Development.

[▶ More on page 59](#)

## 6.6 Being at the heart of the community (community)

This section explains how Ballast Nedam contributes to the local communities in which we work through community relations management, community investment and social sponsoring.

### 6.6.1 Community relations management

We have the versatility and creativity to use technology to bring social and ecological benefits, while meeting our stakeholders' expectations. We do this through community relations management. The stakeholder dialogues play an important social role, and the Code of Conduct for the Flora and Fauna Act has a significant ecological impact.

#### Policy

Ballast Nedam interprets community relations management as anything that helps us get to know and involve all community parties to promote mutual awareness of our various goals, while controlling and safeguarding the project objectives. We give priority to communication, safety, tidy work, environmental awareness and a social attitude.

Strategic community relations management is a tool for Ballast Nedam to understand and manage the points of contact between a project and its neighbours at the earliest possible stage. The point is to facilitate good relations between the project organization and the various stakeholders in the surrounding area, so that we identify win-win solutions.

#### Objectives for 2013: community relations management

To submit all projects with a value above 5 million euros and every city-centre project above 500 000 euros in the Netherlands as a Bewuste Bouwers project	Not achieved
To extend the quality manual to embed community relations management into the projects	Not achieved

#### Results for 2013

At year-end 2013 36 current projects had been submitted to Bewuste Bouwers, and 26 Bewuste Bouwers projects were completed this year. 16 of the projects were audited. Since the Bewuste Bouwers scheme started, Ballast Nedam has submitted 111 projects, which is 20 per cent of all projects submitted. Most of these are large and city-centre building projects. Infrastructure projects also apply community relations management, but they are not yet always submitted to the scheme. As a result, while we did not achieve the objective, we have demonstrated the importance we attach to community relations management. Infrastructure sets a standard that is higher than that required for Bewuste Bouwers. For infrastructure projects, Ballast Nedam appoints a specific community relations manager to keep a proper focus on community relations management.

We aim to anchor the role of community relations manager in our processes. In 2013 we made a list of what we do well in this area (whether consciously or unconsciously), what is already assured in our processes, and any points on which there is room to improve our processes.

The Bewuste Bouwers organization assesses construction sites on criteria related to considerate building in the widest sense. The primary aim is to improve the construction industry's image by professionalizing community relations management. The key words are aware, safe, tidy, the environment and social. Ballast Nedam is one of the founders of the Bewuste Bouwers scheme.

#### Complaints procedure

It is important for people near our projects to know who to approach with any questions or comments. An increasing number of projects therefore have their own procedure for registering and handling complaints about the contractor, and reporting the results to the client.

Other complaints are handled centrally and allocated to the department or business unit concerned. After handling, the action taken is reported to the stakeholder.

We appointed a long-term unemployed person to look after the safety of passers-by and employees from the start of the sand replenishment in early October 2013 until the beach was delivered at the end of February 2014. He was responsible for putting up warning notices and fences on the sections of beach being worked on, and made sure that people observed the safety instructions.

The findings formed the basis for the community relations management manual, which will be reviewed and implemented in 2014. The essence of the manual is that community relations management activities are an inextricable part of project execution, and that everyone involved must be aware of it.

#### *Objectives for 2014: community relations management*

To have forty current projects in the Netherlands submitted as Bewuste Bouwers projects at year-end

There are many potential points of friction with the neighbours of the A15 Maasvlakte-Vaanplein highway project. The Port of Rotterdam is one of the economic powerhouses of the Netherlands, which inevitably means many large cables and lines to and from the industry there. Large refineries transport their products in pipelines, and if anything happens to these the impact can be enormous. It is therefore vital for us to coordinate our work on this project in detail with parties such as the Port of Rotterdam, Shell, ECT, Eneco and Gasunie.

### 6.6.2 Community investment

#### **Policy**

Ballast Nedam's social policy is directly related to our vision and our key activities. This means that we support those local communities with the greatest need with a combination of time, knowledge, money and expertise. Our conviction is that these communities benefit most from a targeted, long-term involvement. Society as a whole also gains from this. Our investment programmes accordingly focus on:

- education: to help a group of young people, in particular those with a social disadvantage, to build a successful career;
- employment: to enable people who have a substantial barrier to overcome, in particular because they are at the lower end of the labour market or are at the start of their careers, to acquire skills, knowledge, experience and self-confidence;
- entrepreneurship: to improve the social and commercial wellbeing of the community by supporting and initiating partnerships.

#### *Objectives for 2013: community investment*

To add depth to the community investment policy oriented to social return activities that are linked to our projects

Achieved

#### *Result for 2013*

Ballast Nedam employees are becoming increasingly aware of their social return obligation in projects. Ballast Nedam achieves social return through agreements with clients to help people at the lower end of the labour market and those at the start of their careers to gain work and general experience. In many cases we accept an obligation, but we also take initiatives of our own. This gives long-term unemployed people and those who are partially fit for work an opportunity to gain work experience. In 2013 we used the findings of various analyses as input for a workshop for anyone directly involved with social return on the construction site. The workshop participants were given the latest information about social return, and they exchanged success stories and problems. The workshop was used as input for the Social Return Manual, which gives specific tips to help Ballast Nedam employees plan and perform successful social return activities in the tendering stage and during construction.

The Butendiek offshore wind farm in Germany is a good example of how we take nature into account. An important issue in the installation of wind turbines is pile-driving, for which we can obtain a permit only if we take noise limiting measures. Our current approach is to install casings around the pile-driving site to reduce the acoustic disturbance to fish.



To update the Social Return Manual by incorporating lessons learned in practice.

---

### **Social return projects**

Ballast Nedam has 21 ongoing social return projects, as shown in the chart: Ballast Nedam's own voluntary initiatives are shown in blue.

#### **A15 MAASVLAKTE-VAANPLEIN**

The A15 highway is an important link between the expanding Rotterdam port and industrial complex, and the European hinterland. The cooperating parties, Ballast Nedam, John Laing, Strabag and Strukton, are responsible for the complete design and construction of the A15 project, the financing and management, and the maintenance of all existing and new infrastructure for a 20-year period following availability.





Business unit	Project
Avenue 2	A2 school, Maastricht
Ballast Nedam Bouw & Ontwikkeling Noord	MFC Westergeest, Triemen
Ballast Nedam Bouw & Ontwikkeling Speciale Projecten	Erasmus MC, Rotterdam
Ballast Nedam Bouw & Ontwikkeling Zuid	Drents village, Eindhoven
Ballast Nedam Bouw & Ontwikkeling Zuid	Bloemenbuurt, Veghel
Ballast Nedam Infra	Katwijk Coastal Works
Ballast Nedam Infra	New Park redevelopment, Gouda
Ballast Nedam Infra	Cycle park, Rotterdam CS
Ballast Nedam Infra	Business park, Municipality of Echt
Ballast Nedam Infra	Aqueduct in Western Approach Road, Leeuwarden
Ballast Nedam Infra Speciale Projecten	Kralingse Zoom, Rotterdam
Ballast Nedam Specialiteiten	Green space maintenance, Leerdam
Ballast Nedam Specialiteiten	Provincial road maintenance, Noord- Brabant
Ballast Nedam Specialiteiten	Maintenance of plants and shrubs Meer- zicht, Zoetermeer
Heddes Bouw & Ontwikkeling	Engelandlaan, Haarlem
Heddes Bouw & Ontwikkeling	Lopes Dias, Hilversum.
LAUDY Bouw & Ontwikkeling	St. Jansbolwerk, Den Bosch
LAUDY Bouw & Ontwikkeling	Arcus College, Heerlen
LAUDY Bouw & Ontwikkeling	Sports centre, Susteren
LAUDY Bouw & Ontwikkeling, Ballast Nedam Bouw & Ontwikkeling Zuid	New build Municipal Office, Venlo
A-Lanes A15	A15 Maasvlakte-Vaanplein, Rotterdam

# Community investment

Ballast Nedam invests in social projects that support children and adults in need. There are national and international projects in education, employment (social return), entrepreneurship, and development aid in Africa. We consider all these contributions to be community investment, and we endeavour to have a positive impact on society at large. This page presents the projects we invested in in 2013.

## Education

### IMC Weekend School

Ballast Nedam is working with the IMC Weekend School Utrecht, which helps motivated young people between the ages of 10 and 14 from socioeconomically deprived areas to become acquainted with interesting areas of science, the arts and the professions. Ballast Nedam makes an active contribution by providing the Architecture and Building lessons for second-year students, together with the staff of the IMC Weekend School. This year, 28 third-year students were awarded a certificate.

### A2 School

#### *Employment – Social Return*

The A2 School is a jointly operated 'one-stop shop' for the City of Maastricht, the Employee Insurance Agency (UUV) and the sheltered employment organization. The shared goal is to help younger and

older people who are estranged from the labour market back to work. In 2013 the A2 School and Avenue2 (Ballast Nedam and Strukton) created more than 115 FTEs on the A2 Maastricht project implementation, which is an increase of more than 25 FTEs. Besides the building trades, there are also opportunities in office work and technical services.

### Erasmus Medical Centre

Ballast Nedam has entered into a voluntary covenant with the City of Rotterdam and the Aanbouw foundation to help unemployed people back to work on the Erasmus Medical Centre project.

Six unemployed people started on the project in 2013. This project also has an apprenticeship site, which offers apprenticeships to upper secondary vocational school and university of professional education students.

### Katwijk Coastal Works

In consultation with the municipal authority and the Employee Insurance Agency, Rohde Nielsen and Ballast Nedam are providing work on the Katwijk Coastal Works project to help long-term unemployed people back onto the labour market.

This involves three permanent regular jobs, two on-the-job training places, three places for job-relevant training, four work placements and two participation jobs.

### From social workshop to parks and gardens

Ballast Nedam has created jobs for social workshop clients on three green space maintenance projects: parks and gardens in Leerdam, verges of regional roads in North Brabant, and plants and shrubs in the Meerzicht district of Zoetermeer.





## Entrepreneurship

### Support to Oxfam Novib for microcredits

Gebr. Van Leeuwen Harmelen B.V. and Ballast Nedam's Funderingstechnieken and Offshore business units are Oxfam Novib business ambassadors. Standing firm together in the fight against poverty is Oxfam Novib's aim. The objective is to help the poorest people in developing countries set up their own businesses and achieve independence.

### Together for Nieuwegein

Ballast Nedam is one of the partners in Samen voor Nieuwegein (Together for Nieuwegein). The annual Beursvloer event brings local businesses, social organizations and the municipality together to match supply and demand, leading to social transactions in which no money changes hands. Ballast Nedam hosted this event on 21 November 2013.

This time, the event produced 123 matches, with a total social value of over 197 680 euros. Ballast Nedam has promised to help the Vogelnest primary school move a wall, and is investigating the opportunities for work experience places for clients of Tres Werken Leren.

We have international projects in Africa, where we are aiming to have a favourable impact on the community.

Last year we supported the following projects with money, work and goods.

### Crossing the river and staying dry

In Gambia we are providing manpower, resources and know-how to build Calums Road. Our effort and pure Dutch dike-building know-how mean that people can now cross the river with dry feet if they need to visit the hospital in Kuntaur, for example.

### Laughing with clowns

We made a financial contribution to a visit by the Global Clowning organization to Ghana (including to the Countryside orphanage in Bawjiase). Global Clowning brings a smile to children who need this the most. They perform for children in third world countries, where there are hardly any clowns. In slums, hospitals, orphanages, institutes for children with mental and or physical impairments, or schools. They can then briefly forget their problems, poverty, pain and distress, and simply laugh.

### School fees for orphans

Ballast Nedam made a financial contribution to the school fees for 32 children from the Countryside orphanage in Bawjiase, Ghana. We have supported this project for several years, both financially and by carrying out work.

### Ambulance as farewell present

Ballast Nedam spent four years upgrading the road outside the Bansang Hospital in Gambia. At the same time, Ballast Nedam supported the hospital by carrying out work. As a farewell present, we presented the hospital with an ambulance.

## Social sponsoring

### Alpe d'HuZes

In June 2013 eighteen Ballast Nedam employees cycled to the top of the Alpe d'Huez a total of 65 times to collect money for cancer research. They raised some 65 000 euros.

In total Alpe d'HuZes has generated approximately 29 million euros for the cancer charity KWF Kankerbestrijding. Ballast Nedam sponsored the Alpe d'HuZes teams with equipment and finance.

### RopaRun

The Roparun is a relay race of over 500 kilometres from Paris and Hamburg to Rotterdam. The participating teams perform a sporting feat to collect money for causes that provide palliative care for people with cancer.

The total proceeds of the 2013 Roparun were 5 370 960 euros. The Ballast Nedam team raised 13 644 euros.

### Concrete Dragons

The Ballast Nedam dragon boat team 'Concrete Dragons' started in Amstelveen in 1995. Over the years, the team has grown to become one of the seven Dutch national competition teams.

Ballast Nedam is the main sponsor, and many of the team members also work for us. The objective of Concrete Dragons is to respond to the sporting challenge, without losing sight of fun and fellowship.





'The pond is more than functional water storage. It is also part of the new, nature-friendly environment'

Marc Nelen – senior project developer of Futura, Zoetermeer

# 7

## Stakeholder dialogue

The wide diversity of companies within Ballast Nedam means we also deal with a wide diversity of stakeholders. Our stakeholders are our (1) customers and clients, (2) suppliers and subcontractors, (3) employees, (4) local residents, (5) shareholders and investors, (6) banks and credit insurers (7) public authorities, (8) knowledge and educational institutions and industry associations, and (9) social organizations. There are more details in Section 1.4 *Stakeholders* on page 22 and Section 6.4 *Our people, standards and values* on page 107.

### 7.1 Guaranteeing commitment

By entering into dialogue with our stakeholders we are able to sound out and refine our vision, policy, strategy and expectations with them. The Sustainable Business Innovation and Communication & Investor Relations support departments work closely together to arrange these strategic stakeholder dialogues. We also maintain permanent operational contact with numerous stakeholders. We use the feedback we receive from stakeholders to improve our organization. (see also Section 6.5 *Chain cooperation* on page 123.)

In 2011 we held one-to-one interviews with our stakeholders. We opted for four multi-stakeholder dialogues in 2012, each linked to one of the areas of work – housing, mobility, energy and nature – and how these areas interrelate. In 2013 Ballast Nedam opted explicitly for dialogue with stakeholders at company and project levels. We gave these operating levels priority because they are where dialogue has the most direct and tangible impact.



## 7.2 Materiality matrix

We use the materiality matrix that we created together with our stakeholders in 2011 to define the key points for attention with respect to corporate social responsibility (CSR). The matrix guides the identification of our CSR issues.

The topics that stakeholders found important for themselves and Ballast Nedam according to this matrix are integrity, sustainable resource use, life-cycle management, chain cooperation and innovation and entrepreneurship. These are therefore the issues that stakeholders expect Ballast Nedam to devote serious attention to, as was borne out in our dialogue with stakeholders in late 2012.

In 2014 we will update the materiality matrix in the light of the results of this year's stakeholder dialogues.



### **PUBLIC TRANSPORT TERMINAL, BREDA**

Breda station is being transformed into a totally new interchange for train, bus, car, bicycle and pedestrian transport. The new complex is also to be fully integrated into the large-scale urban development, combined with offices, housing, commercial functions and parking facilities. The consortium of Ballast Nedam and Hurks is working on this complex, integrated project in the busy urban area.

### 7.3 Dialogue with stakeholders on four levels

In 2013 Ballast Nedam opted for dialogue with stakeholders on the levels where the greatest impact would be achieved: company and project levels. The purpose of the dialogue with stakeholders is to add value for the end-user, the client, and society as a whole.

Our approach to the dialogue with our stakeholders was as follows. We categorized initiatives on the following four levels:

- our initiatives to enter into dialogue with stakeholders on company and project levels;
- opening our internal innovation platform to stakeholders;
- holding a symposium to exchange ideas with stakeholders about a sustainable economy;
- engaging in stakeholder dialogue together with NGOs and knowledge institutes.

We give details of these initiatives in the following sections, together with brief examples.

Communication is obviously an important factor in awareness of and commitment to social themes, which is why we pass on the feedback from our stakeholders to our employees in the internal magazine *Blauwdruk*, in meetings, and on the intranet. We also align our external communication as much as possible with socially relevant issues that matter to our stakeholders. We report on our website in words and pictures about our programme's in platforms such as Provada and InfraTech.

#### Dialogue with stakeholders on company and project levels

On company level, Ballast Nedam views customer satisfaction surveys as an important instrument for improving our services. The Ballast Nedam Building & Development Special Projects cluster performed an extensive customer satisfaction survey in 2013. An external party was engaged in order to obtain the most objective picture possible. The customer interviews led to the definition of actions on various levels within the cluster's improvement plans for 2014. Examples include:

- more consistent and intensive inspections in the construction phase to raise quality to a higher standard;
- more regular discussion with our customers, not just to explain what we are doing, but more in particular why we are doing it;
- greater Ballast Nedam visibility through more effective communication about project progress.

Every year we consider which stakeholders and projects to approach for a customer satisfaction survey. The survey's annual frequency also allows us to measure the improvements we have introduced.

There was a time when industry and nature conservation organizations had conflicting interests, but these two worlds are now working together increasingly often.

An example is Ballast Nedam and the Society for the Preservation of Nature in the Netherlands. Ecohydrologist Robbert Hijdra has been a strategic adviser and public affairs coordinator at this organization for the past two decades: 'Combining our knowledge with that of engineers who share our green heart can create really beautiful things. The challenge is to link major building projects in water or on land with habitat creation. And when it is finished, we take care of the management.'

(Blauwdruk 7, outside in)

#### Customer satisfaction survey

Clients and their advisers are invited to an in-depth interview to explore their experience with Ballast Nedam on projects, both during and after implementation. The output of the interviews is presented in the form of a dashboard that expresses a given cluster's performance. Workshops are held twice a year to discuss the dashboard with cluster employees before using it as input for improvement programmes.

Another example on company level is the quarterly Offshore Wind Q meeting, which Ballast Nedam and Siemens have held for the past four years. This is more than just an informal networking session for all stakeholders, but more of a discussion platform for offshore wind issues. Among the issues raised and discussed are Dutch policy, the spatial aspects of offshore wind energy, and cost reductions. We have invited a variety of politicians, government officials and consultants to speak at these meetings.

We maintain contact between projects and local organizations, because they are stakeholders in the integrated approach to projects. We similarly engage in dialogue with the Limburg Landscape Foundation about the preservation or new habitat creation for flora and fauna in the Lus van Linne redevelopment. We also talk with the cyclists' association about improvements to established cycle path plans where road safety is an issue, such as for the A2 Maastricht.

#### Platform for innovation opened to stakeholders

By opening our internal virtual innovation platform *tok!* to employees of our key stakeholders, we are encouraging open innovation. The extended version of this social media platform – *tok! Open* – is for employees of Ballast Nedam and our stakeholders alike. It provides a permanent and easily accessible interaction platform for working together with stakeholders on sustainable innovation, with an emphasis on current social issues. More about *tok!* and the results can be found in Section 6.5.2 *Innovation, our common denominator* on page 124.

Ballast Nedam works with the Hogeschool Utrecht to develop the ideas that come out of *tok!* in the 'sustainable innovation' project for third-year Technology and Management students. One hundred students work in groups in an open innovation environment on material drawn from Ballast Nedam's ideas and discussion platform *tok!*. The students have ten weeks to produce a complete business case for Ballast Nedam's ideas team.

This special form of teamwork has led to Ballast Nedam's nomination for the Sustainable Entrepreneurship Plaque awarded by the Koning Willem I foundation. The nomination was based on 'the good work that Ballast Nedam is doing through its work with the education sector, in which the company is displaying its social commitment by investing in young people', the foundation says.

#### Symposium on sustainability and the circular economy

Ballast Nedam held a symposium in 2013 with the title Life-cycle thinking and acting – the next phase. The debate was intended to raise awareness of and discussion about the theme. It also occupies a central place in Ballast Nedam's strategy (see also Section 3.1.1 *Life-cycle thinking and acting* on page 16).

Three introductory speakers led the 180 participants in a lively debate on the central theme: the new reality confronting the construction industry, with changing needs of both customers and society as a whole. External and internal stakeholders engaged in a fervent debate about how traditional approaches are making way for future-proof, sustainable business models. Among the important related issues are sustainable resource use, the circular economy, life-cycle management and product responsibility throughout a product's life.

We are also applying the steps towards a circular economy (one based on product and raw material reuse) within Ballast Nedam, such as in our wide modular product range, which consists of reusable components with a definite residual value. We also perform life-cycle analyses for materials, and even for energy, which is a way for us to put circular thinking into practice.

#### Lus van Linne

The lakes to the south of Roermond are not natural, but the result of gravel extraction between the 1920s and 1970s for the Dutch railway system.

Ballast Nedam became the owner of this area of over 200 hectares in 2009. Our aim in this project is to facilitate and preserve nature, and to create added value. To achieve this aim, we will do what we are good at: digging in clay and gravel. Indeed, we are now able to extract soil that was inaccessible at the time of the excavations for the railways, which were only interested in coarse gravel anyway. There is still some 6 million cubic metres of sand and gravel on this site, which is the financial motor for the entire project. It is enough to fund the land purchase and all the necessary earth movement.



#### *tok! Open*

The latest version of the digital ideas and discussion platform *tok!* went on line in 2013: *tok! Open*. This is a platform for open innovation and improvement. Ballast Nedam has opened *tok!* to its stakeholders: clients, suppliers, knowledge institutes, customers and partners. The aim is to create a medium through which to collaborate on ideas. Ballast Nedam believes that *tok!* can help us improve ideas and bring them to market faster, which can generate new business for both Ballast Nedam and its stakeholders.

The *Life-cycle thinking and acting – the next phase* debate has raised stakeholders' and employees' awareness of these issues.

#### Stakeholder dialogue with NGOs and knowledge institutes

Ballast Nedam sets great store by cooperation and knowledge sharing, as external stakeholders are increasingly aware. In the past year Ballast Nedam has been invited regularly as a chain partner for stakeholder dialogues held by NGOs and knowledge institutes, alongside our main activities within industry associations. The following examples of Ballast Nedam's involvement have a direct connection with the issues in our CSR policy.

#### **Life-cycle management: Circular Economy Community of Practice (organized by MVO Nederland)**

In order to develop knowledge about closed cycles, Ballast Nedam participated in the past year in the Circular Economy Community of Practice, which is an initiative of MVO Nederland in which front runners from Dutch industry jointly explore the opportunities presented by the circular economy, and translate these into concrete action within their own companies. In order to spread the circular economy philosophy within Ballast Nedam, employees from various business units attended the meetings and shared the knowledge with their colleagues at lunchtime sessions. Ballast Nedam also organized a session that led to new insights and interesting reference points for follow-on steps in a pilot for an office transformation.

#### **Life-cycle management: Partnership Resource Centre**

We are talking with Cordaid about the development of business models for issues such as slum dwellers in development zones, and about the role that Ballast Nedam could play. Cordaid is a member of the Partnership Resource Centre, in which Ballast Nedam is also a partner. At the 'Multiparty sustainable business strategies for the urban future' symposium held on 3 December 2013, sixty representatives of government, industry and the NGOs arrived at the following conclusion: *'Cities in developing countries are a fertile ground for new business models with a social impact. Yet generating a positive impact requires cooperation between public and private stakeholders, local stakeholders and the community.'*

Ivo Opstelten, professor of 'New Energy in the City' at Hogeschool Utrecht, has this to say about the circular economy: 'Take a piece of land where people live and do business. Put a fence around it so that nothing can get either in or out. You then have no option but to reuse products, components and raw materials. Dismantlable components are then a way to minimize the costs of value retention.'

Jan Rotmans, professor of transition management at Erasmus University Rotterdam comments in 'Rebuilding the building industry, construction seeks citizen' that 'The construction industry has too few people who understand people. The community is undergoing drastic change that is too radical and fast for the construction industry to keep up with, which demands a change of approach. This approach must put customers and occupiers at the centre. Since there is no such thing as the customer or the occupier, I am much in favour of more social psychology in the construction industry.'

**Air quality: cooperation with Longfonds and Trees for All**

CNG Net, a Ballast Nedam subsidiary, has teamed up with Longfonds with a view to improving air quality.

**Trees for All**

We are talking with Trees for All about how we can work on CO<sub>2</sub> reduction. We will create a 'leadership plantation' together with the National Forest Service in the Netherlands and commercial companies (see Section 6.3.2 Air quality and CO<sub>2</sub> emission policy on page 102).

**Chain cooperation: FuturA**

Ballast Nedam is a participant in FuturA, which is one of 23 projects that originated in the Netherlands Organization for Scientific Research (NWO) under the 'CLICK NL' umbrella. The project emerged from the top sectors policy for the creative industry. It provides two doctorate positions, and holds various Living Lab meetings at which the consortium contributes its knowledge to help develop feasible business models for services to be provided by the architect of the future.

The partners in the research consortium are from the Royal Institute of Dutch Architects BNA, De Zwarte Hond, EGM architecten, IAA Architecten, Rothuizen, JHK Architecten, Ballast Nedam, Havensteder and the Government Buildings Agency, and academics from TU Delft and Radboud University Nijmegen. Ballast Nedam was approached because of our active role in integrated projects.

**Partnership between Longfonds and CNG Net**

Longfonds and CNG Net have the same goal: clean and healthy air in the Netherlands. Longfonds does this through lobbying, the provision of information and scientific research. CNG Net, as an operator of CNG filling stations, makes CNG available to drivers. CNG is an inexpensive and clean fuel that helps improve air quality, in that CNG-fuelled vehicles produce almost no particulate matter or soot. This shared goal has brought CNG Net and Longfonds together in a commercial partnership. For instance, they are the joint main partners behind iSPEX, an experiment in which thousands of Dutch people measure particulate matter using their smartphones (for iSPEX see also Section 6.3.2 Air quality and CO<sub>2</sub> emission policy on page 102).





#### ROAD OF THE FUTURE

The Road of the Future (N329) has received the HIER Energie Nul (zero energy) award, and has been praised as a sustainable and innovative zero net energy civil engineering project. The project was presented with the award by Princess Laurentien on 28 June 2013. The projects were assessed for originality, the degree of integration of sustainable energy consumption and generation, exemplary work, the reusability of project methods elsewhere, and the contribution to CO2 reduction.









# Corporate governance

---

8.1	Management and control structure	145
8.2	Report of the Supervisory Board	152
8.3	Members of the Supervisory Board	161
8.4	Remuneration report	163
8.5	Members of the Board of Management	169





‘Nothing can beat creating dynamic nature with social added value in a large-scale advanced infrastructure project’

Willem-Jan Duijnste – director of Ballast Nedam Grondstoffen

# 8

## Corporate governance

### 8.1 Management and control structure

Ballast Nedam has a structure of four segments that are formed around products and processes. The segments are Building & Development, Infrastructure, Specialized Companies, and Supplies. The structure is unchanged from last year. For full details, please see the website [www.ballast-nedam.com](http://www.ballast-nedam.com).

The Ballast Nedam Board of Management consists of Mr T.A.C.M. Bruijninx as Chief Executive Officer and Mr P. van Zwieten as Chief Financial Officer. There are three cluster Managing Directors, each responsible for two clusters. Each cluster Managing Director is supported by a financial director. The Board of Management and the cluster Managing Directors jointly form the Ballast Nedam Concern Council. Ballast Nedam reports on operations in the four segments.

#### 8.1.1 Dutch Corporate Governance Code

Ballast Nedam endorses the principles of the Dutch Corporate Governance Code (referred to below as the Code) and, with a few specific exceptions, applies the best practice provisions of the Code, as explained below. Ballast Nedam applied the best practice provisions as fully as possible in financial year 2013.

The General Meeting of Shareholders held on 10 May 2006 approved Ballast Nedam's corporate governance policy and structure. Neither the company's corporate governance structure nor compliance with the Code have changed substantially in the meantime. The corporate governance structure and corporate governance policy are on the agenda of every General Meeting of Shareholders.



Ballast Nedam abides by the Code, with the exception of the following key best practice provisions:

*1. best practice provision II.1.1: maximum term of appointment of four years*

We do not apply this best practice provision in the case of Mr Bruijninx.

Mr Bruijninx was appointed for an indeterminate period early in 2003, before the Code came into effect, and Ballast Nedam respects these contract terms.

*2. best practice provision II.2.8: maximum severance pay of one fixed annual salary*

We do not apply this best practice provision in the case of Mr Bruijninx.

Mr Bruijninx was appointed early in 2003, before the Code came into effect.

The severance pay agreed with him was one-and-a-half times fixed annual salary, and Ballast Nedam respects these contract terms.

*3. best practice provision II.2.10: the power to adjust variable components of remuneration*

The Supervisory Board does not have the power to adjust components of remuneration in respect of Mr Bruijninx, and Ballast Nedam respects the pre-existing contract terms. We do incorporate the possibility to adjust variable components of remuneration in the employment contracts of new directors, as has happened in the case of Mr Van Zwieten. As of 1 January 2014 there is compliance with this provision by virtue of the 'Clawback' Act.

*4. best practice provision II.2.11: the clawback clause*

The Supervisory Board does not have the power in respect of Mr Bruijninx to claw back components of remuneration awarded on the basis of incorrect financial or other information, and Ballast Nedam respects the pre-existing contract terms.

We do incorporate the possibility to adjust variable components of remuneration in the employment contracts of new directors, as has happened in the case of Mr Van Zwieten. As of 1 January 2014 there is compliance with this provision by virtue of the 'Clawback' Act.

*5. best practice provision IV.3.1: live webcasts of presentations*

It is not possible for shareholders to follow analyst meetings, analyst presentations, presentations to institutional and other investors and press conferences simultaneously through webcasting, telephone, or by other means. Ballast Nedam has no plans to introduce these facilities in the near future.

Details of our compliance with the Code are available on [www.ballast-nedam.com](http://www.ballast-nedam.com).

### 8.1.2 Corporate Governance Statement

Ballast Nedam N.V. has included in this Annual Report all statements and announcements as set down in the Code, the Netherlands Civil Code and in other laws and regulations concerned with corporate governance. Our website also has a document that contains all statements and announcements as referred to in the Resolution of 23 December 2004 in respect of additional regulations about the content of the Annual Report.

### 8.1.3 Legal structure

Ballast Nedam N.V. is a private limited liability company under Dutch law, subject in full to the statutory two-tier rules. The issued share capital consists of 10 million registered ordinary shares. Depositary receipts for Ballast Nedam shares are listed on NYSE Euronext Amsterdam. The Ballast Nedam Administration Office issues depositary receipts for shares and administers the underlying shares. As at 31 December 2013, the Administration Office had issued depositary receipts for 99.46 per cent of the capital in issue. Ballast Nedam has no anti take-over constructions.

The company has a Supervisory Board and a Board of Management. The Board of Management requires Supervisory Board approval for certain important decisions. The Board of Management also requires the approval of the General Meeting of Shareholders for important changes in the identity or character of the company or the business.

If the Board of Management makes a proposal to amend the Articles of Association, which the Supervisory Board approves, the General Meeting of Shareholders will pass the resolution by an ordinary majority of the votes cast. In all other cases, resolutions to amend the Articles of Association are carried in the meeting only by a majority of votes representing at least 70 per cent of the capital in issue.

### 8.1.4 Supervisory Board

The Supervisory Board supervises the policy of the Board of Management and the general performance of the company and its business, and supports the Board of Management with advice. The Supervisory Board performs its tasks mindful of the interests of Ballast Nedam N.V. and the associated business, taking into consideration the relevant interests of the stakeholders who play a part or are affiliated. The Supervisory Board also takes into consideration in its duties in the social aspects of business conduct that are relevant to the company.

Ms C.M. Insinger was appointed member of the Supervisory Board at the General Meeting of Shareholders held in May 2013. In October 2013 Mr J.C. Huis in 't Veld resigned with immediate effect from the Supervisory Board, and at the request of the Ballast Nedam Board of Management he has been appointed on an interim basis to the management team of Infrastructure Special Projects. The Supervisory Board currently has four members. All supervisory directors are independent within the meaning of the Code.



#### **PUBLIC TRANSPORT TERMINAL, ARNHEM**

A consortium of Ballast Nedam and BAM is constructing the public transport terminal in Arnhem for ProRail. The project includes an imposing transfer hall linking platforms, the bus station, and the parking facilities for cars and bicycles. The elaborate shapes involved in the design are being created using the innovative mbX composite mixture.

#### **Nomination and appointment**

The General Meeting of Shareholders appoints the members of the Supervisory Board as nominated by the Supervisory Board. The General Meeting of Shareholders may reject nominations by an ordinary majority of the votes cast, providing that at least one third of the capital in issue is represented at the meeting. The General Meeting of Shareholders and the Central Works Council may recommend specific people for nomination as members of the Supervisory Board. The Supervisory Board will follow the recommendations of the Central Works Council in nominating one third of its membership. This principle ceases to apply if the Supervisory Board has objections, in particular if the Board expects:

- the nominee to be unfit to perform the duties of a supervisory director;
- the composition of the Supervisory Board to be inappropriate if the recommended appointment were to be made.

The General Meeting of Shareholders may adopt a vote of no confidence in the Supervisory Board by an ordinary majority of the votes cast, provided that at least one third of the capital in issue is represented at the meeting.

#### **Remuneration**

The General Meeting of Shareholders fixes the remuneration of the supervisory directors. The current remuneration of the Supervisory Board was fixed at the Annual General Meeting of Shareholders in 2005. The remuneration of the Audit Committee was fixed at the Annual General Meeting of Shareholders in 2008.

#### **Duties and regulations**

The Supervisory Board has formed an Audit Committee, a Remuneration Committee and a Selection and Appointments Committee. Each within their field of responsibilities, these committees prepare Supervisory Board decision-making and advise the Supervisory Board. The responsibilities and working methods of these committees are laid down in regulations that are posted on [www.ballast-nedam.com](http://www.ballast-nedam.com).

The Supervisory Board Regulations contain additional rules on the allocation of tasks and working methods of the Supervisory Board, and on its dealings with the Board of Management, the General Meeting of Shareholders, and the Central Works Council. These rules are also posted on our website. *Personal details of the Supervisory Board members* are presented in Section 8.1.4 on page 147.

#### **No conflict of interest**

In 2013 a termination agreement was concluded between a former member of the Board of Management and the company. Otherwise no transactions took place in 2013 involving a conflict of interest on the part of supervisory directors, managing directors or natural or legal persons holding at least 10 per cent of the Ballast Nedam shares. The above refers to transactions of material significance for the company or the person in question.

#### **8.1.5 Board of Management**

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

The Supervisory Board appoints, suspends and dismisses members of the Board of Management. The Supervisory Board notifies the General Meeting of Shareholders of a proposed appointment. The Supervisory Board will dismiss a member of the Board of Management only after hearing the views of the General Meeting of Shareholders on the proposed dismissal.

#### **Remuneration**

The Supervisory Board sets the remuneration of individual Board of Management members within the limits of the remuneration policy adopted by the General Meeting of Shareholders. Ballast Nedam's current remuneration policy was adopted at the Annual General Meeting of Shareholders in 2005. The remuneration policy followed in 2013 will be handled as a separate agenda item at the General Meeting of Shareholders to be held on 25 April 2014, in view of the legislative amendment regarding the authority to adjust excessive bonuses of directors (the 'Clawback' Act) that came into force on 1 January 2014.

The Annual General Meeting of Shareholders in 2013 gave the Board of Management authority until 16 November 2014 to:

- buy back shares, or depositary receipts for shares, in the company, to a maximum of 10 per cent of the capital in issue;
- issue shares and/or grant rights to acquire shares, to a maximum of 10 per cent of the capital in issue, plus an additional 10 per cent of the capital in issue if the issue coincides with an acquisition or merger;
- restrict or exclude preferential rights to shares to be issued.

The Board of Management requires approval from the Supervisory Board for these acts.

#### **Regulations**

The Board of Management Regulations contain additional rules on the allocation of tasks and working methods of the Board of Management, and on its dealings with the Supervisory Board, the General Meeting of Shareholders, the Central Works Council and the external auditors. These Regulations are posted on [www.ballast-nedam.com](http://www.ballast-nedam.com). Personal details of the Board of Management members are presented in Section 8.5 on page 169.

#### 8.1.6 Management of the clusters and business units

The Board of Management supervises the cluster management teams, who in turn supervise the management of the business units. The management of the clusters and of each business unit have clearly defined terms of reference that determine their powers. Board of Management approval is required for projects above a certain value, or with a particular risk profile, before Ballast Nedam can conclude a contract. The same system applies at cluster level for projects of the business units with a certain value and a certain risk profile. Approval from the cluster Managing Director is required for all major and high-risk projects, which must ultimately also be submitted for Board of Management approval. There is additional information about this subject in Chapter 5 *Risk and risk management* on page 77.

#### 8.1.7 General Meeting of Shareholders

The Annual General Meeting of Shareholders shall be convened within six months of the end of the financial year. Other meetings of shareholders may be convened by the Board of Management or the Supervisory Board. Shareholders and/or holders of depositary receipts for shares who solely or jointly represent at least 10 per cent of the capital in issue may also convene a meeting of shareholders.

##### **Agenda of the Annual General Meeting of Shareholders**

The following items at least will be on the agenda of the Annual General Meeting of Shareholders:

- discussion of the Annual Report;
- adoption of the financial statements;
- motion to discharge the Board of Management and the Supervisory Board from liability for their management and supervision, respectively;
- appointment of the external auditors.

Shareholders and/or holders of depositary receipts for shares solely or jointly representing at least 3 per cent of the capital in issue have the right to propose agenda items. The company will accept requests of this kind. Requests must be submitted at least sixty days prior to the date of the meeting.

##### **Voting right and decision procedure**

Each shareholder and holder of depositary receipts for shares has the right to attend and address the General Meeting of Shareholders, and to exercise voting rights at that meeting. In order to exercise such meeting rights, shareholders and holders of depositary receipts for shares must comply with the conditions stated in the notice convening the meeting. In convening a meeting of shareholders, the Board of Management makes use of a registration date. Each share or depositary receipt for a share affords the right to cast one vote. All resolutions of the General Meeting of Shareholders shall be carried by an ordinary majority of the votes cast, unless a larger majority is required by law or the Articles of Association.



### Voting results and minutes

The results of votes cast for each agenda item at a General Meeting of Shareholders shall be posted on the company's website [www.ballast-nedam.com](http://www.ballast-nedam.com) within fifteen days of the meeting. The draft minutes shall be posted on Ballast Nedam's website within three months of a General Meeting of Shareholders. Shareholders and holders of depositary receipts for shares may respond to the draft minutes in the subsequent three months. The Chairman and Secretary of the General Meeting of Shareholders will then adopt the minutes.

#### 8.1.8 Depositary receipts for shares

If the Board of the Ballast Nedam Administration Office exercises its voting rights for the shares, the Board focuses primarily on the interests of the holders of depositary receipts for shares, and takes account of the interests of the company and its associated business. The Board of the Administration Office consists of three independent members, and appoints the members. The terms of office of two of the three members will expire in 2014. The Meeting of Holders of Depositary Receipts may recommend persons for appointment to the Board. The Board of the Ballast Nedam Administration Office is endeavouring to ensure timely succession.

A Meeting of Holders of Depositary Receipts is convened each year. At this meeting, the Board of the Administration Office declares its proposed voting conduct at the General Meeting of Shareholders.

The Board of the Ballast Nedam Administration Office issues proxies in all circumstances and without limitation to the holders of depositary receipts who so request. There is also the possibility to issue binding voting instructions. The depositary receipts are fully exchangeable. Ballast Nedam does not use the system of issuing depositary receipts for shares as an antitakeover measure, but as a means of preventing a minority of shareholders from controlling the decision-making process in a General Meeting of Shareholders, and as a means to allow, also minor, shareholders to be represented by an independent board in the exercise of their voting rights.

Section 10.5 on page 241 presents the report of the Board of the Ballast Nedam Administration Office (*Stichting Administratiekantoor van aandelen Ballast Nedam*) explaining its activities in 2013. The report also gives personal details of the board members.

#### 8.1.9 Auditors

The external auditors audit the financial statements. The external auditors are appointed by the General Meeting of Shareholders, which in 2013 engaged Ernst & Young Accountants LLP to audit the Annual Accounts for 2013. The external auditors attend the Annual General Meeting of Shareholders in order to answer any questions about the auditors' opinion as to whether the financial statements present a true and fair view.

The external auditors also attend the meetings of the Audit Committee and Supervisory Board at which the annual and interim financial reports are discussed. The external auditors report to the Supervisory Board and the Board of Management.

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

## 8.2 Report of the Supervisory Board

2013 was a harsh year for Ballast Nedam. The Supervisory Board has overseen the measures taken by the organization to adapt to the deteriorating market conditions. Unfortunately the measures have also had an impact on employment. Ballast Nedam has been unable to retain many valued colleagues.

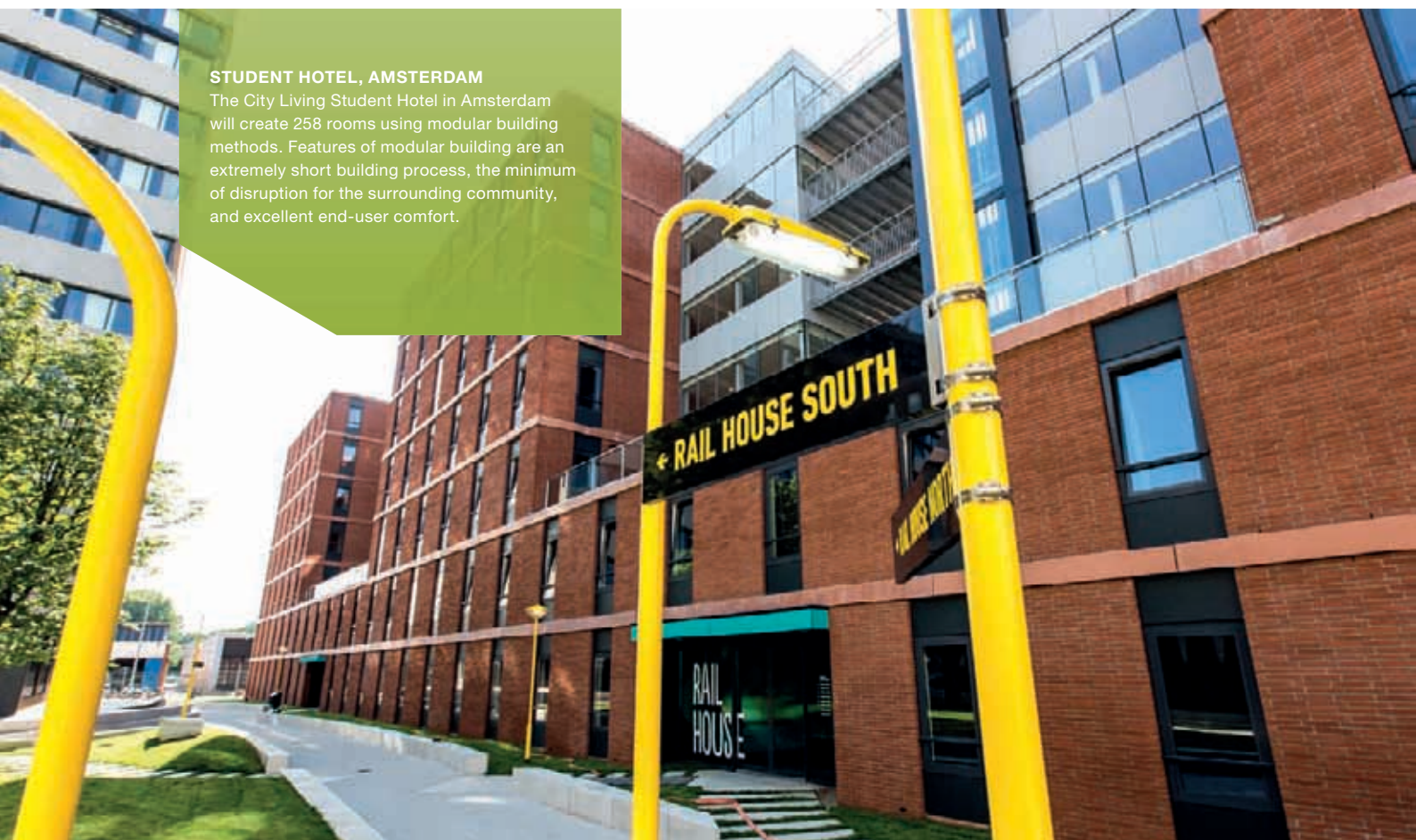
At each meeting the Supervisory Board discussed financial developments, and reviewed the operations within the group and market trends, using the extensive management quarterly reports and other information as input. Memorandums from the Board of Management were also discussed in the meetings, as well as Board of Management decisions that require Supervisory Board approval.

In May the Annual Meeting of Shareholders was prepared and evaluated. Furthermore the Supervisory Board consulted regularly with the Board of Management about the measures necessitated by the economic crisis. Much time and attention was devoted to Ballast Nedam's financial health, leading at the start of 2014, with the consent of the Supervisory Board, to the Board of Management making arrangements for refinancing until 2017. Furthermore the major shareholders have committed to underwrite approximately 70 per cent of the share issue of 30 million euros to be made in 2014.

The annual figures were discussed at the meeting held in March. The external auditors attended this meeting in order to present their findings on the financial reporting of the annual figures. The half-yearly figures were discussed with the external auditors in the meeting held in July. Ernst & Young was engaged to audit or review Ballast Nedam's interim report for the first half-year. The Supervisory Board discussed with the external auditors and the Board of Management the findings of the external auditors, the management letter for 2013 and the actions to be taken on the findings.

### STUDENT HOTEL, AMSTERDAM

The City Living Student Hotel in Amsterdam will create 258 rooms using modular building methods. Features of modular building are an extremely short building process, the minimum of disruption for the surrounding community, and excellent end-user comfort.



The Supervisory Board furthermore evaluated the relationship with the external auditors and, in view of this, advised the General Meeting of Shareholders to engage Ernst & Young to audit the Annual Accounts for the 2013 financial year.

The Supervisory Board is confident that Ballast Nedam will emerge well from 2014 despite the unrelenting fierce competition, price pressure and deteriorating market conditions. Our confidence stems in part from the restructuring, the refinancing that has been achieved, and the support of the shareholders.

The Supervisory Board is fully aware that the difficult market conditions and the subsequent reorganization have required a great effort of all Ballast Nedam employees. The Supervisory Board is extremely grateful to them.

#### 8.2.1 Report of supervision by the Supervisory Board

In pursuit of its supervisory duties, the Supervisory Board has given consideration to the achievement of the corporate objectives, the strategy and risks, the purpose and performance of internal risk control, financial reporting, compliance with legislation, investor relations and corporate social responsibility (CSR). Each of these issues is explained below.

##### *Report of supervision: achievement of corporate objectives*

Looking back on 2013 the Supervisory Board concludes that the Board of Management has performed under difficult economic conditions. The Board of Management has also been obliged to devote much time and energy to issues surrounding financing.

The organization has achieved excellent results on several large multiyear projects and in the niche markets. This endorses Ballast Nedam's strategy of focusing on major integrated complex projects and related activities in the niche markets. On the other hand losses increased for the regional construction companies, a number of specialized companies, and one major project. The regional construction companies will be drastically reorganized in 2014, and measures had already been taken in the two specialized companies in 2013.

The Supervisory Board notes that Ballast Nedam achieved an operating loss for 2013 of 30 million euros. The sustained adverse economic conditions have led Ballast Nedam to adapt its organization further than was foreseen at the start of 2013.

As explained in Chapter 3 *Strategic objectives and results* on page 41, the other strategic objectives for 2013 have been achieved in part.

The Supervisory Board has discussed the performance of the Board of Management both collectively and of the individual members. The remuneration of Board of Management members was also raised.

Mr Huis in 't Veld decided in mid 2013 to stand down from the Supervisory Board to concentrate fully on the settlement of a claim on one of Ballast Nedam's major projects. The Supervisory Board is grateful to Mr Huis in 't Veld for his willingness to take this action.



#### BIO POWER PLANT, DELFZIJL

The AMB consortium (Areva, Metso and Ballast Nedam) has constructed the Bio Golden Raand bio power plant. This plant will generate 50 megawatts of green power from waste wood, supplying electricity to 120 000 households. The high priority given to safety during construction and the rapid pace of building through the use of smart technologies have allowed this project to be completed successfully in just two years.









By mutual agreement in February 2014 between Mr Bruijninx and the Supervisory Board, Mr Bruijninx will leave Ballast Nedam with effect from 1 July 2014. The Supervisory Board is grateful to Mr Bruijninx for his enormous effort over many years, and his firm management of Ballast Nedam, in particular in the turbulent times that the company has entered.

#### *Report of supervision: strategy and risks*

The Supervisory Board has deliberated at length on Ballast Nedam's strategy. The Supervisory Board supports the Board of Management in the strategy that is set out in Section 2.3 *Strategic plan for 2014-2016* on page 31. However, the economic forecasts were reason to increase the pace of implementing the strategy that is oriented to the markets of integrated projects. The shift in Ballast Nedam's profile from a major player on the traditional markets to a prominent player on the major integrated projects market, such as the PPP projects, has accordingly been accelerated.

The Supervisory Board and the Audit Committee also deliberated repeatedly on the various risks set out in Chapter 5 *Risk and risk management* on page 77. For instance, the tighter compliance policy has been discussed at length.

#### *Report of supervision: purpose and performance of internal risk control*

The Board of Management informed the Supervisory Board regularly about the risk profile, the course of events, the financial situation and market developments. The Supervisory Board also discussed with the Board of Management the salient risks for Ballast Nedam, the internal risk management and control systems, and how the risks can be further limited and controlled. The Supervisory Board also discussed with the Board of Management methods of limiting the risks in the operational process. The external auditor attended these discussions.

#### *Report of supervision: financial reporting*

Financial reporting was discussed at each Audit Committee meeting. Developments related to the International Financial Reporting Standards (IFRS) and changes in legislation related to auditors were also discussed at length. The Audit Committee also discussed taxation. Finally the Supervisory Board discussed the half-yearly figures, the annual figures, the trading updates and the business plan extensively.

#### *Report of supervision: compliance with legislation*

The issue of compliance was discussed at each meeting of the Audit Committee and several meetings of the full Supervisory Board. Furthermore all ongoing significant legal proceedings were discussed in the presence of the external auditors.

#### *Report of supervision: investor relations*

The Supervisory Board is of the opinion that the contact with shareholders should take place primarily in the shareholders' meetings. The Board considers it important for many shareholders to attend these meetings. In addition the Supervisory Board considers it important, for both the company and the shareholders, for contact to take place between the company and shareholders outside shareholders' meetings. Ballast Nedam has defined an investor relations policy, which is presented on the Ballast Nedam website.

The Supervisory Board has had contact with the major shareholders on several occasions in view of Ballast Nedam's financial position. The Board of Management has also spoken with the major shareholders, with the result that these shareholders have expressed their confidence in the company and have committed to take part in a share issue. The Supervisory Board greatly appreciates the confidence that has been placed in the company and the support provided.

#### *Report of supervision: corporate social responsibility*

Corporate social responsibility (CSR) is an important theme that is discussed several times each year. Each Ballast Nedam business unit produces a quarterly CSR report to shed light on the progress being made on the CSR objectives and how it is managed. These CSR reports jointly form the GRI report, which is presented in this Annual Report in Section 10.7 on page 246. Details of the CSR policy and the objectives are given in Chapter 6 *Our CSR policy* on pages 93 to 133, inclusive.

#### **8.2.2 Report of the Audit Committee**

The Audit Committee has two members. Following the departure of Mr J.C. Huis in 't Veld from the Supervisory Board, Ms C.M. Insinger has assumed the role of chair of the Audit Committee. Mr L.W.A.M. van Doorne is also a member of the Audit Committee. The Committee met on three occasions in 2013 in the presence of the Chairman and the CFO of the Board of Management. The external auditors and the secretary of the Supervisory Board also attended a part of these meetings.

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

- the half-year and annual figures;
- the Annual Report;
- the reports of the external auditors;
- developments in International Financial Reporting Standards (IFRS);
- valuation methods;
- compliance;
- the risk profile;
- risk management;
- ICT policy and execution;
- Ballast Nedam's tax position;

In addition the Audit Committee specifically addressed the general financial strategy and financial procedures, the internal risk management and monitoring systems, and the risk management of projects.

In the third meeting the Audit Committee spoke separately with the external auditors and the Chief Financial Officer (CFO). The Committee also carried out a performance self assessment through internal scrutiny of the Audit Committee's performance.

The Supervisory Board has discussed with the external auditor the findings of the external auditor, the management letter for the year 2013, and the actions to be taken on the findings.

### 8.2.3 Report of the Remuneration Committee

The Remuneration Committee met twice in 2013. Messrs J. Bout (Chairman) and L.W.A.M. van Doorne are the members of this Committee.

The following items were discussed at the meeting:

- evaluation of the remuneration policy for members of the Board of Management;
- evaluation of the remuneration of individual members of the Board of Management;
- evaluation of the remuneration of individual members of the Supervisory Board;
- scenario analyses.

The Remuneration Committee then advised the Supervisory Board regarding these issues. There are additional details of the remuneration policy in Section 8.4 *Remuneration report* on pages 163 to 168.

### 8.2.4 Report of the Selection and Appointments Committee

The Selection and Appointments Committee met twice in 2013. Messrs L.W.A.M. van Doorne (Chairman) and J. Bout are the members of this Committee.

The following items were discussed at the meeting:

- review of the size and composition of the Supervisory Board;
- review of the size and composition of the Board of Management;
- profile of the Supervisory Board;
- filling the vacancy on the Supervisory Board;
- review of the performance of members of the Supervisory Board;
- review of the performance of individual members of the Board of Management;
- the Board of Management's policy on senior management selection criteria and appointment procedures.

The Selection and Appointments Committee then advised the Supervisory Board regarding these issues.

### 8.2.5 Members of the Supervisory Board

At the Annual General Meeting of Shareholders of Ballast Nedam N.V. held on 16 May 2013, Ms C.M. Insinger (1965) was appointed as a new member of the Supervisory Board.

In 2013 Mr J.C. Huis in 't Veld stood down as a member of the Supervisory Board in order to concentrate as a member of the management team of Ballast Nedam Infrastructure Special Projects on the contractual changes for a major project.

Each member of the Supervisory Board must be capable of assessing the salient features of the total policy. He possesses the specific expertise needed to fulfil his duties, within his role that is compatible with the Board's profile. The Supervisory Board strives to achieve a diversity of backgrounds and expertise among its members. Among the relevant areas of knowledge are human resource management, the construction industry, public administration, financial expertise, compliance and legal affairs. The composition of the Supervisory Board must be such that he is able to perform his duties satisfactorily. Furthermore each member of the Supervisory Board must have sufficient time available to perform his duties satisfactorily.

#### 8.2.6 Quality assurance of supervision

The Supervisory Board reports below on the activities carried out to assure the quality of the Board and the supervision performed.

##### *Quality assurance of supervision: evaluation*

The Supervisory Board also had meetings without the Board of Management, in one of which the Supervisory Board discussed the performance of the Board of Management both collectively and of the individual members. The remuneration of Board of Management members was also raised.

The Supervisory Board evaluated its own performance, in which the members discussed among themselves the performance of the Supervisory Board and its individual members. The Supervisory Board deliberated among other things on its internal decision-making process, the quality of its supervisory role and its relationship with the Board of Management.

##### *Quality assurance of supervision: succession planning*

The Selection and Appointments Committee has deliberated on Ballast Nedam's management development policy. The Supervisory Board also interviewed the cluster Managing Directors, cluster controllers and some staff directors in order to gain a clearer picture of the management level below the Board of Management and of the insights of these directors regarding Ballast Nedam. The Board recognizes that this management level largely determines our business continuity.

##### *Quality assurance of supervision: induction programme*

An induction programme was arranged for Ms C.M. Insinger shortly after her appointment. As part of this programme Ms Insinger visited several projects and had initial meetings with various Ballast Nedam employees.

##### *Quality assurance of supervision: independence*

The Supervisory Board complies with the independence criterion laid down in the Dutch Corporate Governance Code.

##### *Quality assurance of supervision: soliciting information*

The Supervisory Board pays regular visits to construction projects and subsidiaries. The Board also invites Ballast Nedam employees to a Supervisory Board meeting. The purpose of these visits and invitations is to maintain affinity with the company and to gather information about the business other than through the Board of Management. Against this background members of the Supervisory Board also had talks with the full Central Works Council. The Supervisory Board also solicits external advice on an incidental basis.

##### *Quality assurance of supervision: internal auditor*

Each year the Audit Committee evaluates the desirability of appointing an internal auditor. The Audit Committee concluded in 2013 that an internal auditor would be unlikely to add worthwhile value, if any, for Ballast Nedam over and above the company's supplementary engagements of the external auditors each year, through which all business units are audited on a periodic basis. The cluster controllers and the support services, such as Legal, also periodically audit projects and business units.



#### 8.2.7 Internal affairs

This section describes changes in the composition of the Supervisory Board and the attendance at meetings.

##### *Internal affairs: departure*

In mid 2013 Mr J.C. Huis in 't Veld announced that as of 31 October 2013 he would be standing down as a member of the Supervisory Board in order to assume a position as a member of the management team of Ballast Nedam Infrastructure Special Projects. The Supervisory Board greatly respects and appreciates this decision, and thanks Mr Huis in 't Veld for his demonstrable effort as a member of Ballast Nedam's Supervisory Board. Ms C.M. Insinger succeeds Mr Huis in 't Veld as chair of the Audit Committee.

##### *Internal affairs: attendance*

In 2013 there were 18 meetings of the Supervisory Board, three meetings of the Audit Committee, two meetings of the Remuneration Committee, and two meetings of the Selection and Appointments Committee. On three occasions a member of the Supervisory Board was prevented from attending these meetings. These members of the Supervisory Board were in contact by phone to discuss the agenda items. The rate of absence is therefore 4 per cent.

#### 8.2.8 Dividend

The underlying principle of Ballast Nedam's dividend policy is that 50 per cent of the profit for the period is placed at the disposal of shareholders for distribution as dividend if the leverage ratio is less than 2. In view of the loss made and the poor market forecasts the Supervisory Board has approved the Board of Management proposal to refrain from paying a dividend for 2013.

#### 8.2.9 Financial statements and ratification

The Supervisory Board hereby submits the Annual Report for the financial year 2013, which includes the consolidated and company financial statements of Ballast Nedam N.V. as prepared by the Board of Management and approved by the Supervisory Board. The annual financial statements were audited by Ernst & Young Accountants LLP. The independent auditor's report is given in Section 10.1 on page 236. The Supervisory Board recommends that you adopt the financial statements and requests you to ratify the management and supervisory actions of the members of the Board of Management and of the members of the Supervisory Board in 2013.

Nieuwegein, 6 March 2014  
Supervisory Board

*A.N.A.M. Smits*  
*J. Bout*  
*L.W.A.M. van Doorne*  
*C.M. Insinger*

### 8.3 Members of the Supervisory Board

The members of the Supervisory Board are Messrs A.N.A.M. Smits, J. Bout and L.W.A.M. van Doorne, and Ms C.M. Insinger. Their personal details are given in this section.

#### A.N.A.M. Smits (Chairman)

Mr Smits was born in 1943 and is a Dutch national. He has been a member of the Boards of Management of Macintosh N.V. and Wilma International N.V. Mr Smits is a member of the supervisory boards of a variety of companies. He is currently Chairman of the Supervisory Board of Faber-Halbertsma Group. He is also a member of the supervisory boards of Vebego Holding B.V., De Raekt B.V., Vercoat Invest B.V., and IGO-Post. Mr Smits was first appointed to the Supervisory Board of Ballast Nedam in 2004. His current term of office expires on 16 May 2016.



#### J. Bout

Mr Bout was born in 1946 and is a Dutch national. Until 1 January 2011 he was Chairman of the Board of Management of Royal Haskoning. Mr Bout is a member of the Supervisory Board of the listed company Brunel N.V., the unlisted company Delta N.V. and the unlisted Koninklijke Haskoning DHV Groep B.V. Mr Bout is a member of the supervisory board of Deltares and a member of the Governing Board of the Ubbo Emmius Fund. He is also Vice-Chairman of the Netherlands Commission for Environmental Assessment (NCEA). Mr Bout was first appointed to the Supervisory Board of Ballast Nedam in 2011. His current term of office expires on 19 May 2015.



#### L.W.A.M. van Doorne

Mr Van Doorne was born in 1959 and is a Dutch national. He is CEO and major shareholder of Optics Innovation Group B.V. and Managing Director of Pallieter RENEFF B.V. Mr Van Doorne is also Chairman of the Supervisory Board of Pallieter Group B.V. and a member of the Supervisory Boards of Diana Capital SGEER SA, CityFibre Holdings Ltd. and Shanxi Guangyu LED Lighting Co., Ltd. He is also member of the Board of the Muziekgebouw Eindhoven Fund and the Thomas van Villanova Foundation and member of the supervisory boards of Verder International B.V., Eindhoven Marketing Foundation and Vrienden van het Hart Z.O. Brabant. Mr Van Doorne was first appointed to the Ballast Nedam Supervisory Board in 2012. His current term of office expires on 16 May 2016.



#### C.M. Insinger MBA

Ms Insinger was born in 1965 and is a Dutch national. She works as an independent interim manager and consultant.

Ms Insinger is a member of the Supervisory Board of SNS Reaal N.V., member of the Supervisory Board of Rijnland Zorggroep and member of the Supervisory Board of Air Traffic Control the Netherlands. Until 1 January 2014 she was a member and the Vice-Chair of the Supervisory Board of Stichting Koninklijke Diergaarde Blijdorp and a member of the Supervisory Committee of Vesteda Residential Fund.

Ms Insinger is also a member of the Strategic Audit Committee of the Ministry of Foreign Affairs.

Ms Insinger was first appointed to the Supervisory Board of Ballast Nedam in 2013. Her current term of office expires on 16 May 2017.







#### **a.s.r. HEAD OFFICE, UTRECHT**

Our planner Matthijs Keller is working on the large-scale renovation of the a.s.r. head office in Utrecht. He took the photos of this complex project. The renovation work is proceeding while large parts of the building remain occupied. a.s.r. has also imposed demanding sustainability requirements on the building.





## 8.4 Remuneration report

The Supervisory Board hereby presents the remuneration report, containing a summary account of Ballast Nedam's remuneration policy. The Supervisory Board formed a Remuneration Committee in 2013. Mr Bout is Chairman and Mr Van Doorne member of this Committee.

### 8.4.1 Principles of the remuneration policy for Board of Management members

The Supervisory Board determines the remuneration of the members of the Board of Management in accordance with the remuneration policy that was adopted at the General Meeting of Shareholders in 2005. The full Supervisory Board and the remuneration committee discussed the remuneration of the individual members of the Board of Management in a single meeting in 2013. Pursuant to the Dutch Corporate Governance Code the Supervisory Board drew up and discussed scenario analyses in 2013 regarding the amount and structure of the remuneration of the members of the Board of Management.

The aim of the remuneration policy for the Board of Management is to motivate and retain skilled board members. The members of the Board of Management must be capable of leading a major Dutch construction group with international operations.

The reference for the remuneration level of the members of the Board of Management of Ballast Nedam N.V. is the remuneration level of other (comparable) listed Dutch construction groups. The Supervisory Board takes into consideration the complexity, size, risk profile and management model of the reference companies. The remuneration level of the individual members of the Board of Management is furthermore based on the responsibilities of the respective members.

The remuneration agreements made with the members of the Board of Management are set down in contracts when they take up their positions.

#### **Fixed annual salary**

After members of the Board of Management take up their positions, adjustments to their fixed annual salary are limited in principle in line with adjustments under the collective labour agreement for the building industry (CAO Bouwnijverheid).

#### **Variable remuneration in the short term: bonus payments**

Under the current remuneration policy for members of the Board of Management, a bonus may be paid in addition to the fixed salary, up to a maximum of one third of the fixed salary. Two thirds of the bonus is determined by reference to financial targets, the profit for the period and average capital employed, as documented in the business plan approved by the Supervisory Board. One third of the bonus is determined by reference to nonfinancial criteria, as laid down and assessed by the Supervisory Board. These criteria are leadership, quality of relationships with the various stakeholders of the company, sustainability and the quality of the management of specific important issues arising in a given year. The Supervisory Board bases its assessment of these nonfinancial criteria on reports, personal observation, discussions with the Board of Management, discussions with third parties, and other information.

The Supervisory Board has discretionary powers to award different bonuses or not to award bonuses, independently of any financial or nonfinancial criteria. Any bonus payment is made after the end of the financial year to which it relates. For competitive reasons, the financial targets included in the business plan are not publicly disclosed in advance.



At the General Meeting of Shareholders, the Supervisory Board reports on the financial and nonfinancial targets that were set for the prior financial year, and the extent to which they were achieved.

#### **Variable remuneration in the long term: options**

Ballast Nedam N.V. has a management option scheme that was approved at an Extraordinary General Meeting of Shareholders on 26 October 2006. The management option scheme has the following two objectives: (i) to obtain the long-term loyalty of directors and (ii) to ensure that the interests of individual directors mirror those of the shareholders.

Options are granted under the following two conditions: the members of the Board of Management must themselves buy depositary receipts for shares equivalent to a minimum of 5 per cent of the number of options granted, and hold these depositary receipts for shares for three years after the options are granted.

The Supervisory Board is authorized to grant or not to grant options to the members of the Board of Management on the publication date of the Ballast Nedam N.V. annual figures. The Supervisory Board determines the number of options to be granted with reference to the following criteria:

- the proven high personal significance for the company of the managing director in question;
- the Supervisory Board's desire to secure the loyalty of the managing director for the longer term, in the interests of business continuity;
- the degree to which the individual member of the Board of Management met the financial and nonfinancial criteria in the preceding financial year.

Under this scheme, the aggregate maximum option rights that the Supervisory Board may grant to the Board of Management each year is 2 per cent of the total number of Ballast Nedam N.V. shares in issue. The members may exercise their option rights between three and six years from the date the options were granted.

The exercise price of the options is equal to the average closing price of Ballast Nedam N.V. shares on NYSE Euronext Amsterdam for five trading days prior to the award of the options, including the date on which they were awarded. The option exercise price and other conditions for the granted options remain unchanged throughout the term of the options.

#### **8.4.2 Remuneration policy for 2014**

The Supervisory Board takes the view that the current scale of, and criteria for, the remuneration package properly reflect the administrative priorities. The Board supports limited variable remuneration linked to feasible targets that provide the appropriate emphasis. The Supervisory Board has drawn up scenario analyses for the possible outcomes of variable remuneration. The Supervisory Board intends to continue the current remuneration policy in 2014, taking the scenario analyses into consideration.

The most important indicators of the financial targets derive from Ballast Nedam N.V.'s strategy objectives (see Chapter 2 *Strategic objectives and results* on page 41) and are reflected in the financial performance criteria. These criteria are the net profit for the period and average capital employed, as specified in the business plan. The Supervisory Board refers to the achievement or otherwise of the financial and nonfinancial performance criteria in determining the eligibility of members of the Board of Management for bonus payments.

There is also a connection through the management option scheme between strategic targets and variable remuneration in the long term, in that the achievement or otherwise of strategic targets is a determinant of Ballast Nedam N.V.'s share price.

#### **Remuneration of Board of Management members**

The fixed annual salaries including holiday allowance of the members of the Board of Management are as follows:

##### *Fixed annual salary*

The fixed annual salaries including holiday allowance of the members of the Board of Management are as follows:

	1 January 2014	1 January 2013
T.A.C.M. Bruijninx	496 000 euros	496 000 euros
P. van Zwieten	364 000 euros	364 000 euros

These amounts consist of the fixed periodic salaries as at 1 January 2014 multiplied by 13, plus holiday allowance. These annual salaries are based on 52 weeks.

##### *Bonus payments*

As is evident in this Annual Report, the Board of Management has demonstrated skilled management of important issues for the company, such as bringing the organization into line with the company's strategic route. In the opinion of the Supervisory Board, the members of the Board of Management have satisfied the nonfinancial criteria in part. The Board of Management members have not met the financial performance criteria that they were set. The members of the Board of Management are consequently ineligible for a bonus.

##### *Options*

In 2013, no options were granted to Board of Management members for the 2012 financial year.

##### *Pensions*

Board of Management members take part in the Ballast Nedam pension fund on the same terms as other Ballast Nedam employees. Ballast Nedam bears a portion of the pension financing costs, and the members of the Board of Management each bear the remaining portion. There is no early retirement scheme for the members of the Board of Management.

##### *Other*

Board of Management members receive a fixed allowance and use of a company car. In other respects, the members of the Board of Management are entitled to the provisions of the applicable collective labour agreement for the building industry (CAO Bouwnijverheid), including annual increments. The members of the Board of Management may avail themselves of the same schemes that apply to other Ballast Nedam employees, such as tax-efficient gym membership and use of a mobile phone or PDA.

*Contract term, notice period and severance pay*

Mr Bruijninx was appointed to the Board of Management on 13 February 2003 under a permanent contract. Mr Van Zwieten was appointed to the Board of Management for a four-year period on 19 May 2011. The notice period for Board of Management members is three months and for Ballast Nedam six months. Severance pay in the event of dismissal of Mr Bruijninx is one-and-a-half times his fixed annual salary, and of Mr Van Zwieten is equal to his fixed annual salary. The Supervisory Board is authorized to claw back any future variable remuneration awarded if it was based on incorrect financial or other information.

*Relationship between performance criteria and strategy objectives.*

The achievement or otherwise of the financial performance criteria 'profit for the period' and 'average capital employed' is assessed largely with reference to Ballast Nedam's strategic targets, which are given in Chapter 3 *Strategic objectives and financial results* on page 41.

*Relationship between remuneration and performance, both ex-ante and ex-post*

In the opinion of the Supervisory Board, the performance delivered by the Board of Management in 2013 is in line with the remuneration they receive. The Supervisory Board arrives at this opinion in view of the substantial achievement of the nonfinancial performance criteria, and the necessary and radical organizational changes the Board of Management has been obliged to make under difficult market conditions.

The Supervisory Board has also compared the remuneration level of the members of the Board of Management with that of other Dutch publicly listed construction groups, taking into consideration the complexity, size, risk profile; and management model of the reference companies.

The Supervisory Board expects the remuneration of the Board of Management in 2014 to be in line with the performance delivered by the members of the Board of Management. This expectation arises from the inclusion in the remuneration structure of a variable component alongside a fixed salary, and the direct connection, also in 2014, between the established performance criteria and the strategic targets for 2014.

**Remuneration of Supervisory Board members**

Supervisory Board members receive a fixed fee that is independent of company performance. The General Meeting of Shareholders set the remuneration of the Supervisory Board in 2005. As of 1 January 2014, the annual fees for members of the Supervisory Board were as follows:

A.N.A.M. Smits	45 000 euros
J. Bout	30 000 euros
L.W.A.M. van Doorne	30 000 euros
C.M. Insinger	30 000 euros

The members of the Supervisory Board also receive an allowance for expenses incurred in performing their duties.

An Audit Committee is formed from members of the Supervisory Board. The General Meeting of Shareholders fixed the remuneration of the Audit Committee in 2008. As of 1 January 2014, the annual fees for members of the Audit Committee were as follows:

C.M. Insinger	5 000 euros
L.W.A.M. van Doorne	5 000 euros

#### Remuneration chart

##### Board of Management and Supervisory Board

x € 1 thousand	2013			2012		
	Gross salary	Bonus	Pension charges & social security costs	Gross salary	Bonus	Pension charges & social security costs
			Reim-bursement			Reim-bursement
<b>Board of Management</b>						
T.A.C.M. Bruijninx	496		109	5	493	153
R. Malizia <sup>(3)</sup>	759		76	4	406	110
P. van Zwieten	364		82	5	361	80
	<b>1 619</b>		<b>267</b>	<b>14</b>	<b>1 260</b>	<b>343</b>
<b>Supervisory Board</b>						
A.N.A.M. Smits	45			2	45	
R.M.M. Boelen	-			-	35	
J.C. Huis in 't Veld <sup>(1)</sup>	29			2	35	
J. Bout	30			2	30	
L.W.A.M. van Doorne	31			2	19	
C.M. Insinger <sup>(2)</sup>	22			1		
	157			9	164	
<b>Total</b>	<b>1 776</b>		<b>267</b>	<b>23</b>	<b>1 424</b>	<b>343</b>

<sup>(1)</sup> until 31 October 2013 – <sup>(2)</sup> as of 16 May 2013 – <sup>(3)</sup> until 5 March 2013

#### Theoretical value and time value

The theoretical value of the options at the grant date is measured using an option valuation model that takes account of the intrinsic value and the time value. The intrinsic value is determined on the basis of the difference between the share price and the option exercise price at the grant date. The time value is determined on the basis of factors including the predicted movement in the share price, which in turn is derived from historical prices. If the options concerned are publicly traded on the stock exchange, the value may deviate upwards or downwards.

#### Cost determination of options

When awarding the options Ballast Nedam recognizes the theoretical value of the options during the vesting period as an expense in the income statement. This expense is distributed uniformly in time over the year in which the option is granted and three subsequent financial years. The total costs in the financial year consist of the costs allocated to that financial year of all current option grants in the vesting period.



The expected value at the end of the vesting period is recalculated annually in the light of the information available at the end of the financial year. This expected value also consists of an intrinsic value and a time value. The time value may mean that the options have a value although the current share price is lower than the exercise price.

#### Option scheme

Year granted	2013	2012	2011	2010	2009
<b>T.A.C.M. Bruijninx</b>					
Total costs in the financial year in €	82 295	235 376	243 226	278 000	311 000
Number	0	40 000	40 000	30 000	40 000
Exercise price in €	-	12.67	15.29	13.43	11.60
Share price at grant in €	-	13.27	15.88	14.10	13.00
Benefit obtained at grant date in €	-	-	-	-	-
Theoretical value at grant date in €	-	235 600	274 800	189 300	247 600
Status per 31/12/2013	n/a	conditonal	conditonal	conditonal	un- conditonal
End of vesting period	n/a	9/03/2015	12/3/2014	12/03/2013	13/03/2012
Expiry date	n/a	8/03/2018	11/3/2017	11/03/2016	12/03/2015
Expected value at end of vesting period in €	n/a	259 000	242 000	180 000	300 000
<b>R. Malizia</b>					
Total costs in the financial year in €	(1041 504)	176 532	182 419	208 000	233 000
Number	0	30 000	30 000	22 500	30 000
Exercise price in €	-	12.67	15.29	13.43	11.60
Share price at grant in €	-	13.27	15.88	14.10	13.00
Benefit obtained at grant date in €	-	-	-	-	-
Theoretical value at grant date in €	-	176 700	206 100	141 975	185 700
Status per 31/12/2013	n/a	conditonal	conditonal	conditonal	un- conditonal
End of vesting period	n/a	9/03/2015	12/3/2014	12/03/2013	13/03/2012
Expiry date	n/a	8/03/2018	11/3/2017	11/03/2016	12/03/2015
Expected value at end of vesting period in €	n/a	194 000	181 000	135 000	225 000
<b>P. van Zwieten</b>					
Total costs in the financial year in €	58 900	47 927			
Number	0	30 000			
Exercise price in €	-	12.67			
Share price at grant in €	-	13.27			
Benefit obtained at grant date in €	-	-			
Theoretical value at grant date in €	-	176 700			
Status per 31/12/2013	n/a	conditonal			
End of vesting period	n/a	9/03/2015			
Expiry date	n/a	8/03/2018			
Expected value at end of vesting period in €	n/a	194 000			



## 8.5 Members of the Board of Management

### [T.A.C.M. Bruijninx \(chair\)](#)

Mr Theo Bruijninx was born in 1961 and is a Dutch national. Mr Bruijninx serves as Chief Executive Officer (CEO) and has been employed by Ballast Nedam since 1990. He held various positions at Ballast Nedam Engineering, the Head Office, Ballast Nedam Projectontwikkeling and Ballast Nedam Woningbouw before returning to the Head Office. Mr Bruijninx was appointed to the Board of Management on 13 February 2003 under a permanent contract. He was appointed Chairman of the Board of Management on 13 August 2007. Mr Bruijninx is a member of the supervisory board of Hollandia Holding B.V.

### [P. van Zwieten](#)

Mr Peter van Zwieten was born in 1961 and is a Dutch national. Mr Van Zwieten serves as Chief Financial Officer (CFO) and has been employed by Ballast Nedam since 1989. He has held a number of financial positions in various business units and departments, including Ballast Nedam Beton and Waterbouw, Ballast Nedam Groep in Saudi Arabia and for Ballast Nedam International in several European countries and in Taiwan. He has been financial director of Ballast Nedam Ontwikkelingsmaatschappij and became financial director of the Ballast Nedam Infra division in 2002. Mr Van Zwieten was first appointed to the Board of Management for a four-year term on 19 May 2011. His current term of office expires on 19 May 2015.



### LUS VAN LINNE

The transfer of 150 hectares in this meander in the river Maas in Roermond to the Limburg Landscape Foundation marks the start of the 'New Life in the Lus van Linne' project. In close collaboration with the Limburg Landscape Foundation, the Municipalities of Roermond and Maasgouw and local residents, the integrated plan that Ballast Nedam has produced in the past few years features a combination of habitat creation, flood protection measures and gravel extraction.





# Financial statements 2013

---

9.1	Consolidated statement of financial position	172
9.2	Consolidated income statement	173
9.3	Consolidated statement of changes in equity	174
9.4	Consolidated statement of cash flows	175
9.5	Notes to the consolidated financial statements	176
9.6	Operating segments	191
9.7	Disposals	195
9.8	Notes to the consolidated statement of financial position	196
9.9	Notes to the consolidated income statement	213
9.10	Company statement of financial position (before appropriation of result)	226
9.11	Company income statement	226
9.12	Notes to the company financial statements	227



## 9.1 Consolidated statement of financial position

x € 1 million	Note	31 December 2013	31 December 2012
<b>Non-current assets</b>			
Intangible assets	1	21	31
Property, plant and equipment	2	137	169
Financial assets	3	17	11
Investments in associates	4	4	2
Deferred tax assets	5	32	32
		<b>211</b>	<b>245</b>
<b>Current assets</b>			
Inventories	6	175	202
Work in progress	7	135	112
Receivables	8	226	239
Cash and cash equivalents	9	54	84
Assets held for sale	15	48	4
		<b>638</b>	<b>641</b>
<b>Current liabilities</b>			
Bank overdrafts	9	(22)	(8)
Current portion of long-term loans	11	(9)	(17)
Prepayments on inventories	6	(2)	(1)
Work in progress	7	(106)	(124)
Trade payables		(237)	(253)
Income tax expense	5	(1)	(3)
Other liabilities	10	(207)	(187)
Provisions	13	(28)	(39)
Liabilities held for sale	15	(27)	(2)
		<b>(639)</b>	<b>(634)</b>
<b>Current assets minus current liabilities</b>		<b>(1)</b>	<b>7</b>
		<b>210</b>	<b>252</b>
<b>Non-current liabilities</b>			
Loans	11	106	108
Derivatives		1	1
Deferred tax liability	5	1	4
Employee benefits	12	5	4
Provisions	13	7	4
		<b>120</b>	<b>121</b>
<b>Total equity</b>			
Equity attributable to the owners of the company	14	90	131
Non-controlling interest	14	-	-
		<b>90</b>	<b>131</b>
		<b>210</b>	<b>252</b>

Note: Reference is made to the notes to the consolidated financial statements on page 176 to page 225, which are an integral part of these consolidated financial statements.

## 9.2 Consolidated income statement

x € 1 million	Note	2013	2012
Revenue	16	1 268	1 296
Other operating income	17.1	-	4
Costs of raw materials and subcontractors	17.2	(949)	(956)
Personnel expenses	17.3	(268)	(285)
Other operating expenses		(57)	(57)
		(1 274)	(1 298)
Share in profits of associates	4	-	-
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>(6)</b>	<b>2</b>
Depreciation and amortization of property, plant and equipment and intangible assets	1, 2	(21)	(23)
Impairment of tangible and intangible assets	1, 2	(3)	(10)
<b>Earnings before interest and taxes (EBIT)</b>		<b>(30)</b>	<b>(31)</b>
Finance income	18	-	3
Finance expense	18	(7)	(10)
Net finance income and expense		(7)	(7)
Resultaat geconsolideerde deelnemingen		-	-
<b>Profit before income tax</b>		<b>(37)</b>	<b>(38)</b>
Extraordinary costs and benefits		-	-
Income tax expense	19	(4)	(3)
<b>Profit for the period</b>		<b>(41)</b>	<b>(41)</b>
Attributable to:			
Owners of the company		(41)	(41)
Non-controlling interest			
<b>Profit for the period</b>		<b>(41)</b>	<b>(41)</b>
Attributable to owners of the company:			
Basic earnings per share (€)	20	(4.22)	(4.24)
Diluted earnings per share (€)	20	(4.22)	(4.24)

### Consolidated statement of comprehensive income

x € 1 million	Note	2013	2012
<b>Profit for the period</b>		<b>(41)</b>	<b>(41)</b>
Non-realised results to be allocated to the P&L withdrawal after the first withdrawal			
Foreign currency translation differences		-	-
Net changes in hedging reserve, associates		2	(1)
Net changes in hedging reserve		(1)	(3)
Net changes in hedging reserve through income statement		-	9
Net changes in hedging reserve, associates through income statement		-	-
Non-realised results (after tax)		1	5
Non-realised results not to be allocated to the P&L			
Non-realised results to be allocated to the P&L after the first withdrawal		-	-
Other comprehensive income		1	5
<b>Total comprehensive income for the period</b>		<b>(40)</b>	<b>(36)</b>
Attributable to:			
Owners of the company		(40)	(36)
Non-controlling interest		-	-
<b>Total comprehensive income for the period</b>		<b>(40)</b>	<b>(36)</b>

Note: see the notes to the consolidated financial statements on page 176 to page 225, which are an integral part of these consolidated financial statements.

The amounts included in the consolidated statement of comprehensive income are the changes after taxes of € 0 million (2012: € 2 million).

### 9.3 Consolidated statement of changes in equity

x € 1 million	Issued share capital	Share premium	Repurchased own shares	Currency translation reserve	Reserves of associates	Hedging reserve	Other reserves	Profit for the period	Equity attributable to owners of the company	Non-controlling interest	Total equity
<b>31 December 2011</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>41</b>	<b>(9)</b>	<b>23</b>	<b>9</b>	<b>171</b>	<b>-</b>	<b>171</b>
Profit for the period								(41)	(41)		(41)
Foreign currency translation differences				-					-		-
Effective portion of changes in fair value of hedging instruments						(3)			(3)		(3)
Effective portion of changes in fair value of hedging instruments, associates						(1)			(1)		(1)
Net change in fair value of hedging instruments transferred to income statement						9			9		9
Net change in fair value of hedging instruments, associates, transferred to income statement						-			-		-
<b>Comprehensive income</b>				<b>-</b>		<b>(5)</b>		<b>(41)</b>	<b>(36)</b>	<b>-</b>	<b>(36)</b>
Dividend paid							(5)		(5)		(5)
Option scheme							1		1		1
Repurchased own shares			-						-		-
<b>Transactions with shareholders</b>			<b>-</b>				<b>(4)</b>		<b>(4)</b>	<b>-</b>	<b>(4)</b>
Appropriation of 2012 result					-		9	(9)	-	-	-
Other					(5)		5		-		-
<b>31 December 2012</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>36</b>	<b>(4)</b>	<b>33</b>	<b>(41)</b>	<b>131</b>	<b>-</b>	<b>131</b>
Profit for the period								(41)	(41)		(41)
Foreign currency translation differences				-					-		-
Effective portion of changes in fair value of hedging instruments						(1)			(1)		(1)
Effective portion of changes in fair value of hedging instruments, associates						2			2		2
Net change in fair value of hedging instruments transferred to income statement						-			-		-
Net change in fair value of hedging instruments, associates, transferred to income statement						-			-		-
<b>Comprehensive income</b>						<b>1</b>		<b>(41)</b>	<b>(40)</b>	<b>-</b>	<b>(40)</b>
Dividend paid							-		-		-
Option scheme							(1)		(1)		(1)
Repurchased own shares					-				-		-
<b>Transactions with shareholders</b>					<b>-</b>		<b>(1)</b>		<b>(1)</b>	<b>-</b>	<b>(1)</b>
Appropriation of 2013 result					-		(41)	41	-	-	-
Other			-			-			-		-
<b>31 December 2012</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>36</b>	<b>(3)</b>	<b>(9)</b>	<b>(41)</b>	<b>90</b>	<b>-</b>	<b>90</b>

Note: See the notes to the consolidated financial statements on page 176 to page 225, which are an integral part of these consolidated financial statements.

The amounts included in the consolidated statement of changes in equity are the changes after taxes.

## 9.4 Consolidated statement of cash flows

x € 1 million	Note	31 December 2013	31 December 2012
<b>Net cash - opening balance</b>	<b>9</b>	<b>76</b>	<b>87</b>
Profit for the period		(41)	(41)
Adjustments:			
Depreciation	2	21	23
Amortization	1	-	-
Impairment (in) tangible assets	1,2	3	10
Finance expense	18	7	10
Finance income	18	-	(3)
Share-based payments	14	-	1
Gain from disposal of fixed assets and subsidiaries		-	-
Income tax expense	19	1	3
Share in profits of associates	4	-	-
Gains and losses from fixed assets		-	-
Movements:			
Movement in inventories	6	27	6
Movement in work in progress	7	(41)	(46)
Movement in fair value investments	3,2	-	1
Movement in other receivables		5	24
Movement in provisions and employee benefits	12,13	(7)	(2)
Movement in other current liabilities		10	28
Interest paid	18	(7)	(7)
Interest paid on hedging instruments	18	-	(3)
Interest received	18	-	-
Income taxes paid	19	(2)	(3)
<b>Net cash from operating activities</b>		<b>(24)</b>	<b>1</b>
Intangible assets			
investments	1	(6)	(2)
income from disposals	1	2	1
Property, plant and equipment			
investments	2	(19)	(23)
acquisitions		-	-
income from disposals	2	7	8
Financial assets			
investments	3,1	(7)	(41)
income from disposals	3,1	1	-
dividends received	3,2	-	1
income from other receivables	3,3	-	-
Investments in associates	4	(2)	-
Disposal of subsidiaries after deduction of disposed cash and cash equivalents		-	(4)
Sale of subsidiaries after deduction of disposed cash and cash equivalents		8	-
<b>Net cash used in investing activities</b>		<b>(16)</b>	<b>(60)</b>
Income from long-term loans drawn	11	14	62
Repayment of long-term loans	11	(15)	(7)
Disposal of long-term loans	11	-	-
Handling charges paid on new loans	11	-	-
Finance lease instalments paid	11	(3)	(2)
Acquisition of non-controlling interest		-	-
Dividend paid	14	-	(5)
Proceeds from repurchase of own shares	14	-	-
<b>Net cash from financing activities</b>		<b>(4)</b>	<b>48</b>
Effect of exchange rate fluctuations on cash held		-	-
<b>Effect of exchange rate fluctuations on cash held</b>	<b>9</b>	<b>32</b>	<b>76</b>

Note: See the notes to the consolidated financial statements on page 176 to page 225, which are an integral part of these consolidated financial statements.

Net cash consists of the balance of cash and cash equivalents and bank overdrafts that cannot be set off against each other. Of the total net cash € 2 million is not at the free disposal of the company (2012: € 2 million). Reference is made to note 9 to net cash. The above statement of cash flows includes € 7 million of investments in PPP receivables which are part of the net cash flow from investing activities.



## 9.5 Notes to the consolidated financial statements

### Significant accounting policies

Ballast Nedam N.V. has its statutory seat in Nieuwegein in the Netherlands.

The consolidated financial statements of Ballast Nedam N.V. for the 2013 financial year comprise Ballast Nedam N.V. (the head of the group) and its subsidiaries (jointly referred to as Ballast Nedam) and Ballast Nedam's interest in associates and entities over which there is joint control.

With respect to the company only income statement of Ballast Nedam N.V., use has been made of the exemption under Section 402 of Book 2 of the Dutch Civil Code.

The Board of Management prepared the financial statements on 6 March 2014, which the Supervisory Board adopted on 6 March 2014. The financial statements will be submitted for approval to the General Meeting of Shareholders to be held on 25 April 2014.

### Continuity and liquidity of the business

In the past year Ballast Nedam incurred a net loss for the period of € 41 million (2012: € 41 million), with solvency declining from 15% to 11%.

To strengthen the financial position and meet the capital requirement, Ballast Nedam managed to refinance its financial position in 2014 with the support of all 5%-plus shareholders and banks. The refinancing will consist of an increase of equity through a € 30 million rights issue and new loans of € 80 million that mature in 2016. In addition, a bridging facility of € 30 million in the run-up to the rights issue has been agreed. Current shareholders have committed to the rights issue to an amount of € 20.6 million, with the remaining € 9.4 million having been underwritten by Rabobank and ING. The loans of € 80 million partly replace the existing (formerly uncommitted) facility of € 60 million. Gains from any company disposal of business units arising through 2016 must be used partly to repay the loans.

The refinancing strengthens Ballast Nedam's financial position, providing the company with sufficient financial scope to focus on the accelerated execution of its strategy, which is geared to major integrated complex projects.

Along with the financial measures, Ballast Nedam also announced several operational measures to improve the operating profit. They include the restructuring of regional construction companies into one construction company with integrated operations. Furthermore, some supply and specialized companies that no longer contribute to Ballast Nedam's strategic proposition will be disposed of. Having made the transition to an infrastructure company with nationwide operations, and the related departure from the loss-making traditional markets, Ballast Nedam is now focusing its organization more extensively on the strategic route that it has embarked upon. Ballast Nedam expects this strengthening of its financing structure and the business plan adopted for 2014-2016 to lay the foundation for leaving the heavy loss-making years behind it.

Nevertheless, there are uncertainties that may have either adverse, or conversely favourable, consequences for Ballast Nedam. On the one hand, there are sensitive issues in the business plan, such as the timing of contracts for major projects, and settlement of ongoing judicial proceedings. On the other hand, uncertainties have arisen in the implementation of improvement processes, such as the sale of business units and cost-saving measures. The covenants for the refinancing will be adopted at the end of March 2014.

Ballast Nedam is of the opinion that the measures taken and the business plan for 2014-2016, taking into account the sensitivities identified, will put the company in a position to remain within its credit limit. At the same time, the business plan together with the expected gains from the sale of business units will create sufficient scope for Ballast Nedam to comply, over the next few years, with the covenants to be agreed and to be adopted before 31 March 2014 in consultation with the banks and based on the business plan.

The financial statements for 2013 have been prepared on the basis of the actions, plans and expectations set out above, with due regard to the continuity assumption.

#### Accounting estimates and judgements

In preparing the financial statements, management of Ballast Nedam has made estimates and judgements that affect the amounts recognized for assets, liabilities, revenue, costs and the related notes on contingent and off-balance-sheet liabilities. Estimates and judgements are evaluated on a regular basis.

#### Project results

'Work in progress' comprises, besides the recognized costs and invoiced instalments for each project, the interim profit realized or provision formed for loss. The profit and loss are both based on an estimate of the ultimate profit for each project: the end of work forecast.

The uncertainty in this profit estimate increases as, for example:

- an agreed contract form entails more risks for the contractor, such as the design risk that contractors accept in design & construct contracts, plus, for a DBMO contract, the responsibility for maintenance and operation;
- a project is in an early design or implementation stage. When detailing a preliminary or final design, substantial deviations from the preliminary design may arise (because an initial solution turns out, on closer inspection, to be infeasible, or because the underlying conditions are better or worse than expected, or because the dialogue with stakeholders is far more complicated, and therefore more expensive, than foreseen). Countless risks may also arise in the implementation phase that are for the contractor's account. These deviations may be positive or negative;
- the term of the contract is longer, which introduces inherent estimating uncertainty into the end of work forecast; or
- projects are subject to additional work and claim situations.

#### Goodwill

The recoverable amount is measured using future cash flow forecasts. The budgets of the cash generating units are used to estimate future cash flows for the next three years. The assumptions in these budgets are based in part on historical profits and external information sources. Cash flows after three years are extrapolated using expected growth rates.

### **Land positions**

Land positions are acquired and held for future development purposes, and are recognized at the lower of historical cost and realizable value. The realizable value is the higher of the current market value and the present value of the estimated future cash flows. The future cash flows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 9%.

### **Accounting for income taxes**

At the year-end closing process, Ballast Nedam makes an estimate of the income tax position of all taxable entities. This involves estimating the actual short-term tax charges and income, and the temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. A decision is taken at the reporting date as to whether loss carry-forwards and deferred tax recoverable resulting from temporary differences may be recognized. Ballast Nedam recognizes the portion of deferred tax assets that will probably be realized. If the actual anticipated taxable profits differ from the estimates, and depending on the tax strategies that Ballast Nedam may implement, deferred tax assets that have been recognized may not be realized, thus affecting the financial position and results of Ballast Nedam.

### **Provisions**

Provisions relating to constructive obligations are based on estimates and judgements as to whether the criteria for treatment as an obligation have been met, including an estimate of the size of the obligation. Constructive obligations are disclosed if it is likely that an obligation will arise and its size can be reasonably estimated. Provisions for warranties are formed for the expected expenses necessary to settle complaints. If the actual outcome differs from the assumptions as to anticipated costs, the estimated provisions will be revised, which could have an effect on the financial position and results of Ballast Nedam.

### **Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") and also comply with Part 9 of Book 2 of the Dutch Civil Code.

### **Accounting policies used in the consolidated financial statements**

The consolidated financial statements are presented in millions of euros. Any items with a value less than € 0.5 million are shown as '-'. The financial statements have been prepared on the basis of historical cost, except for those items for which EU-IFRS prescribes a different method for valuation or determination of the result.

When preparing the financial statements, management makes estimates and assumptions that affect the amounts and results presented in the financial statements. The actual results may differ from these estimates and assumptions. See also Accounting estimates and judgements on page 177.

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

The accounting policies set out below have been consistently applied for all entities and periods presented in these consolidated financial statements, with due regard given to the following changes.

### **Changes in accounting policies**

A number of new standards, as well as changes to, and interpretations of, existing standards became effective in 2013. The new standards, changes and interpretations that were relevant to Ballast Nedam had no impact on the measurement and classification of assets and liabilities, the income statement, or cash flows, but have led to limited changes in the explanatory notes. The most important of these are IFRS 13 'Fair Value Measurement' and IAS 1 'Presentation of Financial Statements'. IFRS 13 is concerned with the measurement of fair value. The impact of IFRS 13 is small because, with the exception of derivatives, Ballast Nedam has not applied fair value measurement to any items. IFRS 13 also requires additional disclosure. Among other things, additional disclosure has been provided on the fair value of instruments that are carried at amortized cost. The change in IAS 1 is concerned with the presentation of the consolidated statement of comprehensive income. Items that will be reclassified to the income statement in subsequent periods are presented separately from other items.

### **Basis of consolidation, assets, liabilities and income statement**

#### **Subsidiaries**

Subsidiaries are entities in which Ballast Nedam directly or indirectly controls the financial and operating policy decisions with a view to obtaining benefits from their operations. These subsidiaries are consolidated in full, and non-controlling interests, where applicable, are separately disclosed. These entities are included in the consolidated financial statements from the date on which control commences until the date on which the control ceases.

#### **Associates**

Associates are those entities in which Ballast Nedam exercises significant influence on the financial and operating policy decisions, but over which it does not have control.

The consolidated financial statements include Ballast Nedam's share of the recognized income and expenses of associates, using the equity method, from the date on which Ballast Nedam first exercised a significant influence until the date on which the influence ceases. If Ballast Nedam's share in the losses exceeds the value of the interest in an associate, the carrying amount of the investment is reduced to zero in Ballast Nedam's statement of financial position and only the portion of any further losses for which Ballast Nedam has a legal or constructive obligation will be recognized.

#### **Joint ventures**

Interests in combinations in which Ballast Nedam has no controlling influence, but may exercise joint influence on policy as for each of the other participants, including construction consortia, are proportionately consolidated. Consolidation occurs as of the date on which control is first exercised until the date on which control ceases.

#### **Elimination of transactions for consolidation purposes**

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

Unrealized losses are eliminated in the same way, except where there are indications of impairment.



### **Foreign currency translation**

Assets and liabilities of foreign activities denominated in functional currencies other than the euro are translated to the functional currency in euros at the rates of exchange prevailing at 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 year).

Translation differences resulting from the conversion of investments in these foreign activities, including semi-permanent financing, and the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the reporting date, are recognized as a separate item in the consolidated statement of comprehensive income.

Receivables and payables in foreign currencies are translated to the functional currency at the exchange rate prevailing at the reporting date. Transactions in foreign currencies are translated to the functional currency at the exchange rate applying on the transaction date. The resulting foreign currency translation differences are recognized as part of earnings before interest and taxes.

### **Intangible assets**

#### *Goodwill*

Goodwill arises as a result of the acquisition of subsidiaries, associates and joint ventures. Business combinations are accounted for using the purchase method of accounting. Goodwill is allocated to cash-generating units.

Goodwill is measured as:

- the fair value of the consideration transferred;
- plus the recognized amount of any non-controlling interests in the acquired entity;
- plus in a business combination achieved in stages, the fair value of the acquirer's previously-held equity interest in the acquiree;
- less the recognized amounts (generally the fair value) of the identifiable assets acquired and liabilities assumed.

Negative goodwill arising on acquisition is recognized as income immediately.

The transaction costs incurred by the Group in connection with a business combination, other than those concerned with the issue of shares or bonds, are recognized when they are incurred.

A contingent consideration is recognized at fair value at the acquisition date. A contingent consideration that is classified as equity is not reassessed and the settlement is recognized in equity. Other changes are recognized in the income statement after initial recognition.

Goodwill is not amortized. Instead, an impairment test is performed annually, or earlier if there are signs of impairment. In the case of associates, the carrying amount of goodwill is included in the carrying amount of the investment in associates.

#### *Other intangible assets*

Software is recognized at cost less accumulated amortization and impairment.

Concessions for raw material extraction are recognized at cost less accumulated amortization and impairment.

#### *Amortization*

Amortization of intangible assets, other than goodwill and those with an indefinite life, is calculated on the basis of the expected useful life. Concessions in respect of land and raw materials are amortized in proportion to the extent of the raw materials estimated to have been extracted.

Where significant, the residual value, amortization methods and estimated useful lives are assessed annually.

The estimated useful lives are 5 – 40 years for concessions, and 3 years for software.

Goodwill and intangible assets with an indefinite life are systematically assessed for impairment at least at each year-end, or sooner if there are signs of impairment.

### **Property, plant and equipment**

#### *Owned assets*

Items of property, plant and equipment are recognized at cost of acquisition or manufacture less accumulated depreciation and impairment.

If individual items of property, plant and equipment consist of elements with differing estimated useful lives, those elements are recognized as separate assets and depreciated accordingly.

Where they can be estimated reliably, the costs of dismantling and disposing of assets and the cost of restoring sites where assets are located are recognized as a provision at net present value. The borrowing costs for qualifying assets, which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized.

#### *Leased assets*

Lease agreements under which Ballast Nedam assumes virtually all the risks and rewards of ownership are classified as finance leases. The leased asset is measured at the lower of the fair value and the present value of the minimum lease instalments at the commencement of the lease, less accumulated depreciation and impairment.

#### *Subsequent costs*

If it is probable that the future economic benefits will flow from the asset to Ballast Nedam and the cost of the asset can be reliably measured, Ballast Nedam includes the cost of replacement of part of an item of property, plant and equipment in the carrying amount of the asset concerned when those costs are incurred. All other costs are recognized in the income statement as an expense when they are incurred.

#### *Depreciation*

Depreciation is generally calculated on a straight-line basis over the expected useful life of each item of property, plant and equipment (or part thereof). Land is not depreciated.

The estimated useful lives are 10 – 30 years for buildings, 5 – 20 years for plant and equipment, and 2 – 10 years for other operating assets.

The residual value, depreciation methods and estimated useful lives are assessed annually. Some assets are depreciated using the units of production method.

## Financial assets

### *PPP receivables*

Receivables in respect of Public-Private Partnerships (PPPs) relate to concession fees from public bodies (public authorities) receivable in connection with PPP projects. PPP receivables are recognized as financial assets. In conformity with IAS 32 and 39, PPP receivables are initially recognized at fair value and are subsequently measured at amortized cost based on an effective interest rate. This method of recognizing PPP receivables is in conformity with the financial assets model of IFRIC 12 'Service Concession Arrangements'.

### *Other investments*

If no significant influence is exercised over the operating and financial policy, recognition of other investments is at fair value, with gains and losses recognized in the consolidated statement of comprehensive income if the investment is classified as available for sale; if not, they are recognized in the income statement. Only in the exceptional case that the fair value cannot be reliably determined is the investment measured at cost minus impairment.

### *Assets and liabilities held for sale*

Immediately prior to classification as held for sale, the assets and liabilities of a disposal group are tested for impairment in accordance with the applicable policies. On initial recognition as assets held for sale, assets and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell.

A discontinued operation is part of the Group's activities that represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs on the earlier of disposal or when the operation meets the criteria for classification as an asset held for sale. A disposal group that ceases to be classified as such can also meet these criteria.

### *Derivative financial instruments*

Ballast Nedam makes use of derivative financial instruments in order to hedge exposure to currency, interest rate and market risks arising from operating, financing and investing activities. In conformity with its treasury policy Ballast Nedam holds no derivatives for trading purposes, nor does it issue derivatives of this kind.

On initial recognition, derivative financial instruments are measured at fair value, and the attributable transaction costs are recognized in the income statement as soon as they occur. If no hedge accounting is applied, gains and losses on revaluation to fair value are recognized directly in the income statement. Gains and losses arising from fair value adjustments of forward exchange contracts are recognized as a part of the natural hedge on the currency results of the project concerned.

If hedge accounting is applied, Ballast Nedam documents the relationship between the financial instrument and the position to be hedged. The objectives with respect to risk management, and the strategy followed in initiating hedging transactions, are recorded. Ballast Nedam also documents estimates of the effectiveness of the hedging transaction. If the hedge relationship is effective, movements are recognized in the consolidated statement of comprehensive income, with allowance for the deferred taxation effect.

The changes in the fair value of hedging transactions could comprise movements in the fair value of existing hedging transactions, and realized results if the hedged position is recognized in the income statement. The movement in values for any ineffective portion of the hedging transaction is recognized in the income statement.

The fair value of forward exchange contracts is the present value of the forward rate. The fair value of the other derivative financial instruments is measured on the basis of the discounted value of the estimated future cash flows from these instruments.

### **Inventories**

Land positions are acquired and held for future property development purposes, and are recognized at the lower of historical cost and net realizable value. The net realizable value is the higher of the current market value and the present value of the estimated future cash flows. The future cash flows are estimated using scenario and sensitivity analyses. In principle these holdings are not 'in production' and development costs are consequently not capitalized. Interest is capitalized subject to meeting the conditions for capitalizing finance expense and at the time the land position is actively developed. The associated costs are expensed. Planning permissions and building permits are included in land positions.

Land and buildings for sale are also included in inventories. The buildings concerned have yet to be sold to third parties and are either under construction or have reached structural completion. The stocks of land and buildings available for sale are carried at the lower of cost, including directly attributable indirect costs, and market value less selling costs. Interest is capitalized subject to meeting the conditions for capitalizing finance expense.

Sold residential building projects in which the client has no option to specify structural elements in the design, and where there is continuous transfer of the significant risks and rewards of ownership, are recognized under inventories. This portion of inventories is recognized at cost plus profit in proportion to the progress of the project less a provision for foreseeable losses and less invoiced instalments in proportion to the progress of the project. Interest is capitalized subject to meeting the conditions for capitalizing finance expense. The cost of residential building projects includes directly attributable indirect costs on the basis of normal production capacity.

Finished goods are measured at the lower of cost and net realizable value. The cost of finished goods is based on the first-in, first-out (FIFO) principle. The cost includes interest subject to meeting the conditions for capitalizing finance expense. The cost of finished goods includes directly attributable indirect costs on the basis of normal production capacity.

Raw materials are measured at the lower of cost and net realizable value.



**Work in progress**

Work in progress on behalf of third parties is recognized at cost plus profit in proportion to the progress of the project less a provision for foreseeable losses and less invoiced instalments in proportion to the progress of the project. Interest is capitalized subject to meeting the conditions for capitalizing finance expense. The cost of work in progress includes directly attributable indirect costs on the basis of normal production capacity.

As soon as a reliable profit estimate can be made for construction contracts on behalf of third parties, the contractual revenues and expenses are recognized in the income statement in proportion to the percentage of completion of the project. The percentage of completion is determined on the basis of production measurements. Expected losses on contracts are recognized immediately in the income statement.

Preparatory expenses and design and construction costs on large projects (i.e. tendering costs) are capitalized as work in progress as and when Ballast Nedam becomes the sole bidder in contract negotiations. Any preparatory expenses prior to this phase are charged to the income statement. Tendering costs expensed in the period to which they relate are not subsequently capitalized if the project is won.

**Receivables**

On initial recognition, trade and other receivables are measured at fair value less attributable transaction costs. After initial recognition, trade and other receivables are carried at amortized cost less impairment. Long-term receivables are carried at amortized cost with the exception of deferred tax assets, which are stated at the nominal amount.

**Cash**

Cash consists of cash and bank balances and other demand deposits. The bank balances are part of a cash pool, and the cash facilities that are an integral part of Ballast Nedam's funds management, constitute cash in the statement of cash flows.

**Impairment**

Except for inventories of finished product, raw materials and semi-finished goods, work in progress and the deferred tax asset of Ballast Nedam, the carrying amount of assets is reviewed at the reporting date in order to determine whether there are any indications of impairment. Where there are such indications an estimate is made of the recoverable amount of the asset.

In the case of goodwill and assets with an indefinite useful life, the recoverable amount is estimated at the end of each reporting period.

The recoverable amount is equal to the higher of fair value less costs to sell, and value in use. In measuring the value in use, the present value of the estimated future cash flows is calculated using a pre-tax discount rate which reflects both the current market estimates of the time value of money and the specific risks inherent in the asset in question.

In the case of an asset which only generates income that is highly dependent on that of other assets, the recoverable amount is measured for the cash-generating unit to which the asset belongs.

Impairment losses are recognized in the income statement.

**Repurchase of own shares**

For purchased own shares included in equity in the statement of financial position, the amount paid, including directly attributable costs, is recognized in equity. Repurchased shares are classified as purchased own shares and included as a deduction from total equity. When purchased own shares are delivered, they are removed from the portfolio on a first-in, first-out (FIFO) basis. The difference between cost and market value is recognized in the share premium reserve.

**Dividend**

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

**Equity-settled share-based payment transactions**

The share option scheme enables the Board of Management to acquire depositary receipts for shares in Ballast Nedam. The options become exercisable if the person to whom they have been granted remains in the service of the company for an uninterrupted period of three years after the grant date, and may then be exercised at any time in the following three years. The option rights lapse on termination of employment. The Supervisory Board is responsible for granting option rights, depending on quantitative and qualitative criteria. Each year, the Supervisory Board will decide on the granting of options on the date of publication of the results for the year, or on appointment of the individual concerned.

The fair value of the granted options is included in employee benefits with simultaneous recognition of a corresponding amount added to equity (equity-settled). The fair value is measured on the grant date and expensed over the vesting period. The remaining part of the measured value of options is written down as and when they are replaced or are settled before they vest. The fair value of the options is measured using an option valuation model taking account of the conditions under which the options are granted.

**Long-term loans**

On initial recognition, long-term loans are measured at fair value less attributable transaction costs. Interest-bearing loans are subsequently recognized at amortized cost, with any difference between the cost and the amount repayable recognized in the income statement over the term of the loans on the basis of the effective interest method.

**Pensions**

The pension scheme established by Ballast Nedam for office staff qualifies as a defined contribution plan, and is administered by Stichting Pensioenfonds Ballast Nedam. Under this defined contribution plan, the obligations in respect of the defined contributions are recognized as an expense in the income statement when they fall due.

Ballast Nedam's building site workers are covered by the compulsory industry-wide pension scheme for the building industry (bpfBOUW). Under IAS 19R this pension scheme is accounted for as a defined contribution plan.

**Long-term employee benefits**

Ballast Nedam's net obligation in respect of long-term employee benefits (long-service bonuses, long-term illness), with the exception of pension plans, is the sum of the future benefits that employees have earned in exchange for their services during the period under review and in preceding periods. The liability is converted to present value, taking account of actuarial assumptions.

**Provisions**

A provision is recognized in the statement of financial position if Ballast Nedam has a legal or constructive obligation as a result of an event in the past and it is probable that an outflow of resources embodying economic benefits will be required in order to settle that obligation.

If the effect thereof is material, the provisions are determined by calculating the present value of the estimated future cash flows using a pre-tax discount rate reflecting both the current market estimates of the time value of money and, where necessary, the specific risks inherent in the obligation.

**Trade and other payables**

On initial recognition, trade payables and other payable items are measured at fair value. After initial recognition, trade payables and other payable items are measured at amortized cost.

**Revenue***Construction contract revenue*

The contractual income and expenses in relation to work in progress are recognized in the income statement in proportion to the percentage of completion of the project. The percentage of completion is determined on the basis of production measurements. Expected losses on contracts are recognized immediately in the income statement.

*Sale of goods*

Income from the sale of goods is recognized in the income statement as and when the significant risks and rewards of ownership have been transferred to the buyer. Revenue and profit are recognized on a pro rata basis as construction progresses for those residential building projects in which the client has no option to specify structural elements in the design, and where there is continuous transfer of the significant risks and rewards of ownership.

*Services*

Income from services rendered is recognized in the income statement in proportion to the percentage of completion of the transaction at the reporting date. The percentage of completion is determined on the basis of assessments of the activities performed. No income is recognized if there are significant uncertainties concerning the collection of the amounts due or the related costs or any returns of goods, and also if there is any question of continuing management involvement in the goods.

*PPP projects*

During the construction phase of the asset, PPP projects are recognized as projects for third parties. The related financial asset is recognized based on invoiced instalments. The contractual income and expenses are recognized in the income statement in proportion to progress on the project. The percentage of completion is determined on the basis of production measurements. The interest income of the financial asset is recognized as financial income in the income statement.

During the operating phase, the income from PPP projects comprises the fair value of the delivery of contractually agreed services and the interest income related to the investment in the project. Income is recognized when the services to which it relates are delivered.

#### **Government subsidies**

Government subsidies are recognized once it is reasonably certain that they will be received and the conditions for award of the subsidy have been met. Subsidies awarded to compensate costs are recognized in the income statement in the same period as the costs incurred. Subsidies that contribute to the development or purchase of assets are deducted from the price of the assets concerned.

#### **Costs**

Costs are allocated to the period to which they relate.

#### **Lease instalments on operating leases**

Lease instalments on operating leases are recognized in the income statement on a straight-line basis over the period of the lease.

#### **Lease instalments on finance leases**

The minimum lease instalments are recognized partly as financing costs and partly as repayment of the outstanding liability. The financing costs are allocated to each period of the total lease period in such a way as to result in a constant periodic rate of interest over the remaining balance of the liability.

#### **Net finance expense**

The net finance expense comprises the interest income and expenses on borrowings calculated using the effective interest method. The interest component of the financial lease instalments is recognized in the income statement using the effective interest method. Gains and losses on exchange and on derivative financial instruments other than interest rate swaps are recognized in the income statement in earnings before interest and taxes. Gains or losses on interest rate swaps are recognized as finance income or expense.

#### **Income tax expense**

Tax is calculated on the result from ordinary operations, allowing for tax-exempt items and based on the applicable tax rates. Tax is recognized in the income statement except in relation to items recognized in the consolidated statement of comprehensive income.

Deferred tax is recognized using the balance sheet method on temporary differences between the reported carrying amounts and tax bases of assets and liabilities, and for future carry-forward losses, and is accounted for on the basis of the applicable tax rates for the periods when the temporary differences are expected to be reversed.

Deferred tax assets are recognized at nominal value of the portion that will probably be realized.

No deferred tax is recognized for the following temporary differences: the initial recognition of goodwill, and differences in relation to subsidiaries and associates that will not be settled in the near future, and to the extent that the settlement is under Ballast Nedam's control.

**Statement of cash flows**

Cash flows from operating activities are presented using the indirect method. Cash flows in foreign currencies are converted at the exchange rate on the date of the cash flow or at the average rate. Non-cash items, such as foreign currency translation differences, changes in fair value, equity-settled share-based payments and so forth are eliminated from this statement. Dividends paid to ordinary shareholders are included in the cash flows from financing activities. Interest paid is included in the cash flows from operating activities. Current-account balances payable on demand are included in the balance of cash and overdrafts with banks in preparing the consolidated statement of cash flows.

**Basic earnings per share**

The basic earnings per share are calculated by dividing the profit for the period attributable to holders of shares by the average number of shares in issue in the period. The diluted earnings per share are calculated by dividing the profit by the average number of issued shares, including the number of shares that would have been issued if the outstanding share options had been exercised, if this would lead to dilution.

**Operating segments**

An operating segment is a component of Ballast Nedam that engages in business activities that may contribute substantially to revenues and expenses, including those related to transactions with other components of the Group.

The Board of Management regularly uses information about individual segments in order to make decisions about resources to be allocated and to assess performance. Additional financial information is provided for each segment. The decisions about resources to be allocated and the assessment of performance are based on earnings before interest and taxes and capital employed. The amounts for transactions between segments are determined on an arm's length basis. The results, assets and liabilities of a segment comprise items that can be attributed to the segment either directly or on a reasonable basis. Among the items that are not included are finance income and expense, and income tax assets and liabilities.

Additional financial information is provided for each geographical segment. In presenting information on a geographical basis, income is based on the geographical location of the customers. The criterion for assets is their geographical location.

**New standards and interpretations not yet applied**

A number of new standards, changes to existing standards and interpretations had yet to come into effect in 2013 and are therefore not applied in the consolidated financial statements. The most important of these for Ballast Nedam are as follows.

**IFRS 10 - 'Consolidated Financial Statements'**

IFRS 10 introduces a new approach for determining whether an investor must consolidate an investee, and a uniform principle for determining whether an investor controls an investee, thereby including 'special purpose entities' (SPEs). To coincide with IFRS 10, the IASB issued an amended IAS 27 that now comprises the accounting principles for separate financial statements. IFRS 10 and the amended IAS 27 were adopted by the EU in the fourth quarter of 2012, and they are expected to have no material impact on Ballast Nedam's comparative figures or equity. This standard applies to annual financial periods beginning on or after 1 January 2014.



### **IFRS 11 - 'Joint Arrangements'**

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers'.

IFRS 11 distinguishes two kinds of joint arrangement, depending on whether the parties have rights to the assets and obligations for the liabilities (joint operation), or only rights to the net assets (joint venture). The essential distinction between a joint venture and a joint operation is that a joint operator's obligations are unlimited in principle for its share in the liabilities, while a joint venturer's obligation is limited in principle to its investment in the entity that embodies the partnership. Joint ventures can no longer be proportionately consolidated, but must be accounted for using the equity method. A joint operator must recognize its share of the assets, liabilities, revenue and expenses, which is not necessarily the same as proportionate consolidation.

This standard applies to annual financial periods beginning on or after 1 January 2014. For annual periods up to and including 2013 Ballast Nedam proportionately consolidated the joint ventures in accordance with IAS 31. Ballast Nedam has determined criteria for assessing the joint arrangements for the application of IFRS 11, on which basis it has been determined which joint arrangements are joint ventures, which must then be accounted for using the equity method in accordance with IFRS 11 starting in 2014, as opposed to proportionate consolidation. Examples include interests in asphalt batching plants and other non-controlling interests. If IFRS 11 were to have been applied in 2013, the impact on revenue would have been € 48 million negative, or 4%%. The management has assessed the impact on the cash flows, order book and operating segments, and has concluded that this is limited. The transition will have no effect on the unrealized results of the Group or on the ordinary and diluted basic earnings per share.

### **IFRS 12 - 'Disclosure of Interests in Other Entities'**

IFRS 12 is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Ballast Nedam is currently comparing the existing and new disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 requires the disclosure of the nature, risks associated with, and financial effects of these interests. IFRS 12 was adopted by the EU in the fourth quarter of 2012. This standard applies to annual financial periods beginning on or after 1 January 2014.

## Non-proportionately consolidated statement of financial position

Ballast Nedam has elected to account for joint ventures using proportionate consolidation based on IAS 31. The statement of financial position that results if the joint ventures are not proportionately consolidated (i.e. the equity method) is presented below based on IAS 31. The associated impact on the income statement mainly affects revenue and, to a limited extent, the profit for the period.

Solvency based on proportionately consolidated figures is 11% (2012: 15%). Based on the non-proportionately consolidated figures, solvency would be 13% (2012: 17%).

	Proportionately consolidated	Not proportionately consolidated	
x € 1 million	31 December 2013	31 December 2013	31 December 2012
<b>Non-current assets</b>			
Intangible assets	21	15	25
Property, plant and equipment	137	123	141
Financial assets	21	52	41
Deferred tax assets	32	32	32
<b>Assets held for sale</b>	<b>211</b>	<b>222</b>	<b>239</b>
<b>Current assets</b>			
Inventories	175	133	165
Work in progress	135	118	96
Receivables	226	179	188
Cash and cash equivalents	54	21	68
Assets held for sale	48	24	4
	638	475	521
<b>Current liabilities</b>			
Bank overdrafts	(22)	(17)	-
Current portion of long-term loans	(9)	(5)	(9)
Prepayments on inventories	(2)	(2)	-
Work in progress	(106)	(60)	(63)
Trade payables	(237)	(154)	(180)
Income tax expense	(1)	-	(2)
Other liabilities	(207)	(222)	(204)
Provisions	(28)	(28)	(67)
Liabilities held for sale	(27)	(10)	(2)
	(639)	(498)	(527)
<b>Current assets minus current liabilities</b>	<b>(1)</b>	<b>(23)</b>	<b>(6)</b>
	<b>210</b>	<b>199</b>	<b>233</b>
<b>Non-current liabilities</b>			
Loans	106	97	93
Derivatives	1	-	-
Deferred tax liability	1	2	2
Employee benefits	5	4	4
Provisions	7	6	3
<b>Liabilities held for sale</b>	<b>120</b>	<b>109</b>	<b>102</b>
<b>Total equity</b>			
Equity attributable to the owners of the company	90	90	131
Non-controlling interest		-	
	<b>90</b>	<b>90</b>	<b>131</b>
	<b>210</b>	<b>199</b>	<b>233</b>
Solvency	11%	13%	17%

## 9.6 Operating segments

### Operating segments 2013

x € 1 million	Infrastructure	Building & Development	Specialized Companies	Supplies	Subtotal operating segments	Reconciliation (1)	Total
<b>Revenue</b>	<b>546</b>	<b>531</b>	<b>260</b>	<b>212</b>	<b>1 549</b>	<b>(281)</b>	<b>1 268</b>
Other operating income	-	-	-	-	-	-	-
Total operating expenses	(542)	(536)	(273)	(196)	(1 547)	273	(1 274)
Share in profits of associates	-	-	-	-	-	-	-
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>4</b>	<b>(5)</b>	<b>(13)</b>	<b>16</b>	<b>2</b>	<b>(8)</b>	<b>(6)</b>
Impairment	-	(3)	-	1	(2)	(1)	(3)
Depreciation	-	(3)	(6)	(9)	(18)	(3)	(21)
<b>Earnings before interest, taxes and amortization (EBITA)</b>	<b>4</b>	<b>(11)</b>	<b>(19)</b>	<b>8</b>	<b>(18)</b>	<b>(12)</b>	<b>(30)</b>
Amortization	-	-	-	-	-	-	-
<b>Earnings before interest and taxes (EBIT)</b>	<b>4</b>	<b>(11)</b>	<b>(19)</b>	<b>8</b>	<b>(18)</b>	<b>(12)</b>	<b>(30)</b>
Net finance income and expense							(7)
Income tax expense							(4)
<b>Profit for the period</b>							<b>(41)</b>
Margin	0.8%	(2.2%)	(7.5%)	3.8%			(2.4%)
Order book	596	691	113	55	1 455	5	1 460
Capital employed (2)	(21)	48	33	118	178	(22)	156
Assets (3)	247	289	115	187	838	11	849
Investments in property, plant and equipment	6	8	3	13	30	2	32
Associates	-	2	-	-	2	-	2
Liabilities (4)	277	272	74	76	699	60	759
Impairment of Intangible assets and property, plant and equipment							
impairment	-	(3)	-	-	(3)	(1)	(4)
reversal of impairments	-	-	-	1	1	-	1
Average number of employees							
temporary employment	35	53	55	16	159	25	184
permanent employment	515	1 116	774	579	2 984	231	3 215
<b>Total employees</b>	<b>550</b>	<b>1 169</b>	<b>829</b>	<b>595</b>	<b>3 143</b>	<b>256</b>	<b>3 399</b>

(1) The reconciliation column relates to holding entities and intersegment eliminations.

(2) Capital employed is non-current assets plus current assets minus current liabilities, excluding net cash.

(3) Assets are defined to encompass non-current and current assets.

(4) Liabilities are defined to encompass non-current and current liabilities.

## Exceptional operating profit or loss by segment

### *The Infrastructure segment:*

Infrastructure achieved a profit of € 4 million. Good results on several major projects exceeded the losses incurred on the major A15 Maasvlakte-Vaanplein project and several old regional projects that predate the 2012 restructuring operation.

### *Building and Development segment:*

Building & Development incurred an operating loss of € 11 million because of impairment losses of € 6 million and restructuring costs of € 5 million. The revenue of Building & Development went down by 7% to € 531 million because of the decline in the regional construction companies. The assets of Building & Development decreased by € 25 million to € 289 million because of a decrease in unsold property and lower land positions. The land positions decreased by € 10 million to € 142 million, consisting of sales of € 9 million and an impairment of € 1 million.

### *The Specialized Companies segment:*

Specialized Companies achieved a disappointing loss of € 19 million, including a restructuring expense of € 5 million. The successes achieved in the companies that performed well were overshadowed by losses in two specialized companies. Lower investments resulted in a decrease in total assets of € 6 million to € 115 million.

### *The Supplies segment:*

Supplies' revenue decreased by € 4 million to € 212 million. Improved results in the prefabricated concrete companies and the sale of Yvoir and an associated asphalt plant supported the profit. The assets of Supplies decreased by € 18 million to € 187 million mainly because of the sale of Yvoir and a stake in an asphalt plant.

The number of employees posted abroad was 115 (2012: 159).

## Operating segments 2012

x € 1 million	Infrastructure	Building & Development	Specialized Companies	Supplies	Subtotal operating segments	Reconciliation (1)	Total
<b>Revenue</b>	<b>496</b>	<b>573</b>	<b>262</b>	<b>216</b>	<b>1 547</b>	<b>(251)</b>	<b>1 296</b>
Other operating income	-	-	-	4	4	-	4
Total operating expenses	(485)	(595)	(265)	(202)	(1 547)	249	(1 298)
Share in profits of associates	-	-	-	-	-	-	-
<b>Earnings before interest, taxes, depreciaton and amortization (EBITDA)</b>	<b>11</b>	<b>(22)</b>	<b>(3)</b>	<b>18</b>	<b>4</b>	<b>(2)</b>	<b>2</b>
Impairment	-	(1)	-	(6)	(7)	(3)	(10)
Depreciation	(1)	(3)	(7)	(10)	(21)	(2)	(23)
<b>Earnings before interest, taxes and amortization (EBITA)</b>	<b>10</b>	<b>(26)</b>	<b>(10)</b>	<b>2</b>	<b>(24)</b>	<b>(7)</b>	<b>(31)</b>
Amortization	-	-	-	-	-	-	-
<b>Earnings before interest and taxes (EBIT)</b>	<b>10</b>	<b>(26)</b>	<b>(10)</b>	<b>2</b>	<b>(24)</b>	<b>(7)</b>	<b>(31)</b>
Net finance income and expense							(7)
Income tax expense							(3)
<b>Profit for the period</b>							<b>(41)</b>
Margin	2.1%	(4.6%)	(3.8%)	0.9%			(2.4%)
Order book	900	731	90	56	1 777	(16)	1 761
Capital employed (2)	(27)	29	45	130	177	(1)	176
Assets (3)	214	314	131	205	864	22	886
Investments in property, plant and equipment	24	28	7	10	69	2	71
Associates	-	1	-	1	2	-	2
Liabilities (4)	225	308	74	80	687	68	755
Impairment of Intangible asset and property, plant and equipment							
impairment	-	-	-	(7)	(7)	(3)	(10)
reversal of impairments	-	-	-	-	-	-	-
Average number of employees							
temporary employment	50	71	64	24	209	37	246
permanent employment	748	1 211	797	635	3 391	222	3 613
<b>Total employees</b>	<b>798</b>	<b>1 282</b>	<b>861</b>	<b>659</b>	<b>3 600</b>	<b>259</b>	<b>3 859</b>

(1) The reconciliation column relates to holding entities and intersegment eliminations.

(2) Capital employed is non-current assets plus current assets minus current liabilities, excluding net cash.

(3) Assets are defined to encompass non-current and current assets.

(4) Liabilities are defined to encompass non-current and current liabilities.



## Operating segments (continued)

### Revenue

x € 1 million	31 December 2013	31 December 2012
Operating segments	1 549	1 547
Other	-	-
Intersegment revenue	(281)	(251)
<b>Total</b>	<b>1 268</b>	<b>1 296</b>

### EBIT

x € 1 million	31 December 2013	31 December 2012
Operating segments	(18)	(24)
Not allocated to segments	(12)	(7)
<b>Total</b>	<b>(30)</b>	<b>(31)</b>

### Total non-current and current assets

x € 1 million	31 December 2013	31 December 2012
Operating segments	838	864
Not allocated to segments	11	22
Associates	-	-
<b>Total</b>	<b>849</b>	<b>886</b>

### Liabilities

x € 1 million	31 December 2013	31 December 2012
Operating segments	699	687
Not allocated to segments	60	68
Eliminations and unallocated liabilities	-	-
<b>Total</b>	<b>759</b>	<b>755</b>

### Geographical segments

x € 1 million	Revenue		Assets		Other fair value investments	
	2013	2012	2013	2012	2013	2012
The Netherlands	1 020	1 153	150	186	3	3
Other Europe	204	108	16	19	1	-
Africa	1	21	-	-	-	-
Asia	8	4	-	-	-	-
South America	30	10	-	-	-	-
Other	5	-	-	-	-	-
<b>Total</b>	<b>1 268</b>	<b>1 296</b>	<b>166</b>	<b>205</b>	<b>4</b>	<b>3</b>

Of the revenue, 80% (2012: 89%) was generated in the Netherlands. The assets reported under the geographical segments comprise the non-current assets, excluding financial instruments and deferred tax assets.

## 9.7 Disposals

### Disposals

On 12 July 2013, Ballast Nedam sold its 100% equity interest in Société d'Exploitation des Carrières d'Yvoir SA (SECY, Yvoir) to Group De Cloedt. On 20 December 2013 Ballast Nedam sold the wholly-owned subsidiary Gebr. Van Leeuwen Boringen B.V. to Kleywegen Groep. Both sales are in line with Ballast Nedam's strategy of strengthening its financial position.

### Summary of the disposals

x € 1 million	
Financial assets	-
Deferred tax asset	-
Property, plant and equipment	3
Inventories	1
Receivables	3
Trade payables	(2)
Derivatives	-
Loans	-
<b>Net assets and liabilities</b>	<b>5</b>

x € 1 million	
<b>Considerations received in cash</b>	<b>8</b>
Disposed cash and cash equivalents	-
<b>Net cash - inflow</b>	<b>8</b>

## 9.8 Notes to the consolidated statement of financial position

### 1 Intangible assets

x € 1 million	Goodwill	Concessions	Other	Total
Cost				
<b>31 December 2011</b>	<b>14</b>	<b>29</b>	<b>6</b>	<b>49</b>
Investments	-	2	-	2
Acquisitions	2	-	1	3
Disposals	-	-	(1)	(1)
Assets held for sale	-	-	-	-
<b>31 December 2012</b>	<b>16</b>	<b>31</b>	<b>6</b>	<b>53</b>
Investments	-	5	1	6
Acquisitions	-	-	-	-
Disposals	-	(2)	-	(2)
Assets held for sale	(3)	(8)	-	(11)
<b>31 December 2013</b>	<b>13</b>	<b>26</b>	<b>7</b>	<b>46</b>
Amortization and accumulated impairment				
<b>31 December 2011</b>	<b>3</b>	<b>12</b>	<b>3</b>	<b>18</b>
Acquisitions	-	-	-	-
Amortization	-	-	-	-
Impairment	2	1	1	4
Disposals	-	-	-	-
Assets held for sale	-	-	-	-
<b>31 December 2012</b>	<b>5</b>	<b>13</b>	<b>4</b>	<b>22</b>
Acquisitions	-	-	-	-
Amortization	-	-	-	-
Impairment	3	-	1	4
Disposals	-	-	-	-
Assets held for sale	(1)	-	-	(1)
<b>31 December 2013</b>	<b>7</b>	<b>13</b>	<b>5</b>	<b>25</b>
Carrying amount				
<b>31 December 2012</b>	<b>11</b>	<b>18</b>	<b>2</b>	<b>31</b>
<b>31 December 2013</b>	<b>6</b>	<b>13</b>	<b>2</b>	<b>21</b>

#### Goodwill

An impairment test is performed at least annually, or earlier when there are strong indications of impairment. The present value of the future cash flows are estimated using a pre-tax discount rate of 9%. The business plan was followed for the projections for 2014 to 2016, inclusive. The residual value was calculated for the infinite cash flow assuming a growth rate of 1.5%. Among other things, the impairment tests identified an impairment of € 3 million at Bouw Noord B.V., which is attributable to the poor market prospects for the business units concerned. Regarding the other goodwill impairment tests, a 1% higher pre-tax discount rate or 1% lower growth rate would not lead to material impairment.

## Goodwill

x € 1 million	31 December 2013	31 December 2012
Bontrup Beheer B.V.	1	2
Verkaik B.V.	2	2
Bouw Noord B.V.	-	3
Concrete Valley B.V.	2	2
Other	1	2
<b>Total</b>	<b>6</b>	<b>11</b>

## Concessions

Ballast Nedam owns concessions for high-grade primary raw materials in Belgium, Norway, Germany and the Netherlands. Amortization takes place in proportion to extraction. The remaining weighted average amortization period for concessions as at year-end was 33 years (2012: 39 years). Ballast Nedam incurred no significant raw material and minerals exploration costs in 2013 for raw materials with unproven technical or commercial extraction potential.

## Purchase commitments

As at the reporting date, Ballast Nedam had no material outstanding obligations to acquire intangible assets.

## Research & development expenses

In 2013 expenses of € 13 million were recognized in the income statement for product development and other innovations (2012: € 15 million). No material development expenses were capitalized.

## 2 Property, plant and equipment

x € 1 million	Land and buildings	Plant and equipment	Other operating assets	Total
<b>Cost</b>				
<b>31 December 2011</b>	<b>99</b>	<b>286</b>	<b>36</b>	<b>421</b>
Investments	1	20	2	23
Acquisitions	-	4	-	4
Disposals	(10)	(13)	(4)	(27)
Sale of subsidiary	-	(11)	-	(11)
Foreign currency translation differences	-	-	-	-
Assets held for sale	-	-	-	-
<b>31 December 2012</b>	<b>90</b>	<b>286</b>	<b>34</b>	<b>410</b>
Investments	2	16	1	19
Acquisitions	-	-	-	-
Disposals	(5)	(24)	(8)	(37)
Sale of subsidiary	-	(13)	-	(13)
Foreign currency translation differences	-	-	-	-
Assets held for sale	(5)	(34)	-	(39)
<b>31 December 2013</b>	<b>82</b>	<b>231</b>	<b>27</b>	<b>340</b>
<b>Depreciation and accumulated impairment</b>				
<b>31 December 2011</b>	<b>36</b>	<b>176</b>	<b>26</b>	<b>238</b>
Impairment	2	4	-	6
Depreciation	3	17	3	23
Disposals	(7)	(9)	(3)	(19)
Sale of subsidiary	-	(7)	-	(7)
Foreign currency translation differences	-	-	-	-
Assets held for sale	-	-	-	-
<b>31 December 2012</b>	<b>34</b>	<b>181</b>	<b>26</b>	<b>241</b>
Impairment	(1)	-	-	(1)
Depreciation	3	16	2	21
Disposals	(1)	(22)	(7)	(30)
Sale of subsidiary	-	(10)	-	(10)
Foreign currency translation differences	-	-	-	-
Assets held for sale	(1)	(17)	-	(18)
<b>31 December 2013</b>	<b>34</b>	<b>148</b>	<b>21</b>	<b>203</b>
<b>Carrying amount</b>				
<b>31 December 2012</b>	<b>56</b>	<b>105</b>	<b>8</b>	<b>169</b>
<b>31 December 2013</b>	<b>48</b>	<b>83</b>	<b>6</b>	<b>137</b>

The investments in land and buildings and in equipment and inventories in both 2013 and 2012 were mainly for the Supplies segment. Also the subsidiary CNG Net B.V. invested over € 6 million in fuel filling stations (2012: € 5 million). The investments in other operating assets in both 2013 and 2012 were mainly in ICT hardware. In 2013 'Sale of subsidiary' was largely the sales of Yvoir and Gebr. Van Leeuwen Boringen B.V. The disposals in 2013 occurred mainly within the Supplies segment (2012: the Specialized Companies and Supplies segments).



### Purchase commitments

At the reporting date, Ballast Nedam had unconditional purchase commitments of € 1 million (2011: ditto) for property, plant and equipment.

### Collaterals

Property, plant and equipment with a carrying amount of € 32 million (2012: € 35 million) have been provided as mortgage collateral.

### Finance lease

Ballast Nedam holds various items of property, plant and equipment under finance lease. Ballast Nedam has the option to buy the assets at the end of several of the lease contracts. The leased assets serve as security for the lease obligations. At the reporting date, the carrying amount of leased assets was € 6 million (2012: € 8 million).

## 3 Financial assets

x € 1 million	Note	31 December 2013	31 December 2012
PPP receivables	3.1	15	8
Other fair value investments	3.2	2	3
Other receivables		-	-
<b>Total</b>		<b>17</b>	<b>11</b>

### 3.1 PPP-receivables

x € 1 million	2013	2012
<b>1 January</b>	<b>9</b>	<b>30</b>
Recognized receivables	7	41
Sales of subsidiaries	-	(62)
Capitalized interest	-	3
Consideration received	(1)	(3)
<b>31 December</b>	<b>15</b>	<b>9</b>
of which:		
Non-current	14	8
Current	1	1

The Public-Private Partnership (PPP) receivables are related to the concession fees receivable from public bodies (public authorities) in connection with providing sections of the Dutch N31 highway, and the construction and operation of the Zaanstad Penitentiary. No PPP projects were sold in 2013. The figure in 2012 consists of 1 project.

The interest income on the PPP receivables and the interest expenses on the PPP loans are recognized as interest income and expenses in the income statement. The current portion of the PPP receivables is included in receivables. The PPP receivables have been provided as security set for the associated loans.

### 3.2 Other investments

x € 1 million	Proportion owned	Land	31 December 2013	31 December 2012
<b>Name</b>				
CV GEM Vleuterweide	13,4%	The Netherlands	2	2
Other			0	1
<b>Fair value</b>			<b>2</b>	<b>3</b>

The fair value of the interest in the joint venture CV GEM Vleuterweide has been measured on the basis of the present value of the expected cash flows. (The land position was impaired in 2012 by € 1 million.)

### 4 Investment in associates

The main associates are Benelux Secondary PPP Fund 1 and PPP lanes A15 Holding. The relevant financial data for these two associates are given below.

x € 1 million	31 December 2013			2013		
	Assets	Liabilities	Shareholders' equity	Revenue	Profit for the period	Shares Ballast Nedam
<b>Name</b>						
Benelux Secondary PPP Fund 1	25	14	11	0	1	20%
PPP Lanes A15 Holding	1		1	0	1	20%

The total value of associates which at the reporting date was € 4 million (2012: € 2 million).

### 5 Deferred tax

Deferred tax assets arise from the recognition of carry-forward tax losses, from temporary differences between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities, and from deferred tax of the revaluation of derivatives to fair value.

#### 5.1 Deferred tax asset

x € 1 million	2013	2012
<b>1 January</b>	<b>32</b>	<b>35</b>
Movement through income statement	-	-
Derecognition of carry-forward losses	-	(13)
Use of temporary differences	(2)	(1)
Loss measurement	2	17
Under/(over) provided in earlier years	-	(3)
Movement through comprehensive income	-	-
Sale of subsidiary	-	(3)
<b>31 December</b>	<b>32</b>	<b>32</b>

The Dutch fiscal unit has approximately € 100 million (2012: approximately € 50 million) of carry-forward losses in the Netherlands, € 54 million of which are recognized (2012: € 48 million). There is a limitation on the utilization of these tax losses in the Netherlands. The remaining carry-forward period is between two and nine years (2012: average of four years). In 2013, € 6 million of carry-forward losses were recognized and € 6 million derecognized with respect to the temporary differences. The tax losses are measured on the basis of management's estimate of the amount of these losses that will be realized within the carry-forward period. An input to this estimate is the business plan for 2014-2016 (see also the explanatory note about continuity and liquidity on page 176), which has been assessed both internally and externally in connection with the refinancing. The future realization of these items is inherently uncertain. The outcome of the measurement is that, except for the €6 million, the new carry-forward tax losses in 2013 have not yet been measured.

Besides carry-forward losses, Ballast Nedam's Dutch fiscal unit has unrecognized pre-incorporation profit of foreign permanent establishments that is eligible for set-off to prevent double taxation. At the reporting date, Ballast Nedam had approximately € 96 million of foreign pre-incorporation profit that in principle is eligible for unlimited set-off. In early 2013 Ballast Nedam received a tax assessment from the Dutch tax authorities that confirmed pre-incorporation profit at € 48 million for the periods up to and including 2008.

Ballast Nedam also has carry-forward losses abroad that are unrecognized because set-off of losses is considered improbable in the countries concerned.

Of the deferred tax asset, € 18 million is attributable to temporary differences between the carrying amounts for financial reporting purposes and the tax bases of property, plant and equipment and derivatives. The deferred taxation of the portion of fair value changes of derivatives where the hedge relationship was effective was less than € 1 million (2012: less than € 1 million).

Ballast Nedam intends to liquidate several more foreign companies in the next few years. The size of the possible liquidation losses cannot yet be estimated reliably.

## 5.2 Deferred tax liabilities

x € 1 million	2013	2012
Intangible assets	2	2
Property, plant and equipment	2	2
Liabilities held for sale	(3)	-
<b>1 January</b>	<b>1</b>	<b>4</b>
Movement through comprehensive income	-	-
Movement through income statement	-	-
<b>31 December</b>	<b>1</b>	<b>4</b>

Deferred tax liability arises from temporary differences between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities. These temporary differences were attributable to the items shown in the above table.

### 5.3 Current liabilities, income tax payable

The income tax payable consists of income tax due outside the fiscal unit, and was € 1 million at year-end (2012: € 3 million).

### 6 Inventories

x € 1 million	31 December 2013	31 December 2012
Land positions	142	152
Unsold stock under construction	5	6
Unsold stock delivered	10	18
Residential building projects	-	-
Finished product	12	12
Raw material & semi-finished goods	6	14
Inventories held for sale	-	-
<b>Total</b>	<b>175</b>	<b>202</b>

The accumulated impairment losses for land positions amounted to € 40 million (2012: € 39 million).

The adjustment of a number of land positions to lower market value amounted to € 1 million (2012: € 21 million). In 2013 there were net disposals of € 9 million of land positions.

Land positions are acquired and held for future development purposes, and are recognized at the lower of historical cost and net realizable value. The net realizable value is the higher of the current market value and the present value of the estimated future cash flows. The future cash flows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 9%.

#### Prepayments on inventories

Prepayments on inventories amounted to € 2 million (2012: € 1 million), were related to housing projects on which the value of the work performed was lower than the amount of the instalments invoiced.

## 7 Work in progress

x € 1 million	31 December 2013	31 December 2012
Work in progress under current assets	135	112
Work in progress under current liabilities	(106)	(124)
<b>Total</b>	<b>29</b>	<b>(12)</b>
Project costs including recognized results	614	728
Instalments	(585)	(740)
<b>Total</b>	<b>29</b>	<b>(12)</b>
Instalments received	463	621
Outstanding instalments	122	119
Retained from instalments	-	-
<b>Total</b>	<b>585</b>	<b>740</b>

The positive balance of work in progress consists of all construction contracts on behalf of third parties where the expenses incurred plus the capitalized profit, less recognized losses, exceed the instalments invoiced. The balance increased by € 23 million relative to 2012.

The negative balance of work in progress consists of all construction contracts on behalf of third parties where the expenses incurred plus the capitalized profit, less recognized losses, are less than the instalments invoiced. The balance decreased by € 18 million relative to 2012. The total work in progress thereby increased by € 41 million because of lower receipts of prepayments on projects. Substantial fluctuations may arise in work in progress in the course of the year in view of its project-related nature.

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

## 8 Receivables

x € 1 million	31 December 2013	31 December 2012
Instalments	139	142
Trade receivables	82	93
PPP receivables	1	1
Prepaid expenses	4	3
Receivables held for sale	-	-
<b>Total</b>	<b>226</b>	<b>239</b>

At year-end, instalments included zero (2012: zero) retentions related to construction contracts in progress. Retentions are recognized at present value of the estimated future cashflows. The PPP receivables represent the current portion of the Public-Private Partnership receivables arising from concession fees receivable from public bodies (public authorities) in connection with PPP projects.



### Aging analysis of instalment and trade receivables

x € 1 million	31 December 2013	31 December 2012
0 - 30 days	154	163
31 - 60 days	37	39
61 - 90 days	12	12
91 - 365 days	13	16
Older than 1 year	12	11
	<b>228</b>	<b>241</b>
Write-down on bad debtors	(7)	(6)
<b>Total</b>	<b>221</b>	<b>235</b>

Ballast Nedam requests prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on the above categories of instalments and trade receivables. The average payment period is 45 days (2012: 45 days). The net total of outstanding instalments after due date invoice is approximately € 52 million.

The cumulative write-down for doubtful accounts receivable amounted to € 7 million (2012: € 6 million) and has been deducted from trade receivables. The movements in the provision were as follows.

### Write-down on doubtful accounts receivable

x € 1 million	31 December 2013	31 December 2012
<b>1 January</b>	<b>6</b>	<b>7</b>
Addition	3	2
Reversals	(2)	(2)
Utilization	-	(1)
<b>31 December</b>	<b>7</b>	<b>6</b>

At the reporting date, similar to last year, there were no known attachments of receivables. This is without the pledge on the receivables of CNG Net B.V. on behalf of the investors, Ballast Nedam N.V. does not guarantee this pledge (2012: no attachments).

9 Net cash

x € 1 million	31 December 2013	31 December 2012
Cash and cash equivalents	54	84
Bank overdrafts	(22)	(8)
<b>Total</b>	<b>32</b>	<b>76</b>
Fully consolidated	(3)	63
Proportionately consolidated	35	13
<b>Total</b>	<b>32</b>	<b>76</b>

*Situation at the reporting date*

Net cash comprises the net amount of cash and bank overdrafts that cannot be set off against each other, but are treated together for cash management purposes. Of the net cash, € 2 million is not at the free disposal of the company (in 2012: € 2 million)

Ballast Nedam has uncommitted credit facilities with three banks for a total of € 60 million. Ballast Nedam made use of these facilities in the course of the year under review. At year-end 2013, € 17 million of these facilities had been drawn (no drawing at year-end 2012).

*Situation in February 2014*

In February 2014 the uncommitted cash facilities were converted into a committed cash facility for 3 years. See the explanatory notes about continuity and liquidity on page 176.

10 Other liabilities

x € 1 million	31 December 2013	31 December 2012
VAT, payroll tax and social security contributions	23	43
Pension premiums	-	1
Charges relating to work in progress	108	63
Other	76	80
<b>Totaal</b>	<b>207</b>	<b>187</b>

Other liabilities, in the amount of € 76 million (2012: € 80 million) included liabilities for vacation pay and untaken vacations (€ 15 million, in 2012: € 16 million), accruals, debts to joint venture partners and various other liabilities that cannot be allocated to the other items.

## 11 Loans

x € 1 million	2013	2012
<b>1 January</b>	<b>125</b>	<b>132</b>
Loans drawn	14	62
Repayments	(15)	(9)
Sales of subsidiaries	-	(60)
Liabilities held for sale	(9)	
<b>31 December</b>	<b>115</b>	<b>125</b>
Non-current	106	108
Current	9	17
<b>31 December</b>	<b>115</b>	<b>125</b>
Recourse loans	91	96
Non-recourse loans	24	29
<b>31 December</b>	<b>115</b>	<b>125</b>
<b>Non-current</b>		
Business loans	50	50
Land bank financing	36	38
PPP loan	7	5
Finance leases	2	4
Other loans	11	11
<b>31 December</b>	<b>106</b>	<b>108</b>
<b>Current</b>		
Business loans	1	1
Land bank financing	4	6
PPP loan	1	1
Finance leases	2	3
Other loans	1	6
<b>31 December</b>	<b>9</b>	<b>17</b>

### 11.1 Loans per bank

x € 1 million	Currency	Maturity date	Interest	Facility	31 December 2013	31 December 2012
Rabobank	EUR	2017	5.40%	50	50	50
FGH Bank	EUR	2015	Euribor 3-month + margin	37	33	33
NIBC Bank	EUR	2013	Euribor 1-month + margin	7	5	5
NIBC Bank	EUR	2015	Euribor 3-month + margin	10	10	3
Triodos Bank	EUR	2017	4.21%	3	-	2
Bank Nederlandse Gemeenten (PPP)	EUR	2034	Euribor 3-month + margin	8	5	6
NIBC Bank (PPP)*	EUR	2021	Euribor 1-month + margin	53	2	
ING Bank (PPP)	EUR	2021	Euribor 1-month + margin	65	1	-
Institutional investors (PPP)	EUR	2040	Constant	72		
Other	EUR			9	9	26
<b>Total</b>				<b>314</b>	<b>115</b>	<b>125</b>

## Situation at the reporting date

The loans that provide no recourse on Ballast Nedam N.V. contain no financial covenants.

### **Rabobank**

The loan of € 50 million matures on 1 April 2017. The loan has a fixed interest rate of 5.4%. As security for the loan, mortgages were taken out on a number of registered properties in use by Ballast Nedam.

### **FGH Bank**

Ballast Nedam has financing facilities of € 37 million with FGH Bank for a number of land positions, which have been placed in a separate company. The land positions concerned were mortgaged as security for the loan at an interest equal to the Euribor rate plus a margin. The loan does not contain any financial covenants. The loan will be (partially) redeemed on the sale of the land positions. At year-end 2013, € 33 million of this facility had been drawn.

FGH Bank also provided financing for various company buildings. At year-end 2013, approximately € 1 million of this amount was still outstanding (2012: € 1 million).

### **NIBC Bank**

IJsseloord Beheer B.V., in which Ballast Nedam has a 50% stake, has an overdraft facility of € 14 million for the IJsseloord 2 project in Arnhem. The loan was extended in 2013 and now matures on 31 December 2016. The interest rate is Euribor 3 month plus a margin of 325 basis points. At year-end 2013, € 8 million of this facility had been drawn. Ballast Nedam N.V. does not guarantee this loan.

### **NIBC Bank**

CNG Net B.V., a Ballast Nedam wholly owned subsidiary, has a financing facility of € 10 million with NIBC Bank. A first pledge on CNG Net's receivables and bank accounts and a mortgage on right of superficies and pledging of the current and future property, plant and equipment for the public fuel filling stations have been provided as collateral. The loan matures in December 2015. The loan has a financial covenant that specifies a maximum net debt to EBITDA ratio of 3. The interest rate is Euribor 3 month plus a margin of 375 basis points. At year-end 2013, € 10 million (year-end 2012: € 3 million) of this facility had been drawn and the financial covenant was complied with. Ballast Nedam N.V. does not guarantee this loan.

### **PPP loans**

The PPP loans comprise multiple tranches, where the maturity date of the tranche with the longest term is shown. Of the PPP loans € 5 million was drawn from the Bank Nederlandse Gemeenten. Derivatives held for hedging the cash flow risk on variable interest rate PPP loans were obtained from the same financial institutions as the underlying loans. The maximum margin on the PPP loans is less than 3%. Ballast Nedam does not guarantee this loan.

### *Situation in February 2014*

In February 2014, the uncommitted cash facilities were converted into a committed cash facility for three years. See the explanatory notes about continuity and liquidity on page 176.

## 11.2 PPP loans per project

x € 1 million	2013	2012
<b>Non-current</b>		
Waldwei.com BV	4	5
PI2 BV	3	-
<b>31 December</b>	<b>7</b>	<b>5</b>
<b>Current</b>		
Waldwei.com BV	1	1
<b>31 December</b>	<b>1</b>	<b>1</b>

The loans represent Ballast Nedam's proportional share of project finance for the 'Design Build Finance Maintain Operate' contracts of the PPP projects. The shares of the companies that are responsible for these projects, and all other receivables and assets of these companies, have been pledged as collateral.

## 11.3 Finance leases

x € 1 million	2013	2012
Less than 1 year	2	3
1 - 5 years	2	4
More than 5 years	-	-
<b>Future lease instalments</b>	<b>4</b>	<b>7</b>
Future finance expense	-	-
Less than 1 year	2	3
1 - 5 years	2	4
More than 5 years	-	-
<b>Present value of finance leases</b>	<b>4</b>	<b>7</b>

The finance expense attributable to finance leases was, as last year, less than € 1 million in 2013. The finance leases involve no constraints on financing or dividend policy.



x € 1 million	Long-term illness	Long-service bonuss	Other remuneration	Total employee benefits	
				2013	2012
<b>1 January</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>4</b>	<b>5</b>
Addition	-	1	-	1	-
Interest accrual	-	-	-	-	-
Utilization	-	-	-	-	(1)
<b>31 December</b>	<b>1</b>	<b>4</b>	<b>-</b>	<b>5</b>	<b>4</b>
of which recognized under current liabilities				-	-
				<b>5</b>	<b>4</b>

#### Long-term illness and long-service bonuses

The discount rate of the provision for long-term illness and long-service bonuses was 5% (2011: 5%).

#### Pensions

Pension premiums payable to various pension funds. Most pension liabilities have been transferred to Stichting Pensioenfonds Ballast Nedam. Ballast Nedam now has only a very small number of defined benefit plans in place. Some Ballast Nedam pension schemes have defined benefits under which employees' rights are based on the number of years of service and salary level. The obligations under these pension schemes are systematically covered by means of payments into pension funds or to insurance companies. Under IAS 19R this pension scheme is accounted for as a defined contribution plan. Ballast Nedam is obliged to pay the prescribed premium for these schemes. Ballast Nedam cannot be compelled to make up any deficits other than through future premium adjustments. Conversely, Ballast Nedam cannot claim any pension fund surpluses. The coverage ratio of the industry-wide pension scheme for the building industry (bpfBouw) that is accounted for as a defined benefit pension plan was estimated at 111.6% at year-end 2013.

x € 1 million	Reorganization	Guarantees	Other	Total
<b>31 December 2011</b>	<b>7</b>	<b>7</b>	<b>30</b>	<b>44</b>
Addition	18	8	5	31
Unwinding of discount	-	-	-	-
Reversals	(2)	(1)	(15)	(18)
Utilization	(6)	(5)	(3)	(14)
<b>31 December 2012</b>	<b>17</b>	<b>9</b>	<b>17</b>	<b>43</b>
Addition	12	5	4	21
Unwinding of discount	-	-	-	-
Reversals	(2)	(2)	(3)	(7)
Utilization	(9)	(6)	(7)	(22)
<b>31 December 2013</b>	<b>18</b>	<b>6</b>	<b>11</b>	<b>35</b>
<b>Current (&lt; 1 year)</b>				
31 December 2012	15	8	16	39
31 December 2013	15	5	8	28

The € 12 million addition to the restructuring provision relates to the ongoing restructuring of the Building & Development segment, several specialized companies and Ballast Nedam Holding. In the next three years the provision will generate a cash flow of € 18 million, most of which will occur in 2014. A large part of the utilization from the restructuring provision was payments for severance arrangements and the settlement of a rental guarantee (2012: € 6 million).

'Guarantees' relates to work that has been completed. Of the addition to the provision, € 5 million (2012: € 8 million) was charged to income. Provisions no longer needed, in the amount of € 2 million (2012: € 1 million), were released to income, and € 6 million (2012: € 5 million) was utilized to settle warranty claims received.

Other provisions include € 5 million (2012: € 7 million) for the consequences of infringements of competition rules prior to year-end 2001. The remaining amounts of the provisions and additions were related to other claims against Ballast Nedam. The release of € 3 million (2012: € 15 million) related to several provisions that are no longer needed for potential claims. The release of € 7 million (2012: € 3 million) included the settlement of claims.

The finance expense that is related to unwinding of discount on long-term provisions is shown in the income statement. Provisions are stated with compound interest only if a reasonable estimate can be made of the release date of the funds. The interest rate used is 5% (2012: 5%). In 2013 the unwinding of discount amounted to less than € 1 million (2012: ditto).

## 14 Equity

The authorized capital consists of 20 000 000 ordinary shares and amounts to € 120 million. The issued share capital consists of 10 000 000 ordinary shares with a nominal value of € 6.

See for the developments surrounding the rights issue of € 30 million in 2014 the explanatory notes about continuity and liquidity on page 176.

The total number of repurchased shares at year-end 2013 was 332 500 (2012: 332 500) and is stated at acquisition price. No shares were repurchased in 2013 (2012: zero) and no repurchased shares were sold (2012: ditto). Ballast Nedam's policy is to avoid potential dilution through option rights granted by buying back a proportionate number of its own shares.

### Share capital

	2013	2012
<b>Shares in issue at 1 January</b>	<b>9 667 500</b>	<b>9 667 500</b>
Issued shares	-	-
Net change in repurchased shares	-	-
<b>Shares in issue at 31 December</b>	<b>9 667 500</b>	<b>9 667 500</b>

Translation differences arise on the conversion of the investments in foreign activities, including semi-permanent financing, and on the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the reporting date.

The reserves of the associates relate to profits and/or reserves of the associates, joint ventures and construction consortia subject to legal restrictions on distribution, or restrictions imposed by the Articles of Association. The change is attributable to an increase in the equity of proportionately consolidated joint ventures and construction consortia where distribution is restricted by influence of the partners.

The hedging reserve comprises the cumulative net movement in the fair value of derivative financial instruments, for which the hedged transaction has yet to take place.

No dividend was paid in 2013. The Board of Management, with the approval of the Supervisory Board, proposes to refrain from distributing a dividend (2012: nil).

Share-based transactions, the option scheme, related to the addition to the other reserves because of the employee benefits recognized in respect of options granted. The movement in equity in 2013 was € 900 000 negative (2012: € 460 000).

## 15 Assets and liabilities held for sale

Ballast Nedam measures assets held for sale at the lower of the carrying amount and fair value less costs to sell. At year-end 2013, Ballast Nedam identified Feniks Recycling Maatschappij B.V. and the 30% stake in Bontrup B.V. as a group that is available for immediate sale in line with the strategy of strengthening Ballast Nedam's financial position. Both companies are part of the Supplies segment. The impact on Ballast Nedam's consolidated statement of financial position is shown in the table below. These sales are expected to occur in 2014. In 2012, Rademakers Gieterij B.V. was identified as an asset held for sale. This did not lead to a sale in 2013 because of insufficient market interest and the interruption of negotiations. Rademakers is now no longer classified as an asset held for sale.

## Compressed overview assets held for sale

x € 1 million	
Intangible assets	10
Property, plant and equipment	20
Financial assets	-
Current assets	18
	<b>48</b>
Current liabilities	(15)
Non-current liabilities	(12)
	<b>(27)</b>

## Net investment in PPPs

x € 1 million		Total	Non-current	Current
<b>2012</b>				
PPP receivables		9	8	1
Non-recourse PPP loans		(6)	(5)	(1)
<b>Subtotal</b>		<b>3</b>	<b>3</b>	<b>-</b>
Net other assets and liabilities		(2)	(3)	1
<b>Total 31 December 2012</b>		<b>1</b>	<b>-</b>	<b>1</b>
x € 1 million		Total	Non-current	Current
<b>2013</b>				
PPP receivables		15	14	1
Non-recourse PPP loans		(8)	(7)	(1)
<b>Subtotal</b>		<b>7</b>	<b>7</b>	<b>-</b>
Net other assets and liabilities		-	-	-
<b>Total 31 December 2013</b>		<b>7</b>	<b>7</b>	<b>-</b>

The balance of other assets and liabilities consisted largely of the negative fair value of the hedging instruments.

Ballast Nedam is engaged on the Waldwei PPP project, alongside its 20% stake in the Benelux Secondary PPP Fund I and 1% stake in the PPP project A-Lanes A15. Waldwei is responsible for the N31 motorway in the Netherlands, which opened in 2008. The remaining term of the concession is 8 years. Ballast Nedam has a 33% interest. Ballast Nedam is also involved in the Zaanstad Penitentiary PPP project. This project consists of the construction and provision of a detention centre for the Ministry of Security and Justice. The period is 28 years. Ballast Nedam has a 100% stake.

At the end of the term the concession rights to the aforementioned PPP projects will transfer to the client.

## Capital contributions

The accumulated capital contributions at year-end 2013 were € 3 million (2012: nil).

At the reporting date, Ballast Nedam had unconditional capital contribution commitments of € 9 million (2012: € 3 million) with respect to the Zaanstad Penitentiary PPP project.

The increase in the liabilities is attributable to the acquisition of the 100% stake in the Zaanstad Penitentiary PPP project.

## 9.9 Notes to the consolidated income statement

### 16 Total revenue

x € 1 million	2013	2012
Sale of goods	184	194
Services	73	76
Construction contract revenue	1 011	1 026
Other	-	-
<b>Total</b>	<b>1 268</b>	<b>1 296</b>

### 17.1 Other operating income

The other operating income in 2013 was nil. In 2012 other income comprised the sale of the A15 Maasvlakte-Vaanplein PPP project and the settlement of claims.

### 17.2 Costs of raw materials and subcontractors

The costs of raw materials and subcontractors comprises an expense of € 1 million because of the write-down of a number of land positions to lower market value. In 2012 this expense was € 21 million. These costs also include the Maasvlakte-Vaanplein PPP project losses. There is still some considerable bandwidth in the forecasts for both income and expense for this project.

### 17.3 Employee benefits

x € 1 million	2013	2012
Wages and salaries	213	228
Social security costs	31	32
Pension charges	24	25
<b>Total</b>	<b>268</b>	<b>285</b>
Pension charges, defined contribution plan	24	25
<b>Pension charges</b>	<b>24</b>	<b>25</b>

### 18 Finance income and expense

x € 1 million	2013	2012
Interest on bank deposits	-	-
Interest on hedging instruments	-	-
Capitalized interest on PPP receivables	-	3
Capitalized interest on other assets	-	-
<b>Finance income</b>	<b>-</b>	<b>3</b>
Unwind of discount on provisions	-	-
Interest charge on hedging instruments	-	(3)
Interest expenses	(7)	(7)
<b>Finance expense</b>	<b>(7)</b>	<b>(10)</b>



## 19 Income tax expense

The income tax expense for the year was € 4 million (2012: € 3 million), which fell entirely outside the Dutch fiscal unit. The Dutch fiscal unit has approximately € 100 million (2012: approximately € 50 million) of carry-forward losses in the Netherlands, of which € 54 million are recognized (2012: € 48 million). In 2013 € 6 million of carry-forward losses were recognized, and € 6 million derecognized.

### Reconciliation with the effective tax rate

x € 1 million	2013		2012	
Profit before income tax		(37)		(38)
Nominal taxes (25%)	24.3%	9	23.7%	9
Additional tax-deductible losses	5.4%	2	15.8%	6
Deferred results not included in the fiscal unit	(29.7%)	(11)		2
Deferred results not included outside the fiscal unit	0.0%	-	5.3%	-
Effect of change in tax rate	0.0%	-		-
Effect of tax rates of foreign jurisdictions	0.0%	-	0.0%	-
Tax-exempt results	0.0%	-	(5.3%)	(2)
Derecognition of carry-forward losses	(5.4%)	(2)	(34.2%)	(13)
Under/(over) provided in earlier years	0.0%	-	(7.9%)	(3)
Non-deductible expenses	(5.4%)	(2)	(5.3%)	(2)
<b>Effective tax expense</b>	<b>(10.8%)</b>	<b>4</b>	<b>(7.9%)</b>	<b>3</b>

### Income tax due recognized in income statement

x € 1 million	2013		2012	
<b>Current income tax</b>		-		-
Tax outside the fiscal unit		4		3
		<b>4</b>		<b>3</b>
<b>Deferred taxation</b>				
Utilization of carry-forward losses		-		-
Derecognition of carry-forward losses		(2)		(13)
Recognized temporary differences		-		(1)
Tax-deductible losses		2		17
Under/(over) provided in earlier years		-		(3)
Movement in provision for deferred taxation		-		-
		-		-
<b>Total income tax expense</b>		<b>4</b>		<b>3</b>

#### Deferred taxes recognized directly in comprehensive income

x € 1 million	2013	2012
Derivatives in net changes in hedging reserve	-	2
<b>Total</b>	<b>-</b>	<b>2</b>

The utilization of carry-forward losses was realized outside Ballast Nedam's Dutch fiscal unit.

#### 20 Earnings per share

	2013	2012
Shares issued at 1 January	10 000 000	10 000 000
Issued this year	-	-
Repurchased own shares	(332 500)	(332 500)
<b>Shares in issue at 31 December</b>	<b>9 667 500</b>	<b>9 667 500</b>
Maximum shares issued on options	-	-
<b>Number shares diluted</b>	<b>9 667 500</b>	<b>9 667 500</b>
Average number of issued shares	9 667 500	9 667 500
Average number of issued shares (diluted)	9 672 643	9 672 643
<b>Profit for the period</b>	<b>(41)</b>	<b>(41)</b>
Basic earnings per share (€)	(4.22)	(4.24)
Diluted earnings per share (€)	(4.22)	(4.24)

Based on the average share price the option scheme did not have a dilutive effect on the earnings per share in 2013.

## Financial risk management

### General

Ballast Nedam distinguishes different categories of financial risk factors with respect to currency, credit and liquidity. The risks concerned are not uncommon in the industry. Ballast Nedam also makes use of financial instruments, including derivatives, in its normal business operations. These are financial instruments entered into in order to hedge future transactions and cash flows and are recognized in the statement of financial position. Ballast Nedam does not hold these financial instruments for trading purposes.

Ballast Nedam determines the fair value of derivatives on the basis of listed market prices when these are available. If they are unavailable, the fair value is determined by discounting the difference between the current market price of the derivative and the contracted price at a risk-free interest rate.

Treasury is a centralized responsibility at Ballast Nedam, and is organized accordingly. The treasury policy is aimed at creating and maintaining the best possible financial conditions for Ballast Nedam's operating activities, to which end the operating companies' bank accounts are held in a bank in two cash pools. Surplus cash assets are transferred to the money market on a daily basis, by contracting call funds and short-term deposits.

### Financial risk factors

#### Market risks

##### *Foreign currency risk*

Ballast Nedam is exposed to foreign currency risk on revenue, project operating costs, loans and investments in associates, held in currencies other than the group's functional currency. Most transactions of this kind are in USD and GBP. Forward exchange contracts are entered into with top-class banks to hedge the transaction risk on cash flows generated by ordinary business activities. At year-end 2013, Ballast Nedam had no outstanding forward exchange contracts that have been recognized at fair value in the statement of financial position.

Ballast Nedam is exposed to the following foreign currency risks in nominal amounts:

x 1 million	31 December 2013			31 December 2012		
	USD	GBP	CAD	USD	GBP	CAD
Receivables	9	3	-	21	4	1
Loans	-	2	-	-	(3)	-
Bank overdrafts	-	-	-	-	-	-
Trade payables	(6)	(2)	-	(4)	(2)	-
Other liabilities	-	(1)	-	(3)	(1)	-
<b>Foreign currency translation risk on balance sheet items</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>14</b>	<b>(2)</b>	<b>1</b>
Expected sales	14	22	-	18	17	-
Expected purchases	(4)	(14)	-	(14)	(11)	-
<b>Future foreign currency translation risks</b>	<b>10</b>	<b>8</b>	<b>-</b>	<b>4</b>	<b>6</b>	<b>-</b>
Hedging on foreign exchange contracts	-	-	-	-	-	-
<b>Net foreign currency translation risk</b>	<b>13</b>	<b>10</b>	<b>-</b>	<b>18</b>	<b>4</b>	<b>1</b>

	2013		2012	
	Average exchange	Exchange 31/12	Average exchange	Exchange 31/12
EUR / foreign currency				
Exchange rates				
USD	1.328	1.377	1.286	1.318
GBP	0.849	0.832	0.811	0.815
CAD	0.000	0.000	1.285	1.312

A 10% increase in the exchange rate of the euro against the USD and GBP would affect equity and the income statement as follows. It is assumed here that all other variables, including interest rates, remain unchanged.

*Sensitivity to foreign currency risk*

x 1 million	Equity	Profit for the period
<b>31 December 2012</b>		
USD	(2)	1
GBP	( 0)	-
CAD		-
<b>31 December 2013</b>		
USD	-	-
GBP	( 0)	-
CAD	-	-

*Interest rate risk*

The aim of Ballast Nedam's interest rate policy is to limit the influence of interest rate changes on the company's profit. To this end Ballast Nedam hedges the exposure to interest rate risk on financing the long-term PPP loans with interest rate swaps. Hedge accounting is applied to the derivative financial instruments where the cash flow hedge relationship is effective. Furthermore, some of the loans have a fixed interest rate.

The interest rate risk is limited to potential movements in the market value of loans taken out and granted, and of positive cash balances. The positive cash positions fluctuate throughout the year, but no impact of these fluctuations is included in the income statement from the sensitivity analysis. Loans are maintained until the maturity date.

*Interest-bearing financial instruments*

The interest rate risk profile of the company's interest-bearing financial instruments at the reporting date was as follows.

## Interest-bearing financial instruments

x € 1 million	31 December 2013	31 December 2012
PPP receivables	15	9
Loans Rabobank	(50)	(50)
Other loans	(6)	(12)
<b>Fixed interest</b>	<b>(41)</b>	<b>(53)</b>
Cash and cash equivalents	58	84
Bank overdrafts	(25)	(8)
Loans	(68)	(63)
<b>Variable interest</b>	<b>(35)</b>	<b>13</b>
<i>Effect of changes in variable interest on the income statement:</i>		
interest rate rise of 100 basis points	( 0)	0
interest rate fall of 100 basis points	0	( 0)

The interest rate risk on the variable interest rate PPP project loans is hedged by means of interest rate swaps. Interest rate swaps expire in accordance with the due date of the hedged loans concerned. The swap interest rate for a subsidiary is 5.08%. A rise or fall of 50 basis points in the derivative future variable interest rate would lead to a positive or negative adjustment of the fair value of the interest rate swaps, respectively, of less than € 1 million. Since cash flow hedge accounting is applied, the change in the values of the interest rate swaps for the effective portion of the hedging transaction is recognized in comprehensive income.

## Credit risk

Ballast Nedam actively pursues a policy designed to minimize credit risks. Credit risks consist of the risk that other parties will be unable to meet contractual obligations relating to a financial instrument. Creditworthiness assessments are performed for all other clients requiring credit. Ballast Nedam employs prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on instalments and trade receivables. At year-end 2013, there was no concentration of credit risks of any substantial amount in trade receivables.

## Credit risk

x € 1 million	31 December 2013	31 December 2012
PPP receivables	15	8
Other fair value investments	2	3
Other receivables	-	-
Receivables	226	239
Cash and cash equivalents	54	84
<b>Total</b>	<b>297</b>	<b>334</b>



## Liquidity risk

### *Situation at the reporting date*

The liquidity risk is the risk that Ballast Nedam will be unable to meet its financial obligations by the due dates. In the course of the year, Ballast Nedam made use of uncommitted cash facilities, which are with various credit institutions and total € 60 million. There is a risk that these credit institutions will not release all or part of these facilities. Ballast Nedam controls the liquidity risk through timely periodic cash flow forecasting followed by adequate corrective measures and monitoring. The statement under 1-5 years includes the repayment of the Rabobank mortgage of € 50 million (2017) and the FGH Bank mortgage of € 33 million (2015).

### Liquidity risk liabilities

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years
Loans	125	(147)	(22)	(116)	(9)
Bank overdrafts	8	(8)	(2)	(6)	-
Trade payables	253	(253)	(253)		
Income tax payables	3	(3)	(3)		
Work in progress under current liabilities	124	(124)	(124)		
Prepayments on inventories	1	(1)	(1)		
Other liabilities	187	(187)	(187)		
Derivatives	1	(1)	-	(1)	-
<b>Liquidity risk liabilities at 31 December 2012</b>	<b>702</b>	<b>(724)</b>	<b>(592)</b>	<b>(123)</b>	<b>(9)</b>

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years
Loans	115	(125)	(8)	(108)	(9)
Bank overdrafts	22	(22)	(18)	(4)	-
Trade payables	237	(237)	(237)		
Income tax payables	1	(1)	(1)		
Work in progress under current liabilities	106	(106)	(106)		
Prepayments on inventories	2	(2)	(2)		
Other liabilities	207	(207)	(207)		
Derivatives	1	(1)	-	(1)	-
<b>Liquidity risk liabilities at 31 December 2013</b>	<b>690</b>	<b>(701)</b>	<b>(578)</b>	<b>(113)</b>	<b>(9)</b>

### *Situation in February 2014*

See for the developments surrounding the refinancing in February 2014 the explanatory notes about continuity and liquidity on page 176.

Ballast Nedam holds derivatives in order to hedge exposure to cash flow risks. Derivatives held for hedging the cash flow risk on variable interest rate PPP loans were obtained from the same financial institutions as the underlying loans. The table below shows the periods in which cash flows that are related to these derivatives are expected to occur.

## Cash flow hedges

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years
Forward exchange contracts					
Market risk instruments					
Interest rate swaps	(1)	(1)	-	(1)	-
<b>Cash flow hedges 31 December 2012</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>

Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years	> 5 years
Forward exchange contracts					
Market risk instruments					
Interest rate swaps	(1)	(1)	-	(1)	-
<b>Cash flow hedges 31 December 2013</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>

For derivative financial instruments that qualify for hedge accounting, changes in the fair value are reported through comprehensive income.

## Financing risk

### Situation at the reporting date

Ballast Nedam's policy is aimed at maximizing the value of the business. This is achieved primarily by selecting and implementing promising projects. Ballast Nedam has set itself a target for the composition of the capital structure to achieve a solvency of 20% within three years (the current solvency being 11%) and a leverage ratio of less than 2.0 in the medium term. Ballast Nedam had no financial covenants in the loan conditions at year-end 2013.

Ballast Nedam's policy is to avoid potential dilution through option rights granted by repurchasing a proportional number of its own shares. No changes were made to Ballast Nedam's capital management policy in the past year. The company and its subsidiaries are not subject to external capital requirements. Ballast Nedam monitors its financing structure by means of including the solvency ratio. Ballast Nedam uses two solvency ratios, one based on proportionately consolidated figures and the other based on non-proportionately consolidated figures. See for the current financing risk the continuity section on page 176 in the explanatory notes on the accounting policies.

### Situation in February 2014

In February 2014, Ballast Nedam and the banking syndicate of ING Bank, Rabobank and Royal Bank of Scotland reached agreement on the key conditions for the committed loans to be extended to Ballast Nedam. See the note about continuity and liquidity on page 176. The committed loan facilities of € 110 million comprise a loan of € 80 million that matures in 2017, and a bridging loan of € 30 million that will be repaid in 2014 from the proceeds of the proposed rights issue. The loans under the current uncommitted facility of € 60 million will be repaid with these funds. The normal banking covenants will be determined in the coming weeks. The interest rate for the loan of € 80 million depends on a combination of the amount outstanding under the loans and the leverage ratio, and is initially Euribor +4%. The usual security will be provided in connection with the committed loans.

### Fair value estimates

At year-end 2013, Ballast Nedam had a number of derivatives that are measured at fair value. The carrying amount of cash, receivables, overdrafts and other current liabilities approximates the fair value, in view of the short lives of these instruments.

The fair value of long-term loans with variable interest approximates the amortized costs. The fair value of the Rabobank loan is lower than the carrying amount since the interest rate for loans of this kind was higher at the reporting date.

### Fair value

x € 1 million	31 December 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
PPP receivables	15	14	9	8
Loans	115	112	125	122
Bank overdrafts	22	22	8	8
Trade payables	237	237	253	253
Income tax payables	1	1	3	3
Work in progress under current liabilities	106	106	124	124
Prepayments on inventories	2	2	1	1
Other liabilities	207	207	187	187
Derivatives	1	1	1	1
	<b>705</b>	<b>702</b>	<b>711</b>	<b>707</b>

The above values are based on the present value of the future cash flows. The fixed interest loans and the PPP receivables are discounted at the relevant interest rate curve at year-end 2013 plus the relevant risk margin.

### Valuation methods

The table below shows the valuation methods used for financial instruments that are recognized at fair value. The levels are defined as follows. Level 1 refers to (unadjusted) market prices in active markets for identical assets or liabilities. Level 2 involves assets measured on the basis of prices or price derivatives that do not meet the definition for Level 1. The assets shown under Level 3 are measured on the basis of cash flow models.

### Valuation methods

x € 1 million	31 December 2013			31 December 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Other investments			-			3
Derivatives		(1)			(1)	
<b>Total</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>3</b>

There were no transfers in 2013 from Level 1 to Level 2 or Level 3, or vice versa (2012: ditto). Impairment of the other fair value investments is recognized in the income statement.

## Off-balance sheet commitments

### Guarantees

x € 1 million	31 December 2013		31 December 2012	
Guarantees		252		260
<b>Total</b>		<b>252</b>		<b>260</b>

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'.

### Lease and rental commitments

x € 1 million	31 December 2013			31 December 2012		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
<b>Lease commitments</b>						
Other operating assets	9	13	-	11	21	-
<b>Rental commitments</b>						
Offices	5	15	10	9	18	4
<b>Purchase commitments</b>						
Land purchases	4	25	15	-	22	17
Other	-	-	-	1	2	-
<b>Capital contributions</b>						
PPPs	-	9	-	-	3	-
<b>Total</b>	<b>18</b>	<b>62</b>	<b>25</b>	<b>21</b>	<b>66</b>	<b>21</b>

Ballast Nedam has provisional obligations to acquire land and for subsequent payments on land positions amounting to € 155 million (2012: € 143 million). It is not yet certain that Ballast Nedam will make these acquisitions or subsequent payments.

Operating lease costs in 2013 amounted to € 12 million (2012: € 15 million).

## Liabilities

Subsidiaries have joint and several liability for projects executed by limited partnerships. Some subsidiaries are joint and severally liable for obligations to a number of banks. On the basis of credit and guarantee facilities, there is an obligation to refrain from issuing any collateral. Subsidiaries are joint and severally liable in respect of the Ballast Nedam fiscal units, of which they are members, for Dutch corporate income tax and value added tax.

### Other

#### Saudi Arabia

Proceedings are ongoing in Saudi Arabia regarding a tax claim on a contract from 1999. In 2013 a court in Saudi Arabia ruled in favour of Ballast Nedam. The Ministry of Finance in Saudi Arabia has lodged an appeal. In Ballast Nedam's opinion, the responsibility for this tax claim resides contractually with the client, and will not therefore lead to a cash outflow, and there is consequently no need to form a provision.

**Anna van Buurenplein Parking (pAnnaB) / Babylon Den Haag BV (Babylon)**

The district court has ruled that the construction consortium pAnnaB is liable for the delay in the adjacent New Babylon project. The client has responded by claiming € 25 million, with no further substantiation of the claim. The damages are to be set in separate proceedings. The lack of substantiation of the claim prevents a reliable estimate of the total liability, and in accordance with IFRS no provision has been formed.

**Related party transactions**

The parties related to Ballast Nedam are the company's key management (Board of Management and Supervisory Board), its subsidiaries, associates, joint ventures, the Stichting Pensioenfondsen Ballast Nedam, and the directors and senior officials of these entities.

The main task of the Ballast Nedam Pension Fund is to implement the pension scheme for Ballast Nedam employees. The Ballast Nedam Pension Fund uses the services of employees of Ballast Nedam companies. The actual costs are charged on.

Ballast Nedam buys and sells goods and services from and to various related parties in which Ballast Nedam holds an interest of 50% or less, or with natural or legal persons holding at least 10% of the Ballast Nedam shares. All these transactions are executed at arm's length, in a comparable manner as for transactions with third parties.

**Interests in joint ventures**

Joint ventures, consisting primarily of construction or development consortia, are proportionately consolidated. For a list of the main joint ventures, see the organization structure given on pages 254 and 255. Ballast Nedam has recognized the following interests in joint ventures in the consolidated statement of financial position.

**Interests in joint ventures**

x € 1 million	31 December 2013	31 December 2012
Non-current assets	47	43
Current assets	156	135
Non-current liabilities	(22)	(18)
Current liabilities	(200)	(164)
<b>Net assets and liabilities</b>	<b>(19)</b>	<b>(4)</b>

The proportionately consolidated revenue and the cost of sales amounted to approximately 30% (2012: 25%) of total revenue and cost of sales. The total liabilities to third parties of companies for which Ballast Nedam has joint and several liability, such as limited partnerships, excluding bank guarantees issued by those companies, amounted to € 709 million at year-end 2013 (2012: € 641 million), of which Ballast Nedam's share of € 222 million (2012: € 182 million) is recognized in the consolidated statement of financial position. The financial statements consist largely of subsidiaries and joint ventures.



## Board of Management and Supervisory Board

x € 1 thousand	2013				2012			
	Gross salary	Bonus	Pension charges & social security costs	Reimbursement	Gross salary	Bonus	Pension charges & social security costs	Reimbursement
<b>Board of Management</b>								
T.A.C.M. Bruijninx	496		109	5	493		153	5
R. Malizia 3)	759		76	4	406		110	5
P. van Zwieten	364		82	5	361		80	5
	<b>1 619</b>		<b>267</b>	<b>14</b>	<b>1 260</b>		<b>343</b>	<b>15</b>
<b>Supervisory Board</b>								
A.N.A.M. Smits	45			2	45			2
R.M.M. Boelen	-			-	35			2
J.C. Huis in 't Veld 1)	29			2	35			2
J. Bout	30			2	30			2
L.W.A.M. van Doorne	31			2	19			1
C.M. Insinger 2)	22			1				
	<b>157</b>			<b>9</b>	<b>164</b>			<b>9</b>
<b>Totaal</b>	<b>1 776</b>		<b>267</b>	<b>23</b>	<b>1 424</b>		<b>343</b>	<b>24</b>

<sup>1</sup> until 31 Oktober 2013

<sup>2</sup> as of 16 May 2013

<sup>3</sup> until 5 March 2013

The bonuses of the directors relate to the years in which the expense was recognized. Members of the Board of Management are entitled to the use of a company car. The remuneration of the members of the Supervisory Board is in proportion to their term of office in the Supervisory Board. No loans were issued to members of the Board of Management or the Supervisory Board. The above amounts exclude € 185 000 of government-imposed crisis levy. The gross salary of R. Malizia for 2013 includes his contractual severance payment (€ 0.4 million).

## Option scheme

Year granted	2013	2012	2011	2010	2009
Value in €	0	589 000	480 900	473 250	619 000
Number	0	100 000	70 000	75 000	100 000
Exercise price in €	-	12.67	15.29	13.43	11.60
Grant date	-	9/03/2012	11/03/2011	12/03/2010	13/03/2009
Share price at grant date in €	-	13.27	15.88	14.10	13.00
Exercise period from	-	9/03/2015	11/03/2014	12/03/2013	13/03/2012
to	-	8/03/2018	10/03/2017	11/03/2016	12/03/2015
Volatility	-	6 years 37%	5 years 36%	4 years 37%	3 years 38%
Risk-free interest rate	0%	4%	4%	4%	4%
Conditions	-	employed when exercising	employed when exercising	employed when exercising	employed when exercising
Minimum holding	0%	5%	5%	5%	5%

The Supervisory Board grants options to members of the Board of Management in accordance with the option scheme that was approved at the Extraordinary General Meeting of Shareholders on 26 October 2006. The purposes of the scheme are to allow managing directors to be granted options as an instrument for long-term loyalty and to ensure that the interests of individual managing directors mirror those of the shareholders. Options are therefore granted on condition that the managing directors themselves hold depositary receipts for shares.

## Dispositary receipts for shares and granted options

	Depository receipts for shares		Options granted in year	
	31 December 2013	31 December 2012	2013	2012
T.A.C.M. Bruijninx	17 000	17 000	-	40 000
R. Malizia	-	20 157	-	30 000
P. van Zwieten	5 282	5 282	-	30 000
<b>Number</b>	<b>22 282</b>	<b>42 439</b>	<b>-</b>	<b>100 000</b>

## Costs of option scheme

x € 1 thousand	2013	2012
T.A.C.M. Bruijninx	82	235
R. Malizia	(1 041)	177
P. van Zwieten	59	48
<b>Total</b>	<b>(900)</b>	<b>460</b>

## Events after the reporting date

A refinancing of Ballast Nedam took place in February 2014. The refinancing comprises a € 30 million rights issue and new loans of € 80 million that mature in 2017. The rights issue strengthens the financial position, and together with the loans it gives the company sufficient scope to concentrate fully on the accelerated implementation of its strategy. See the note about continuity and liquidity on page 176.

CEO Theo Bruijninx (52) will leave the Board of Management of Ballast Nedam on 1 July 2014. This decision was made in joint consultation with the Supervisory Board. The Supervisory Board has started the search for a successor.

## 9.10 Company statement of financial position (before appropriation of result)

x € 1 million	Note	31 December 2013	31 December 2012
<b>Financial assets</b>			
Subsidiaries	21	310	318
Long term receivables from subsidiaries	21	-	-
Deferred tax assets	22	32	32
		<b>342</b>	<b>350</b>
<b>Current assets</b>			
Receivables		3	2
Receivables from subsidiaries		31	44
Cash and cash equivalents		1	6
		35	52
<b>Current liabilities</b>			
Trade payables		(3)	(3)
Other liabilities		(23)	(27)
Debts to subsidiaries		(253)	(232)
		(279)	(262)
<b>Current assets minus current liabilities</b>		<b>(244)</b>	<b>(210)</b>
		<b>98</b>	<b>140</b>
<b>Non-current liabilities</b>			
Provisions	23	8	9
		8	9
<b>Shareholders' equity</b>			
	24		
Share capital		60	60
Share premium		52	52
Repurchased own shares		(5)	(5)
Currency translation reserve		-	-
Reserves of associates		36	36
Hedging reserve		(3)	(4)
Other reserves		(9)	33
Surplus for the year		(41)	(41)
<b>Shareholders' equity</b>		<b>90</b>	<b>131</b>
		<b>98</b>	<b>140</b>

Note: See the notes to the company financial statements on page 227 to page 232.

## 9.11 Company income statement

x € 1 million	2013	2012
Profit of subsidiaries after tax	(10)	(19)
Other results after tax	(31)	(22)
<b>Profit for the period</b>	<b>(41)</b>	<b>(41)</b>

The profit from subsidiaries after tax represents Ballast Nedam's share of the profit after taxation of its subsidiaries.

## 9.12 Notes to the company financial statements

### Significant accounting policies

The company financial statements of Ballast Nedam N.V. form part of the 2013 consolidated financial statements of Ballast Nedam N.V. and have been prepared in accordance with the option provided in Book 2, Section 362(8) of the Dutch Civil Code. The same accounting policies were used in preparing these company financial statements as were used for the consolidated financial statements. The valuation of assets and liabilities, the translation of foreign currencies and the determination of the profit for the period are in accordance with the accounting policies as set out on pages 176 to 189 of the consolidated financial statements. Group companies are included in the company financial statements in accordance with the equity method. If Ballast Nedam's share in the losses exceeds the value of the interest in an associate, the carrying amount of the investment is written down to nil in Ballast Nedam N.V.'s statement of financial position and only the portion of any further losses for which Ballast Nedam N.V. has a legal or constructive obligation will be recognized.

### 21 Subsidiaries

x € 1 million	Interests in subsidiaries	Long-term receivables from subsidiaries	Total
<b>31 December 2011</b>	<b>161</b>	<b>188</b>	<b>349</b>
Profit for the period	(19)	-	(19)
Investments	-	3	3
Disposals	-	-	-
Acquisition of non-controlling interest	-	-	-
Conversion of capital	167	(167)	-
Repayment	-	(20)	(20)
Dividend received	0	-	0
Net changes in hedging reserve	5	-	5
Foreign currency translation differences	-	-	-
<b>31 December 2012</b>	<b>314</b>	<b>4</b>	<b>318</b>
Profit for the period	(10)	-	(10)
Investments	-	-	-
Disposals	-	-	-
Acquisition of non-controlling interest	-	-	-
Conversion of capital	-	-	-
Repayment	-	-	-
Dividend received	-	-	-
Net changes in hedging reserve	-	-	-
Foreign currency translation differences	2	-	2
<b>31 December 2013</b>	<b>306</b>	<b>4</b>	<b>310</b>
Reclassification of negative shareholders' equity subsidiaries	4	(4)	-
<b>Total</b>	<b>310</b>	<b>-</b>	<b>310</b>
Carrying amount as at 31 December 2012	318	-	318
Carrying amount as at 31 December 2013	310	-	310

The interests in subsidiaries are direct interests, of which the main ones are shown in the organization chart.

A list of interests as referred to in Book 2, Section 379 of the Dutch Civil Code has been filed with the Commercial Register in Utrecht. The Annual Report has a list of the significant group companies and interests.

## 22 Deferred tax asset

x € 1 million	2013	2012
<b>1 January</b>	<b>32</b>	<b>32</b>
Movement through equity	-	-
Movement through income statement	-	-
<b>31 December</b>	<b>32</b>	<b>32</b>

The Dutch fiscal unit has approximately € 100 million (2012: approximately € 50 million) of carry-forward losses in the Netherlands, € 54 million of which are recognized (2012: € 48 million). There is a limitation on the utilization of these tax losses in the Netherlands. The remaining carry-forward period is between two and nine years (2012: average of four years). The utilization of carry-forward losses depends on future taxable profits.

## 23 Provisions

x € 1 million	Reorganization	Other	Total
<b>31 December 2011</b>	<b>1</b>	<b>21</b>	<b>22</b>
Addition	-	-	-
Interest accrual	-	-	-
Reversals	-	(11)	(11)
Utilization	(1)	(1)	(2)
<b>31 December 2012</b>	<b>-</b>	<b>9</b>	<b>9</b>
Addition	1	2	3
Interest accrual	-	-	-
Reversals	-	(1)	(1)
Utilization	-	(3)	(3)
<b>31 December 2013</b>	<b>1</b>	<b>7</b>	<b>8</b>
<b>Current (&lt; 1 year)</b>			
31 December 2012	-	9	9
31 December 2013	1	7	8

Other provisions include € 5 million (2012: € 7 million) for the consequences of infringements of competition rules prior to the end of 2001. The remaining amounts of the provisions and additions were related to other claims against Ballast Nedam. The release of € 1 million (2012: € 11 million) related to several provisions that are no longer needed for potential claims.



x € 1 million	Issued share capital	Share premium	Repurchased own shares	Currency translation reserve	Reserves of associates	Hedging reserve	Other reserves	Profit for the period	Equity attributable to owners of the company	Non-controlling interest	Total equity
<b>31 December 2011</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>41</b>	<b>(9)</b>	<b>23</b>	<b>9</b>	<b>171</b>	<b>-</b>	<b>171</b>	
Profit for the period							(41)	(41)		(41)	
Foreign currency translation differences				-				-		-	
Effective portion of changing in fair value of hedging instrument						(3)		(3)		(3)	
Effective portion of changes in fair value of hedging instruments, associates						(1)		(1)		(1)	
Net change in fair value of hedging instruments transferred to income statement						9		9		9	
Net change in fair value of hedging instruments associates, transferred to income statement				-		-		-		-	
<b>Comprehensive income</b>						<b>5</b>	<b>(41)</b>	<b>(36)</b>	<b>-</b>	<b>(36)</b>	
Dividend paid						(5)		(5)		(5)	
Option scheme						1		1		1	
Repurchased own shares								-		-	
<b>Transactions with shareholders</b>						<b>(4)</b>		<b>(4)</b>		<b>(4)</b>	
Appropriation of 2012 result						9	(9)		-		
Other				(5)		5		-		-	
<b>31 December 2012</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>36</b>	<b>(4)</b>	<b>33</b>	<b>(41)</b>	<b>131</b>	<b>-</b>	<b>131</b>	
Profit for the period							(41)	(41)		(41)	
Foreign currency translation differences				-				-		-	
Effective portion of changes in fair value of hedging instruments						(1)		(1)		(1)	
Effective portion of changes in fair value of hedging instruments, associates						2		2		2	
Net change in fair value of hedging instruments, transferred to income statement						-		-		-	
Net change in fair value of hedging instruments, associates, transferred to income statement						-		-		-	
<b>Comprehensive income</b>				<b>-</b>		<b>1</b>	<b>(41)</b>	<b>(40)</b>	<b>-</b>	<b>(40)</b>	
Dividend paid						-		-		-	
Option scheme						(1)		(1)		(1)	
Repurchased own shares			-					-		-	
<b>Transactions with shareholders</b>			<b>-</b>			<b>(1)</b>		<b>(1)</b>	<b>-</b>	<b>(1)</b>	
Appropriation of 2013 result					-	(41)	41	-	-	-	
Other					-						
<b>31 December 2013</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>36</b>	<b>(3)</b>	<b>(9)</b>	<b>(41)</b>	<b>90</b>	<b>-</b>	<b>90</b>	

The authorized capital consists of 20 000 000 ordinary shares and amounts to € 120 million. The issued share capital consists of 10 000 000 ordinary shares with a nominal value of € 6.

See for the developments surrounding the rights issue of € 30 million in 2014, the explanatory notes about continuity and liquidity on page 176.

The total number of repurchased shares at year-end 2013 was 332 500 (2012: 332 500) and is stated at acquisition price. None of the company's own shares were repurchased in 2013 (2012: nil). Ballast Nedam's policy is to avoid potential dilution through option rights granted by buying back a proportionate number of its own shares.

The legal reserves comprise the currency translation reserve, the reserves of the associates and the hedging reserve.

Translation differences arise on the conversion of the investments in foreign activities, including semi-permanent financing, and on the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the reporting date.

The reserves of the associates relate to profits and/or reserves of the associates, joint ventures and construction consortia subject to legal restrictions on distribution, or restrictions imposed by the Articles of Association. The change is attributable to an increase in the equity of proportionately consolidated joint ventures and construction consortia where distribution is restricted by influence of the partners.

The hedging reserve comprises the cumulative net movement in the fair value of derivative financial instruments, for which the hedged transaction has yet to take place.

No dividend was paid in 2013. The Board of Management, with the approval of the Supervisory Board, proposes to refrain from distributing a dividend (2012: ditto).

Share-based transactions, the option scheme, related to the addition to the other reserves because of the employee benefits recognized in respect of options granted. The movement in equity in 2013 was € 900 000 negative (2012: € 460 000).

## Off-balance sheet commitments

### Guarantees

x € 1 million	31 December 2013		31 December 2012	
Guarantees		252		260
<b>Total</b>		<b>252</b>		<b>260</b>

### Rental commitments

x € 1 million	31 December 2013			31 December 2012		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
<b>Lease commitments</b>						
Other operating assets	1	1	-	1	1	-
<b>Rental commitments</b>						
Offices	5	15	10	4	9	-
<b>Total</b>	<b>6</b>	<b>16</b>	<b>10</b>	<b>5</b>	<b>10</b>	<b>-</b>

### Liabilities

Ballast Nedam N.V. has filed a declaration of joint and several liability as referred to in Book 2, Section 403 paragraph 1(f) of the Dutch Civil Code with the office of the Commercial Register of the Chamber of Commerce in favour of Ballast Nedam ICT B.V. and Ballast Nedam Beheer B.V. Ballast Nedam N.V. is thereby liable for the obligations of Ballast Nedam ICT B.V. and Ballast Nedam Beheer B.V. to a maximum of € 26 million.

In connection with credit and guarantee facilities, Ballast Nedam N.V. has given undertakings not to furnish any security.

Ballast Nedam N.V. has issued guarantees for a number of subsidiaries' contracts for approximately € 3 billion (2012: less than € 3 billion). This often involves the entire contract sum for long-term projects.

Together with the subsidiaries that form the fiscal unit, Ballast Nedam N.V. bears joint and several liability for corporate income tax and value added tax in the Netherlands.

### Audit fee

The following fees of Ernst & Young Accountants LLP were charged to the company, its subsidiaries and other companies in the consolidation, as set down in Section 382a of Book 2 of the Dutch Civil Code (the auditors in 2012 were KPMG Accountants N.V.).

#### Audit fee

x € 1 million	2013	2012
Control of annual report	1	1
Other control assignments	0	0
Other non-control assignments	0	0
<b>Total</b>	<b>1</b>	<b>1</b>
	-	
Fiscal advice	1	1
<b>Total</b>	<b>2</b>	<b>2</b>

### Employees

At year-end 2013, Ballast Nedam N.V. had 159 employees (2012: 182).

### Managing directors and supervisory directors

For notes on the remuneration of supervisory directors and members of the Board of Management, see the section on transactions with associates in the notes to the consolidated financial statements.

### Events after the reporting date

A refinancing of Ballast Nedam took place in February 2014. The refinancing comprises a € 30 million rights issue and new loans of € 80 million that mature in 2017. The rights issue strengthens the balance sheet, and together with the loans it gives the company sufficient scope to concentrate fully on the accelerated implementation of its strategy. See the note about continuity and liquidity on page 176.

CEO Theo Bruijninx (52) will leave the Board of Management of Ballast Nedam on 1 July 2014. This decision was made in joint consultation with the Supervisory Board. The Supervisory Board has started the search for a successor.

### Signature

The supervisory directors signed the financial statements in accordance with their legal obligation pursuant to Book 2, Section 101 paragraph 2 of the Dutch Civil Code, and the managing directors signed the financial statements in accordance with their legal obligation pursuant to Book 2, Section 101 paragraph 2 of the Dutch Civil Code and Article 5:25c paragraph 2c of the Financial Supervision Act (Wft).

Nieuwegein, 6 March 2014

Board of Management,

T.A.C.M. Bruijninx  
P. van Zwieten

Supervisory Board,

A.N.A.M. Smits  
J. Bout  
L.W.A.M van Doorne  
C.M. Insinger





#### GRAND HOTEL MAINPORT, ROTTERDAM

The luxury 5-star Grand Hotel Mainport is being built on the site of the former IMAX cinema on the river Maas. The hotel will have 220 rooms on ten floors. The hotel's unique site has a splendid view of the river and the harbour. The hotel will have luxury wellness facilities as well as conference rooms and restaurants. The building is an extension to the existing Intel Hotel.







# Other information

---

10.1	Independent auditor's report	236
10.2	Definitions	238
10.3	Profit sharing and dividend policy	239
10.4	Board members of the Ballast Nedam Administration Office	240
10.5	Report of the Ballast Nedam Administration Office	241
10.6	On this report: reporting principles	243
10.7	GRI indicators	246
10.8	Independent assurance report	250
10.9	Management as at March 2014	252
10.10	Organization structure as at March 2014	254

# 10

## Other information

### 10.1 Independent auditor's report

To: the Executive Board and Supervisory Board of Ballast Nedam N.V.

#### *Report on the financial statements*

We have audited the accompanying financial statements 2013 of Ballast Nedam N.V., Nieuwegein, as included on pages 172 to 233 of this report. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion with respect to the consolidated financial statements*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Ballast Nedam N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

#### *Opinion with respect to the company financial statements*

In our opinion, the company financial statements give a true and fair view of the financial position of Ballast Nedam N.V. as at 13 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *Emphasis of developments regarding continuity and liquidity*

We draw attention to the note on continuity and liquidity included in the accounting policies, which describes the developments with respect to the company's continuity as a going concern and liquidity. Our opinion is not qualified in respect of this matter.

#### *Report on other legal and regulatory requirements*

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Utrecht, 6 March 2014

Ernst & Young Accountants LLP

Signed by W.H. Kerst



## 10.2 Definitions

### Assets

Assets are defined to encompass non-current and current assets.

### DBFMO: Design-Build-Finance-Maintain-Operate

A contract form in which a market party or a consortium of market parties takes responsibility not only for financing, designing and constructing a building, but also for maintaining the building and supplying all or some of the technical services for a given period (e.g. 25 or 30 years).

### EBITDA

Earnings Before Interest, Taxation, Depreciation and Amortization.

### EBITA

Earnings Before Interest, Taxation and Amortization.

### EBIT

Earnings Before Interest and Taxation.

### Financial assets

PPP receivables plus other investments and other receivables (long term).

### GRI: Global Reporting Initiative

International guidelines for organizations on how to report on sustainability.

### IFRS: International Financial Reporting Standards

With effect from 1 January 2005 all publicly listed companies in the European Union are required to draw up their consolidated accounts in accordance with these new standards.

### Cost of sales

The costs of raw materials and subcontractors plus personnel expenses and other operating expenses.

### Net financing position

Net cash less the current portion of long-term loans, and the long-term loans.

### Net cash

Cash and cash equivalents plus deposits less bank overdrafts and money market loans.

### PPP receivables

Receivables pursuant to Public Private Partnerships (PPPs).



## Liabilities

Liabilities are defined to encompass non-current and current liabilities.

## Capital employed

Non-current assets plus current assets minus current liabilities excluding net cash.

## 10.3 Profit sharing and dividend policy

### Profit appropriation

Clause 23 of the Ballast Nedam Articles of Association governs profit appropriation.

This text of this clause is as follows.

- The portion of profit available for distribution that the company may distribute to shareholders and other entitled parties is limited to the amount of the distributable reserves.
- Distribution of profit will take place after adoption of the income statement that demonstrates the legitimacy of distribution.
- Subject to approval of the Supervisory Board, the Board of Management determines which portion of the profit presented in the income statement is to be added to the reserves. The remaining portion of the profit is at the disposal of the General Meeting of Shareholders.
- Any shares held by the company in its own capital are not counted when calculating the profit appropriation, except where the shares are encumbered with usufruct, or depositary receipts for shares have been issued with the company's consent.
- Subject to Supervisory Board approval, the Board of Management may decide to distribute an interim dividend in anticipation of the expected dividend, subject to the provisions of the first bullet point above, as demonstrated in an interim statement of assets and liabilities as referred to in Book 2, Section 105 paragraph 4 of the Dutch Civil Code.
- Decisions to distribute dividend and interim dividend may propose distribution in full or in part in the form of cash or of shares in the company.
- The General Meeting of Shareholders may, on the proposal of the Board of Management that has been approved by the Supervisory Board, resolve to make distributions chargeable to the distributable reserves. The provisions of the preceding bullet point then apply mutatis mutandis.
- Dividends and interim dividends are made payable on a date set by the Board of Management within fourteen days of adoption.
- Any dividends and interim dividends that remain unclaimed for five years after becoming payable accrue to the company.

### Dividend policy

The underlying principle of Ballast Nedam's dividend policy is that 50 per cent of the profit for the period is placed at the disposal of shareholders for distribution as dividend, provided the leverage ratio is less than 2.

## 10.4 Board members of the Ballast Nedam Administration Office

### Prof. W. van Voorden (Chairman)

Mr van Voorden was born in 1942. He has served as a Professor of Social Economics in Tilburg and Rotterdam. He has also been Chairman of the Care Insurance Supervisory Board, Chairman of the Supervisory Board of Batenburg Beheer N.V., Vice Chairman of the Supervisory Board of De Telegraaf Media Groep N.V. and Chairman of the Supervisory Board of Panteia in Zoetermeer.

Mr van Voorden was first appointed to the Board of the Administration Office on 10 May 2006. His current term of office ends on 10 May 2014\*. He was appointed Chairman of the Board of the Administration Office on 10 May 2010.

### W.F.C. Baars

Mr Baars was born in 1948. Mr Baars has held various management positions in ABN AMRO Bank, most recently as Director-General. Since then he has been Chairman of NIVE and Chairman of the Supervisory Board of Van der Hoop Bankiers.

In the reporting year Mr Baars was an independent consultant, member of the Financial Service Providers Disputes Committee and board member of the Stichting Waarborgfonds HBO.

Mr Baars was first appointed to the Board of the Administration Office on 1 June 2009. His current term of office expires on 19 May 2015\*.

### Ir. L.H. Keijts

Mr Keijts was born in 1952. He began his career as a public participation officer with the Provincial Council for Spatial Planning in Zuid-Holland. Since 1981 he has held various positions at the Ministry of Transport, Public Works and Water Management. Between 1996 and 1999 he was Deputy Director-General for Spatial Planning at the Ministry of Housing, Spatial Planning and the Environment. He then moved to the same position at the Ministry of Transport, Public Works and Water Management, later being appointed Director-General for Water in 2001.

From 2003 to 1 January 2010 he was Director-General for Public Works and Water Management at the Ministry of Transport, Public Works and Water Management. Mr Keijts has been Chairman of the Board of Management of the housing association Portal since 1 January 2010.

Mr Keijts was first appointed to the Board of the Administration Office on 8 April 2010. His current term of office expires on 8 April 2014\*.

*\* or until the first meeting of holders of depositary receipts for shares has been held after four years have elapsed since his appointment.*

## 10.5 Report of the Ballast Nedam Administration Office

This report complies with the provisions of Article 15 of the Terms of Administration of the Ballast Nedam Administration Office (Stichting Administratiekantoor van aandelen Ballast Nedam, referred to elsewhere as 'the Administration Office') and best practice provisions IV.2.6 and IV.2.7 of the Dutch Corporate Governance Code.

In 2013, the Administration Office arranged for the performance of the customary administrative activities regarding the registered shares in the capital of Ballast Nedam N.V. as referred to below.

SGG Netherlands N.V. (P.O. Box 11063, 1001 GB Amsterdam), as the trust office of the Administration Office, performs the work associated with the administration of the shares. The Administration Office itself is located at the address of Ballast Nedam N.V..

The total costs of the activities of the Administration Office in 2013 were 68 019 euros, including the fees paid to the members of the Board of the Administration Office. Pursuant to Article 9.1 of the Terms of Administration of the Administration Office, these costs were borne by Ballast Nedam N.V..

### 10.5.1 Number of depositary receipts for shares

The nominal value of registered shares held in administration at 31 December 2013 was 59 678 010 euros. In return for these shares, 9 946 335 bearer depositary receipts have been issued with the same nominal value. At year-end 2013, depositary receipts had been issued for 99.46 per cent of the capital in issue of Ballast Nedam N.V..

The number of registered shares in the capital of Ballast Nedam N.V. in the custody of the Administration Office increased in 2013 from 9 946 058 to 9 946 335.

### 10.5.2 Board

In accordance with Article 4 of the articles of association of the Administration Office, the Board of the Administration Office consists of three independent members, and in 2013 the members of the Board of the Administration Office were:

- Prof. W. van Voorden (Chairman)
- W.F.C. Baars
- L.H. Keijts

The functions and other positions held by the members of the Board of the Administration Office are given in Section 10.4 *Board members of the Ballast Nedam Administration Office* on page 240. In 2013 fees for members of the Board were 7 500 euros per year and the fee for the chairman of the Board was 9 000 euros per year, excluding the annual indexation in accordance with the collective agreement for the building industry (CAO Bouwnijverheid).

### 10.5.3 Board meetings

The Board also conducted talks with the Board of Management of Ballast Nedam N.V., in which it received information on the company's performance. There were three meetings of the Board of the Administration Office in 2013, two of which were attended by the Board of Management at the invitation of the Board of the Administration Office. Furthermore, as every year, a meeting of holders of depositary receipts for shares was held prior to the Annual General Meeting of Shareholders of Ballast Nedam N.V..

The first meeting of the Board of the Administration Office was held on 26 April 2013, and was attended by both members of the Board of Management of Ballast Nedam N.V.. At this meeting the Board of the Administration Office discussed the general performance of Ballast Nedam N.V. and Ballast Nedam N.V.'s annual figures for 2012, following their publication on 8 March 2013. The Board of the Administration Office adopted the balance sheet and income statement of the Administration Office for the 2012 financial year and approved the report of the Administration Office for 2012.

The second meeting of the Board of the Administration Office was held on 16 May 2013 in preparation for the General Meeting of Shareholders, and for the meeting of holders of depositary receipts for shares that was held on the same date.

The third meeting of the Board of the Administration Office was held on 1 November 2013. This meeting discussed Ballast Nedam N.V.'s half-yearly figures and trading update for the third quarter of 2013. This meeting was attended by the Board of Management of Ballast Nedam N.V..

#### 10.5.4 Meeting of Holders of Depositary Receipts of the Administration Office held on 16 May 2013

The following items were on the agenda of the meeting of holders of depositary receipts:

- explanation from the board regarding the report for 2012;
- announcement of the proposed votes of the Board of the Administration Office at the Annual General Meeting of Shareholders of Ballast Nedam N.V..

The Board reported on its activities in 2012 and explained its proposed voting behaviour at the Annual General Meeting of Shareholders of Ballast Nedam N.V.. The above agenda items were discussed at the meeting of holders of depositary receipts.

#### 10.5.5 Participation of the Board of the Administration Office in the General Meeting of Shareholders

The Board of the Administration Office took part in discussions on the matters raised at the General Meeting of Shareholders held on 16 May 2013. The Board of the Administration Office posed a number of critical questions at the meeting. On behalf of the Administration Office, the Board voted on the agenda items and, in accordance with the objects set out in the articles of association of the Administration Office, based its voting behaviour primarily on the interests of holders of depositary receipts for shares, bearing in mind the interests of Ballast Nedam N.V. and its affiliated entities. After careful consideration, the Board of the Administration Office resolved to support all the proposals made at the General Meeting of Shareholders.

Holders of depositary receipts for shares that can be traded on the stock exchange granted proxies or gave binding voting instructions for a total of 7 067 972 depositary receipts for shares. This represented 73.11 per cent of the issued share capital. Consequently, the Board of the Administration Office represented 26.33 per cent of the issued share capital at the General Meeting of Shareholders held on 16 May 2013.

Nieuwegein, March 2014

*The Board*  
*W. van Voorden*  
*W.F.C. Baars*  
*L.H. Keijts*

## 10.6 On this report: reporting principles

We report on financial and operational matters with reference to a business plan, of which the CSR issues form an integral part. We observe a phasing with thirteen periods for the current year. The reports are:

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

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

We do not yet have a comprehensive information system for capturing sustainability information comparable with Ballast Nedam's financial reporting systems. However, we have integrated the reporting of energy and CO<sub>2</sub> into the financial reporting system in 2013. We use the GHG (Greenhouse Gas) protocol for the calculations. We will gradually integrate the reporting of the other sustainability issues into the financial reporting system in the coming years. Ultimately we aim to achieve external assurance for the entire report in order to improve our standards and further increase the report's impact.

### **Boundary of the report and scope**

This report presents qualitative and quantitative data relating to the 2013 calendar year. This publication is a translation of the official annual report, which was published in the Dutch language. In the event of discrepancies, the version in Dutch will prevail. In preparing the report, we take into account all activities Ballast Nedam performs worldwide, including foreign operations, projects and consortiums. We apply the proportionate method of consolidation for Ballast Nedam's operations. The same method is used for consortiums and projects. For the environment theme, we limit our reporting to Dutch operations. We fully include only our own employees in topics such as safety and integrity.

### **Report structure**

This Annual Report presents Ballast Nedam's financial performance and its approach to corporate social responsibility. The report of the board of management tells the story, identifies the dilemmas, discusses the competitive position and clarifies the day-to-day management activities. The detailed layout of the report is given in the *Report structure* on page 5.



## **Reporting principles and verification**

### *GRI: Global Reporting Initiative*

The 2013 Annual Report is the fourth Ballast Nedam integrated annual report to have been drawn up in accordance with Global Reporting Initiative (GRI G3.1) guidelines and IFRS (International Financial Reporting Standards). We report on Level B, and the assurance of the external auditors on our CO<sub>2</sub> footprint brings the reporting to GRI Level B+, which is subject to a GRI application level check.

This implies that we do not restrict ourselves in this Annual Report to mandatory financial and strategic information about Ballast Nedam as a company, but also include data about at least twenty GRI performance indicators. Section 10.7 *GRI indicators* on page 246 gives the quantitative and qualitative performance indicators that the report refers to. In 2013 the external auditors, Ernst & Young, performed an assurance on our CO<sub>2</sub> footprint. The Assurance Report is presented in Section 10.8 on page 250.

### *Dutch Corporate Governance Code*

The Dutch Corporate Governance Code (hereinafter referred to as 'the Code') was drawn up in 2003 by a committee chaired by Morris Tabaksblat, and refined in December 2008 by a committee chaired by Jean Frijns. The updated Code came into effect on 1 January 2009. Ballast Nedam endorses the 139 principles of the Code and, with a few specific exceptions, applies its best practice provisions. A statement of compliance with the Code is posted on [www.ballast-nedam.com](http://www.ballast-nedam.com).

### *IFRS: International Financial Reporting Standards*

The Ballast Nedam consolidated accounts are drawn up in accordance with International Financial Reporting Standards, which have been compulsory for all publicly listed companies in the European Union since 1 January 2005.

































































































































#### **NIEUWVLIEBAD BEACH RESORT**

Ballast Nedam's achievements in the Nieuwvlietbad beach resort area development go far beyond building homes. We succeeded in making this project a real experience. People will enjoy their stay here immensely. Every home is unique, combining the spirit of Zeeland on the outside with a warm rustic interior. The enthusiasm for the homes is also evident in the sales figures. The rental yield on the park is above expectation.



## 10.7 GRI indicator list

Performance Indicator		Reported			
	Definition	2013	2012	2011	Page
1	Strategy and analysis				
1.1	Statement from the most senior decision-maker of the organization.				15
1.2	Description of key impacts, risks, and opportunities.				28-30
2	Organizational profile				
2.1	Name of the organization.				8
2.2	Primary brands, products, and/or services.				17-21
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.				25-27
2.4	Location of organization's headquarters.				256
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.				22-35
2.6	Nature of ownership and legal form.				147
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).				22
2.8	Scale of the reporting organization.				6-7
2.9	Significant changes during the reporting period regarding size, structure, or ownership.				26-27, 145
2.10	Awards received in the reporting period.				
3	Report parameters				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.				calendar year2013
3.2	Date of most recent previous report (if any).				6 March 2014
3.3	Reporting cycle (annual, biennial, etc.)				annually
3.4	Contact point for questions regarding the report or its contents.				256
3.5	Process for defining report content.				243
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.				243
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).				243
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.				243
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.				243
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).				26-27
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.				
3.12	Table identifying the location of the Standard Disclosures in the report.				246-249
3.13	Policy and current practice with regard to seeking external assurance for the report.				243

Performance Indicator		Reported			
	Definition	2013	2012	2011	Page
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.				26, 145
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.				145
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.				no unitary board structure
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.				108, 150, 163-164
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).				9.4 163-164
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.				153
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.				153
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.				122
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.				77-79
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.				147, 157
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.				the precautionary approach has not been addressed
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.				118, 143-144
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.				118, 143-144
4.14	List of stakeholder groups engaged by the organization.				22-25, 108
4.15	Basis for identification and selection of stakeholders with whom to engage.				22-25, 108
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.				135-140
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.				93, 136

 = Fully  
 = Partially  
 = None



Performance Indicator		Reported			Page
	Definition	2013	2012	2011	
Economic performance indicators					
DMA EC	Disclosure on Management Approach Economy				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.				173
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.				80-81
EC3	Coverage of the organization's defined benefit plan obligations.				209
EC4	Significant financial assistance received from government.				no significant assistance from government received
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.				129-133
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.				129-133
Environmental performance indicators					
DMA EN	Disclosure on Management Approach Environment				100-101
EN3	Direct energy consumption by primary energy source.				100-101
EN4	Indirect energy consumption by primary source.				100-102
EN5	Energy saved due to conservation and efficiency improvements.				100-102
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.				100-102
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.				100-102
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.				73, 103, 138
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.				102-103
EN16	Total direct and indirect greenhouse gas emissions by weight.				101-102
EN17	Other relevant indirect greenhouse gas emissions by weight.				101-102
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.				101-102
EN22	Total weight of waste by type and disposal method.				105
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.				18, 102
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.				no sale of packed up products
Social performance indicators: Labor Practices and Decent Work					
DMA LA	Disclosure on Management Approach Labor Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region.				109
LA2	Total number and rate of employee turnover by age group, gender, and region.				110, 112
LA4	Percentage of employees covered by collective bargaining agreements.				108
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.				113-114
LA9	Health and safety topics covered in formal agreements with trade unions.				112, 115



Performance Indicator		Reported			Page
	Definition	2013	2012	2011	
LA10	Percentage of employees receiving regular performance and career development reviews.				111
LA11	Ratio of basic salary of men to women by employee category.				111
LA12	Percentage of employees receiving regular performance and career development reviews.				111
LA14	Ratio of basic salary of men to women by employee category.				109
Social performance indicators: Human Rights					
DMA	Disclosure on Management Approach Human Rights				
HR					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.				119-122
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.				119-122
HR4	Total number of incidents of discrimination and actions taken.				122
Social performance indicators: Society					
DMA	Disclosure on Management Approach Society				
SO					
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.				129-133
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.				117-122
SO4	Actions taken in response to incidents of corruption.				117-122
SO5	Public policy positions and participation in public policy development and lobbying.				23
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.				119
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.				89-91
Social performance indicators: Product Responsibility					
DMA	Disclosure on Management Approach Product Responsibility				
PR					
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.				141
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.				90

■ = Fully  
■ = Partially  
■ = None



## 10.8 Independent assurance report

### Assurance report with limited assurance of the independent auditor

To: the management of Ballast Nedam N.V.

#### Introduction

Ballast Nedam N.V. has engaged us for the verification of their Carbon Footprint 2013 of the Scope 1 and 2 from the Carbon Footprint 2013 of the Dutch activities of Ballast Nedam N.V. for the period from the 1st of January until the 31st of December 2013 (hereinafter: Carbon Footprint). This Carbon footprint is reported in the 'Life-cycle thinking and acting (environment)' section in the Annual Report 2013 of Ballast Nedam N.V. We have assessed the above identified Carbon Footprint with a limited level of assurance.

The Carbon Footprint contains an amount of emissions from Scope 1 en 2 of 50 kilo tones CO<sub>2</sub>-equivalents for the year 2013.

No assurance engagement was performed on the information of the Carbon footprint for 2009-2010 that is given in the Annual Report. We therefore do not provide assurance on the comparative Carbon footprint information for 2009-2010.

#### Criteria

Ballast Nedam N.V. has defined criteria to establish its Carbon Footprint. These criteria are a part of the Carbon Footprint in section 'CO<sub>2</sub> footprint measurement system' in Section 6.3.1 of the 2013 Annual Report. The criteria have been established in accordance with the ISO 14064-1, the GreenhouseGas Protocol and 'Handboek CO<sub>2</sub>-prestatieladder'. We deem these reporting criteria suitable for our assurance engagement.

#### Management's responsibilities

The management of Ballast Nedam N.V. is responsible for the preparation of the Carbon Footprint in accordance with the criteria of Ballast Nedam N.V., as disclosed in section 'CO<sub>2</sub> footprint measurement system' in Section 6.3.1 of the Annual Report 2013.

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a Carbon Footprint in accordance with ISO 14064-1 and the GreenhouseGas Protocol that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the CO<sub>2</sub> emissions from Scope 1 and 2 based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with Dutch Auditing Standard 3000. This law and standard require, among other things, that we comply with ethical requirements, including requirements relating to independence, issued by our professional institute. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the CO<sub>2</sub> emissions from Scope 1 and Scope 2 as presented in the Carbon Footprint are free from material misstatement.

### *Procedures*

A limited assurance engagement undertaken in accordance with Dutch Auditing Standard 3000 involves collecting assurance-information for the quantified emissions and related information disclosed in the Carbon Footprint 2013.

The main procedures we performed were:

- ▷ Evaluation whether the reporting criteria of Ballast Nedam N.V. as disclosed in the Carbon Footprint in section 'CO<sub>2</sub> footprint measurement system' in Section 6.3 of the Annual Report 2013 are suitable for the preparation of the Carbon Footprint;
- ▷ Evaluation whether Ballast Nedam N.V.'s methods for developing estimates are appropriate and had been consistently applied;
- ▷ Obtained an understanding of Ballast Nedam N.V.'s control environment and information systems relevant to emissions quantification and reporting, including design of particular control activities such as consolidating data at Corporate level;
- ▷ Evaluating the plausibility of the CO<sub>2</sub> emission data, mainly by performing analytical reviews and the gathering of data on a test basis to agree the underlying evidence with the Carbon Footprint;
- ▷ Undertook site visits to assess data collection methods, source data and relevant assumptions applicable to the sites by holding interviews with employees responsible for gathering data to be reported in the Carbon Footprint.
- ▷ Evaluating the overall presentation of the Carbon Footprint.

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

### *Limitations of our assurance engagement*

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance whether the Carbon Footprint has been prepared, in all material aspects, in accordance with the criteria of Ballast Nedam N.V.

The quantification of CO<sub>2</sub> emissions is subject to inherent uncertainty due to the designed capability of measurement instrumentation and testing methodologies and incomplete scientific knowledge used in the determination of emissions factors and global warming potentials.

### *Conclusion*

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the CO<sub>2</sub> emissions from Scope 1 and 2 as presented in the Carbon Footprint 2013 of the Dutch activities of Ballast Nedam N.V. for the period from the 1st of January until the 31st of December 2013 is not prepared, in all material respects, in accordance with the criteria of Ballast Nedam N.V. as disclosed in section 'CO<sub>2</sub> footprint measurement system' in Section 6.3.1 of the Annual Report 2013.

Rotterdam, 6 March 2014

Ernst & Young Accountants LLP

Signed by H. Hollander

## 10.9 Management as at March 2014

### Ballast Nedam

#### - Board of Management

Corporate secretary

Personnel & Organization

Finance, Investor relations

Communication & Investor relations

ICT

Legal

Assurance

Compliance & risk management

Innovation management

T.A.C.M. Bruijninx, P. van Zwieten

O.P. Padberg

R.M.A. van Dinther

P. van Zwieten

I. van der Meijden

R.J. Kathmann

O.P. Padberg

A.C.M. van Haastrecht

S.C. Bleker-van Eyk

M.F. de Jonge

### Ballast Nedam Infra Speciale Projecten

R. van Schravendijk

D. Wabeke

- Ballast Nedam Infra Projecten
- Ballast Nedam International Projects
- Ballast Nedam Offshore
- Ballast Nedam Industriebouw

R.P. de Keijser, S. van der Linden, H. Helmink

R. van Schravendijk

J.P.C. Blokland, S.D. Dekker

P.J. Slot

### Ballast Nedam Infra

R. van Schravendijk

D. Wabeke

- Ballast Nedam Infra
- Ballast Nedam Infra North
- Ballast Nedam Infra South
- Ballast Nedam Infra Industriebouw
- Ballast Nedam Parking
- Ballast Nedam Geluidwering

A.R. Groot

F.A.J. Louter

F.A.J. Louter

R.M. Franken

T.E. Hienekamp

J.J.M. Dekker

### Ballast Nedam Bouw & Ontwikkeling Speciale Projecten

A.M. de Backker

R.J. Suhlmann

- Ballast Nedam Beheer
- Ballast Nedam Concessies

W.A.G.M. van Gurp

M. Klinkhamer

### Ballast Nedam Bouw & Ontwikkeling

A.M. de Backker

R.J. Suhlmann

- Ballast Nedam Ontwikkelingsmaatschappij
- Ballast Nedam Bouw & Ontwikkeling North
- Ballast Nedam Bouw & Ontwikkeling West
- Ballast Nedam Bouw & Ontwikkeling South

D. van Hoogstraten

N.P.A. Doodeman

M.G.M. Pfaff

O.J.M. Senden



#### Ballast Nedam Specialismen

H.P. van der Meer  
L.B. van Rietschoten

- |                                                  |                      |
|--------------------------------------------------|----------------------|
| - Ballast Nedam Engineering                      | W.M. 't Hart         |
| - Ballast Nedam Funderingstechnieken             | J.K. Verhoeve        |
| - Gebr. van Leeuwen                              | J.K. Verhoeve        |
| - Ballast Nedam Specialistisch Grondverzet       | W.E.R. Huntjens      |
| - Ballast Nedam Milieutechniek                   | W.E.R. Huntjens      |
| - Dibec                                          | P.G.M. Ballast       |
| - Ballast Nedam Infra Specialiteiten             | H. Veerman           |
| - Spanstaal                                      | H. Veerman           |
| - Ballast Nedam Asfalt                           | C.A.J. van Steenberg |
| - Ballast Nedam International Product Management | H. Veerman           |
| - Ballast Nedam Materieel                        | J. Hoffmann          |



#### Ballast Nedam Toelevering

H.P. van der Meer  
L.B. van Rietschoten

- |                                 |                     |
|---------------------------------|---------------------|
| - Ballast Nedam Grondstoffen    | W.J.M. Duijnste     |
| - Recycling Maatschappij Feniks | A.C.G. van Beurden  |
| - Ballast Nedam Participatie    | P.S. van der Bijl   |
| - Haitsma Beton                 | W.H. Comello        |
| - Hoco Beton                    | J.J.G. Holtackers   |
| - Omnia Plaatvloer              | J. Buurman          |
| - TBS Soest                     | J.I. Vas            |
| - Rademakers Gieterij           | H.J. Kerkhoven      |
| - iQwoning®                     | J.L.S.M. Pijnenburg |



## 10.10 Organization structure as at March 2014

This list below shows the important group companies and associates. A list of associates as referred to Sections 379 and 414 of Book 2 of the Dutch Civil Code has been filed at the office of the Commercial Register in Utrecht.

### Ballast Nedam N.V.

#### Ballast Nedam Infra B.V.

##### Infrastructure

Ballast Nedam Infra B.V., Speciale Projecten  
Ballast Nedam International Projects B.V.

- *Ballast Nedam Infra Suriname B.V.*
- *Ballast Nedam Africa B.V.*
- *Ballast Nedam Ghana B.V.*
- *Ballast Nedam Curaçao B.V.*
- *Ballast Nedam Emirates B.V.*
- *Ballast Nedam Oman B.V.*
- *Ballast Nedam Offshore B.V.*

Ballast Nedam Infra Noord West B.V.  
Ballast Nedam Infra Noord Oost B.V.  
Ballast Nedam Infra Midden Zuid B.V.  
Ballast Nedam Infra Zuid West B.V.  
Ballast Nedam Infra Zuid Oost B.V.

Ballast Nedam Parking B.V.

- *ModuPark V.O.F. (66.66 %)*

Ballast Nedam Gebiedsontwikkeling B.V.

Ballast Nedam Infra Business Development B.V.

- *Bouwcombinatie Pro N329 V.o.f. (50%)*
- *Combinatie Versterken Bruggen V.O.F. (50%)*

- *A-Lanes A15 Mobility V.o.f. (33.3%)*

- *A-Lanes Civil v.o.f. (33.3%)*

- *A-Lanes Roads V.O.F. (33.3%)*

- *Avenue2 Infra v.o.f. (50%)*

Ballast Nedam Equipment Services B.V.

##### Specialized Companies

Ballast Nedam Asfalt B.V.

Ballast Nedam Engineering B.V.

Ballast Nedam Environmental Engineering B.V.

Ballast Nedam Funderingstechnieken B.V.

Ballast Nedam Infra Specialiteiten B.V.

Ballast Nedam International Product Management B.V.

- *B.V. Adviesburo Installatietechniek T&H*

- *BN Solar B.V.*

Ballast Nedam Materieel B.V.

Ballast Nedam Milieutechniek B.V.

Ballast Nedam Specialistisch Grondverzet B.V.

Dibec B.V.

Gebr. Van Leeuwen Harmelen B.V.

Spanstaal B.V.

##### Supplies

Ballast Nedam Grondstoffen B.V.

- *Beheersmaatschappij Fr. Bontrup B.V. (30%)*

- *Bremanger Quarry S.A. (23.1%) (Norway)*

- *Antwerp Stone Terminal S.A. (17.3%) (Belgium)*

- *Graniet Import Benelux B.V. (19.5%)*

- *Zand- en Grindhandel Verkaik V.O.F.*

- *N.V. Immobiliën en Grindexploitatie maatschappij Bichterweerd (Belgium)*

- *N.V. Algri (Belgium)*

- *N.V. Lugo (Belgium)*

- *Großküinkel Rurkies GmbH (Germany)*

Ballast Van Oord Grondstoffen v.o.f. (50%)

Concrete Valley B.V. (50%)

- *microbeton B.V.*

- *Waco Lingen Beton B.V.*

Ballast Nedam Participatie B.V.

- *Asfaltcentrales*

- *Graniet Import Benelux B.V. (9%)*

- *Nederlandse Frees Maatschappij B.V. (17%)*

- *Traffic Service Nederland B.V. (25.2%)*

Haitsma Beton B.V.

Rademakers Gieterij B.V.

Recycling Maatschappij "Feniks" B.V.

- *Ballast Phoenix Ltd. (92.5%)*

TBS Soest B.V.

Ursem Modulaire Bouwsystemen B.V. (41%)

---

## Ballast Nedam Bouw & Ontwikkeling Holding B.V.

---

### Building & Development

#### Ballast Nedam Ontwikkelingsmaatschappij B.V.

- *Ballast Nedam Vleuterweide B.V.*
- *Gebiedsontwikkeling Oud Beijerland Oost C.V. (49%)*
- *Gebiedsontwikkeling Oud Beijerland Zuid C.V. (49%)*
- *Coberco Kwartier Beheer B.V. (50%)*
- *Ballast Nedam Langedijk B.V.*
- *V.o.f. de Groene Loper*
- *Ballast Nedam Sigma B.V.*
- *V.O.F. De Leidse Schans (50%)*

#### Ballast Nedam Bouw & Ontwikkeling B.V.

- *Bouwcombinatie IJsseloord 2 v.o.f. (50%)*
- *Bouwcombinatie voor de nieuwbouw Erasmus MC v.o.f. (50%)*
- *Groote Dok Oost v.o.f. (50%)*
- *JuBi B.V. (25%)*
- *Meander Combinatie v.o.f. (33%)*
- *OVT-Breda VOF (50%)*
- *Bouwcombinatie OV-Terminal Arnhem v.o.f. (50%)*
- *Bouwcombinatie Jubi v.o.f. (50%)*
- *Dijkzone v.o.f. (33%)*

#### Heddes Bouw & Ontwikkeling B.V.

#### Hollestelle Vastgoed Ontwikkeling B.V.

#### Laudy Bouw & Ontwikkeling B.V.

#### Zomers Bouwbedrijf B.V.

### Supplies

#### Hoco Beton B.V.

#### IQ Woning B.V.

#### Omnia Plaatvloer B.V.

---

## Internal joint ventures (Infrastructure / Building & Development)

---

#### Abl2 B.V.

#### Avenue2 V.O.F. (50%)

#### Ballast Nedam Beheer B.V.

#### Ballast Nedam Concessies B.V.

- *CNG Net B.V.*
- *Vastgoed Energie Exploitatiemaatschappij B.V.*
- *LNG24 B.V.*
- *Biomethaan B.V.*
- *Wind24 B.V.*
  - *Wind Invest (50%)*

#### Public-Private Partnerships (PPP)

#### Wâldwei.com B.V. (33.33%)

#### A-lanes A-15 Holding B.V. (4.8%)

#### Benelux Secondary PPP Fund I B.V. (20%)

#### Pi2 B.V.

---

### Other

---

#### Ballast Nedam ICT B.V.

## Credits

### **Production supervision**

Ballast Nedam N.V.

Communication & Investor relations

### **Design and production**

Boomvanmourik ([www.boomvanmourik.nl](http://www.boomvanmourik.nl))

Ballast Nedam ICT

### **Translation**

Taalcentrum VU ([www.taalcentrum-vu.nl](http://www.taalcentrum-vu.nl))

### **Photography**

Ingrid Bertens

Fotografie Hans Banus vof

De Jong Luchtfotografie

Joop van Houdt / Rijkswaterstaat

Jørgen Koopmanschap

Jan van Oevelen / Jevo Fotografie

Eran Oppenheimer

RSO Rotterdam / Peter Schmidt

Fred Tigelaar

Astrid Timmers

Ben Vulkers

Peter Wijnands photography

### **Contact**

For additional information,  
please contact one of the following:

#### ***Investor relations***

I. van der Meijden

+31 (0)30 285 47 02

[i.vd.meijden@ballast-nedam.nl](mailto:i.vd.meijden@ballast-nedam.nl)

#### ***Media relations***

A.C. van Kessel

+31 (0)30 285 41 61

[a.van.kessel@ballast-nedam.nl](mailto:a.van.kessel@ballast-nedam.nl)

Ballast Nedam N.V.

Ringwade 71

3439 LM Nieuwegein

P.O. Box 1339

3430 BH Nieuwegein

The Netherlands

+31 (0)30 285 33 33

[www.ballast-nedam.com](http://www.ballast-nedam.com)

[pr@ballast-nedam.nl](mailto:pr@ballast-nedam.nl)



# Table of contents

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

## Over Ballast Nedam

<b>1</b>	<b>Ballast Nedam's profile</b>	<b>13</b>
1.1	Vision, mission and strategy	15
1.2	Key activities	17
1.3	The company brands	20
1.4	Stakeholders	22
1.5	Operational organization structure	25
1.6	Statement of the Board of Management	27
<b>2</b>	<b>Strategy</b>	<b>28</b>
2.1	Our living environment is changing around us	28
2.2	SWOT-analysis 2013	30
2.3	Strategic Plan 2014–2016	31
2.4	Strategic focus	32
2.5	Prospect for 2014	39
<b>3</b>	<b>Strategic objectives and results</b>	<b>41</b>
3.1	Financial results	46
3.2	Strategic objectives for 2014	51
<b>4</b>	<b>Segments</b>	<b>54</b>
4.1	Infrastructure	54
4.2	Building & Development	59
4.3	Specialized Companies	68
4.4	Supplies	71
<b>5</b>	<b>Risk and risk management</b>	<b>77</b>
5.1	Risk management and internal control	77
5.2	Salient risks	81
5.3	Specific risks	89
<b>6</b>	<b>Our CSR policy</b>	<b>93</b>
6.1	Implementing CSR policies in the organization	94
6.2	CSR objectives	94
6.3	Life-cycle thinking and acting (the environment)	99
6.4	Our people, standards and values (employees)	107
6.5	Chain cooperation (market)	123
6.6	Being at the heart of the community (community)	128



7	Stakeholder dialogue	135
7.1	Guaranteeing commitment	135
7.2	Materiality matrix	136
7.3	Dialogue with stakeholders on four levels	137

## Corporate governance

8	Corporate governance	143
8.1	Management and control structure	145
8.2	Report of the Supervisory Board	152
8.3	Members of the Supervisory Board	161
8.4	Remuneration report	163
8.5	Members of the Board of Management	169

## Financial Statements

9	Financial Statements	171
9.1	Consolidated statement of financial position	172
9.2	Consolidated income statement	173
9.3	Consolidated statement of changes in equity	174
9.4	Consolidated statement of cash flows	175
9.5	Notes to the consolidated financial statements	176
9.6	Operating segments	191
9.7	Acquisitions and disposals	194
9.8	Notes to the consolidated statement of financial position	195
9.9	Notes to the consolidated income statement	212
9.10	Company statement of financial position	225
9.11	Company income statement	225
9.12	Notes to the company financial statements	226

## Other information

10	Other information	235
10.1	Independent auditor's report	236
10.2	Definitions	238
10.3	Profit sharing and dividend policy	239
10.4	Board members of the Ballast Nedam Administration Office	240
10.5	Report of the Ballast Nedam Administration Office	241
10.6	On this report: reporting principles	243
10.7	GRI indicators	246
10.8	Independent assurance report	250
10.9	Management as at March 2014	252
10.10	Organization structure as at March 2014	254

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

*This annual report is posted on our website [www.ballast-nedam.com](http://www.ballast-nedam.com). For additional information about this Annual Report, please contact Ballast Nedam's Communication & Investor Relations department on +31 (30) 285 47 33 or at [pr@ballast-nedam.nl](mailto:pr@ballast-nedam.nl).*

# Report structure

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

Chapter 1 *Ballast Nedam's profile* on page 13 sets out our vision and mission, and our key activities. It describes the market environment in which we operate and how our organization fits together. We also explain how our work is based on the five pillars that support our strategy.

Chapter 2 *Strategy* on page 28 presents our business strategy and explains our ambitions and how they are influenced by the prevailing conditions in society at large. We have used the *SWOT analysis* on page 30 in devising our strategic plan for the 2014 - 2016 period. We present specific aspects of the strategic plan and outline the prospects.

Chapter 3 *Strategic objectives and financial results* on page 41 expresses our strategic objectives for 2014. We give an account of the financial and non-financial results of the efforts to achieve our objectives in financial year 2013, in which we distinguish between the qualitative and quantitative objectives and the results achieved.

Chapter 4 *Segments* on page 54 explains the segments' contribution to the strategic objectives and action plans for 2013. This chapter also sets out the segments' contribution to the strategic objectives for 2014.

Chapter 5 *Risk and risk management* on page 77 describes Ballast Nedam's approach to risks and how the organization is structured to control them. We also identify the company-specific risks and the salient strategic risks that emerge from the *SWOT analysis* on page 30.

Chapter 6 *Our CSR policy* on page 93 describes the CSR policy assurance in our organization. The CSR objectives are an integral part of our strategic objectives. An account is also given for each CSR theme of our objectives, the results achieved, and how we plan to achieve our objectives in 2014, linked to our strategic pillars.

Chapter 7 *Stakeholder dialogue* on page 135 describes how we involve our stakeholders in our policy and strategy and how we engage with them.

Chapter 8 *Corporate governance* on page 143 explains how the company is controlled and managed. The Supervisory Board reports in this chapter on the supervision of the company, and accounts in the remuneration report for Ballast Nedam's remuneration policy.

Chapter 9 *Annual Accounts* on page 171 presents our financial statements for 2013.

Chapter 10 *Other information* on page 235 has additional details of Ballast Nedam and the creation of this Annual Report.

# Ten-year summary

x € 1 million	2013	2012	2011
<b>Revenue and profit</b>			
Revenue	1 268	1 296	1 382
the Netherlands	1 020	1 153	1 252
international	248	143	130
Order book	1 460	1 761	1 950
EBITDA	(6)	2	47
Impairment	(3)	(10)	(2)
Depreciation	(21)	(23)	(25)
EBITA	(30)	(31)	20
Amortization	-	-	(1)
EBIT	(30)	(31)	19
Profit before income tax	(37)	(38)	12
Profit for the period before amortization	(41)	(41)	10
Profit for the period	(41)	(41)	9
<b>Investments</b>			
Investments	32	70	80
Disposals	10	9	6
Net investments	23	61	74
<b>Balance sheet data</b>			
Non-current assets	211	245	286
Current assets	638	641	655
Assets	849	886	941
Current liabilities	(639)	(634)	(625)
<b>Capital structure</b>			
Capital employed	156	176	229
Shareholders' equity	90	131	171
Interest-bearing non-current liabilities	106	108	121
Net cash	32	76	87
Net financing position	(83)	(49)	(45)
<b>Ratios</b>			
EBIT / revenue	(2%)	(2%)	1%
Profit for the period / revenue	(3%)	(3%)	1%
Profit for the period / average shareholders' equity	(31%)	(27%)	5%
Shareholders' equity / assets	11%	15%	18%
<b>Average number of employees</b>	3 399	3 859	3 929
<b>Shares</b>			
Number of ordinary shares (x 1 000)		10 000	10 000
Number of ordinary shares issued (x 1 000)		9 668	9 668
Market capitalization at year-end		95	129
Dividend paid		5	4
<b>Per average share in issue of € 6 nominal value</b>			
Shareholders' equity	9.72	13.55	17.66
Dividend paid	(0.00)	0.47	0.36
Profit for the period	(4.22)	(4.24)	0.93

	2010	2009	2008	2007	2006	2005	2004
	1 359	1 384	1 426	1 270	1 310	1 206	1 164
	1 275	1 272	1 348	1 157	1 206	1 105	1 042
	84	112	78	113	104	101	122
	1 841	1 818	1 667	1 438	1 093	1 064	971
	45	42	67	63	63	58	63
	(1)	-	-	-	-	-	(8)
	(25)	(23)	(24)	(20)	(19)	(18)	(19)
	19	19	43	43	44	40	36
	(1)	(2)	(1)	(1)	(2)	(2)	(1)
	18	17	42	42	42	38	35
	11	8	31	38	38	28	24
	8	8	25	28	46	22	14
	7	6	24	27	44	20	13
	104	102	64	37	67	32	20
	12	6	22	7	12	67	20
	92	96	42	30	55	(35)	-
	420	352	274	242	253	211	268
	664	682	730	656	541	636	556
	1 084	1 034	1 004	898	794	847	824
	(598)	(644)	(660)	(590)	(555)	(644)	(586)
	425	279	252	256	177	74	78
	161	162	168	172	158	124	101
	285	197	126	97	36	54	99
	61	111	92	52	62	129	160
	(231)	(92)	(41)	(63)	23	68	56
	1%	1%	3%	3%	3%	3%	3%
	1%	0%	2%	2%	3%	2%	1%
	4%	4%	14%	16%	31%	18%	14%
	15%	16%	17%	19%	20%	15%	12%
	3 841	3 947	3 941	3 838	3 701	3 721	4 022
	10 000	10 000	10 000	10 000	10 000	10 000	10 000
	9 700	9 702	9 870	9 900	9 924	9 847	9 861
	140	147	137	280	328	327	123
	3	12	14	13	10	-	-
	16.58	16.62	17.05	17.31	15.98	12.54	10.26
	0.31	1.24	1.38	1.34	1.02	-	-
	0.73	0.62	2.46	2.75	4.44	2.05	1.36



# The share and dividend proposal

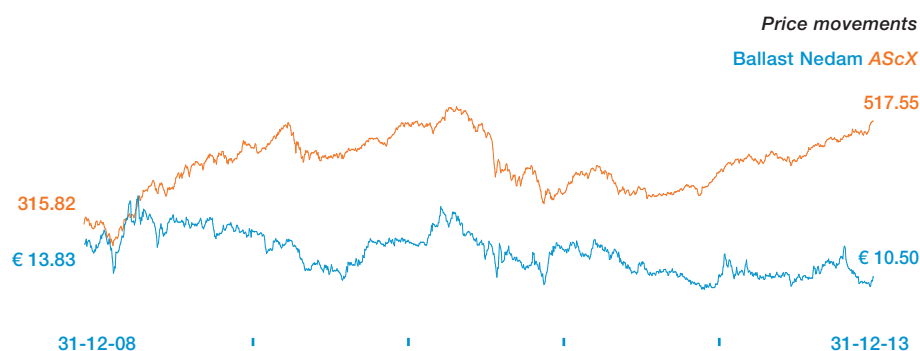
## Shares and stock exchange listing

On 31 December 2013 Ballast Nedam had 9 667 500 in issue out of the 10 million issued shares. On this date we had 332 500 repurchased own shares and depositary receipts for shares. The 332 500 repurchased shares and depositary receipts for shares are needed to cover the liabilities arising from the current management option scheme.

The Ballast Nedam Administration Office issues depositary receipts for shares and administers the underlying shares. The depositary receipts are fully exchangeable. At year-end 2013, depositary receipts had been granted for 99.46 per cent of the capital in issue. Ballast Nedam depositary receipts for shares are listed on NYSE Euronext Amsterdam. Ballast Nedam has been included in Euronext's Amsterdam Small Cap Index (AScX) since 2006. ABN AMRO Bank, ING Bank and Kempen & Co act as liquidity providers for Ballast Nedam shares.

## Price movements

The Ballast Nedam share price quoted at the end of 2012 on NYSE Euronext was 9.82 euros. The year 2013 ended with a 7 per cent higher price at 10.50 euros. The Amsterdam Small Cap Index (AScX), which includes Ballast Nedam shares, rose by 26 per cent in 2013. The highest closing price of 13.60 euros was reached on 23 October 2013. The lowest closing price of 9.56 euros was quoted on 19 December 2013.



## Trading volume

The liquidity of Ballast Nedam shares declined in 2013. An average of 3 878 shares were traded per trading day in 2013. This is a decrease from 2012 when the average was 5 770 shares per trading day.

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

	2013	2012	2011	2010	2009	2008	2007
Shareholders' equity euros	9.65	13.55	17.66	16.58	16.62	17.05	17.31
Dividend paid euros	0.00	0.47	0.36	0.31	1.24	1.38	1.34
Basic earnings euros	(3.75)	(4.24)	0.93	0.73	0.62	2.46	2.75

The average outstanding shareholders' equity per share was 9.65 euros. The average basic earnings (loss) per share rose from (4.24) euros in 2012 to (3.75) euros.

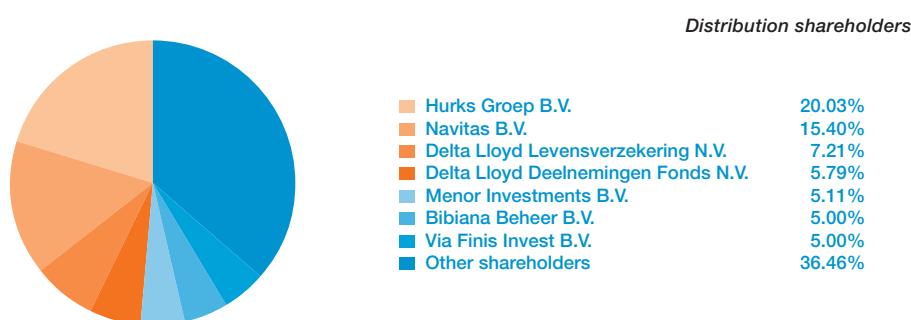
### No dividend

The dividend policy is to place 50 per cent of the profit for the period at the disposal of shareholders for distribution as dividend. The agreement with the banks stipulates that dividend will be paid on shares only if the leverage ratio is less than 2.

In 2013, a substantial loss was incurred, solvency declined, the difficult market conditions were expected to persist, and the leverage ratio was above 2. For these reasons, the Board of Management, with the approval of the Supervisory Board, has decided in line with the dividend policy to refrain from paying a dividend for 2013.

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

As at 6 March 2014 the following organizations had reported to the Authority for the Financial Markets (AFM) that they held shares or depositary receipts for shares in Ballast Nedam representing an interest of 5 per cent or more, pursuant to Section 5.3 of the Financial Supervision Act.



### General Meeting of Shareholders

The Annual General Meeting of Shareholders of Ballast Nedam is scheduled for 25 April 2014 at the Ballast Nedam head office, Ringwade 71, Nieuwegein. The meeting will commence at 9.30 am. Prior to this meeting, the Ballast Nedam Administration Office will convene a meeting of holders of depositary receipts for shares. The agendas for these meetings will be available to interested parties on request from the company, or can be downloaded from the Ballast Nedam website.

### Financial calendar 2014

Publication of annual results for 2013	Friday, 7 March 2014
Registration date for the Annual General Meeting for shareholders 2014	Thursday, 17 April 2014
First quarterly report 2014	Friday, 25 April 2014
General Meeting of Shareholders	Friday, 25 April 2014
Publication of interim results for 2014	Friday, 11 July 2014
Third quarterly report 2014	Friday, 24 October 2014

### Investor Relations

Investor Relations focuses on the interests of the shareholders and on upholding financial market interest in Ballast Nedam. Investor Relations aims to inform the focus groups transparently and honestly about Ballast Nedam's strategy, Ballast Nedam's business model, our distinctive character and the financial position of the company.

We do this by providing all available relevant information, through the Annual Report, the annual and interim results presentation, the 1st and 3rd quarter reports, press releases, presentations to (potential) investors and analysts, and on our website [www.ballast-nedam.com](http://www.ballast-nedam.com)

# Foreword

In 2013 an extremely unfavourable scenario unfolded for Ballast Nedam. Disappointing results were caused by the A15 Maasvlakte-Vaanplein project, a number of old regional infrastructure projects that predate the 2012 restructuring operation, undercoverage in the regional construction companies, and two specialized companies. Capacity in the two specialized companies has been reduced, and several loss-making products were discontinued in 2013. The issues on the old regional projects are nearing resolution. The persistently poor market conditions, the disappointing results, and revenues from disposals that materialized later than foreseen, necessitated an even faster pace of intervention. This is happening through a package of strategic, operational and financial measures that was announced at the start of 2014.



The key activities that are oriented to the major, integrated projects have remained profitable throughout the cycle. The results achieved on the ongoing major projects in the offshore wind turbines and industrial construction niche markets were also good. The major complex construction projects also made a fine contribution. Ballast Nedam succeeded in 2013 in strengthening its position on the niche markets of offshore wind turbines, alternative fuels and secondary raw materials. In the Specialized Companies segment, the large losses in two companies were accompanied by successes in others that are performing well. Improved results in the prefabricated concrete companies, the sale of Yvoir and favourable results in the raw material companies bolstered the performance of the Supplies segment.

In 2013 Ballast Nedam again added several projects to its track record on the growth market of integrated projects, including the Zaanstad Penitentiary project, the Butendiek offshore wind turbine project in Germany for the design, delivery and installation of 80 foundations, and the design and construction of the Nobo Otrabanda Hospital in Curaçao. Our track record and our well-filled order book of 1 460 million euros with major integrated complex projects endorse Ballast Nedam's strategy and underline its position in this market segment.

## Package of measures

The strategic focus has been sharpened further. Ballast Nedam is concentrating on major integrated complex projects that perform well throughout the cycle, which means focusing on design, construct and engineering projects, PPP projects, and projects in the niche markets that have growth prospects, such as offshore wind energy and industrial construction. Modular building is a fitting response to clients' life-cycle management approach.

Certain supply and specialized companies that no longer contribute to this strategic proposition will be disposed of. The regional construction companies will be restructured into a construction company with integrated operations, and a renovation company, Bouwborg, with national scope. From 2014, operational control will be further integrated from six clusters to the three clusters of Infrastructure, Building & Development, and Specialized Companies & Supplies. Having made the transition to an infrastructure company with nationwide operations in 2013, with the attendant departure from the loss-making traditional markets, Ballast Nedam is now focusing its organization more sharply on the strategic route that it has embarked upon.

The long-term financial position has been strengthened with support from all 5%-plus shareholders and banks. The refinancing comprises a 30 million euro rights issue and new loans of 80 million euros that mature in 2017. The rights issue strengthens the balance sheet, and together with the new loans it gives the company sufficient financial scope to concentrate fully on the accelerated implementation of its strategy. Ballast Nedam is now better positioned for the future. 2014 will be a transitional year.

#### Concentrating on key activities

The change of corporate profile reflects the transition from a supply-oriented to a customer-oriented construction organization, with integrated solutions for the entire life cycle. Ballast Nedam is now concentrating on its key activities in order to add user value. We have accordingly further concentrated and reduced the number of objectives in our CSR policy to eight key performance indicators (KPIs). Taking operational excellence further, which involves tightening cash flow management, risk management and reducing failure costs, while enhancing the commercial strength of the company, will continue to be an important point for attention in 2014. The post-transition corporate profile is more appropriate in the new reality.

#### Employees

We have placed great demands on our employees. On behalf of the Board of Management I would like to thank all employees for their unfailing effort, flexibility and drive. With respect for all the effort that has been put in, we will have to continue to invest in 2014 in integrated working methods, and in the knowledge and conduct of our people, mindful that they are playing a new role in a changing market.

#### Finally

With the sharper strategic focus and the refinancing of Ballast Nedam, now is a good time for a change of management. After twenty-four fine years at Ballast Nedam, eleven of which as a member of the Board of Management, and the last seven as chairman, the time has come for something new, both for the company and myself. I look back with great satisfaction on an inspiring and dynamic period. I will continue to contribute to this excellent company in the coming months.

Theo Bruijninckx  
Chairman of the Board of Management



#### MEANDER MEDICAL CENTRE, AMERSFOORT

The construction consortium completed the Meander Medical Centre exactly on schedule. The first patients were transferred to the new, conveniently laid-out hospital shortly before Christmas.

Meander Medical Centre is continuing to work with the parties in the construction consortium through a flexible framework contract for preventive and corrective maintenance of the new hospital for the next three years.







# Ballast Nedam's profile

---

1	Ballast Nedam's profile	15
2	Strategy	28
3	Strategic objectives and results	41
4	Segments	54
5	Risk and risk management	77
6	Our CSR policy	93
7	Stakeholder dialogue	135



'The municipality couldn't balance the road maintenance budget. Ballast Nedam and Hooijer came up with the solution'

Rob van Moerkerk - Project leader for the Multiyear Road Maintenance contract in Wageningen

# 1

## Ballast Nedam's profile

### 1.1 Vision, mission and strategy

#### Vision: working together for a better living environment, today and tomorrow

Working together for a better living environment means creating enduring quality in the life cycle of development, construction, management and reuse of the living environment. An integrated approach to projects enables us to create solutions at the lowest possible life-cycle costs: appealing, future-proof and in harmony with the broader picture. We achieve these aims by working together with our customers and partners and through open innovation. This is how we add value to the wellbeing of people in their living environment.

#### Mission: creating enduring quality

The needs of customers and society as a whole are changing. Ballast Nedam is taking a proactive approach to these market trends. They determine the strategic course, the structure of the organization and the corporate profile. Ballast Nedam strives to add customer value and to stand out in all we do, which is manifest in our practical solutions, our knowledge and experience, and the innovative capacity of our people. We always act with safety and integrity. As a result we create enduring quality. We believe it is the best way to ensure the continuity of Ballast Nedam and to enhance shareholder value.

#### Strategy for 2014 – 2016

The focus of Ballast Nedam's strategy is on major integrated complex projects and related activities in the niche markets. This means that we focus on design, construct and engineering projects, PPP projects, and on projects in offshore wind energy, industrial construction, and modular construction. These projects perform well throughout the cycle. The market conditions are compelling Ballast Nedam to increase the pace of strategy execution in the coming period. The speed at which Ballast Nedam is reducing exposure to loss-making traditional markets, aligning the key activities to major integrated complex projects, and structuring the organization accordingly, is being stepped up.

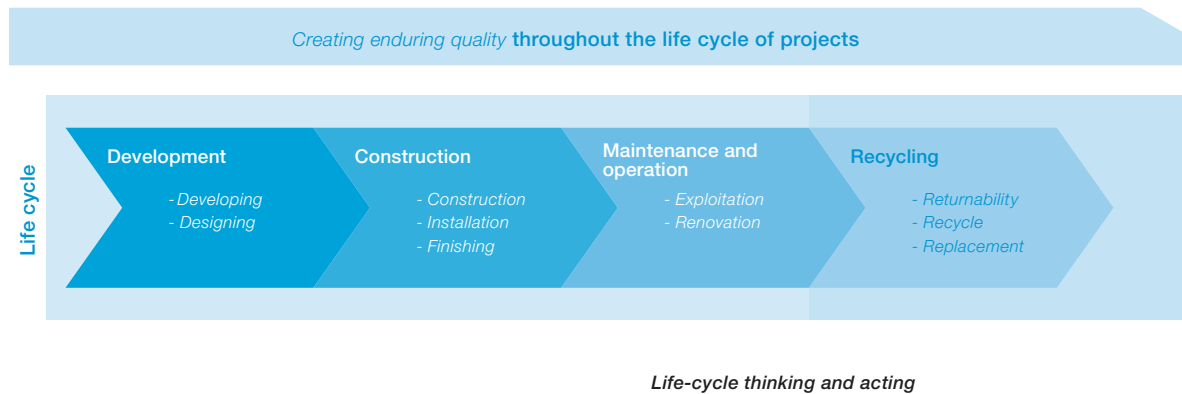
Our track record and our well-filled order book with major integrated complex projects endorse Ballast Nedam's strategy and underline its strong position in this market segment.

### Five pillars support our strategy

Ballast Nedam's strategy is supported by five pillars, as explained below.

#### 1. Life-cycle thinking and acting

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



#### 2. Our people, standards and values

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

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

3. Chain cooperation

Ballast Nedam creates real solutions within innovative forms of cooperation with a wide variety of partners. These solutions are better than those we could achieve separately. For instance, we contribute to a lower burden on space, raw materials and energy, a smaller CO2 footprint, higher quality, lower life-cycle costs, reduced failure costs, innovation and knowledge capture. Not only do we aim for chain cooperation with our partners, but also enter into dialogue with NGOs and knowledge institutes.

4. Innovation

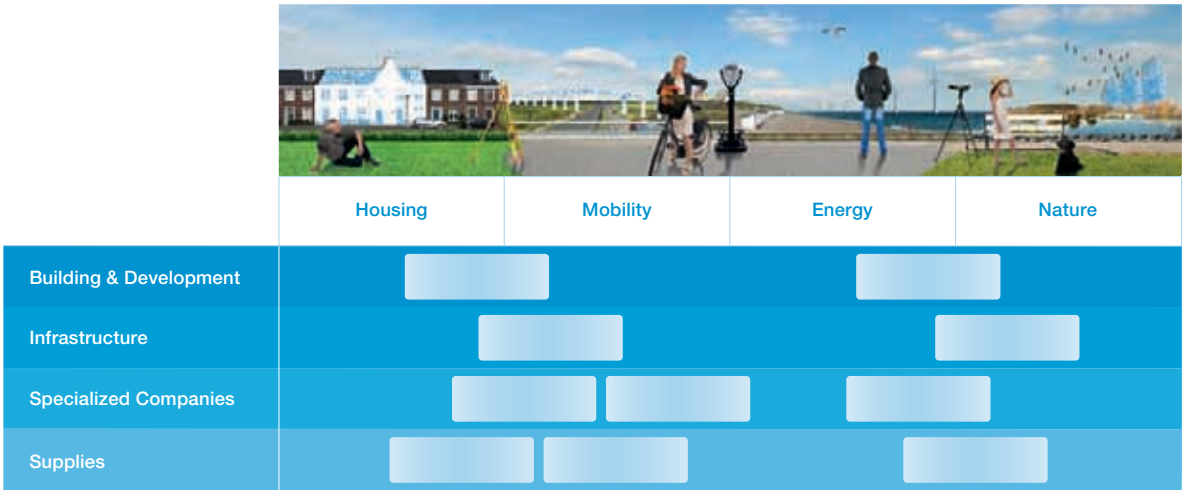
Innovation is deeply anchored in our organization. It is what we do every day. Our belief is that the best ideas are joint ideas! The point is to plough back innovations of proven practical value for our customers' benefit. Besides substantial upgrades we also innovate through stepwise improvement. We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

5. Being at the heart of the community

We perform our work at the heart of the community, and we are fully aware of the impact of our work on the living environment. We control the impact of our projects through community relations management. Our social commitment is reflected in our community investment and social sponsoring.

1.2 Key activities

Our customers' needs are in *housing, mobility, energy* and *nature*, which are our four areas of work, and together they encompass the entire living environment. Ballast Nedam concentrates within these areas of work on major integrated complex projects and related activities in the niche markets of industrial construction, offshore wind turbines, secondary raw materials and alternative fuels.



Ballast Nedam's segments perform integrated activities in four areas of work



**Housing: creating quality of use and preserving value wherever people live, work and spend time**

Housing encompasses the entire life cycle of a wide variety of buildings for the public, for business and for public authorities. Our focus is on optimizing useful life, where possible through industrially manufactured and returnable modular concepts, for area and project development, urban restructuring, large logistically complex projects, and renovation assignments.

**Mobility: creating access while respecting livability and safety**

Alongside maintenance and management, our work involves the development, implementation and efficient utilization of built features for road, rail, air, and water transport. Our aim is to make better use of existing infrastructure, to coordinate the different transport modes more effectively and to minimize disruption around projects through the increased application of manufactured products, and other means.

**Energy: clean, available and renewable energy for today and tomorrow**

The focus is on the transition to 'clean' fuels from the most sustainable possible energy sources and from waste streams, alternative fuels as a transition to renewable fuels, and new energy models, such as smart grids and the infrastructure for these energy streams. We are also working on conventional systems and investing in sustainable energy facilities.

**Nature: finding the right balance between the development, preservation and use of natural assets**

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



#### ERASMUS MEDICAL CENTRE, ROTTERDAM

The new Erasmus Medical Centre building, with a gross floor area of 185 000m<sup>2</sup>, is the largest nonresidential building project in the Netherlands. The hospital will remain open through to project completion, so all the work has to be performed with the minimum disturbance to patients, staff and visitors. The project construction consortium comprises Ballast Nedam and BAM.





## 1.3 The company brands

Alongside the main Ballast Nedam operations, work is also performed by companies with their own brand name, as follows.

### The Infrastructure segment



Wind24 invests in wind energy through the development, management, maintenance and operation of wind farms.



Bouwborg performs maintenance, renovation, service and restoration work as a national partner for housing corporations and institutional investors. [www.bouwborg.nl](http://www.bouwborg.nl)

### The Building & Development segment



CNG Net is making natural gas a viable vehicle fuel in the Netherlands by investing in a national natural gas filling station network. [www.cngnet.nl](http://www.cngnet.nl)



LNG24 is investing in a national network of liquefied natural gas (LNG) filling stations, and in the road and water transport sectors.. [www.lng24.com](http://www.lng24.com)



Heddes Building & Development operates in the north of the Netherlands throughout the building column. [www.heddes.nl](http://www.heddes.nl)



Laudy Bouw & Ontwikkeling is based in Limburg, where it serves the entire building column. [www.laudybouw.nl](http://www.laudybouw.nl)



Zomers Bouwbedrijf has residential property new build, renovation and maintenance operations in the north of the Netherlands. [www.zomersbouwbedrijf.nl](http://www.zomersbouwbedrijf.nl)



F.W. Onrust Vastgoedonderhoud has residential property maintenance, renovation and restoration operations in the greater Amsterdam region. [www.fwonrust.nl](http://www.fwonrust.nl)

### The Specialized Companies segment



Spanstaal is a specialist in the design and application of prestressed systems, suspension cables, expansion joints and supporting bearings, casing tubes, bonded external reinforcement and jacking constructions.

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



GEBR. VAN LEEUWEN HARMELEN BV.

Gebr. Van Leeuwen Verankeringen specializes in anchorage. The company's focus is on innovative anchorage methods for constructions. [www.gebr-vanleeuwen.nl](http://www.gebr-vanleeuwen.nl)



Dibec provides various environmental, safety, dimensioning and materials technology services for large and small building projects alike. [www.dibec.nl](http://www.dibec.nl)

## The Supplies segment



Omnia Plaatvloer produces wide panel flooring, waffle flooring, beam bottoms and concrete planks for custom solutions in residential and non-residential building and the agricultural sector.

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



Bichterweerd of Belgium is one of the largest sand, gravel and stone chippings producers for the concrete industry, concrete batching plants and asphalt and concrete road building. [www.bichterweerd.be](http://www.bichterweerd.be)



Großkünkkel Rurkies GmbH in Germany supplies sand and gravel for use in the concrete product and ready-mix industry. [www.grosskunkel.de](http://www.grosskunkel.de)



N.V. Algri in Belgium produces sand and gravel for use in the concrete product and ready-mix industry.

[www.algri.be](http://www.algri.be)



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



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



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



The Rademakers foundry supplies cast components to all branches of industry where material economy and light weight are important. [www.rademakersgieterij.nl](http://www.rademakersgieterij.nl)



Zand- en Grindhandel Verkaik V.O.F. sells and transports raw materials, such as sand, gravel and stone chippings, for concrete and civil engineering applications.

[www.verkaik-vof.nl](http://www.verkaik-vof.nl)



TBS Soest supplies the civil engineering industry with drainage, water management and water level control products. [www.tbs.nl](http://www.tbs.nl)



**Feniks  
Recycling**

Feniks designs, builds, operates and manages installations for reprocessing waste power plant ash.

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



Ursem Modulaire Bouwsystemen (41% Ballast Nedam) creates permanent buildings using modular concepts to house students and young people, and as hotel rooms and care-adapted home extensions.

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



Concrete Valley (50% Ballast Nedam) is a production facility for innovation-driven concrete producing businesses: WacoLingen and Microbeton's products include culverts, light-weight balcony elements, and roof and wall elements.

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



Beheersmaatschappij Bontrup (30% Ballast Nedam) is majority owner of the Bremanger Quarry in Norway and operates two terminals in Amsterdam (Granite Import Benelux) and Antwerp (Antwerp Stone Terminal).

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

*The modular product brands iQwoning®, ModuPark®, Plug and Play Core® and Ursem 3D® are presented under Modular construction on page 45.*

## 1.4 Stakeholders

### Clients and customers

	Important clients and customers		Characteristics	
National	Public clients	National Government	<ul style="list-style-type: none"> <li>- Tighter government budgetary policy</li> <li>- Larger role for PPP projects</li> <li>- Local authorities now also leaning towards PPP</li> <li>- Focus on sustainability in various projects (CO<sub>2</sub> performance ladder, economically most favourable bid)</li> <li>- Legislation playing a larger role in projects</li> </ul>	75%
		Municipalities		
		Provincial Governments		
		Water Authorities		
	Semipublic clients	Housing Associations	<ul style="list-style-type: none"> <li>- Property development and management taking a strategic position in business operations</li> <li>- Focus in residential construction shifting from new building to renovation and maintenance</li> <li>- Larger role for PPP projects</li> <li>- Importance of building life-cycle management (20 years or more)</li> <li>- Care Institutions: uncertainty about unlinking of contributions for housing and care</li> </ul>	75%
		Care Institutions		
		Utility Companies		
		Educational Institutions		
	Private clients	Investors	<ul style="list-style-type: none"> <li>- Private clients cautious about investing in projects</li> <li>- Investors are a new client type in the private sector</li> <li>- Focus on sustainability in transport and shipping</li> </ul>	25%
		Property Developers		
		Power Companies		
		Transport Operators		
International	Offshore Wind Energy	Northwest Europe	<ul style="list-style-type: none"> <li>- Offshore wind energy is a priority area in European climate policy</li> <li>- European objective for 2020: 40 GW of offshore wind energy</li> </ul>	25%
	Construction and Infrastructure	West Africa		
		The Caribbean Area		

### Consumers

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

Customer-oriented development is one of our organization's core values. We routinely use this expertise in the development of new build homes and renovation projects alike. In large-scale renovation work we unburden housing associations by communicating clearly with the stakeholders, and keeping in direct contact with the occupiers.

As a supplier of solar panels, we are also closely involved with individual consumers.



### Our project neighbours

We are aware of the impact of our projects on numerous parties with wide-ranging interests in the nearby communities. Ballast Nedam endeavours to provide these parties with clear information and to minimize disruption. To this end Ballast Nedam involves stakeholders early in projects, entering into dialogue with them about the work and impact-mitigating measures, thereby creating support for the chosen solutions. Due care and reliability are important criteria in this process.

### Suppliers and subcontractors

Working closely in the chain of suppliers and subcontractors enables Ballast Nedam to provide its clients with the best solutions that meet our sustainability criteria. Working together gives us a better understanding of each other's processes, as we build a continuous learning organization and keep each other's specialized knowledge up-to-date. We use the Lean methodologies.

Our buyers select suppliers and subcontractors on the basis of references, quality, innovative capacity and price. In the supply chain we engage our suppliers and subcontractors in our projects by means of a purchasing contract, in which they commit to our Code of Conduct for Subcontractors and Suppliers. Ballast Nedam pursues integrity in business and demands compliance with all applicable legislation in the work and conduct of its employees, but also of suppliers and subcontractors. In 2014 we will assess the compliance of our approved suppliers and subcontractors that we do business with. We embarked on this process in 2013 (see also Section 6.4.3 *Compliance & Integrity* on page 117).

### Public authorities

The public sector is an important contact for Ballast Nedam in view of its role in regulations, permits, setting priorities and supervision. Municipalities, provincial governments and the national government have a powerful influence on how the various Ballast Nedam companies operate. They are more than important clients; the national government is also an important driver of more highly integrated contracts in construction and infrastructure. We opt for constructive dialogue with these stakeholders, both within projects and through industry associations. Ballast Nedam also has representatives on various Dutch regulatory standards committees. Ballast Nedam also participates in various platforms where public and private parties come together, such as the Nederland Boven Water area development programme.

### Knowledge and educational institutions

Students at universities of applied sciences and research universities are potential employment candidates for Ballast Nedam. Dialogue and partnership with these institutions are therefore important for us. Our main focus is on the universities of applied sciences in the Netherlands, but we also collaborate with other institutions.

Various Ballast Nedam staff advise on the main policy lines of several educational institutions in the Netherlands through their active role on university advisory boards, including for Hogeschool Utrecht, TU Delft and the University of Twente.

### Industry associations

Ballast Nedam participates in a variety of national and European partnerships and industry associations, including membership of the European Network of Construction Companies for Research and Development (ENCORD). Together we are taking the initiative to carry out industry-led research on virtual building (Building Information Models, or BIM), sustainability, infrastructure, health and safety, Lean Building, population ageing and knowledge management.

### Social organizations

Ballast Nedam also enters into dialogue with social and non-governmental organizations (NGOs). Examples include our partnership SKAO (which is responsible for the CO2 performance ladder), the Forest Stewardship Council (FSC - controlled wood) and MVO Nederland (CSR network for the concrete industry, and the Community of Practice for Circular Economy). See also Section 6.3.4 *Materials* on page 105.

### Our employees

Specific attention is given to Ballast Nedam's employees in Section 6.4 *Our people, standards and values* on page 107.



#### ENBW BALTIC 2 OFFSHORE WIND FARM

Despite two of the most severe storms in the past ten years in October and November 2013, the 39 monopiles for Baltic 2 were transported and installed in little more than two months. The monopiles are among the largest of their kind to be installed for offshore wind energy to date (930 tonnes).

### Shareholders and investors

As a publicly listed company, Ballast Nedam attaches much importance to maintaining good relations with its shareholders. Investor Relations aims to inform shareholders in a straightforward, honest and transparent way about Ballast Nedam's strategy, business model, distinctive capabilities, financial position and social responsibility.

The Board of Management provides information to shareholders and investors. Ballast Nedam's investor relations policy for communicating with shareholders prevents the dissemination of price-sensitive information. The Board regularly engages in dialogue through bilateral talks, roadshows, seminars, the presentation of the yearly and half-yearly figures, and the Annual General Meeting of Shareholders. Ballast Nedam also holds a shareholders' excursion each autumn. In 2013 Ballast Nedam visited the Erasmus Medical Centre in Rotterdam with its shareholders. A construction consortium consisting of Ballast Nedam and BAM Utiliteitsbouw is implementing this exceptional project.

### Banks and trade credit insurers

Banks and trade credit insurers make an important financial contribution to Ballast Nedam. There has been frequent contact with these parties in the past year in connection with the refinancing operation.

There is more about the contacts we maintain on project level in Section 7.3 *Dialogue with stakeholders on four levels* on page 137.

## 1.5 Operational organization structure

Market developments and prospects set the direction of the strategic route, the structure of the organization, and the corporate profile.

Ballast Nedam operates as one company. Our organization was aligned further in 2013 with our strategy of strengthening the position on the growing integrated projects market. Ballast Nedam is continuing to execute the strategy at an accelerated pace. The operational measures that we announced in early 2014 to accompany the financial measures included restructuring regional construction companies into a construction company with integrated operations, the disposal of several supply and specialized companies that no longer contribute to Ballast Nedam's strategic proposition, and a stronger governance structure. We will continue along these lines in 2014.

We had completed the transition to an infrastructure company with national operations, withdrawing in the process from loss-making traditional markets, at an earlier stage. Ballast Nedam is now focusing through the above measures on moving the organization further along the strategic route that has been taken. The company is now better positioned for the future.

Ballast Nedam's profile is accordingly shifting from a large player on traditional markets to a prominent player on major integrated complex projects, such as PPP projects and specific niche markets.

### Stronger corporate governance

In 2013 Ballast Nedam's operations were based on a structure of four segments and six constituent clusters. In line with our strategic focus, operational control will be integrated further, starting in 2014, from six clusters to three: Infrastructure, Building & Development and Specialized Companies & Supplies. The number of cluster Managing Directors had already been reduced to three in 2013. The Board of Management and the three cluster Managing Directors jointly form the Ballast Nedam Concern Council.

#### Four segments

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

Details of the legal structure are given in Section 8.1 *Management and control structure* on page 145.

#### **The Infrastructure segment**

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

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

The companies in the Building & Development segment develop, construct, manage, operate and maintain integrated complex property and area development projects in the Netherlands, both large and small.

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

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

#### **The Supplies segment**

The companies in the Supplies segment extract primary raw materials and produce secondary raw materials. The Supplies segment also includes the prefabricated concrete companies, the plants that create modular products, a foundry and various holdings.

#### Changes to the organization in 2013

In 2013 Ballast Nedam completed the envisaged transition to an infrastructure company with national operations, also reducing exposure to the loss-making traditional markets. The regional construction companies, the specialized companies and the head office were reorganized further in the fourth quarter. This means a capacity reduction in two loss-making specialized companies of more than one half and the discontinuation of certain products. Management changes have been made in the regional construction companies and the specialized companies. The Personnel & Organization, ICT and Communication & Investor Relations support services have been reorganized. Activities concerned with corporate social responsibility, strategy and innovation management have been combined into the new Sustainable Business Innovation support service.

The sales of raw material company Yvoir and Gebr. Van Leeuwen Boringen were completed in 2013. The sales processes of the stake in the raw material company Beheermaatschappij Bontrup and of Feniks Recycling are ongoing.

Gebr. Van Leeuwen Verankeringen and Ballast Nedam Funderingstechnieken started joint operations in 2013, capacity was adjusted in line with the new organization structure, and the two business units relocated to Maarssen.

Board of Management		CEO <i>Theo Bruijninx</i>		CFO <i>Peter van Zwieten</i>	
Segment Building & Development		Segment Infrastructure		Segment Specialized companies	Segment Supplies
Building & Development Special Projects	Building & Development	Infrastructure Special Projects	Infrastructure	Specialized companies	Supplies
<ul style="list-style-type: none"> <li>- BN Bouw &amp; Ontwikkeling Speciale Projecten</li> <li>- BN Beheer</li> <li>- T&amp;H</li> <li>- BN Concessies</li> <li>- CNGNet</li> <li>- LNG24</li> </ul>	<ul style="list-style-type: none"> <li>- BN Ontwikkelingsmaatschappij</li> <li>- Bouwborg</li> <li>- BNBO North</li> <li>- Heddes, Zomers, Onrust</li> <li>- BNBO West</li> <li>- BNBO South</li> <li>- LAUDY</li> </ul>	<ul style="list-style-type: none"> <li>- BN Infra Speciale Projecten</li> <li>- BN International Projects</li> <li>- BN Offshore</li> <li>- BN Industriebouw</li> </ul>	<ul style="list-style-type: none"> <li>- BN Infra North</li> <li>- BN Infra South</li> <li>- BN Parking</li> <li>- BN Geluidwering</li> <li>- BN Industriebouw</li> </ul>	<ul style="list-style-type: none"> <li>- BN Engineering</li> <li>- DIBEC</li> <li>- BN Funderings-techniek/ Gebr. Van Leeuwen</li> <li>- BN Specialistisch Grondverzet-</li> <li>- BN Materieel</li> <li>- BN Milieutechniek</li> <li>- BN Asfalt</li> <li>- BN IPM</li> <li>- BN Infra Specialiteiten</li> </ul>	<ul style="list-style-type: none"> <li>- BN Grondstoffen</li> <li>- Feniks Recycling</li> <li>- Hoco Beton</li> <li>- Omnia Plaatvloer</li> <li>- Concrete Valley (50%)</li> <li>- Haltsma Beton</li> <li>- Rademakers Gieterij</li> <li>- TBS Soest</li> <li>- Infra Participatie</li> <li>- Ursem Modulaire Bouwsystemen (41%)</li> <li>- iQwoning®</li> <li>- BN Phoenix (92,5%)</li> </ul>

## 1.6 Statement of the Board of Management

The 2013 Financial Statements (which are presented after page 171 below) give a true and fair view of the assets, liabilities, financial position and profit of Ballast Nedam and the undertakings included in the consolidation taken as a whole. The Annual Report gives a fair review of the development and performance of the business during the financial year and the position at the end of the reporting period of Ballast Nedam and the undertakings included in the consolidation taken as a whole.

No transactions took place in 2013 that involved any material conflict of interest on the part of managing directors, and likewise there were no transactions that involved any material conflict of interest between the company and natural persons or legal entities holding more than 10 per cent of the shares. Corporate Governance Code best practice provisions II.3.2, II.3.3 and II.3.4. have been complied with.

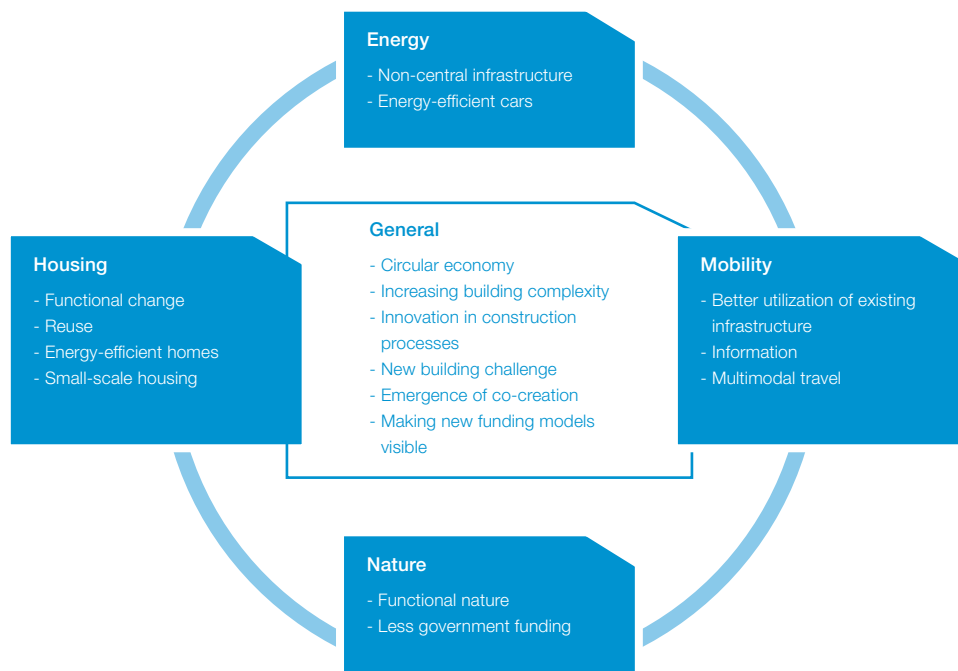


# 2

## Strategy

### 2.1 Our living environment is changing around us

Market developments present openings and opportunities for new products and services. This section briefly describes the key trends and how we are responding to them.





MERICI HOTEL, SITTARD



#### Circular economy – Life-cycle management

A conspicuous trend has emerged towards sharing and reuse instead of possessing and discarding, which is known as the circular economy. This trend is being driven by rising raw material prices and greater public awareness of sustainability. Among other things, more stringent regulations for recycling are leading many companies to accept the return of products at the end of the life cycle, with a view to product reuse or raw material recovery. Ballast Nedam has embraced Life-cycle thinking and acting in its style of working. We are engaged on life-cycle extending opportunities through functional change (e.g. in housing), the return of products for reuse (ModuPark®, Plug & Play Core®, Ursem and iQwoning®), and the recycling of raw materials (incineration ash from waste power plants).

#### Innovative construction processes – modular construction

Innovative, more industrial, building methods under controlled conditions in response to market needs. Modular products are fabricated in controlled environments and assembled easily and quickly on site, greatly limiting the number of transport movements and the associated disruption to the living environment. This construction approach is a step forward in sustainability as well as offering greater efficiency and constant quality. The various modular concepts mean that Ballast Nedam can make a real difference on the markets for residential and non-residential construction, new building and renovation. There is more about Ballast Nedam's modular projects under *Modular construction* on page 45.

#### Functional change, Merici Hotel, Sittard

A former cloister transformed into an imposing housing, leisure, retail and hotel complex: the Merici Hotel in Sittard. Ballast Nedam was responsible in this project for development, construction and renovation. The crowning glory was the cheque awarded by the provincial government of Limburg.

A historic wing of this complex has been restored and redeveloped into a luxury four-star 48-room hotel. The building and development timescale was extremely brief, and included all fitting-out work, to combine modern luxury with tangible history.

### New building challenge – digitization

The new building challenge comes from our changing world of advancing technology and digitization, population ageing and the impact of the New World of Work. As people find it easier to access Internet technology, many opportunities present themselves for giving form and content to social innovation. This translates into remotely controllable products (e.g. an app to turn on the central heating at home), the influence of social media and online information services. Ballast Nedam is responding to this trend with 3D presentation and serious gaming. We are also the market leader in Building Information Models (BIM).

### BIM Data Manager

The BIM Data Manager is a digital tool that helps optimize digital quality assurance throughout the life cycle of a project. It was used for the first time in projects in 2013. The BIM Data Manager links data captured in the building process and the management and maintenance phases with the Building Information Model (BIM). There are both immediate and long-term benefits for the project, through the ability to analyse the collected data. Projects in which BIM Data Manager has been used include the Breda public transport terminal and the Schiphol Hilton Hotel.

## 2.2 SWOT-analysis 2013

Strengths	Opportunities
<ul style="list-style-type: none"> <li>- Well-filled order book with major integrated complex projects</li> <li>- Strong position in major integrated complex projects and niche markets, such as offshore wind turbines, alternative fuels and secondary raw materials</li> <li>- Infrastructure Special Projects and Building &amp; Development Special Projects operations profitable throughout the cycle</li> <li>- Persistently strong performance in several supply and specialized companies</li> <li>- Optimum solutions for the entire life cycle with arrangements for financial feasibility</li> <li>- An integrated organization structure</li> <li>- Own production plants for modular building systems</li> <li>- Good reputation and recognized name</li> </ul>	<ul style="list-style-type: none"> <li>- Increasing demand for major integrated complex projects in the Netherlands and abroad</li> <li>- Life-cycle management approach on the part of clients</li> <li>- New clients and forms of cooperation based on new business models</li> <li>- Industrialization of the building process</li> <li>- Increasing demand for available renewable energy and alternative fuels</li> <li>- Demand for functional change and functional improvement of existing property</li> <li>- Increasing demand for secondary (recycled) materials</li> <li>- Influence of demographic trends on the housing market</li> </ul>
Weaknesses	Threats
<ul style="list-style-type: none"> <li>- Sustained crisis depressing volumes and margins</li> <li>- Relative overdependence on the Dutch market</li> <li>- Financial performance</li> <li>- Presence of regional construction companies in capacity-driven markets</li> <li>- Ongoing restructuring</li> <li>- Insufficient solvency</li> </ul>	<ul style="list-style-type: none"> <li>- Projects becoming more capital intensive</li> <li>- Market contraction because of economic circumstances</li> <li>- New (international) entrants</li> <li>- Juridification of society</li> <li>- Political decision-making surrounding legislation</li> <li>- Financial institutions reluctant to provide long-term project financing</li> <li>- Financial position of suppliers and joint venture partners</li> <li>- Availability of labour capacity with advanced (technical) knowledge</li> </ul>

## 2.3 Strategic Plan for 2014 - 2016

### Ballast Nedam's strategy:

- a. to focus on major, integrated complex projects and the development within this of niche operations such as offshore wind turbines, industrial construction and modular construction;
- b. to improve operational excellence;
- c. to export expertise gained in major integrated complex projects.

The focus of Ballast Nedam's strategy is on major integrated complex projects and related activities in the niche markets that perform well throughout the cycle. Modular construction is an appropriate answer to clients' life-cycle management approach and the changing social needs and requirements of end-customers.

In early 2014 Ballast Nedam announced several financial and operational measures that provide sufficient financial scope to concentrate fully on the accelerated execution of the strategy and on bringing the organization further into line with it. The company is now better positioned for the future.

### Financial and operational measures:

- a rights issue of 30 million euros to strengthen the balance sheet, guaranteed by a combination of all 5%-plus shareholders (approximately 69%) and coordinating banks (approximately 31%);
- agreement with banks about committed loans totalling 80 million euros maturing in 2017, and a bridging loan of 30 million euros to be repaid from the proceeds of the rights issue;
- further restructuring of the Building & Development segment – capacity adjustment affecting 150 jobs;
- controlled disposal of certain supply and specialized companies in the medium term;
- improved solvency in line with Ballast Nedam's strategic focus on major integrated complex projects.

## 2.4 Strategic focus

### DBFM(O) projects / PPP projects

The market for integrated PPP projects continues to grow. These public-private partnerships have the specific form of Design, Build, Finance, Maintain (Operate) (DBFM(O)) projects. These projects add value: the Ministry of Finance stated in the DBFM(O) Progress Report for 2012 that it had achieved an added value of 800 million euros, and expected to add 100 million euros to this on the projects that were then out to tender.

DBFM(O) is applied within the national government on housing projects above 25 million euros, such as offices, barracks and prisons. DBFM(O) is also applied on infrastructure projects above 60 million euros, such as road, rail and 'wet' infrastructure (such as locks). The national government is set to put many more projects on the market as PPPs in the coming years. For 2014 and 2015 the Ministry of Infrastructure and the Environment has already decided on several DBFM(O) projects and has identified many more projects that are eligible for PPP. The Government Buildings Agency has four ongoing tenders and several more projects being prepared for tender in 2014 and 2015. Local authorities are also opting increasingly often for PPP, sometimes arriving at more hybrid contract forms that integrate development risk. The trend for institutional investors also to provide part of the external funding for DBFM(O) projects continued in 2013. Ballast Nedam is closely involved in these developments, which may secure the benefits of DBFM(O) in the long term.

Ballast Nedam has considerable knowledge and experience with PPP projects, such as the Confederation Bridge in Canada, N31, Komfort, DUO2, A15 Maasvlakte-Vaanplein, and the Zaanstad Penitentiary. Ballast Nedam recently won the contract for the Hart van Zuid urban development project in Rotterdam. This PPP project is a unique combination of DBFM(O) and area development. Our experience with and focus on major integrated complex projects means we will also be able to deliver the right price and quality on the many projects set to come onto the market in the next few years.

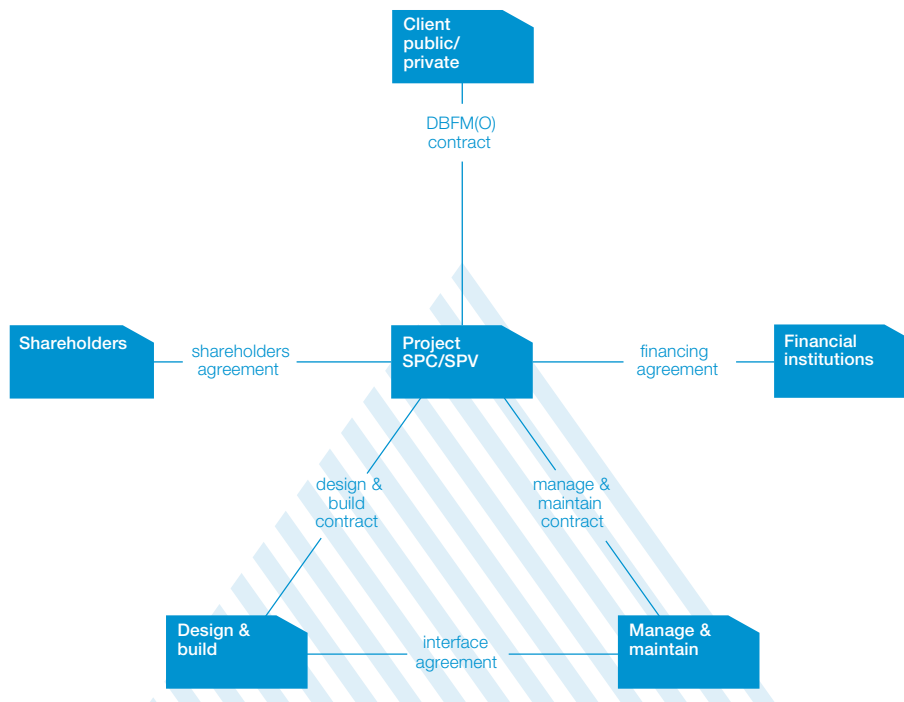
In 2014 Ballast Nedam will be engaged on the following DBFM(O) tenders:  
A9 Gaasperdammerweg, the District Court in Breda and the Lock at Limmel.

Ballast Nedam acquired the Zaanstad Penitentiary PPP project in 2013, which has long-term funding from institutional parties from France, Belgium and Germany. This project won the European PFI Award 'PPP deal of the year 2013', largely on the strength of the innovative financing solution.



### Ballast Nedam's PPP business model

The Concessies business unit manages the PPP project portfolio and the acquisition, investment, operation and disposals in concession projects. Following disposal Ballast Nedam continues to be a partner and co-investor in these concession projects, and to be responsible for multiyear management and maintenance through our 20 per cent stake in the Benelux Secondary PPP Fund I and continued partnership with the investor DG Infra (which is also involved in the Benelux Secondary PPP Fund I). It is our intention also to transfer the new Ballast Nedam PPP projects to these funds.



A key feature of the PPP business model is a Special Purpose Company (SPC) or Special Purpose Vehicle (SPV), which manages the PPP project as a contractor throughout the life cycle. This project organization exercises overall control as a contract partner for all parties in the process. The parties concerned are the government as client; the financial institutions for funding; the design and construction consortium for project implementation; and the management and maintenance consortium that will manage the built object throughout its useful life in accordance with the performance requirements. The shareholders are the member companies of the consortiums, which may, as Ballast Nedam does, also invest in the project. At some point Ballast Nedam releases capital for new PPP projects by transferring its stake to an investment fund.

### Industrial construction

The industrial construction niche market designs, constructs, manages and maintains civil engineering and building projects for private and semi-private companies in the sustainable and conventional energy, oil and gas, food, and chemicals industries. We operate both nationally and internationally with multinationals, national companies and local parties.

Ballast Nedam and a partner bid more frequently in 2013 for the complete scope of installations and mechanical elements, and we will continue to do so in 2014.

The sectors that the industrial construction niche market serves provide the basic needs of the community: energy for housing, employment and transport, as well as food and health. There is therefore a constant demand for new building, replacement, renewal and maintenance of accommodation in this sector.

In other countries we observe growth in small-scale smart plants (EU), biomass plants (EU), nuclear power stations (outside the EU), sustainable energy, and the maintenance and renewal of existing power plants. Growth is discernible in the other sectors in the construction of tank terminals and the maintenance of industrial facilities.

Ballast Nedam is responding to this trend, and is developing into an all-round party for all civil engineering projects. Our focus within these areas aligns with our expertise in maintenance and renewal, cooling water systems (CWS) and geothermal technology, which we intend to put on the map together with partners in the Netherlands. We submitted a variety of promising proposals in this field in the second half of 2013. We also specialize in turnkey site preparation, project management and operation of energy sources.

#### Offshore wind turbines

Ballast Nedam designs, installs, maintains and manages foundations for offshore wind farms. We link reliability with cost reduction and innovation by developing new foundation installation methods and equipment. This strategy ensures that Ballast Nedam will retain, and where possible expand, its prominent position in the market for offshore wind turbine foundations.

Offshore wind energy is a key element of European climate policy. The offshore wind energy target for 2020 is 40 GW of installed capacity. The Dutch government's 2013 Energy Agreement made a firm commitment to this, in line with the surrounding countries of France, Belgium, the United Kingdom, Germany and Denmark. 3,450 MW additional capacity is to be achieved by 2023. The growth in offshore wind energy translates into larger offshore wind farms further from the coast. The technical requirements being set on wind farm foundations are becoming ever more challenging. The demand for more cost-efficient foundation solutions has been boosted by pressure to make sustainable energy more affordable.

Ballast Nedam is excellently placed both to achieve the expected growth and to contribute to the cost reductions that have been called for. We have established a fine reputation for the reliable design, delivery, installation and management of foundations for offshore wind farms. This experience puts Ballast Nedam in an unparalleled position to design and install large-scale offshore foundations reliably and on time. In addition, the innovative logistical and installation methods we are using to optimize construction and installation will also enable us to achieve the required cost reductions. There is more about these innovative solutions under *Sustainable innovation* on page 127.

#### International Projects

For many years our international operations have included industrial construction, hospitals, non-residential construction and civil engineering projects in west Africa and the Caribbean. Outside these regions the International Projects business unit supports our specialized companies on projects, so that we add value as a specialized construction company. We will shift the focus in 2014 onto products based on the expertise we have acquired in niche markets and integrated projects.

Ballast Nedam's offshore wind energy operations (see *Offshore wind turbines*) are concentrated in northwest Europe.

Our specialized companies (see Section 4.3 *Specialized Companies* on page 68) and supply companies (see Section 4.4 *Supplies* on page 71) operate in Belgium, the United Kingdom and Germany in soil remediation and environmental consultancy, secondary raw and building materials, alternative fuels and concrete elements.

Geothermal technology allows the heat to be used that originates in the earth's inner core and is captured in underground sources of water. This can be used to heat buildings, greenhouses and homes, or to generate electricity by means of a turbine.

In the Netherlands, the temperature below ground rises by 30°C for every kilometre, so the deeper the borehole, the more energy will be obtained. There are different categories of geothermal technology for heat/cold storage at depths less than 500 metres, heat production at depths around 2 to 3 kilometres, and deep geothermal energy for generating electricity and steam at 6 kilometres or more..

#### Butendiek

Ballast Nedam and wpd have a contract for the design, delivery and installation of 80 foundations for the Butendiek offshore wind farm located in the German Bight, 32 kilometres west of the German island of Sylt. Foundation design and planning are now in full swing, with installation scheduled for the spring of 2014. Ballast Nedam is using the Heavy Lift Vessel (HLV) Svanen for installing the foundations. The project is scheduled for completion in early 2015.

We present below three examples of our current international projects.

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

We are in the final stage of the foundation work for the Refinery Expansion Project in Surinam. The work consists of delivering and installing 320 steel piles, processing approximately 25,000 cubic metres of concrete, and earthmoving for the foundations.

#### [Carolina Bridge, Surinam River – Surinam](#)

On 15 December 2013 Ballast Nedam signed a contract for the design, delivery and installation of a new bridge over the Surinam River. The existing bridge had become unusable some years ago after it was damaged by a barge. The new bridge will be built to create a second east-west crossing. The project management on behalf of the Ministry of Public Works is to be performed by a consortium of four Surinamese engineering consultancies.

#### [Hospital, Willemstad – Curaçao](#)

Ballast Nedam won an international Design & Build tender in August 2012 for a new hospital in Willemstad, Curaçao. The 300-bed hospital will occupy approximately 38,250 m<sup>2</sup> and will include a two-storey car park. The final design is complete, but the start of construction has been postponed until 2014 following the Curaçao government's revised decision on the location of the hospital in August 2013. When finished, the hospital will make an important contribution to affordable healthcare for the island's population.

#### **DELTA FLUME, DELFT**

Precision measurements will be possible in this unique wave flume only if the concrete channel is absolutely smooth. The walls have to be straight as a die and perfectly flat. The civil engineering construction of a renowned research facility demands the highest quality and expertise.



### Secondary raw materials

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

There are two secondary (recycled) material market segments:

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

### Secondary materials that replace primary raw materials

Ballast Nedam has secondary material storage and handling sites in the Netherlands and Belgium. These water-bound sites are accessible by both inland waterway and road.

Secondary material storage, handling and inspection are subject to strict environmental and other legislation. Ballast Nedam's specialists in DIBEC and the Environmental Engineering business unit ensure that we comply with this legislation.

### Materials for reuse after cleaning

Ballast Nedam operates in a number of specialized areas in the market segment for reusable materials that require cleaning. The first is for the cleaning of contaminated mineral streams, such as soil, sand, dredge spoil, sieve sand and street refuse. We clean these materials, and use the resulting aggregates (secondary building materials) in concrete and asphalt production, and for civil engineering applications. We have a static cleaning installation, as well as mobile installations for deployment on site.

Ballast Nedam's storage and handling sites accept contaminated mineral streams, which we clean and put back on the market. Enhanced landfill mining and other ways of recovering valuable metals from waste are set to take off. Ballast Nedam is anticipating this trend now. We are working on the hitherto barely feasible extraction of metal concentrates from waste streams, for which Ballast Nedam has developed a mobile unit that can be set up anywhere within a week.

### Incineration ash from waste power plants

Ballast Nedam is a market leader in incinerator bottom ash from waste power plants. We are engaged on both the reprocessing and marketing of this material. The Dutch government is keen to achieve a long-term environmental improvement in the incineration of ash from waste power plants. Numerous parties are offering partial solutions to this problem. However, Ballast Nedam is among the few companies with sufficient knowledge and market position to be able to serve the existing market, while joining with the waste power plant operators and the Dutch government to identify new application areas and to implement the necessary reprocessing and cleaning technologies. In 2013, Ballast Nedam and its partner NV Afvalzorg developed a bottom ash reprocessing method that yields a widely applicable product, which can also be used instead of primary raw materials.

### Waste power plants

We are also exporting our knowledge and experience in waste power plants. Ballast Nedam is the market leader in this field, with a particularly strong position in the United Kingdom, which is making up lost ground in the waste management field and building many new waste power plants. Further growth is foreseen in the next few years in view of the future expansion of waste power plants in the United Kingdom and the declarations of intent that have been signed by the plant operators. Section 6.2.2 *Waste and recycling* on page 104 explains how this fits in with our CSR policy.

### Alternative fuels

On the alternative fuels niche market, Ballast Nedam is aiming to create access to the necessary fuelling infrastructure, in response to the growing public demand for clean mobility. We design, construct, operate and maintain alternative fuel filling stations: CNG and green gas, liquefied natural gas (LNG), liquefied biomethane (LBM), electricity and hydrogen.

The Renewable Energy Directive sets the European targets for the share of energy from renewable sources in 2020, which is 20 per cent on average in the EU, with an obligation on the Netherlands to achieve 14 per cent renewable energy in that year. In 2020 at least 10 per cent of gross final consumption of energy for all forms of transport must come from renewable sources. Various alternative fuels and propulsion systems are available in the Netherlands to meet this target.

Ballast Nedam' is responding by creating access to the alternative fuelling infrastructure. Ballast Nedam has been working actively with the chain in recent years and has acquired substantial expertise in providing the fuelling infrastructure for CNG and LNG.

Knowledge sharing within our international network puts us in a position to maintain our specialized know-how at a high level and to keep pace with trends abroad, inside and outside Europe.

### Hydrogen

We also use the knowledge of alternative fuels that we have acquired in the development phase of hydrogen as an energy carrier. At the end of 2013 a semi-permanent 350-bar hydrogen station was taken into use on the AutomotiveCampusNL. This station will be converted to 700 bar in 2014, making it suitable for the first hydrogen cars that are expected to appear in 2015.



## Modular construction

Modular construction is an appropriate answer to clients' life-cycle management approach and the changing social needs and requirements of end-customers.

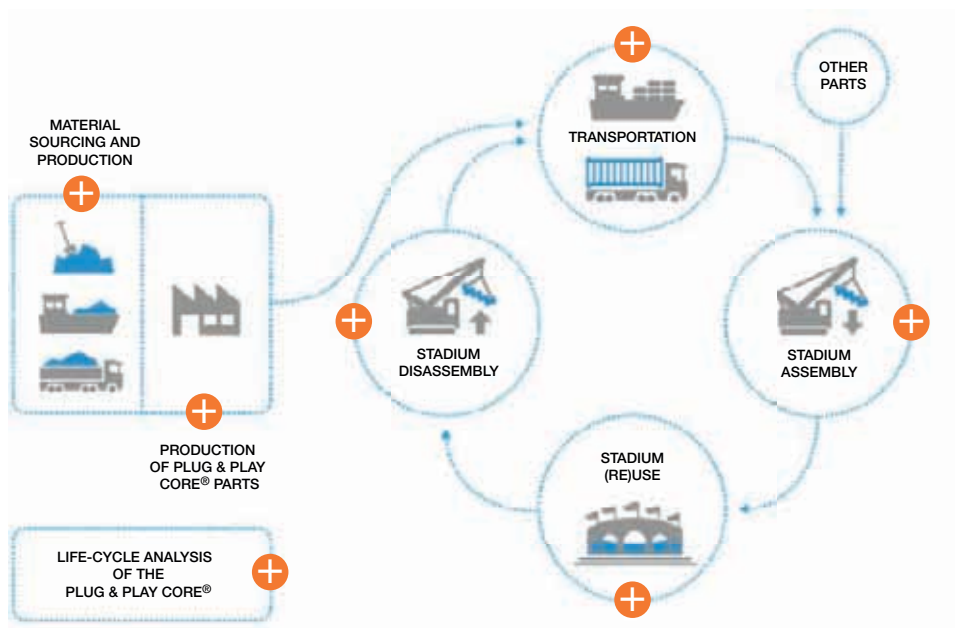
The technique relieves pressure on available labour capacity by reducing the amount of work performed on the construction site, as well as improving safety, greatly reducing the number of logistics streams, and limiting disruption in the surrounding community.

Our modular products meet the demanding requirements for quality of use and comfort, are returnable, and are a flexible way of providing age-proof homes. There is more about the modular projects in 2013 under *Modular construction* on page 45.

Ballast Nedam has a good starting position in the market for modular building systems. The company has seven production sites of its own that manufacture modular building systems under controlled conditions. Ballast Nedam currently provides a variety of modular concepts: iQwoning®, Ursem Modular Building Systems, and ModuPark®, the modular car parking product. With these concepts we serve the new build and renovation markets for residential and non-residential construction.

Ballast Nedam has presented a new concept for the 2022 FIFA World Cup in Qatar: Plug & Play Core®. This modular sports stadium concept is designed for ease of dismantling, transport and returnability. We are also developing applications of this concept for the Dutch market, with an emphasis on sustainability and reuse.

*Plug & Play Core® value chain*



## 2.5 Prospects for 2014

Ballast Nedam expects a continued rise in demand for major integrated complex projects, both in the Netherlands and abroad, and has the strategic ambition to further increase its share of this market in the Netherlands, and to export more of this knowledge in specific areas of expertise. Projects of this kind are expected to become more capital intensive. Clients will exhibit an increasing preference for financially strong partners.

The Infrastructure segment remained profitable throughout the cycle and is expected to continue to perform well in 2014. The order book for 2014 is well filled, and the profitability of regional projects is expected to improve, thanks to measures put in place in 2012 and 2013 to move the company away from relatively small infrastructure projects and to bring the old loss-making projects to a close. Ballast Nedam expects a lower revenue in the Infrastructure segment as a result of avoiding relatively small, but generally less profitable, projects.

The company expects no significant improvement in the market situation for the Building & Development segment. However, the order book for 2014 is already well filled. The Building & Development segment continues to focus on major integrated complex projects. Building & Development is performing well on relatively large projects, but for the regional units the announced restructuring will mean that 2014 will be a transitional year. As in the Infrastructure segment, Ballast Nedam expects a modest decrease in revenue in the Building & Development segment because of the cessation of relatively small projects in loss-making traditional regional markets. From 2014 onwards these restructured regional units are expected to return to profit.

The Specialized Companies segment continues to focus on supporting the larger projects in other segments, and is expected to make a positive contribution again in 2014 as a result of the measures taken in 2013 at two loss-making companies, albeit that revenue is expected to be 25% lower.

The Supplies segment is expected to show a modest revenue growth. Revenue is set to increase in the next few years as several new raw material extraction sites are taken into use and the iQwoning® concept expands. The autonomous growth of Feniks Recycling and the rationalizations carried out in 2013 in the prefabricated concrete companies are having a favourable effect on performance.

The market conditions for 2014 continue to be challenging and uncertain, despite the first signs of an eventual construction industry revival. At the start of the year we announced several strategic, operational and financial measures that will be carried out in the course of the year. With the sharper strategic focus on integrated projects and the completed refinancing, the company is well positioned for the future. The coming year will be a transitional year.



A tour of the iQwoning® plant in Weert gave Woonbedrijf housing association tenants a good opportunity to see their home being made, and to get to know each other at the same time. More than 140 residents took the opportunity to find out all about the production process, the layout and the technical features of their new homes. Small groups were given a tour of the plant in four rounds. The novel production process and the model homes in the plant prompted lively discussion. After the tour there were opportunities in the information market to discuss specific options in person with Woonbedrijf and Ballast Nedam staff. Ballast Nedam is building 74 energy-neutral iQwoning® homes in Eindhoven's Tongelresche Akkers district (Berckelbosch) for Woonbedrijf.



'The negotiations were something of a tug of war, but we're delighted with our final bid'

---

Josje van der Kemp – corporate lawyer in the bid team for Hart van Zuid in Rotterdam

# 3

## Strategic objectives and results

The focus of Ballast Nedam's strategy is on major integrated complex projects and related activities in the niche markets. We accordingly focus on projects with substantial design responsibility (design & construct and engineer & build) and PPP projects. Modular construction is an appropriate answer to clients' life-cycle management approach and the changing social needs and requirements of end-customers.

We have set six strategic objectives for 2013.

**Objective 1: To acquire more integrated projects and apply the life-cycle management approach more intensively by expanding management, renovation and maintenance operations**

In 2013 we achieved much of the revenue in integrated projects and in projects with substantial design responsibility. The Beheer business unit, which has operations in the housing, mobility and energy areas of work, was able to increase revenue through the multiyear management of PPP projects. Under the Infrastructure Asset Management integrated performance contract for the Port of Rotterdam, Ballast Nedam will be responsible for the operational management and maintenance of all dry infrastructure in the port for a five-year period starting in 2014.

In 2013 Ballast Nedam acquired the Zaanstad Penitentiary PPP project and the Hart van Zuid multiyear integrated area development in Rotterdam. The PPP portfolio for the Infrastructure segment remained unchanged in 2013.

Financial close was reached for the work for Amsterdam Airport Schiphol's transition to central security. We also acquired the design, build & maintain contract for the new hospital in Curaçao. Furthermore, Ballast Nedam won the engineering & construct contract for the Katwijk Coastal Works project and the design & construct contract for the renovation of sheet piling along the Amsterdam-Rhine Canal. The proportion of integrated projects in the order book increased from 66 per cent in 2012 to 68 per cent in 2013. The order book contracted by 301 million euros to 1 460 million euros.

## Objective 2: To strengthen our position in the niche markets of industrial construction, offshore wind turbines, secondary raw materials and alternative fuels

Our position in the industrial construction niche market deteriorated in 2013 because no new major projects were acquired and many current major projects were completed, such as the Nuon Magnum Plant and the Eneco Bio Golden Raand plant. We did take on more national maintenance projects, thereby expanding our position in industrial maintenance.

Our position in the offshore wind turbines niche market was strengthened in 2013 through the financial close of the Butendiek offshore wind farm in Germany, the utilization of the Heavy Lift Vessel Svanen on the installation of 39 monopiles and transition pieces in the EnBW Baltic 2 offshore wind farm, and the acquisition of the contract for the design, delivery and installation of 48 wind turbine foundations for the Northeast Polder near-shore wind farm in the IJsselmeer. Financial close of this project is expected in the spring of 2014. To date Ballast Nedam has used the Heavy Lift Vessel Svanen to install more than 400 offshore wind farm foundations.

Our position in the secondary raw materials niche market strengthened in 2013. Feniks Recycling made a fine contribution. Preparations started in 2013 for the construction of new plants in Cleveland and Ipswich, which entered operation in 2014. Work is also in progress on the capacity enlargement of plants in Sheffield and Castle Bromwich, which will be operational in 2015. Feniks Recycling had a total of seven installations in use in 2013. In 2013, Ballast Nedam and its partner NV Afvalzorg developed a bottom ash reprocessing method that yields a widely applicable product, which can also be used instead of primary raw materials.

Our position in the alternative fuels niche market continued to expand in 2013. CNG Net B.V., which operates in the mobility and energy areas of work, succeeded in increasing revenue by adding eleven CNG (natural gas and green gas) filling stations in the Netherlands. With CNG Net, Ballast Nedam now operates 68 CNG filling stations supplying natural gas and green gas. Approximately ten more filling stations were built for private investors in 2013. The first public LNG filling station in Zwolle, which LNG24 operates, saw more than a doubling of the number of kilograms provided in the past year, with over 300 drivers receiving refuelling instruction. A start was made in 2013 on preparations for a second station in Delfgauw.

## Objective 3: To develop and extend modular products

Production rates in the modular product plants remained low in 2013. This is attributable to the weak market conditions and delays in the start and execution of housing and student accommodation projects caused by the developments surrounding the levy on lessors. The number of iQwoning® homes accounts for 13 per cent of the total number of home starts in 2013.

In total Ballast Nedam produced 111 iQwoning® homes, of which approximately 26 were being assembled in the early months of 2014. Ballast Nedam also won the contract from student accommodation organization DUWO for the redevelopment and new building of the Uilenstede campus in Amstelveen. Ursem Modular Building Systems is applying modular construction techniques on this project; Ursem Modular Building Systems is a pioneer in modular building to a height of eleven floors. For the (Y)ours Leiden project Ursem Modular Building Systems is supplying modular bathrooms for the almost 600 student units. We have created a ModuPark® temporary parking solution near Nieuwersluisstraat in The Hague.



On the market for modular construction we are observing a growing demand for rented housing in the liberalized segment. Another favourable trend is the future need for accommodation for specific target groups, such as young people, first-time buyers and elderly people, which translates into good market prospects for iQwoning® and Ursem Modular Building Systems.

Alongside the energy-neutral iQwoning®, Ballast Nedam has two other innovative modular concepts. The completely modular Plug & Play Core® stadium solution has been developed further, and prototype tests have been performed to assess feasibility. For the Stoomversnelling project we are renovating 1960s housing into homes that generate on average enough energy to satisfy the total needs of the building and occupier. The first prototype has now been delivered.

We have brought together all the information about developments in modular construction under *Modular construction* on page 45.

#### Objective 4: To improve the financial position

The persistently poor market conditions, the disappointing results, and revenues from disposals that materialized later than foreseen, have prevented us from improving the financial position. Solvency deteriorated. A rights issue was accordingly announced in early February 2014.

#### Objective 5: To achieve the CSR objectives given in Chapter 6.2 CSR objectives, on page 94

Corporate social responsibility is an integral part of our strategy. Our CSR themes are linked to the five pillars that support our strategy, and on which our work is based (see Section 1.1 *Vision and mission* on page 15). We have identified the issues and defined the CSR objectives within every CSR theme.

The companies are adopting the CSR policy appropriately. However, the current scope for investment is constraining the companies in their implementation of further energy-saving measures. There is still room for considerable improvement in terms of absence through illness and safety. The waste management field is no exception. Chapter 6 *Our CSR policy* on page 93 reports the results achieved on our sustainability objectives for 2013.

#### Objective 5: To achieve the financial objectives: an operating profit of approximately 15 million euros

Ballast Nedam has been through a difficult year with a disappointing operating loss of 30 million euros, which includes 18 million euros of restructuring costs and write-downs. See Chapter 3.1 *Financial results* on page 46 for additional information.



#### **IQWONING®**

An iQwoning® home has the attributes and appearance of a traditionally built home. It is largely fabricated in a production plant and assembled on site in less than six weeks. [www.iqwoning.nl](http://www.iqwoning.nl)



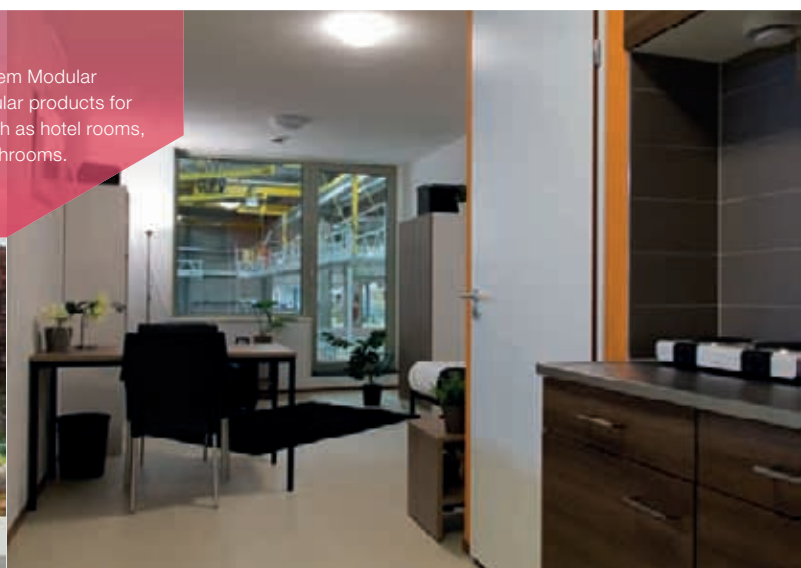
#### **MODUPARK®**

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



#### **URSEM 3D®**

This is the label under which Ursem Modular Building Systems develops modular products for new building and renovation, such as hotel rooms, student accommodation and bathrooms.



# Modulair construction

A list of our modular construction achievements in 2013, with references to the pages with more details, is given below.

## Plug and Play Core®

### Modular concepts

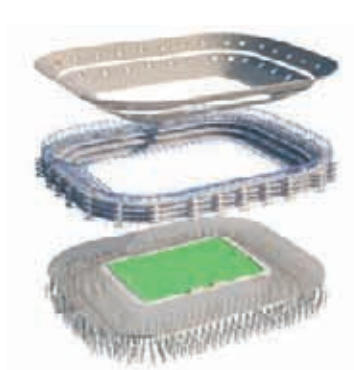
The completely modular Plug & Play Core® stadium solution has been developed further. We have produced a full-scale prototype with two concrete elements to test the feasibility for constructing the stadiums for the 2022 FIFA World Cup in Qatar.

[More on page 38](#)

### Prototype home

#### De Stroomversnelling Stadskanaal

For the Stroomversnelling project we are renovating 1960s housing into zero net energy homes, which generate enough energy on average to cover the total consumption of the building and



the occupier. We have delivered an initial prototype in Stadskanaal, with prefabricated roofs and brick external walls.

[More on page 62](#)

## iQwoning®

### 74 energy-neutral iQwoning® homes in Eindhoven

For the Eindhoven housing association Woonbedrijf, Ballast Nedam is creating 74 energy-neutral iQwoning® homes in the Tongelresche Akkers district (Berkelbosch). The first phase was completed in December 2013.

[More on page 62](#)

### Four iQwoning® homes in Haaren

In Haaren (Brabant) we have created four type 5.40R iQwoning® homes under joint project commissioning. iQwoning® homes can be provided in quantities as low as three, which makes small-scale demolition and new building a quick and easy process.

### Thirty iQwoning® homes in Hillegom

For the Stek housing foundation in Hillegom we have created thirty type 5.40R iQwoning® homes at Patrimoniumplein. Six of these are for sale, and the other 24 for rent. The pace of building was of overriding importance for Stek in its decision for iQwoning®.

### Student accommodation in The Hague

We have created fifteen self-contained student rooms at Steijnlaan in The Hague for the Staedion housing association. This was achieved with three type 5.40K iQwoning® units on a compact construction site between existing buildings.

## ModuPark®

### ModuPark® parking solution at Nieuwersluisstraat in The Hague

The area around Nieuwersluisstraat in The Hague has a temporary parking problem while major sewer works and redevelopment of the public space are in progress.

We erected a ModuPark® parking solution there. The capacity can be adjusted during its useful life to suit a changing demand for parking space. After use the structure will be completely dismantled and all components reused.

[More on page 38](#)

### ModuPark® parking solution at Meander Medical Centre

This ModuPark® parking solution was designed together with Pro-Architecten. The novel external wall combines clean horizontal lines with a coarse tree structure. The tree structure is made from the trunks of the trees that had to be felled to make way for the new hospital. With ivy and vines covering the external wall, the car park will blend in with its surroundings.

### Ursem 3D® modular bathrooms 583 prefabricated bathrooms for the (Y)ours project in Leiden

We have delivered 538 prefabricated bathrooms for the (Y)ours project in Leiden. These complete bathrooms are fabricated as modules and tiled in the production plant, complete with sanitary facilities and essential shaft systems. The bathrooms are transported in watertight packaging in batches of a few dozen to the project site on a just-in-time basis, which considerably shortens the total construction time of the project.

[More on page 73](#)

## Ursem 3D® student rooms

### New building of 233 student dwellings in Amstelveen

For this project we are stacking ready-made modular student apartments eleven floors high – a first in the Netherlands. The buildings will be completed in the third quarter of 2014.

Phase 2 will be built faster and at lower cost than phase 1 thanks to the 3D® student rooms.

[More on page 62](#)

### New build of 258 hotel rooms in The Student Hotel in Amsterdam

The Student Hotel in Amsterdam consists of 258 Ursem 3D® student rooms that are fabricated as modules in the production

plant. These units are also finished and fitted with technical systems, bathrooms and fixtures in the production plant, which guarantees precise planning and a constant quality. The building was originally envisaged as a tunnel-form construction, but modular production is less expensive, and completion is possible in an unprecedentedly short building timescale of eight months.

[More on page 152](#)

### 3.1 Financial results

#### Operating profit

Ballast Nedam has had a difficult year, with a disappointing operating loss of 30 million euros, which includes 18 million euros of restructuring costs and impairment.

The operating losses are attributable to the A15 Maasvlakte-Vaanplein highway project, several old regional infrastructure projects, two specialized companies, and undercoverage in the regional construction companies. Capacity in the two specialized companies has been reduced, and several loss-making products discontinued. The old regional infrastructure projects predate the 2012 restructuring operation, and are nearing completion. Since early 2013 new projects have been started in accordance with the more stringent acceptance procedures.

The key activities that are oriented to the major, integrated projects have remained profitable throughout the cycle. The results of the relevant Infrastructure and Building & Development business units were good, and endorse the chosen strategic route. The order book at year-end 2013 stood at 1.5 billion euros. The net loss was 41 million euros (2012: 41 million euros loss).

#### Revenue

x € 1 million	2013	2012
Infrastructure	546	496
Building & Development	531	573
Specialized Companies	260	262
Supplies	212	216
	<b>1 549</b>	<b>1 547</b>
Other	(281)	(251)
<b>Total</b>	<b>1 268</b>	<b>1 296</b>

Revenue decreased by 2 per cent from 1 296 million euros to 1 268 million euros, in particular because of the decline in regional activities in Building & Development.

#### EBIT

x € 1 million	2013	2012
Infrastructure	4	10
Building & Development	(11)	(26)
Specialized Companies	(19)	(10)
Supplies	8	2
	<b>(18)</b>	<b>(24)</b>
Other	(12)	(7)
<b>Total</b>	<b>(30)</b>	<b>(31)</b>

The operating loss was 30 million euros. Disregarding the impairment losses on land positions, property, plant and equipment and goodwill, and the restructuring costs, the operating profit deteriorated from 18 million euros in 2012 to a loss of 12 million euros. The 'Other' result consisted mainly of holding company costs.



## Margin

x € 1 miljoen	2013	2012
Infrastructure	0,8%	2,1%
Building & Development	(2.2%)	(4.6%)
Specialized Companies	(7.5%)	(3.8%)
Supplies	3.8%	0.9%
<b>Total</b>	<b>(2.4%)</b>	<b>(2.4%)</b>

The overall margin was 2.4 per cent negative. Disregarding the impairment losses and restructuring costs, the margin changed from 1.4 per cent positive for 2012 to 0.1 per cent negative.

## Profit for the period

x € 1 miljoen	2013	2012
Infrastructure	(30)	(31)
Building & Development	(7)	(7)
<b>Specialized Companies</b>	<b>(37)</b>	<b>(38)</b>
Supplies	(4)	(3)
<b>Total</b>	<b>(41)</b>	<b>(41)</b>

The financing item was unchanged relative to 2012 at 7 million euros. Both the capitalized interest on PPP receivables and the interest expenses of the PPP loans decreased through the sale of the PPP projects. The income tax expense for the year was 4 million euros because of profits outside the fiscal unity. The loss for the period was unchanged at 41 million euros.

## Order book

x € 1 miljoen	2013	2012
Infrastructure	596	900
Building & Development	691	731
Specialized Companies	113	90
Supplies	55	56
<b>Total</b>	<b>1 455</b>	<b>1 777</b>
Other	5	(16)
<b>Total</b>	<b>1 460</b>	<b>1 761</b>

The order book contracted by 301 million euros to 1 460 million euros, attributable mainly to the absence of major project acquisitions by Infrastructure in the past year, and the substantial capacity reduction in the regional operations. The main reason for the reduction in the order book for Building & Development was the decrease in the regional companies. The size, quality and composition of the order book, together with the past radical capacity adjustment, make disciplined bidding still feasible.



### Equity and cash flows

Ballast Nedam's shareholders' equity decreased to 90 million euros because of the loss for the period of 41 million euros.

The loss led to a fall in solvency from 17 per cent at year-end 2012 to 13 per cent. The above solvency is as calculated using the method that accounts for joint ventures by recognizing the share in the assets (i.e. the equity method). The solvency as calculated in accordance with the proportionate consolidation method that is currently allowed under IFRS and is applied for the joint ventures, such as the PPP projects, decreased from 15 per cent at year-end 2012 to 11 per cent.

Total assets decreased by 37 million euros to 849 million euros because of lower investments and the sale of the raw material company Yvoir. Current assets minus current liabilities went from 7 million euros to 1 million euros negative. Capital employed decreased by 40 million euros to 210 million euros.

The cash outflow for 2013 was 44 million euros, compared with a cash outflow for 2012 of 11 million euros.

The operating cash flow deteriorated from 1 million euros positive for 2012 to a cash outflow of 24 million euros for 2013, attributable to increased work in progress through lower prepayments.

The cash outflow from investing activities was 16 million euros compared with an outflow of 60 million euros for 2012, consisting of 34 million euros of investment and 18 million euros of disposals. Investments included 19 million euros of property, plant and equipment, 6 million euros of intangible assets, 2 million euros for associates, and 7 million euros of financial assets. The financial assets consisted largely of the PPP receivables for the Zaanstad Penitentiary Pi2. The 12 million euros net investment in property, plant and equipment was lower than the 21 million euros of depreciation.

Most of the cash outflow from financing activities of 4 million euros consisted of the net 4 million euros repayment of long-term loans and financial lease instalments paid.

### Financing position

x € 1 miljoen	2013	2012
Cash and cash equivalents	54	84
Bank overdrafts	(22)	(8)
Net cash	<b>32</b>	<b>76</b>
Recourse loans	(91)	(96)
Financing position	<b>(59)</b>	<b>(20)</b>
Non-recourse loans	(24)	(29)
Financing position including non-recourse	<b>(83)</b>	<b>(49)</b>

Ballast Nedam's financing position declined by 39 million euros from 20 million euros debt at year-end 2012 to a debt position of 59 million euros. The financing position including the non-recourse loans declined by 34 million euros from a debt position of 49 million euros at year-end 2012 to 83 million euros.

Net cash decreased by 44 million euros to 32 million euros. The prepayments on projects went down by 26 million euros to 42 million euros. We expect these prepayments to continue to reduce in the next few years, and more use to be made of the working capital facilities in 2014 than in 2013. At year-end 17 million euros of these facilities had been drawn. The normal pattern is for a larger capital requirement to arise in mid year.

## Loans

x € 1 million	2013	2012
PPP loans	8	6
Land bank financing	40	44
Business loans	51	51
Finance leases	4	7
Other loans	12	17
	<b>115</b>	<b>125</b>
Recourse	91	96
Non-recourse	24	29
	<b>115</b>	<b>125</b>
Current loans	9	17
Non-current loans	106	108
<b>Financing position including non-recourse</b>	<b>115</b>	<b>125</b>

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

The other long-term loans of 41 million euros consist of 8 million euros of PPP loans, for which the interest rate is fixed by means of derivatives. There is no opportunity of recourse on Ballast Nedam for 24 million euros of the 115 million euros of long-term loans.

### Improved solvency in 2014 through a rights issue of 30 million euros and the sale of Feniks Recycling

Ballast Nedam is strengthening its balance sheet through the rights issue of 30 million euros of depositary receipts for shares with tradable rights. Based on the financial position and performance for the full year 2013, solvency in accordance with the equity method at year-end 2013 was approximately 11 per cent. Solvency is expected to rise to 15 per cent following the 30 million euro rights issue. Solvency will rise by a couple more percentage points in 2014 when the sale of Feniks Recycling materializes. Ballast Nedam is aiming for a solvency greater than 20 per cent and a leverage ratio of less than 2.0 in the medium term.

The 5%-plus shareholders, Hurks Group B.V., Navitas B.V., Delta Lloyd Life assurance N.V., Delta Lloyd Holdings Fund N.V., Bibiana Management B.V., Via Finis Invest B.V. and Menor Investments B.V., have committed unconditionally to a participation of approximately 69 per cent in the rights issue. The remainder of the rights issue will be guaranteed through a volume underwriting commitment under the normal conditions by ING and Rabobank, acting as Joint Global Coordinators and Joint Bookrunners.

The rights issue will be submitted to the shareholders at the General Meeting of Shareholders to be held on 25 April 2014. The net proceeds of the rights issue will be used to reduce the company's debt burden, strengthen its financial position, and enhance its financial flexibility. The rights issue must be accompanied by an AFM-approved prospectus. Ballast Nedam's aim is to complete the emission in the third quarter.

#### **Agreement on committed loans**

Ballast Nedam and the banking syndicate of ING Bank, Rabobank and Royal Bank of Scotland, have reached agreement on the key conditions for the committed loans to be extended to Ballast Nedam.

The committed loan facilities of 110 million euros comprise a loan of 80 million euros that matures in 2017, and a bridging loan of 30 million euros that will be repaid in 2014 from the proceeds of the proposed rights issue. The loans under the current non-committed facility of 60 million euros will be repaid with these funds. The financing documentation, including the usual bank covenants, will be completed in the coming weeks.

The interest rate for the loan of 80 million euros is a function of the amount outstanding under the loans and the leverage ratio, and is initially Euribor +4%. The normal securities will be provided in connection with the committed loans. The agreement with the banks stipulates that dividend will be paid on shares only if the leverage ratio is less than 2.0. Ballast Nedam expects to pay out no dividend in 2014.

The committed loans will satisfy the short-term liquidity requirements and provide sufficient financial scope for Ballast Nedam to concentrate on the execution of its strategy.

#### **Controlled disposal of supply and specialized companies in the medium term**

In the medium term the portfolio of supply and specialized companies will be brought further in line with the strategic focus through the controlled disposal of companies that do not contribute to major integrated complex projects. This measure will also strengthen Ballast Nedam's financial position. The sales of raw material company Yvoir and of Gebr. Van Leeuwen Boringen were completed in 2013. The sales processes of the stake in the raw material company Beheermaatschappij Bontrup and of Feniks Recycling are ongoing.

### 3.2 Strategic objectives for 2014

For 2014 we have defined five strategic objectives:

- to focus strategy by acquiring more major, integrated complex projects, applying the life cycle management approach by expanding management and maintenance operations, and adjusting the portfolio through disposals;
- to strengthen the financial position through a rights issue and sales of business units;
- to develop and extend modular products;
- to achieve the CSR objectives stated in Chapter 6 *Our CSR policy* on page 93;
- to achieve the financial objective: a solvency of at least 20 by year-end 2016.

#### YOUR(S) LEIDEN

VORM Ontwikkeling, Ballast Nedam and Syntrus Achmea are creating (Y)ours Leiden, the most sustainable student campus in Europe, with 1900 student apartments, 205 homes for first-time buyers and associated facilities. The first pile was driven on 10 July 2013. Sales of the initial phases have been extremely successful. The first students will be able to move in in 2015.





#### **BRIDGE AT EWIJK**

A fine example of bridge renovation. Ballast Nedam and Strukton are setting about this steel colossus in a unique renovation project. The work is being carried out by the CVB consortium for the Directorate-General for Public Works and Water Management. The consortium partners are Ballast Nedam Infrastructure and Strukton Civil Projects.







# 4

## Segments

### 4.1 Infrastructure

The Infrastructure segment's operations are organized in two clusters, which in 2013 completed the transition to an infrastructure company with national operations, also reducing exposure to the loss-making traditional markets.

#### *Market developments*

Pressure on the volume in the infrastructure market is undiminished. There number of foreign players on the domestic market is increasing, which is in addition to competition from the Dutch market. Competition is also increasing for the large Design, Build, Finance and Maintain (DBFM) projects, and in the industrial construction niche market. On the other hand the offshore wind turbines niche market remains favourable, albeit that there are delays because of permit procedures and grid connection issues. Our expectation is competition in this niche market will intensify with the arrival of new installation vessels. We are embarking on cost reductions with a view to achieving and sustaining the profitable operation of offshore wind farms. For the industrial construction niche market we are observing an increasing number of requests from the market. We see promising developments In the sustainable – geothermal – energy market.

Infrastructure projects that were postponed in 2013 were mainly in rural areas, because of the national government's priority on areas of key economic importance to the Netherlands. Local companies and regional governments have taken various advance financing initiatives for these projects, with a view to bringing forward their execution nonetheless. This approach has been successful so far for the A58 projects, the A1 corridor, Rotterdamsebaan and N35 Zwolle-Wijthmen.

Several road projects to improve traffic flow and access will be given priority in the next few years: the Blankenburg link, the Utrecht Ring (A27/A12), A13/A16 and the extended A15. Also significant are the renewals of major train stations in Utrecht, Rotterdam, The Hague and elsewhere. The quality of our waterways is also essential for accessibility, and various locks are being tackled under the DBFM locks programme. The government has put various infrastructure projects out to tender in accordance with Best Value Procurement (BVP), with more expected to follow.

Best Value Procurement is an approach based on the greatest customer value at the lowest price. Bidders are given an opportunity to demonstrate their expertise to the full, and the freedom to distinguish themselves from others.

The national government's Structure Vision for Infrastructure and Space provides the framework for spatial, water and mobility plans for the Netherlands to 2040, and determines the investment focus. It provides input for the Multiannual Programme for Infrastructure, Space and Transport (MIRT). The MIRT Project Book 2014 that the national government issued at the end of October 2013 suggests that the tendency to postpone projects will continue.

#### 4.1.1 Results for the Infrastructure segment

x € 1 million	2013	2012
Revenue	546	496
EBIT	4	10
Margin	0.8%	2.1%
Order book	596	900
Assets	247	214

Infrastructure achieved a profit of 4 million euros. Good results on several major projects exceeded the losses incurred on the major A15 Maasvlakte-Vaanplein highway project and several old regional projects that predate the 2012 restructuring operation. The results achieved on the ongoing major projects in the offshore wind turbines and industrial construction niche markets were also good. Disregarding the restructuring costs, the operating profit went down by 13 million euros to 4 million euros.

2013 saw the transformation to an infrastructure company with national operations, which has reduced our exposure to loss-making traditional markets. Total employee numbers have been reduced from more than 800 to approximately 475 in the past two years. This adjustment is larger than the fall in volume in the market. The issues on the old regional projects are nearing resolution.

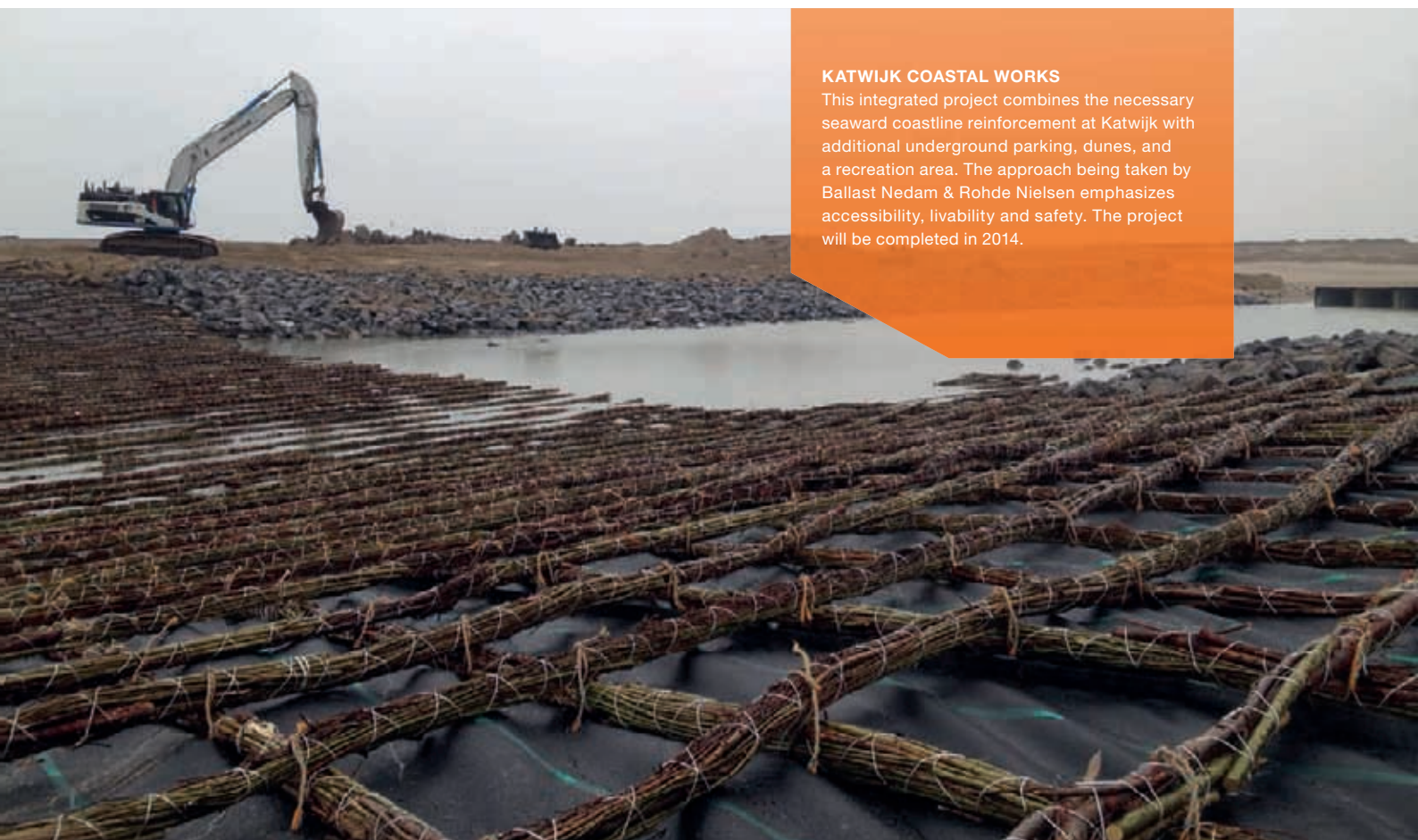


The order book contracted from 900 million euros at year-end 2012 to 596 million euros because of good progress on several major multiyear projects and the absence of new large project acquisitions on the domestic market in the past year. In the offshore niche market, Ballast Nedam acquired a contract in early 2013 for the Northeast Polder near-shore wind farm. Ballast Nedam is designing, delivering and installing the foundations for 48 water-based wind turbines along the dikes of the polder. Financial close of the project is expected in the spring of 2014, after which preparations will start for the installation work in 2015. The project has yet to enter the order book.

Financial close for the Butendiek offshore wind farm project was reached at the beginning of 2013. The project, which has now started, is for the design, delivery and installation of 80 foundations for the Butendiek offshore wind turbine project in Germany. In the second half of 2013 Ballast Nedam installed 39 monopiles and transition pieces in the EnBW Baltic 2 offshore wind farm. Ballast Nedam used its Heavy Lift Vessel (HLV) Svanen to install the foundations. The method used involves bringing the monopiles to the Svanen, which acts as a floating installation platform. This working method has been optimized in recent years to achieve an extremely time-efficient installation.

To date Ballast Nedam has used the Heavy Lift Vessel Svanen to install more than 400 offshore wind farm foundations.

Major projects in the industrial construction niche market that we completed in 2013 were the Nuon Magnum and the Eneco Bio Golden Raand power plants. Projects scheduled for completion in 2014 are BP water treatment in Rotterdam and the new Delta Flume for Deltares in Delft. We took on more maintenance projects in the Netherlands in 2013 than in recent years, thereby expanding our national position in industrial maintenance with new regions in Groningen-Friesland, Amsterdam and Brabant-Limburg.



#### KATWIJK COASTAL WORKS

This integrated project combines the necessary seaward coastline reinforcement at Katwijk with additional underground parking, dunes, and a recreation area. The approach being taken by Ballast Nedam & Rohde Nielsen emphasizes accessibility, livability and safety. The project will be completed in 2014.

The construction consortium of Ballast Nedam & Rohde Nielsen started work in October 2013 on the Katwijk Coastal Works project. This integrated project combines the necessary seaward coastline reinforcement at Katwijk with additional underground parking, dunes, and a recreation area. The beach will stay open for recreational purposes for the whole 2014 summer season. This is an engineering & construct (E&C) contract worth approximately 38 million euros, which will be completed in 2014.

The construction consortium of Ballast Nedam & De Klerk started preparations in 2013 for the renovation of sheet piling along the Amsterdam-Rhine Canal. Having a standard approach to renovating all 67 sheet pile sections helps save costs. More than 23 kilometres of sheet piling between Amsterdam and Wijk bij Duurstede are to be renovated. This is a design & construct contract with a value of over 30 million euros, which will be completed at the end of 2015.

In 2013 the Port of Rotterdam awarded Ballast Nedam the Infrastructure Asset Management integrated performance contract. For five years from 2014 Ballast Nedam will have responsibility for the operational management and maintenance of all Port of Rotterdam dry infrastructure. This integrated performance contract comprises the multiyear maintenance of all dry infrastructure in the Rotterdam port area, which stretches for almost 40 kilometres and covers 12,500 hectares, including Maasvlakte 2. The contract includes approximately 250 kilometres of road infrastructure, overground cables and lines, the external area, the allocatable sites, some 6,700 lighting masts and around 8,000 trees. The contract also includes large-scale lighting modifications.

The Surinam Ministry of Public Works has awarded Ballast Nedam a new contract for the design and construction of the Carolina Bridge over the Surinam river. There is a separate agreement settling the termination by the ministry of an earlier contract in August 2011. The project management on behalf of the Ministry of Public Works is to be performed by a consortium of four Surinamese engineering consultancies. The contract value for the design and construction of the bridge is approximately 19 million euros.

Infrastructure's total assets rose from 214 million euros to 247 million euros because of increased work in progress.

#### *Action plans for 2013*

The Infrastructure segment's primary focus is on improving the operational performance and enlarging the PPP portfolio. We report below on our progress in 2013.

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

*Building Information Models (BIM)*: our aim is to use BIM on all new complex projects in the Infrastructure segment, which will help us manage risks more effectively. Two projects started in 2013: Amsterdam-Rhine Canal sheet piling renovation (DARK) and Katwijk Coastal Works. We are using BIM only in Katwijk, because BIM adds less value for projects of relatively low complexity. However, we are using the Geographical Information System (GIS) on the DARK project, specifically for the cables and lines involved.



*Company manual:* in accordance with our action plan for 2013 we are evaluating our company manual for compliance with Lean Management principles. We use many Lean methodologies in Infrastructure segment projects. A group of 75 of the segment's employees attended a Lean Management training course in 2013. Process owners have updated processes in the company manual on the basis of Value Stream Mapping (VSM) and other Lean methodologies. We passed the audit in September 2013.

*Health, Safety, Security and Environmental (HSSE) Officer:* in accordance with our action plan for 2013, we have appointed an HSSE Officer, which has helped increase safety awareness in the organization. The HSSE Officer calls employees to account, monitors the projects and makes recommendations to guarantee the safety of construction site workers.

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

The planned focus on product-market combinations (PMCs) did not fully materialize in 2013. After the integration of the two Infrastructure clusters, the focus was mainly on the results. Industrial construction persevered steadily on the cooling water systems and geothermal technology product-market combinations .

Plans for product-market combinations for sustainable parking and underpasses did not take shape in 2013.

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

The PPP portfolio remained unchanged. No successes were added to the two projects in portfolio: the A15 Maasvlakte-Vaanplein (MaVa) and A2 Maastricht. The proposal for Schiphol-Amsterdam-Almere (SAA) A9 will be crucial in 2014.

**4.1.2 Specific focus and action plans for 2014**

The main spearhead for the Infrastructure segment for 2014 is to improve the financial position and raise the quality of the results. The segment's focus in 2014 will also be on the following:

- to improve safety: in 2014 we intend to achieve 1.0 or below on the Lost Time Incident Report (LTIR), which means one accident resulting in absence from work in 200,000 worked hours;
- to apply the environmental aspect register to all projects in 2014, which will lead to more environmentally aware behaviour;
- to improve EBIT per project, and improve project control. Each project must achieve the financial criteria as a minimum;
- for Lean thinking and acting to stand for the learning organization in 2014. We will record progress on this point through regular measurements in a fixed group.

## 4.2 Building & Development

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

### *Market developments*

The markets deteriorated further last year. Price pressure increased accordingly. The new build production rate for homes has fallen by 35 per cent since the crisis began. There was a particularly sharp fall in regional building production, resulting in intense competition and low prices. For 2014 we expect the volume to decrease further (7 per cent, source: EIB). Loans continue to be issued only sparingly, and the borrowing capacity of many households has declined considerably.

The stimulus provided by VAT and transfer tax changes and sustainability-related incentives do not currently outweigh the fall in demand caused by changes in the systems on the mortgage market and in the social rented sector. Pressure on the volume in the housing market increased further because of the introduction of the extra tax on housing associations, which have duly scrapped or postponed projects. Exceptions to the rule were homes for first-time buyers, student accommodation and recreational dwellings, which performed relatively well.

There are tentative signs of a housing market recovery. The signs are still faint, but if they continue in a favourable direction then 2014 will be largely a transitional year. In the medium term the picture for the building industry is promising. Home production has fallen back to 45,000 a year, while there is a structural demand for 70,000 homes a year. Meanwhile the number of households that need a home is growing.

There are now various positive and negative factors in the Dutch economy that affect non-residential construction. First, the overcapacity is slowing the new non-residential building production rate: the occupancy level in industry is low, there is vacant commercial property on many industrial estates, the overcapacity on the office market is over 15 per cent, and vacancy levels are increasing on the retail market because of the emerging internet economy. There is also a structural decline in space requirement per employee. These factors are partly related to economic circumstances, but also have a structural element. We therefore expect recovery in the office market to occur later.

There are good opportunities in the renovation and maintenance market in residential and non-residential construction, with help from the government's VAT changes and the measures in the new Energy Agreement. The transformation of vacant property into different functions remains interesting.

### 4.2.1 Results for the Building & Development segment

x € 1 million	2013	2012
Revenue	531	573
EBIT	(11)	(26)
Margin	(2.2%)	(4.6%)
Order book	691	731
Assets	289	314

Building & Development incurred an operating loss of 11 million euros because of impairment losses and restructuring costs.



Disregarding the write-downs and restructuring costs, the result was break-even. The major projects made an excellent contribution. The regional companies and property development produced a loss.

Results in the regional construction companies were under pressure because of low revenues, undercoverage and high costs. The rigorous restructuring of the regional construction companies will accordingly continue in the first half of 2014, to produce a company with integrated operations, and a focus on relatively large, integrated complex projects, together with a renovation company, Bouwborg, with national scope. The property and area development activities will be integrated into the Concessies business unit, which also manages the PPP and concession project portfolio. Laudy Bouw & Ontwikkeling will continue to operate as a regional company in the south of the Netherlands, whereby the cost structure will also be improved. These capacity adjustments are estimated to involve the loss of 150 jobs.

The revenue of Building & Development decreased by 7 per cent to 531 million euros. The underlying revenue of all operations was lower, with the exception of the CNG activities. CNG Net B.V., which operates in the mobility and energy areas of work, succeeded in increasing revenue by expanding the number of CNG (natural gas and green gas) filling stations in the Netherlands. With CNG Net, Ballast Nedam operates 68 CNG filling stations supplying natural gas and green gas, which represents an expansion of 11 stations in 2013. In addition some ten more filling stations were constructed for private investors in 2013. LNG24 operates the first public LNG filling station in the Netherlands, in Zwolle. A start was made in 2013 on preparations for a second station in Delfgauw.

The Building & Development order book contracted by 40 million euros relative to 2012 because of the completion of several major projects and fewer contracts in the regional construction companies.



#### **CYCLE PARK ROTTERDAM CENTRAL STATION**

The new underground cycle park in front of the station has room for 5190 bikes in 3760 free spaces and 1430 paid attended spaces. The new underground cycle park is linked directly with Rotterdam Central metro station and the public transport terminal.

#### *Major integrated, complex projects*

The Pi2 consortium, a joint undertaking of Ballast Nedam (65 per cent) and Royal Imtech (35 per cent), has reached financial close for the Zaanstad Penitentiary PPP project. Pi2 is responsible under the DBFMO contract with the Government Buildings Agency for the design, new construction, financing, maintenance and technical facilities management for a 25-year period following availability.

The construction consortium completed the Meander Medical Centre exactly in accordance with the contractual schedule. The first patients were transferred to the new site shortly before Christmas. The conveniently laid-out hospital is of exceptionally high quality, certainly in the light of the tight building budgets in the healthcare sector. Progress on the construction of the logistically complex Erasmus Medical Centre in Rotterdam is also right on schedule. Ballast Nedam was able to use the expertise gained on major integrated, complex projects on the Dutch hospitals market in acquiring the Design, Build & Maintain contract for the new hospital in Curaçao.

Financial close was also reached for the work for Amsterdam Airport Schiphol's transition to central security. Ballast Nedam is constructing an overlay on the E and F piers and a terminal extension between them. The quality criteria on which Schiphol selected the economically most favourable bid were oriented to a predictable, flexible and disruption-free implementation. This is one project that has been won that is a perfect match for Ballast Nedam's strategy to build in a dynamic, logistically challenging environment.

The official start of building on the new Hilton Hotel at Amsterdam Airport Schiphol has been celebrated. The new Hilton Hotel will have 433 rooms, 23 meeting rooms, an 'all-day' restaurant and bar, an executive lounge, a spa and fitness centre, a large atrium with a lobby, and an underground car park with 138 spaces. A covered promenade links the hotel directly with the Schiphol terminal building. The new Hilton Hotel is sited prominently along the terminal approach road, opposite the current Hilton Hotel.



The existing Hilton Hotel will remain in use until its replacement opens, which is expected in mid 2015.

Producing the winning bid for the Hart van Zuid development area was an extraordinary achievement after a tendering procedure of over one-and-a-half years. Ballast Nedam's plan is for the area around the Zuidplein retail centre and Ahoy event centre to grow in the coming twenty years into a focal point for shopping, business and entertainment. The human scale of the urban development will be restored in this area, so that Rotterdam South residents will feel at home there. Ballast Nedam is responsible for the development and construction of various social property projects, and future project development results will enable it to achieve another of the city's package of requirements.

The new Food Center Amsterdam is another 25-year area concession, where the consortium of Ballast Nedam and VolkerWessels is managing the pace and content of this integrated area development. The project will transform the current area of about 23.5 hectares into a new and modern Food Center. Some 100,000 m<sup>2</sup> will be for commercial activities, and there will be around 1,600 new build homes. The Central Market Hall, which is a listed building, is also to be restored.

Ballast Nedam has also received the provisional award for the Thialf stadium renovation in Heerenveen.

Rotterdam's mayor Ahmed Aboutaleb and alderman Hamit Karakus, and Ballast Nedam's CEO Theo Bruijninx, signed the principal contract on Friday, 1 November 2013, setting down the criteria, division of roles and agreements. This vision will give Hart van Zuid a substantial quality boost in the coming decades, delivering hundreds of new jobs and opportunities, and better facilities for local residents while adding social value for Rotterdam as a whole.



#### *Modular construction*

Woonbedrijf and Ballast Nedam are to build 74 energy-neutral iQwoning® homes in Eindhoven. The building style and advanced quality of the new rented homes match the owner-occupied housing that Ballast Nedam built in the area at an earlier stage. The homes' energy-neutral properties are attributable to excellent insulation, including triple glazing, extra roof insulation and gap seals, and the application of various sustainable systems, such as solar panels. Every day two homes are erected, with finishing work completing six weeks later. The homes in the first phase were complete in week 51, with the homes in the final phase expected to follow in April 2014.

Ballast Nedam also won the contract from student accommodation organization DUWO for the redevelopment and new building of the Uilenstede campus in Amstelveen. Ursem Modular Building Systems is applying modular construction techniques on this project. The building, which has 233 new accommodation units, will be identical in style to the other new campus buildings. Ursem Modular Building Systems is a pioneer in modular building to a height of eleven floors.

#### *Renovation and maintenance*

Bouwborg, Ballast Nedam's national renovation company, started a large-scale renovation project for BrabantWonen in early 2013. This is a three-year project for the renovation of 324 homes in the Graafsewijk Barten-Zuid district of Den Bosch. A feature of this project is the compelling social challenge that Bouwborg seeks to meet together with the client and chain partners. Ballast Nedam was also the lowest bidder on the engineer and build contract for the Thuisvester housing association, for the renovation and energy-efficiency improvement of 363 homes in Oosterhout. The preparations for this project are already in progress. Ballast Nedam also acquired a contract for three large maintenance projects in Capelle aan den IJssel and Leiden. Laudy Building & Development received an order for specialized restoration work on St. John's Bastion in Den Bosch.

Ballast Nedam, six housing associations and three construction companies signed the Stroomversnelling Green Deal at the end of June 2013, which involves the sustainable renovation of 111 000 rented homes from between 1950 and 1970.

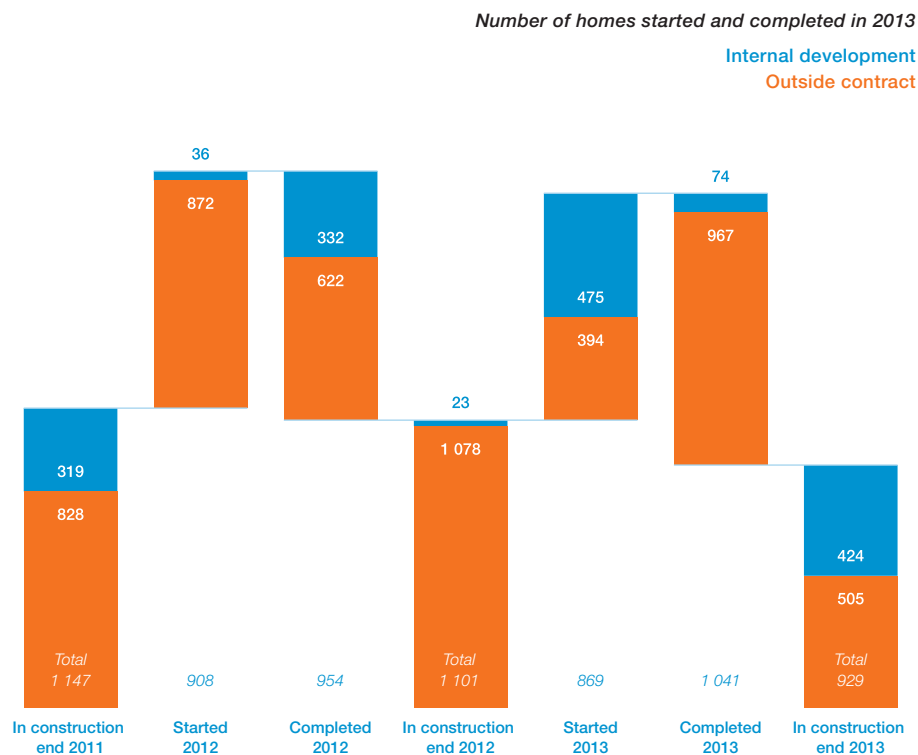


The development of the first four prototypes started in September 2013, and the first projects will be tackled in 2014. The contract stipulates that with a viable business case the sustainable renovation of the first 11 000 homes will be guaranteed by the four participating construction companies. Residents will have more comfortable homes, and no more energy bills. Landlords, such as housing corporations, will then meet their sustainability targets, increase the value of their residential property, and improve existing residential areas.

Building & Development's assets decreased by 25 million euros to 289 million euros as a result of lower housing stocks and land positions.

### Property development

The number of completed homes increased in the past year by 9 per cent to 1 041, so that the number of homes under construction was 172 fewer, at 929. The number of in-house developed homes under construction rose strongly from 23 at year-end 2012 to 424. There was a shift in 2013 from construction contracts to in-house developed homes, largely because of the start on 350 student apartments for (Y)ours Leiden, 74 energy-neutral iQwoning® homes in Berckelbosch and 35 recreational dwellings for the Nieuwvlietbad beach resort project.



## Property development exposure

x € 1 million	2013	2012
Land positions	142	152
Unsold stock under construction	5	6
Unsold stock delivered	10	18
<b>Total on balance</b>	<b>157</b>	<b>176</b>
Liabilities to complete projects under construction	3	1
Liabilities to acquire land positions	44	39
<b>Total liabilities off-balance</b>	<b>47</b>	<b>40</b>
<b>Exposure property development</b>	<b>204</b>	<b>216</b>

The total property development exposure, which consists of investments in land positions, investments in unsold stock and the unconditional purchase commitments and subsequent payment obligations, decreased in 2013 by 12 million euros to 204 million euros.

In addition, the conditional purchase commitments increased by 12 million euros from 143 million euros at year-end 2012 to 155 million euros. The ambition is to lower the capital invested in property in the next few years by studying the prospects for each location, while accelerating the development of some relatively large locations.

The total investment in unsold stock, both delivered and under construction, went down in 2012 by 9 million euros to 15 million euros. The number of unsold homes went up from 67 at year-end 2012 to 96. The number of unsold homes went down from 56 at year-end 2012 to 27 at year-end 2013, spread over ten projects.

There was a net decrease of 8 million euros in unsold delivered stock to 10 million euros, attributable in part to the sale of homes in the Nieuwvlietbad beach resort and Entrada Meuse Cuijck projects.

In December construction started on Building C (60 rented and 57 privately owned apartments) of (Y)ours Leiden. The sale of the 57 apartments went extremely well, and 55 apartments have now been sold, with options on the other 2. In June construction started on Building B of (Y)ours Leiden, which comprises 583 student apartments, 457 of which have been sold and 126 unsold. VORM Ontwikkeling, Ballast Nedam and Syntrus Achmea Real Estate & Finance are developing and constructing (Y)ours Leiden, the most sustainable student campus in Europe, with 1 900 student apartments, 205 homes for first-time buyers and associated facilities.

On behalf of the Ymere housing association, Ballast Nedam is replacing two of the five apartment buildings on Tugelaweg in Amsterdam-Oost with mixed new building. The 157 newly built homes are a combination of 85 for social rent, 33 for market rent, and 39 for owner-occupation. Ballast Nedam and the Thuisvester housing association in Oosterhout have agreed on the price for building 56 houses and 104 apartments. 37 of these homes are now under construction.

Sales started in early September of the 29 owner-occupied homes in the first phase of the Weidelanden building plan. In the meantime, 23 sales contracts have been signed. We now have preparations in place for Wonen Central for the new building of a retail strip with built parking facilities and 112 apartments in Alphen aan den Rijn.

#### Land positions

x € 1 miljoen	2013	2012
1-jan	152	154
Net investment	(9)	19
Write-down	(1)	(21)
<b>31 December</b>	<b>142</b>	<b>152</b>
Cumulative write-down	40	39

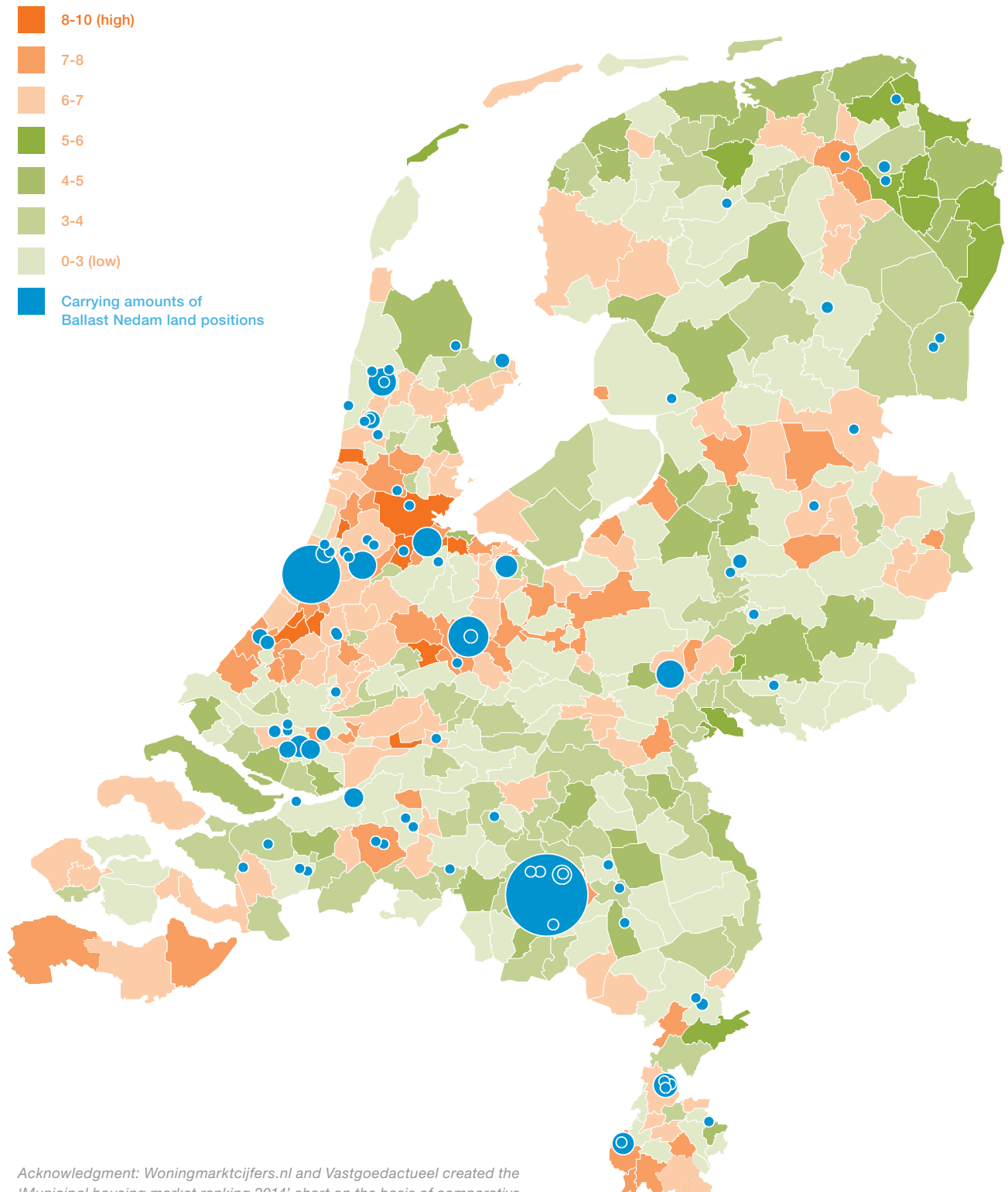
Each year, or earlier if the need arises, a plan assessment based on scenario analyses is performed for each land position.

The present value of all future cash flows is estimated using a weighted average cost of capital of 9 per cent. These cash flows at the current price level are not indexed. We have also factored in a 3 per cent margin for sale risk and we are taking no account of the result on the building. The carrying amount of the land bank comprises almost no interest and preparatory expenses.

The land positions decreased by 10 million euros to 142 million euros, consisting of a net disposal of 9 million euros and a write-down of 1 million euros. The net disposal of 9 million euros consisted largely of the sale of the Brakkenstein land position in Nijmegen and various smaller positions in 2013. The still outstanding unconditional obligations to acquire land positions increased by 5 million euros to 44 million euros, of which 30 million euros will fall in the 2014 to 2018 period, and 14 million euros in 2019 and later.

The write-down of 1 million euros related to a position, within the entire land bank of approximately 100 positions, in connection with a future obligation to sell. The cumulative write-down on land positions therefore increased by 39 million euros at year-end 2012 to 40 million euros, which is 21 per cent on the entire land bank since 2008.

## Carrying amounts of Ballast Nedam land positions



Acknowledgment: Woningmarktcijfers.nl and Vastgoedactueel created the 'Municipal housing market ranking 2014' chart on the basis of comparative research of all municipalities on the following seven components: average purchase price, price trend, trend in number of transactions, housing supply trend, theoretical sale time, and ratios of transactions/stock for sale, and of housing supply/stock for sale.

For practical reasons the chart does not show the place names concerned.  
For additional information: [www.woningmarktcijfers.nl](http://www.woningmarktcijfers.nl)

The estimated development potential of the land bank fell by 15 per cent from 10 000 homes at year-end 2012 to approximately 8 500, mainly because of lower estimates of the numbers of homes to be built and the sale of land.

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

On the Nieuwvlietbad beach resort project, phase 1, with 88 recreational dwellings, and which started in 2012, has been completely sold and delivered. The rental yield on the park is above expectation. Phase 2a with 55 recreational dwellings, and which started in 2013, has been completely sold and delivered, and is now for rent. The construction of phase 2b has also started, and 17 of the 23 recreational dwellings have been sold. The sale of phase 2c started in late 2013, and 17 of the 34 homes have now been sold.

#### *Action plans for 2013*

The Building & Development segment's focus was on improving operational performance and the existing package of products.

##### **To improve operational performance through permanent improvement programmes**

The several bottom-up improvement programmes that have started within Building & Development enjoy broad support and commitment. We have shared the experience gained within the segment, and worked out how working methods relate to results. These are the first steps towards a company with integrated operations, which is organized for relatively large, integrated, complex projects. We reassessed the impact of the Better Performing Organizations (BPO) programme that was started in 2012 through an employee survey in 2013: the scores had increased on average.

##### **To improve the existing package of products**

The concept teams that were introduced in the Building & Development segment in 2013 jointly develop concepts, from the selection of promising ideas to market introduction, and work systematically and efficiently on a new Ballast Nedam product or service with high added value for client groups.

The benefits obtained with the concept teams are tighter current business models, better approaches to market segments and client groups, new service packages, and innovative product applications. All concept teams engage in intensive dialogue with stakeholders as part of their quest to collect and analyse information about what the market expects from Ballast Nedam.

#### *4.2.2 Specific focus and action plans for 2014*

The regional construction companies will undergo drastic restructuring in the first half of 2014, including improvements to the cost structure. The Building & Development segment's focus is also on improving operating performance and the existing package of products. We also aim to involve users and project partners directly in the organization's improvement objectives. There is more in Section 7.3 *Operational dialogue on four levels* on page 137 about the customer satisfaction survey and how it relates to our improvement targets.



## 4.3 Specialized Companies

The companies aspire to being specialized subcontractors for integrated projects in construction, infrastructure and niche markets. Risk-bearing participation in the projects is restricted to their own scope.

### Market developments

The volume in the markets for the specialized companies declined, since they are largely derivative markets of infrastructure and construction. The price level in road-building and concrete construction continues to be poor. The demand for hydraulic engineering constructions, such as quay walls, bank improvements, locks, coastal works, jetties and temporary berths, is increasing. Significant sources of these projects in the Netherlands include the High Water Protection Programme (HWPP), the Space for the River programme, and the Delta Fund.

#### 4.3.1 Results for the Specialized Companies segment

x € 1 million	2013	2012
Revenue	260	262
EBIT	(19)	(10)
Margin	(7.5%)	(3.8%)
Order book	113	90
Assets	115	131

The Specialized Companies segment incurred a very disappointing loss in 2013 of 19 million euros. The successes achieved in the companies that performed well were overshadowed by sustained losses in two specialized companies. Capacity in the two specialized companies has been reduced, and several loss-making products were discontinued in 2013. Disregarding the restructuring costs the loss increased from 7 million euros in 2012 to 14 million euros. Ballast Nedam sold the Boringen (Drilling) unit of the wholly owned subsidiary Gebr. Van Leeuwen to Kleywegen Group at the end of 2013.

Revenue decreased by 2 million euros to 260 million euros. Much of the revenue achieved in the specialized companies arose from projects such as the A15 Maasvlakte-Vaanplein (MaVa), the A2 Maastricht, Amsterdam-Rhine Canal sheet piling renovation (DARK), Katwijk Coastal Works, Breda public transport terminal and the overlay of the E and F piers at Amsterdam Airport Schiphol. These projects will continue to contribute to revenue in 2014. Nonetheless, as last year, this year's revenue will decrease further as these large projects decline, and because of the sale of Gebr. Van Leeuwen Boringen and capacity adjustments following the restructuring of the Funderingstechnieken business unit and Gebr. Van Leeuwen and IPM. In 2013 the Specialized Companies segment and Van Oord acquired the Maasvlakte 2 Public Berths project.

In alternative and conventional fuels, where the Specialized Companies segment's main operations are in filling station construction and maintenance, investments are falling and there is a shift from new building to refurbishment and maintenance. We build dedicated CNG filling stations for small parties who wish to avoid dependence on a public filling station. Potential customers from Germany, Switzerland and the Czech Republic know where to find Specialized Companies. In 2013 Ballast Nedam delivered a professional home-base CNG filling installation on a turnkey basis to the Portuguese energy company EDP.

The filling installation serves the fleet of 20 new natural gas vehicles rapidly and simply on EDP's own site in Porto.

The demand for LNG filling stations is less than expected. LNG24 operates the first public LNG filling station in the Netherlands, in Zwolle. A start was made in 2013 on preparations for a second station in Delfgauw. In late 2013 a semi-permanent 350-bar hydrogen station was taken into use at AutomotiveCampusNL in Helmond. Ballast Nedam has acquired a follow-on contract for the construction and maintenance of a hydrogen filling station for the Flemish-Dutch WaterstofNet, this time for the first 700-bar station in the Netherlands. This filling station type is compatible with the new generation of hydrogen-fuelled passenger cars that will be put on the market.

The Dutch remediation market is declining, and we are withdrawing from it. The environmental activities are now focused on Belgium, where the remediation market is better, and is set to remain stable for the next few years. Our strategic soil storage and cleaning site in Zutendaal is in a good starting position for 2014. The number of soil remediation projects to be carried out for the governments of Flanders and Wallonia strengthens this position.

Several business units within the Specialized Companies segment focus on consultancy and engineering, and generally they are performing well. The main customers of these business units are fellow Ballast Nedam companies. In order to retain the specialized position of these companies, we are investing continuously to enhance employee knowledge in areas such as legislation, BIM, Reliability, Availability, Maintainability and Safety (RAMS), and the latest technical systems.

The order book grew by 26 per cent to 113 million euros, and total assets went down by 16 million euros to 115 million euros as a result of lower investment.

#### *Action plans for 2013*

The action plans for 2013 were:

- to improve compatibility with activities in the Building & Development segment;
- to reduce the burden on the local community from construction activities;
- to expand our secondary raw materials activities.

We report below on our progress in 2013.

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

The compatibility with activities in the Building & Development segment improved reasonably well. Together with Ursem Modular Building Systems we are studying further constructional developments of their building system, the engineering department is performing an increasing number of consultancy assignments for Building & Development, and more dimensioning support is being provided.

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

To reduce the burden on the local community, we are carrying out fuel-reducing measures, using hybrid machines, and increasing the number of CNG-fuelled vehicles in our fleet (45 per cent). We have investigated the opportunities for using LED technology. We have decided not to do so yet, but to follow technological developments closely.

#### **To expand our secondary raw materials activities**

The expansion of our secondary raw materials activities is generally progressing well. The production rate at the Nauerna soil remediation site is in line with our expectations.

After intensive tests for the application of incineration ash from waste power plants, we are working on an initial pilot project for processing the ash using wet cleaning technologies. There is additional information in Section 4.4.1 *Results of the Supplies segment - action plans for 2013* on page 73.

#### 4.3.2 Specific focus and action plans for 2014

In line with our strategic focus, operational control will be integrated further starting in 2014. The Specialized Companies and the Supplies clusters will be merged into a single Specialized Companies & Supplies cluster, and the policy within the clusters will be brought further into line. The main priorities for the Specialized Companies segment in 2014 are to improve the financial position and enlarge the third party market proportion in our order book. In 2014 the segment will also focus on:

- process optimization and the reduction of failure costs;
- strengthening sales, marketing and innovation;
- making the companies more flexible.

We explain these points below.

##### *Process optimization and the reduction of failure costs*

The specialized companies' distinctive products give Ballast Nedam a demonstrable competitive advantage. Process optimization and the reduction of failure costs will lower costs and raise product quality. Tighter process management in the proposal and contracting stages helps reduce risks. We will depart where possible from heavily capacity-driven markets, with the focus of operations shifting to niche markets. Some companies have already conducted improvement programmes in recent years. The aim in these companies is to bring about a permanent change of attitude.

##### *Strengthening sales, marketing and innovation*

The strength of a specialized company resides in the capacity to innovate. As well as expanding and strengthening knowledge and skills, we will endeavour in 2014 to strengthen sales and marketing in the specialized companies, in particular for the third-party market. We will continue the current commercial activities for the foreign market.

##### *Making the companies more flexible*

The companies need to be more flexible to be able to anticipate market shifts and so ensure the health of the business in the future. Flexibility is being enhanced both inside and outside the company. Internally we work with essential key staff, supplemented with a flexible shell. All key staff must have all-round skills and training. Externally the business units are working together more intensively, making use of each other's capacity, and partnership with external parties is not ruled out.



#### AQUEDUCT LEEUWARDEN

The provincial government of Friesland and the municipality of Leeuwarden are creating access to Leeuwarden with the Western approach road, which connects to the Haak om Leeuwarden highway. The project involves the creation of an aqueduct in the Van Harinxma canal.

## 4.4 Supplies

The Supplies segment comprises the companies that extract primary raw materials and produce secondary raw materials, the prefabricated concrete companies, the modular product plants, a foundry, and various holdings. The companies operate on a variety of competitive markets, and there have been differences in their respective performance in the past year.

The supply companies' distinctive products give Ballast Nedam a demonstrable competitive advantage in the integrated projects, besides which they focus on promising growth markets and niche markets inside and outside Ballast Nedam. The companies supply knowledge and devise innovative solutions in the early stages of these projects, and continue to contribute to their implementation.

### *Market developments*

There is some variation within the segment, but all the companies are confronted with an extremely competitive market.

The market for sand and gravel continued to be difficult in 2013, with little demand and abundant supply leading to falling prices. In general the market for waste processing ash can be said to have been reasonable to good in 2013.

A price war is also in progress in the prefabricated concrete market because of the plentiful supply. The result is poor prices and low margins, in particular for standard products. There is still a market for specialized concrete applications in both the Netherlands and Belgium. A further increase in production of the prefabricated concrete companies for non-residential construction in industry, distribution and agriculture is expected in 2014.

In the office market, conversion is a potentially interesting market, from which companies such as Microbeton (with external walls) and Ursem Modular Building Systems (with prefabricated bathrooms) stand to benefit.

On the market for modular construction we are observing a growing demand for rented housing in the liberalized segment. Another favourable trend is the future need for accommodation for specific target groups, such as young people, first-time buyers, and elderly people, which translates into good market prospects for iQwoning® and Ursem Modular Building Systems.

#### 4.4.1 Results for the Supplies segment

The supply companies have generally had a difficult year. Low production in residential, non-residential and infrastructure construction has restricted demand for the prefabricated concrete and raw material companies, which coincides with ample supply on the market and low margins. Companies such as Recycling Maatschappij Feniks, Ballast Phoenix, TBS Soest and Concrete Valley, which have a strong position in the markets in which they operate, proved their added value in 2013 and contributed profitably to the Supplies segment.

x € 1 miljoen	2013	2012
Revenue	212	216
EBIT	8	2
Margin	3.8%	0.9%
Order book	55	56
Assets	187	205

The revenue of Supplies went down by 4 million euros to 212 million euros because of the sale of the raw material company Yvoir.

Operating profit rose by 6 million euros to 8 million euros. Disregarding the write-downs and restructuring costs, operating profit remained unchanged at 9 million euros. There was also an impairment loss in 2012. Improved results in the prefabricated concrete companies and the sale of Yvoir and an associated asphalt plant supported the profit.

Price and volume pressure caused by the poor market conditions led to a modest loss for the prefabricated concrete companies. The raw material companies achieved a lower but positive profit because of the lower revenue. Feniks Recycling made a fine contribution on the secondary raw materials niche market. Preparations started in 2013 on the construction of new plants in Cleveland and Ipswich, which entered operation in 2014. Work is also in progress on the capacity enlargement of plants in Sheffield and Castle Bromwich, which will be operational in 2015.

The margins in the raw materials market were under severe pressure. Granite Import Benelux was also confronted with falling prices. We expect little improvement on this front in 2014. The offshore industry was a favourable exception: Bremanger Quarry performed extremely well in 2013. There was great pressure on raw material deliveries by Granite Import Benelux and Antwerp Stone Terminal to the concrete and asphalt industry end markets. The Bichterweerd companies are in a transitional period to new concession areas.



The margins in the raw materials market were under severe pressure. Granite Import Benelux was also confronted with falling prices. We expect little improvement on this front in 2014. The offshore industry was a favourable exception: Bremanger Quarry performed extremely well in 2013. There was great pressure on raw material deliveries by Granite Import Benelux and Antwerp Stone Terminal to the concrete and asphalt industry end markets. The Bichterweerd companies are in a transitional period to new concession areas.

Work on the 'New Life in the Lus van Linne' project started in the autumn of 2013. In close collaboration with the Limburg Landscape Foundation, the municipalities of Roermond and Maasgouw and local residents, Ballast Nedam will transform the meander known as the Lus van Linne in phases over the next fifteen years into 200 hectares of species-rich river nature, with a variety of recreational facilities and flood protection measures. This redevelopment will be combined with estimated resource extraction of 10 million tonnes of sand and gravel.

Ballast Nedam has an excellent position in the secondary raw materials niche market. Feniks Recycling's development and construction activities for new installations and expansions are focused mainly on the United Kingdom, where work is in progress on the construction of new installations in Cleveland and Ipswich, and capacity enlargement of the installations in Sheffield and Castle Bromwich. The prospects are extremely favourable.

In August 2013 Remex Mineralstoff made a nonbinding bid for Feniks Recycling, and carried out a due diligence investigation. Ballast Nedam and Remex Mineralstoff did not reach agreement in the negotiations.

The continued low production in the modular product plants in 2013 was attributable to weak market conditions and delays in the start and execution of housing and student accommodation projects caused by the developments surrounding the extra tax on housing corporations. Ursem Modular Building Systems is supplying modular bathrooms for the almost 600 student apartments in the (Y)ours Leiden project (see also *Modular construction* on page 45).

Ballast Nedam Participatie, with its holdings in asphalt batching plants, Freesmij, and Traffic Service Nederland, closed 2013 satisfactorily. After poor market conditions in early 2013 because of the long winter, the companies more than made up for the lost ground. Rademakers Gieterij performed better than expected despite a poor market in 2013. The market for water control and management products in which TBS Soest operates achieved reasonable stability in 2013.

The adjustments in capacity and range of products that have been implemented in some of our companies have had a favourable impact. Control of failure costs on the production sites and commercial strength continue to be points for attention.

The order book of 55 million euros remained largely unchanged.

The assets of Supplies decreased by 18 million euros to 187 million euros mainly because of the sale of Yvoir and a stake in an asphalt plant.

#### *Action plans for 2013*

The action plans for 2013 were:

- to improve operational performance through focus, Lean Management and cost-reducing investment;
- to contribute through teamwork to Ballast Nedam's product-market combinations;
- to exploit the favourable starting position on the primary and secondary raw materials market.

We report below on our progress in 2013.

**To improve operational performance**

We have made good progress on improving operational performance. We have followed up ongoing improvement programmes for process optimization and failure cost reduction by monitoring well-defined performance indicators and taking action accordingly.

New improvement programmes were started in 2013 at Haitsma Concrete, and recently at Omnia Plaatvloer, which will also introduce a clear focus into the product portfolio.

Concrete Valley and others have also made smart, cost-reducing investments. Concrete Valley has set up a new production line for 3D formed elements, strengthening its position in light-weight architectural concrete.

**To contribute to Ballast Nedam's product-market combinations**

At iQwoning® we have expanded on the product developments already made: iQwoning® offers multiple energy variants and is at an advanced stage in the development of management and maintenance packages. Haitsma Concrete supplies concrete elements to Modupark® and Ursem Modular Building Systems. Hoco Concrete is a strategic supplier to Ballast Nedam Building & Development Special Projects.

**To exploit the favourable starting position on the primary and secondary raw materials market**

We have put down several markers with a view to exploiting our favourable starting position in primary and secondary raw materials. The Lus van Linne earth removal project has started, and in Belgium two future earth removal projects have been brought one step closer. The second phase of earth removal in Grosskunkel (Germany) has also started.

In the market for secondary raw materials, Recycling Maatschappij Feniks' British subsidiary Ballast Phoenix has acquired three new contracts for future reprocessing sites, with a fourth contract at an advanced stage.

The Green Deal that was made with the Ministry of Infrastructure and the Environment in 2012 includes a commitment to further improve incinerator bottom ash quality. Feniks Recycling and Ballast Nedam Milieutechniek together with NV Afvalzorg have developed a wet cleaning technology. The small-scale tests carried out in 2012 were scaled up in 2013. Work will be carried out in 2014 on a pilot project to use incinerator ash that has been processed using wet cleaning technologies.

**4.4.2 Specific focus and action plans for 2014**

In line with our strategic focus, operational control will be integrated further starting in 2014. The Specialized Companies and the Supplies clusters will be merged into a single Specialized Companies & Supplies cluster, and the policy within the clusters will be brought further into line.

In 2014 the Supplies segment will continue to pursue the policy that was embarked on in 2012 and 2013. The main priority within the Supplies segment remains to improve the financial position. In 2014 the focus of the segment will be on:

- process optimization and the reduction of failure costs;
- strengthening sales, marketing and innovation;
- making the companies more flexible.

We explain these points below.

***Process optimization and the reduction of failure costs***

The supply companies' distinctive products give Ballast Nedam a demonstrable competitive advantage. Process optimization and the reduction of failure costs will lower costs and raise product quality. Some companies have already conducted improvement programmes in recent years. We are bringing about a permanent improvement in the culture in these companies through constant attention to process optimization based on performance indicators.

### *Strengthening sales, marketing and innovation*

In anticipation of an upturn in the domestic market, we are taking steps to strengthen our business development performance. We are accordingly expanding the commercial departments of several companies. We are also giving extra attention to brand-oriented product and service development, such as management and maintenance contracts tailored to user requirements. The commercial departments will then be well equipped to approach the market with these new products.

Adjustments to processes and products have been carried out in several companies in the Supplies segment in recent years. The companies concerned are now performing better. The benefits of their improvement efforts must materialize starting in 2014. Extra attention is therefore being given to sales, marketing and innovation in these companies too.

### *Making the companies more flexible*

The companies need to be more flexible to be able to anticipate market shifts, which we are achieving through internal and external measures. Internally we work with essential key staff, supplemented with a flexible shell. All key staff must have all-round skills and training. Externally the business units are working together more intensively, making use of each other's capacity. A good example of this is the Concrete Valley concept, in which the participating organizations use each other's workers to absorb peaks in production.

#### **MODUPARK® CAR PARK, THE HAGUE**

The temporary parking problem around the Nieuwsluisstraat has been solved with a ModuPark® car park. The capacity can be adjusted to suit the demand for parking space. After use the car park can be fully dismantled and reused.





'With as many as 110 000 passengers every day, it's just as busy here as at Schiphol'

---

John de Vroome – project leader Underground Cycle Park Rotterdam Central Station



# 5

## Risk and risk management

### 5.1 Risk management and internal control

#### 5.1.1 Criteria

Business is about recognizing opportunities, but also about taking calculated risks. The risks apply to Ballast Nedam as a whole, and also for the companies within Ballast Nedam and the projects they perform. The application area for risk management is therefore the whole of Ballast Nedam with its companies and projects. This demands a specific approach to risk management, in which there is a shared set of criteria to compare and contrast the risks and opportunities of the projects and the operating companies.

The Ballast Nedam Board of Management has the ultimate responsibility to identify, prioritize, manage and control the risks within the company. However, the risks reside at various places in the organization, so that employees are also encouraged to signal any risks they identify. To put them in a position to do so, Ballast Nedam employs a variety of systems and tools tailored to the needs of a specific project or operating company. As well as identifying strategic risks and controlling the significant risks, these tools also help us achieve our operational, financial and compliance objectives.



### 5.1.2 Risk philosophy

Effective risk management requires us to identify risks in good time, assess the feasibility of control, and assess the costs of control against the possible gain. Ballast Nedam sets out to control the identified and prioritized risks as effectively as possible. The most important risk management principles are as follows:

- Ballast Nedam deems the management of risks to be a core competency, which is enshrined in our governance structure;
- Ballast Nedam is willing to take only responsible business risks: the probability of these risks materializing, and the possible consequences, must not imperil business continuity;
- the management of the operating companies must identify, analyse, prioritize and control the risks at their company level. Subsequently the cluster Managing Director concerned must identify, analyse, prioritize and control the risks at cluster level, together with the directors of the operating companies and with the cluster financial director. The objective is to mitigate the material risk as effectively as possible. Ultimately the same process must be repeated in the Concern Council, in which the cluster Managing Directors and the Board of Management jointly identify, analyse, prioritize and control the risks;
- the risks of the projects must be identified, analysed, prioritized and controlled. The risks of the projects are also spread, so that they can be included in the risk analyses of the operating companies, clusters, and Ballast Nedam as a whole, with reference to the same set of criteria.

### 5.1.3 Organization

Ballast Nedam manages its operations through a structure of four segments, which are formed around products and processes. The three cluster Managing Directors and the Board of Management constitute the Ballast Nedam Concern Council.

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

### 5.1.4 Authorities and allocation of duties

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

#### 5.1.5 Reporting

The Board of Management discusses the course of events quarterly with the cluster Managing Directors and with the directors of the Shared Service Centres with reference to the financial and operational reports, which always give the current material risks and controls. The cluster Managing Directors conduct a similar dialogue with the directors of the business units.

The reports are:

- a daily liquidity report of Ballast Nedam's cash position;
- a weekly cash flow forecast for twelve weeks;
- a four-weekly financial group report;
- an extensive quarterly report of major, integrated projects;
- an extensive management quarterly report with qualitative and quantitative information.

#### 5.1.6 General controls

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

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

#### 5.1.7 Contractual risk management

It is becoming more important for us to perform integrated contractual management of projects in the light of the increasing juridification of society. The Legal Department helps us draw up, document, monitor and, if necessary, defend our agreements with clients and contractors. By tackling issues of law, contracts and insurance in an integrated way, we are able to contractually control the risks of projects and business units more efficiently. A fixed contact communicates intensively with the business unit or department concerned to signal any potential contractual risks and to take proactive steps if any risks arise. Some projects have specialist contract managers for both the tendering and implementation phases. Insurance complements the risk management contribution from Legal by providing sufficient cover for insurable risks and our liability. Legal also has an independent signalling and reporting role in relation to risks arising from changing legislation.

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

Ballast Nedam's risk profile and the internal risk management and control systems are on the agenda of all meetings with the Supervisory Board and the Audit Committee. The achievement or otherwise of the corporate objectives in the light of acceptable risks is a factor in determining the remuneration of Board of Management members. There are at least five Audit Committee meetings a year attended by the chairman, the CFO of the Board of Management and the external auditor. The meetings are to discuss the financial course of events and the findings of the company's internal audits and risk management. The activities are covered in Section 8.2 *Report of the Supervisory Board* on page 152.



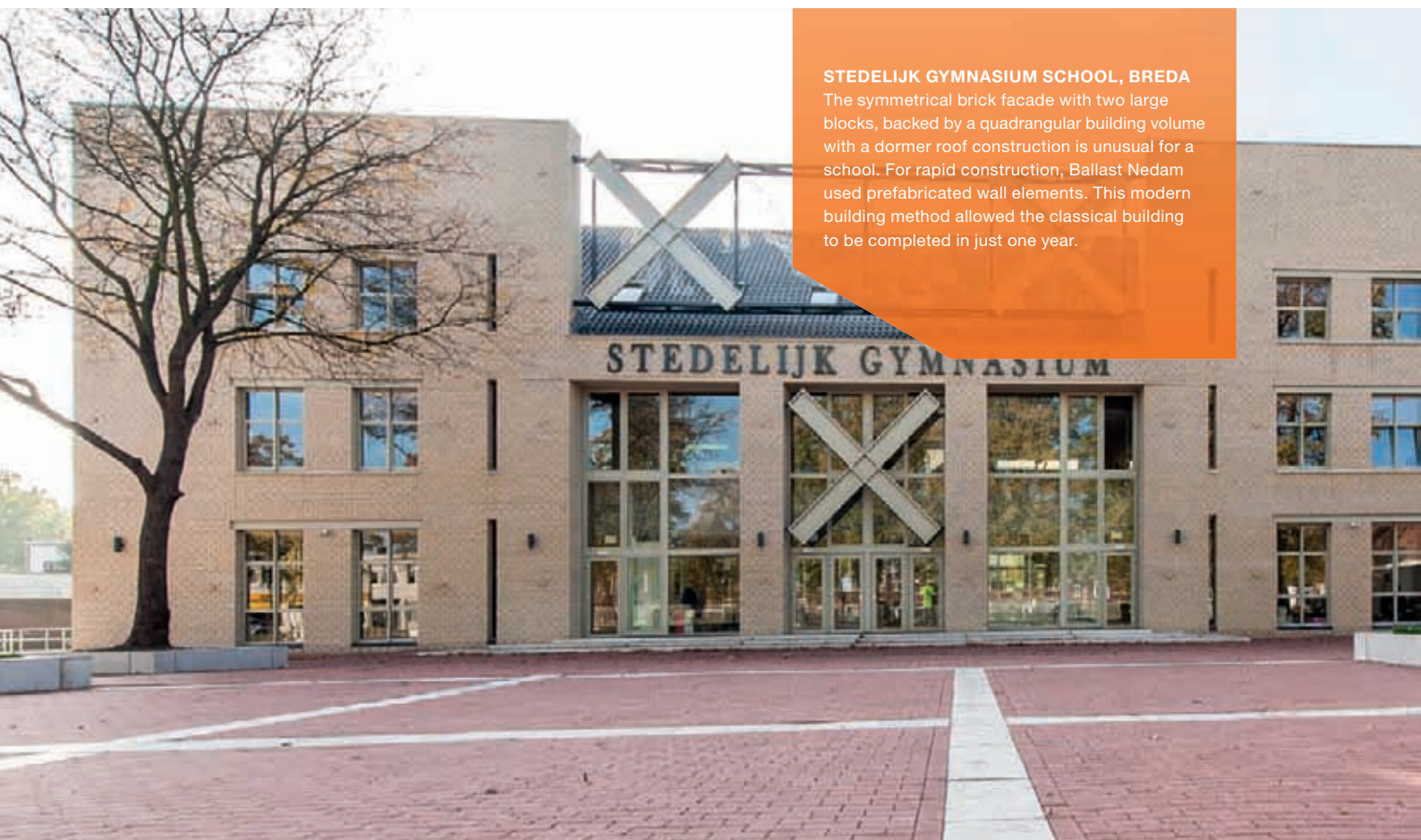
#### 5.1.9 Evaluation

In 2013 Ballast Nedam refined its compliance policy to make us better able to monitor abuses and infringements of legislation. We have also felt the consequences of the negative publicity surrounding past compliance violations, which has strengthened our resolve to continue in 2014 the zero tolerance policy that we adopted in 2012. The compliance structure and zero tolerance policy are explained in Section 6.4.3 *Compliance & Integrity* on page 117.

Ballast Nedam is continuing the zero tolerance policy for Code of Conduct compliance. Alleged infringements will be investigated thoroughly. Immediate measures will be taken in response to any infringements found by the investigation.

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

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



#### STEDELIJK GYMNASIUM SCHOOL, BREDA

The symmetrical brick facade with two large blocks, backed by a quadrangular building volume with a dormer roof construction is unusual for a school. For rapid construction, Ballast Nedam used prefabricated wall elements. This modern building method allowed the classical building to be completed in just one year.

## 5.2 Salient risks

Ballast Nedam is exposed to risks in various areas. We categorize risks as strategic, financial, operational, or compliance-related. This section gives details of these risks and their sensitivity, and about the controls Ballast Nedam employs. We also explain certain specific risks.

### 5.2.1 Risks related to our strategy

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

#### **Economic risks in the industry**

The average construction volume in the Netherlands varies, expanding by 5 to 10 per cent in good years, but stagnating, or contracting by 5 to 10 per cent, in bad years,

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

#### *Market risks in residential construction*

The revenue of the Building & Development segment depends strongly on consumers' confidence in the future. Consumer confidence has been at a low ebb for some considerable time. There are now signs of a tentative recovery of the housing market. Residential construction normally represents about 25 per cent of annual revenue. The sales of the homes developed by Ballast Nedam remained under heavy pressure because of the recession and the associated decline in consumer confidence. We have accordingly taken the following additional measures:

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

If the housing markets deteriorate further than we currently estimate, there is a risk of further impairment of the land positions, despite the almost complete absence of interest and preparatory expenses in the valuation of these positions, and despite the cumulative write-down of 21 per cent on the entire land bank since 2008. In the long term the housing market actually has good prospects.

The Development Shared Service Centre supports all the clusters in the risk management of property positions. This back office controls all secondary business processes for property development, and also the land bank.

## **Political risks**

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

The main political decisions that have an impact on Ballast Nedam are housing market interventions, long-term infrastructure investment cutbacks, regulations on alternative fuels and secondary raw materials, and offshore wind energy investment. There is more about these issues below.

### *Housing market interventions*

The owner-occupied housing market has stalled because of low consumer confidence. Alongside the limited opportunities for financing and falling prices, uncertainty remains about future mortgage interest tax relief in the Netherlands. On the rented housing market, the housing associations' increasing financial problems are putting the housing market volume under pressure. The introduction of an extra tax on housing corporations is having a severe impact on their investment options.

The implementation of the housing policy agreement of February 2013 is providing some clarity for the next few years, and has eliminated some of the disadvantages of the original government policy. Clarity and continuity of policy are important for housing market recovery.

### *Infrastructure cutbacks*

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

It is important for Ballast Nedam and the industry for the government to make an effort on all levels and, despite the cutbacks, to continue to invest in infrastructure by putting integrated contracts onto the market.

### *Regulations affecting alternative fuels*

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



#### *Regulations affecting secondary raw materials*

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

#### *Investments in offshore wind energy*

Offshore wind energy is one of the most important means of achieving European sustainable energy objectives. An estimate of the total market in northwest Europe based on the sum of national offshore wind energy objectives in 2020 is approximately 50 000 MW. The major European energy companies in particular are investing in offshore wind energy. Market conditions differ in the various countries that are investing in offshore wind energy.

There are two aspects that are influenced by the government's policy and legislation:

- *the cost-increasing* trend of building wind farms in deeper water further offshore;
- possible constraints on network operators' ability to implement the necessary *transport infrastructure* for offshore-generated electricity.

Ballast Nedam is factoring in these aspects by:

- gathering information about the issues in individual countries, in particular France, Belgium, the Netherlands, the United Kingdom, Germany, Denmark and Sweden;
- continuously improving the cost efficiency of our foundation solutions.  
The foundations account for approximately one quarter of the investment needed for an offshore wind farm.

#### **Labour capacity**

Ballast Nedam's success is largely determined by our ability to attract and retain the right employees. It is therefore crucial to our strategy to continue to have a workforce with advanced technical and other knowledge. Imminent shortages of qualified employees make it important to maintain a satisfactory intake of young employees with diverse skills.

### **Reputation risks**

Ballast Nedam was confronted again in 2013 with adverse publicity surrounding a number of difficult issues. One of these issues was the settlement that Ballast Nedam reached with the Public Prosecutor's Office in late 2012 in a case from over ten years ago involving former foreign activities. Although this settlement was the end of the matter for the company, the same is not true with respect to possible criminal investigations of third parties outside our company. The recent settlement that the former auditors reached with the Public Prosecutor's Office in the same case attracted considerable media attention.

Another issue was concerned with alleged abuses in the A2 Maastricht integrated project. The Avenue2 project organization and the shareholders Ballast Nedam and Strukton have been accused of breaking the terms of a collective agreement. Avenue2 regrets the impression that has been created of allegedly underpaid Portuguese workers, despite the findings of the expert committee that no forced labour or exploitation were involved. The accommodation arrangements were also in proper order.

The cooperating public clients – the A2 Maastricht steering group – have constantly pressed for measures to be taken in line with social responsibility. Avenue2 has resolved to effect a project-specific scheme to repay to the Portuguese workers the accommodation expenses that were withheld for 2012 and 2013, and to permanently reduce the deductions for the coming period.

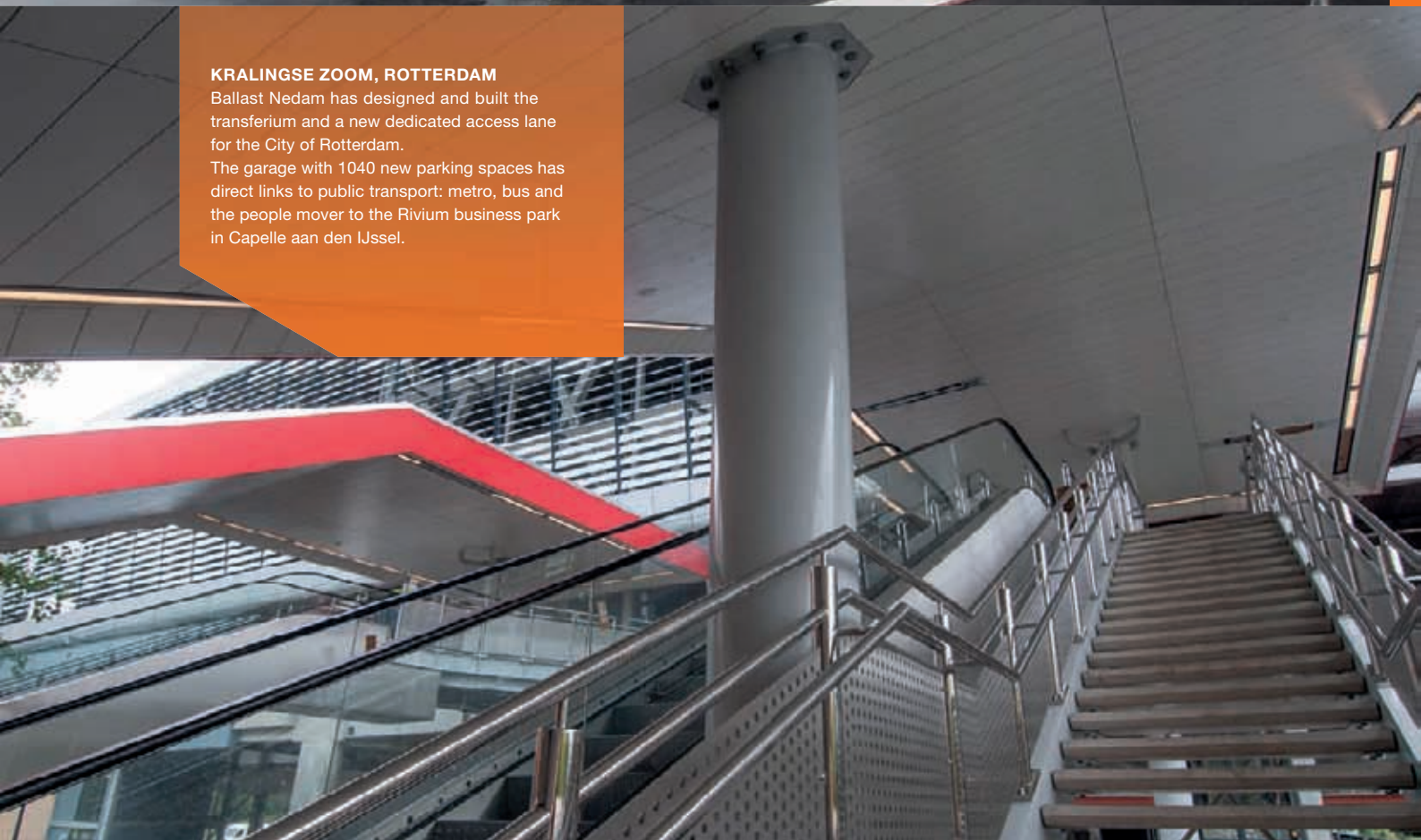
Fortunately, there has also been plenty of media attention to the progress of ongoing Ballast Nedam projects, and projects that Ballast Nedam acquired in 2013. Among the most striking projects to be taken into use are the new building for the Ministry of Security & Justice and the Ministry of the Interior and Kingdom Relations, and the new Meander Medical Centre in Amersfoort. Much attention was also given to the Butendiek offshore wind farm in Germany, the Zaanstad Penitentiary PPP project, and the multiyear integrated area developments Hart van Zuid in Rotterdam and Food Center in Amsterdam.



#### **KRALINGSE ZOOM, ROTTERDAM**

Ballast Nedam has designed and built the transferium and a new dedicated access lane for the City of Rotterdam.

The garage with 1040 new parking spaces has direct links to public transport: metro, bus and the people mover to the Rivium business park in Capelle aan den IJssel.





### 5.2.2 Financial risks

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

#### Liquidity

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

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

The current market conditions are exacerbating the trend for advance payments to be harder to collect. Even when invoices, production and completion are all on time, payment may still be delayed by clients' administrative procedures, which puts great pressure on the financing of working capital. At the end of the period the net work in progress item had deteriorated relative to 2012.

Ballast Nedam controls the liquidity risk by:

- making a twelve-week cash flow forecast each week;
- discussing the work-in-progress position of each project every four weeks;
- drawing on committed cash facilities of 80 million euros in total.

#### Finance

Ballast Nedam and the banking syndicate of ING Bank, Rabobank and Royal Bank of Scotland reached agreement in February 2014 on the key conditions for the committed loans to be extended to Ballast Nedam. The committed loans satisfy the liquidity requirements and provide sufficient financial scope to allow Ballast Nedam to concentrate on the execution of its strategy. Ballast Nedam is also strengthening its balance sheet through the rights issue of 30 million euros of depositary receipts for shares with tradable rights.

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

Alongside banks' current reluctance to lend for long periods, we are also observing increasing restraint on the part of banks towards the construction and property sector. In order to continue to gain the long-term benefits of DBFM projects, Ballast Nedam is increasingly turning to institutional investors as a source of borrowed capital.

An example is our 20 per cent stake in the Benelux Secondary PPP Fund I, about which there is additional information in Section 3.2.1 Integrated projects: *DBFM(O) projects / PPP projects* on page 33.

### Currency and interest

Ballast Nedam carries out projects outside the euro zone on a limited scale. Foreign currency translation risk is estimated and where possible covered on a project basis. The financial statements include on page 216 an explanation and sensitivity analysis of the foreign currency translation risk.

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

### 5.2.3 Operating risks

Ballast Nedam's projects are exposed to risks that may arise if people, processes or systems fail to perform properly. If major setbacks were to occur on multiple projects simultaneously, the current operating profit could fall sharply, and the relatively low profit margins increase the need to control the risks. We have embedded various mechanisms and checks in the organization in order to obtain a clear picture of the project portfolio and the associated operating risks, and to monitor and manage these to an acceptable level. There is additional information about this subject below.

### Control of project risks

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

The knowledge and experience that the Ballast Nedam specialized companies contribute in the tendering stage of projects allows the timely identification of operating risks, which puts us in a position to consult appropriate experts regarding the associated responsibilities. When specific expertise is unavailable within the company, we engage partners to perform the relevant project components with us. The risks associated with each area of expertise are always allocated in a process of consultation to the party that is best able to control them.

Technical risks are often present in the implementation phase, and ideally they are controlled in the project design and preparation stages. Ballast Nedam aims for continuous process improvement, quality assurance and systematic analysis of failure costs.

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

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



### **Safety risks**

Ballast Nedam's safety policy is to create a proactive safety culture, which is documented in a safety policy plan. Section 6.4.2 *Safety* on page 113 presents our measures to raise and maintain a high level of safety awareness among our employees.

The chief structural engineer has a vital role in ensuring constructional safety on projects. Ballast Nedam controls the risks by firmly and comprehensively engaging the in-house engineering consultancy, Ballast Nedam Engineering, whose role is embedded in the primary process from high-level design to detailed engineering.

### **ICT risks**

All business units use an ICT infrastructure and ICT information systems intensively. We continuously improve and upgrade these systems in various processes, enabling us to manage the associated change processes effectively with relatively little risk. The ICT infrastructure is based on a wide range of services, modern communication technology and advanced virtualization techniques for data storage and processing. We are able in this way to continuously achieve and safeguard the required capacity, availability and sustainability.

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

Ballast Nedam has drawn up an internal ICT code of conduct, known as the Code for Information Security. For instance, access to Ballast Nedam networks is subject to authentication, access to these networks over Internet is subject to central control, and firewalls are in place to restrict access to approved applications and protocols. All Ballast Nedam web servers are checked for abnormalities by external staff every month, portals are protected by a combination of user name and password issued by Ballast Nedam, and management software (Mobile Iron) is installed on mobile devices to allow them to be deleted or disabled remotely.

#### **5.2.4 Compliance risks**

2013 was again an eventful year for Ballast Nedam in terms of integrity and compliance in the light of various media reports (see also Section 6.4.3 *Compliance & Integrity* on page 117). Infringements of the Code of Conduct and the competition rules may lead to a severe loss of reputation. Any human rights violations, child labour, or environmental threats on the part of our suppliers or subcontractors also pose risks to our reputation. The consequences of any infringement are hard to quantify, but Ballast Nedam is fully aware that they may threaten the company's viability.

Ballast Nedam integrates compliance into all aspects of its business activities. In this way we add value to the business and protect the interests of Ballast Nedam, its shareholders, employees, customers, business partners and other stakeholders. We refine our compliance policy continuously in order to guarantee the organization's integrity. Ballast Nedam pursues integrity in business and demands the same of its employees, suppliers and subcontractors alike. There is additional information on this subject in Section 6.5.1 *Chain responsibility* on page 123.

### 5.3 Specific risks

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

#### Blauwestad

The provincial government of Groningen brought legal action in 2012 against Ballast Nedam and its partner for damages of 17 million euros in respect of the Blauwestad development project. The position adopted by the Provincial Executive of Groningen is that each of the parties should have taken 100 plots in the project in 2011. Ballast Nedam's opinion is that we withdrew in 2007 in a legally valid way with the provincial government's consent, and that we have complied with the agreements we made at the time.

Ballast Nedam accordingly sees no grounds for damages. This action is ongoing. There were no relevant developments in 2013.



### Noordzeewind

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

It has been ruled in arbitration that the client is liable for the upward contract variation that Ballast Nedam performed. The parties are now attempting to reach a settlement regarding the amount of the client's liability. According to Ballast Nedam this is above 20 million euros.

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

Babylon has applied for a court ruling that the pAnnaB construction consortium is liable for the delay in the adjacent New Babylon project. Babylon is claiming a loss of 25 million euros. The district court ruled in 2013 that pAnnaB is liable for damages, with the amount to be determined in follow-up proceedings. pAnnaB is to appeal this ruling.

### Nedereindse Plas

The Court of Arbitration for the Building Industry in the Netherlands ruled against Ballast Nedam in 2012 in a dispute with the municipality of Utrecht regarding work on the Nedereindse Plas, for which Ballast Nedam designed and implemented a foil construction. The Court found that there was a design error in the foil construction. Procedures that were subsequently followed did not bring a solution closer. Both parties are now studying the opportunity to arrive at a practical solution, under the supervision of independent consulting engineers.

### Zandwinplas Cattenbroek

A difference of insight has emerged between the municipality of Woerden and Ballast Van Oord regarding the completion of work on the banks of the former Cattenbroek sand winning lake. Ballast Van Oord is of the opinion that its work is complete. The municipality's position touches on complex technical sand winning issues. The municipality finds that it has incurred losses, but has failed to comply with Ballast Van Oord's request to provide documentary evidence of the liability and extent of the loss. The municipality has suspended consultation and summoned Ballast Van Oord for damages arising from encroaching beyond the shoreline of the sand winning lake.

### Bitumen

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

#### Saoedi-Arabië

Proceedings are ongoing in Saudi Arabia regarding a tax claim on a contract from 1999. Ballast Nedam is of the opinion that the client bears the contractual responsibility for this tax claim. The client lodged an appeal in 2013, after Ballast Nedam had won the proceedings in the first instance. Ballast Nedam's position is accordingly unchanged, and we see no need to form an additional provision.

#### Breda Public Transport Terminal

Bouwcombinatie OV-Terminal Breda v.o.f. has submitted an initial claim for 17 million euros against its client ProRail for project delays and a difference of insight about design responsibility. Although talks with ProRail about this claim are still ongoing, the need for legal action cannot be ruled out.

#### N329

Bouwcombinatie Pro N329 v.o.f. has submitted a claim for more than 7 million euros against its client the municipality of Oss regarding settlement and a sanction imposed in connection with 'most economically advantageous tender' (MEAT), and has referred to arbitration.

#### North-South Line, Amsterdam

In 2003 Ballast Nedam brought action against its then joint venture partner Max Bögl for breach of contract in the tendering stage of three underground stations on the North-South Line. In proceedings on the merits in 2013 the District Court of Amsterdam gave final judgment setting the amount of the loss at over 9 million euros, including interest and costs. Max Bögl has appealed the damages, and the case will come before the Court of Appeal in 2014.

#### Surinam refinery expansion project

Ballast Nedam engaged in talks about a claim for more than 20 million euros against its client Staatsolie Maatschappij Suriname with a view to reaching an amicable settlement. The claim arose in 2012 following delays and disruption to the project, for which Ballast Nedam is holding the client liable.

#### A15 Maasvlakte–Vaanplein (MaVa)

The A-Lanes A15 consortium that includes Ballast Nedam is engaged in talks with the client, the Directorate-General for Public Works and Water Management, regarding a contract variation. There is still some considerable bandwidth in the forecasts for both revenues and costs for this project.





'Refreshing, this integrated approach. Now I don't work like a subcontractor – we're all in the same team'

---

Melvin Frank – contracts manager for the Meander Medical Centre, Amersfoort



# 6

## Our CSR policy

Corporate social responsibility is an integral part of our strategy. The chart below lists our CSR themes linked to the five pillars that support our strategy (see Section 1.1 *Vision, mission and strategy* on page 15). We have identified various issues within each CSR theme.

General CSR policy			
Innovation			
Environment	Employees	Market	Community
<i>Life-cycle thinking and acting</i>	<i>Our people, standards and values</i>	<i>Chain cooperation</i>	<i>Being at the heart of the community</i>
<ul style="list-style-type: none"> <li>- Energy</li> <li>- Air quality and CO<sub>2</sub> -emission policy</li> <li>- Waste and recycling</li> <li>- Materials</li> </ul>	<ul style="list-style-type: none"> <li>- Recruitment and deployment</li> <li>- Binding and motivating</li> <li>- Development, advancement and departure</li> <li>- Vitality</li> <li>- Safety</li> <li>- Integrity</li> </ul>	<ul style="list-style-type: none"> <li>- Chain responsibility</li> </ul>	<ul style="list-style-type: none"> <li>- Community relations management</li> <li>- Community investment</li> </ul>

Ballast Nedam takes its responsibility for the impact of its operations on the built environment and society as a whole seriously. In our view, socially responsible, or sustainable, business practices are about creating value for society at large, and earning social approval. Furthermore, in the current economic situation, corporate social responsibility (CSR) is also an important cost-reducing driver.

Ballast Nedam's CSR activities are the result of conscious, carefully considered choices, which we base on stakeholder dialogue and a materiality matrix (see also Chapter 7 *Stakeholder dialogue* on page 135). Each year we analyse the results of our activities and adjust our policy accordingly. Any relevant additional details of the results are documented for each issue.

## 6.1 Implementing CSR policies in the organization

In the past year we have taken a critical look at how our CSR policy is embedded in our organization. We identified opportunities for improvement, and made the following changes.

1. In order to embed the CSR issues more firmly, the responsibility for their achievement has been placed more explicitly in the line in 2014. There is more information below in this section.
2. We have defined eight key performance indicators (KPIs) and six objectives within our CSR policy. This means we are concentrating on a smaller number of objectives. More details can be found in Section 6.2 *CSR objectives* on page 94.
3. We are grouping some CSR issues together: Energy and Air quality & CO<sub>2</sub> emission policy; and Waste & Recycling and Materials. Henceforth we will also combine the various sections of the report concerned with good employment practice into a single section.

### CSR organization

Ballast Nedam implements its CSR policy throughout the organization. We aim on a clear organization structure, the creation and maintenance of an efficient management information system, and on specific actions with a favourable impact on our organization, our stakeholders and the living environment.

The cluster Managing Directors and other directors are responsible for one or more CSR issues and for defining the associated vision and policy. Specific people are given operational responsibility for the different CSR issues. They submit proposals to the Concern Council about matters including policy amendments, KPIs, objectives, tools, actions and analyses. A person with operational responsibility may be supported by a core team. Core teams (e.g. for safety, QEHS, and compliance) are formed for activities that transcend clusters.

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

### Consolidation and reporting

The assurance results are measured on Ballast Nedam, cluster and company levels, and consolidated on holding company level. Every quarter the quantitative and qualitative results are reported to the Concern Council (Board of Management and the cluster Managing Directors). We are working towards integrating the existing CSR policy basic reporting structure and the reports of the nonfinancial targets more into the main financial reporting line.

## 6.2 CSR objectives

A list of the CSR objectives defined in 2012 and the results achieved in 2013 are given below, followed by information about the changes to the CSR objectives for 2014.

<i>Objectives for 2013: CSR</i>	<i>Result</i>	<i>Achieved/ not achieved</i>	<i>Information in section</i>
To reduce CO <sub>2</sub> emission in 2013 by 2% in proportion to revenue in the Dutch operations (i.e. a 16 per cent reduction relative to 2008)	17.1% reduction relative to 2008	Achieved	Section 6.3.1 <i>Energy</i> on pagina 99
To remain on the CO <sub>2</sub> performance ladder at level 5 for all of Ballast Nedam	Level 5	Achieved	Section 6.3.1 <i>Energy</i> on pagina 99
To promote energy-efficiency initiatives, and to develop products and services based on sustainable energy	With the innovation programme	Achieved	Section 6.3.1 <i>Energy</i> on pagina 99
To successfully perform at least 1 of the 3 action plans for energy saving	0 out of 3	Not achieved	Section 6.3.1 <i>Energy</i> on pagina 99
To expand the number of CNG vehicles in our total fleet by 5%	10%	Achieved	Section 6.3.2 <i>Air quality and CO<sub>2</sub> emission</i> on page 102
For at least ten projects to apply the Ballast Nedam waste management plan	17	Achieved	Section 6.3.3 <i>Waste and recycling</i> on page 104
For 50% of the plants to use the Ballast Nedam waste management plan	83%	Achieved	Section 6.3.3 <i>Waste and recycling</i> on page 104
To draw up an action plan for the reuse of waste streams within our own production processes	Done	Achieved	Section 6.3.4 <i>Materials</i> on page 105
To perform life-cycle analyses of two of our concrete products	2 life-cycle analyses	Achieved	Section 6.3.4 <i>Materials</i> on page 105
To have at least 150 people on work placements and graduation projects per year	266	Achieved	Section 6.4.1 <i>Recruitment and deployment</i> on page 108
To have at least 50 apprentices in the apprenticeship system per year.	41	Not achieved	Section 6.4.1 <i>Recruitment and deployment</i> on page 108
To have at least 10 trainees from universities of applied sciences or research universities per year	55	Achieved	Section 6.4.1 <i>Recruitment and deployment</i> on page 108
To achieve a score in the staff satisfaction survey of each business unit of at least 7	Not measured	Not applicable	Section 6.4.1 <i>Binding and motivating</i> on page 110
To hold an assessment or performance review with all employees at least once a year	65%	Not achieved	Section 6.4.1 <i>Organization development, advancement and departure</i> on page 111
To have 30% of all employees attend a course or training programme at least once a year	32.5%	Achieved	Section 6.4.1 <i>Organization development, advancement and departure</i> on page 111
To lower the rate of absence through illness to less than 4.5%.	4.48%	Achieved	Section 6.4.1 <i>Vitality and health</i> on page 112
For 90% of employees to receive a regular occupational health examination	7%	Not achieved	Section 6.4.1 <i>Vitality and health</i> on page 112





<i>Objectives for 2013: CSR</i>	<i>Result</i>	<i>Achieved/ not achieved</i>	<i>Information in section</i>
To have fewer than 10% of those receiving a regular occupational health examination assessed as being in 'poor condition'	Results unknown	Achieved	Section 6.4.1 <i>Vitality and health</i> on page 112
No fatal accidents	0	Achieved	Section 6.4.2 <i>Safety</i> on page 113
For the injury frequency (the number of fatal and lost-time injuries involving Ballast Nedam employees per million hours worked) to be less than 6.5	7.45	Not achieved	Section 6.4.2 <i>Safety</i> on page 113
To have 100% of Ballast Nedam managerial, technical and administrative staff take an e-learning training module about the Code of Conduct within one month of joining the company	96%	Not achieved	Section 6.4.3 <i>Integrity</i> on page 117
To survey and analyse the risks related to the Code of Conduct	Surveyed and analysed	Achieved	Section 6.4.3 <i>Integrity</i> on page 117
To draft an investigation manual, specifying the procedure to be followed when investigating reports of fraud and other unethical acts	Complete	Achieved	Section 6.4.3 <i>Integrity</i> on page 117
To implement a web tool for reporting compliance and integrity infringements	Complete	Achieved	Section 6.4.3 <i>Integrity</i> on page 117
To implement a web tool for requesting and reporting all gifts and entertainment	Complete	Achieved	Section 6.4.3 <i>Integrity</i> on page 117
To hold 2 dialogues about partnership and sustainable purchasing with the top 20 suppliers that have done business with Ballast Nedam for more than ten years	0	Not achieved	Section 6.5.1 <i>Chain responsibility</i> on page 123
To implement in 2013 at least 2 sustainable innovations through cooperation on innovation with chain partners	2	Achieved	Section 6.5.2 <i>Innovation, the common denominator</i> on page 124
To submit all projects with a value above 5 million euros and every city-centre project above 500 000 euros in the Netherlands as a Bewuste Bouwers project	Method of measurement changed in 2013	Not achieved	Section 6.6.1 <i>Community relations management</i> on page 128
To add a section to the quality manual about how community relations management is anchored in the projects	The addition is not yet anchored	Not achieved	Section 6.6.1 <i>Community relations management</i> on page 128
To add depth to the community investment policy for social return activities linked to our projects	Complete	Achieved	Section 6.6.2 <i>'Community investment'</i> on page 128



The large number of CSR objectives and KPIs tended to fragment attention on their implementation. We have therefore referred back to the findings of our stakeholder dialogues, and narrowed our focus on the CSR issues that are most relevant. We then defined our long-term ambition. Based on the analysis we have defined eight KPIs and six objectives. The selected issues and associated KPIs and objectives are shown in the table below.

CSR issue	KPI 2014	Objective for 2014
Energy, CO <sub>2</sub> and air quality	CO <sub>2</sub> (scope 1&2) / Dutch revenue	18% reduction relative to 2008
Waste & recycling and Materials	Number of current projects and plants with waste management plan	40
Safety	Injury frequency	6.5
Vitality	Rate of absence through illness	4.5%
Integrity	Number of infringements	No objective
Innovation	Number of green innovations/business models	3
Community relations management	Number of current projects registered with <i>Bewuste Bouwers</i> at year-end	40
Community Investment	Aantal Social Return initiatieven	No objective

Corporate social responsibility is fully integrated in our strategy. The above sustainability ambitions are related to Ballast Nedam's five strategic pillars (see Section 1.1 *Vision, mission and strategy* on page 15). We also see sustainability opportunities in the following three themes:

- transition to renewable energy;
- transition to a circular building process (returnability, residual value creation and industrialization);
- habitat creation.

There is more about the trends that we are anticipating in Section 3.3 *Our living environment is changing around us* on page 28.

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

We are taking a close look at the entire life cycle in all new product, building and area developments, from development and construction to management and maintenance. Our environmental policy addresses how we can develop sustainably (energy and materials) while consuming and wasting less (energy, CO<sub>2</sub> and waste). This section explains how we deal with the issues of energy, air quality and CO<sub>2</sub> emission, waste and recycling, and materials. Information is given for each issue about our policy, objectives and results in 2013, and our policy, policy changes and objectives for 2014.

### 6.3.1 Energy

#### Policy

Ballast Nedam's energy policy is oriented to making our business operations more energy efficient and sustainable in the coming years, by applying a three-pronged strategy.

Our target for 2020 is at least a 30 per cent CO<sub>2</sub> reduction in proportion to revenue from our Dutch operations relative to reference year 2008.

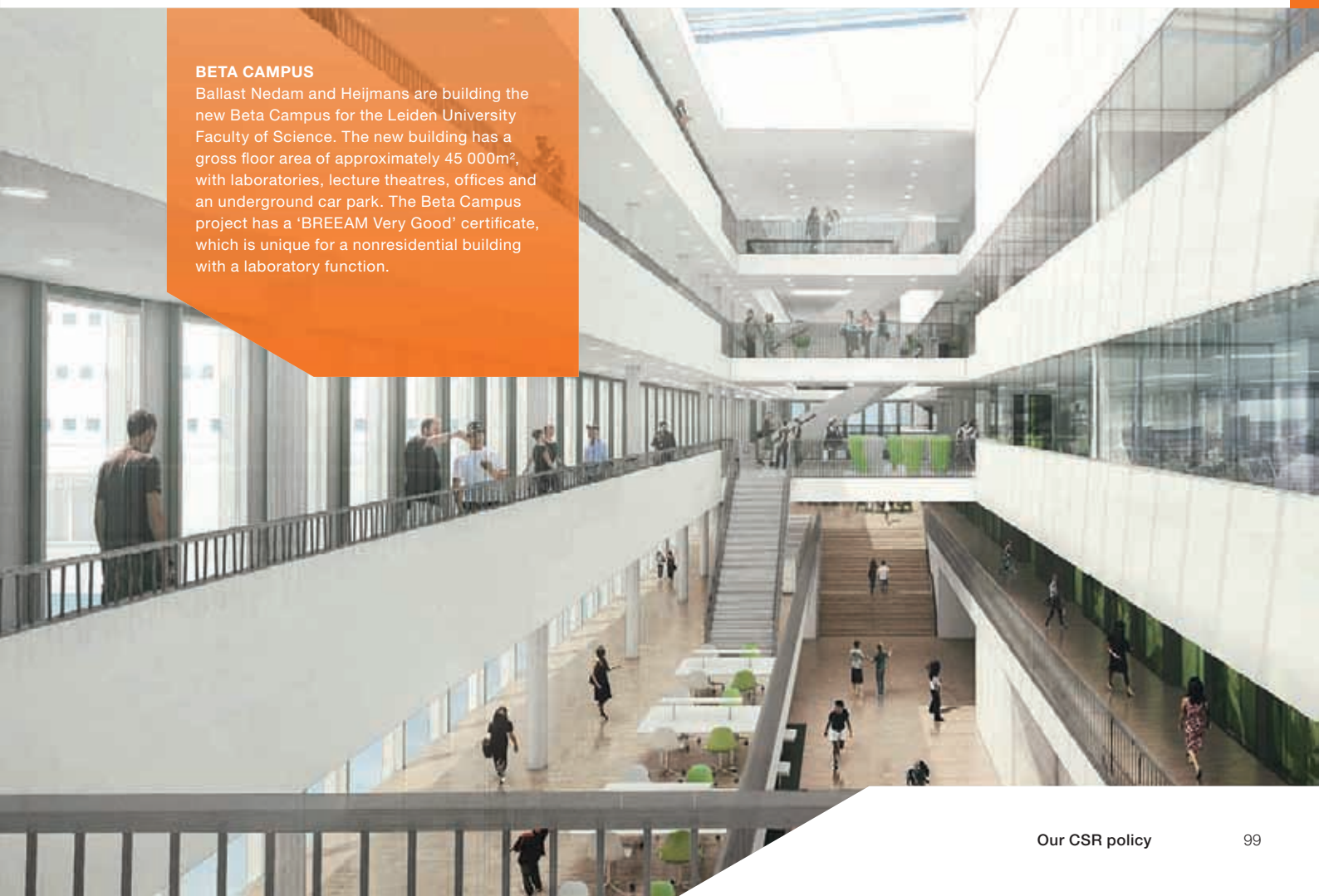
In line with the strategic focus Ballast Nedam is developing sustainable fuels and wind energy, and we reprocess waste streams.

The three-pronged strategy is to:

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

#### BETA CAMPUS

Ballast Nedam and Heijmans are building the new Beta Campus for the Leiden University Faculty of Science. The new building has a gross floor area of approximately 45 000m<sup>2</sup>, with laboratories, lecture theatres, offices and an underground car park. The Beta Campus project has a 'BREEAM Very Good' certificate, which is unique for a nonresidential building with a laboratory function.

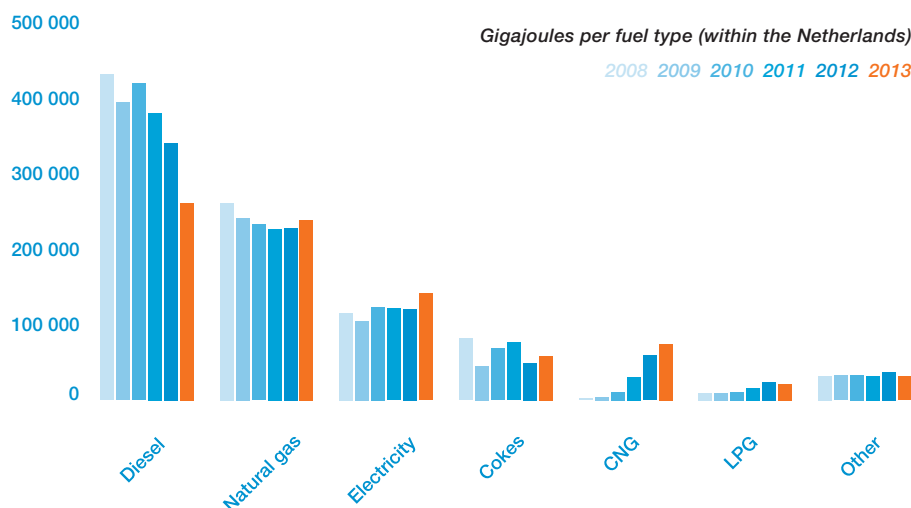


### Objectives for 2013: energy

To reduce CO <sub>2</sub> emission in 2013 by 2 per cent in proportion to revenue in the Dutch operations (i.e. a 16 per cent reduction relative to 2008)	Achieved
To remain on the CO <sub>2</sub> performance ladder at level 5 for all of Ballast Nedam	Achieved
To promote energy-efficiency initiatives, and to develop products and services based on sustainable energy	Achieved
To successfully perform at least 1 of the 3 energy action plans	Not achieved

### Results for 2013

#### Reduction of CO<sub>2</sub> emission



Ballast Nedam's main consumption of energy occurs in commuting, transport, the use of construction plant and equipment, factory production, and on construction sites. 35 per cent of our energy consumption is in the form of diesel and petrol, 29 per cent natural gas, and the remaining 17 per cent electricity. Electricity consumption has become greener because of Renewable Energy Guarantees of Origin for Dutch wind energy, and Ballast Nedam has introduced its green gas certificates for road vehicles. Ballast Nedam's footprint comprises the CO<sub>2</sub> emission from energy consumption and is therefore presented here under the Energy issue.

The CO<sub>2</sub> footprint consists of:

- scope 1: natural gas, diesel, petrol, cokes, CNG and other fossil fuels;
- scope 2: electricity and district heating.

In 2013 Ballast Nedam achieved the target of a 16 per cent CO<sub>2</sub> reduction relative to 2008 and related to the revenue of the Dutch activities. The total Scope 1 (direct) CO<sub>2</sub> footprint was 49 591 tonnes and the Scope 2 (indirect) CO<sub>2</sub> footprint was 651 tons, which is a total of 50 243 tonnes of CO<sub>2</sub> emission.

CO <sub>2</sub> emission reduction summary	2008	2009	2010	2011	2012	2013
CO <sub>2</sub> footprint (Dutch activities) in kilotons	80	71	71	65	59	50(*)
Revenue of the Dutch operations (in millions of euros)	1 348	1 272	1 275	1 252	1 153	1 020
CO <sub>2</sub> emission (ton) per million euros revenue	59	56	56	52	51	49
Relative to reference year	100%	94%	94%	87%	86%	83%
Reduction relative to reference year		6%	6%	13%	14%	17%

(\*) included in the EY assurance.

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

In its footprint, Ballast Nedam reports the Scope 1 (natural gas, petrol, CNG, cokes, diesel, CNG, kerosene, propane, and business travel) and Scope 2 (electricity and district heating) emissions of the Dutch operations, based on the Greenhouse Gas (GHG) protocol.

Subsidiaries with interests  $\geq 16.5$  per cent and consortiums are included in the footprint on a pro rata basis. Year-end estimates are made for unknown consumption based on the revenue trend. We calculate the CO<sub>2</sub> emission with reference to the conversion factors given in the SKAO performance ladder 2.1. The performance ladder has no conversion factors for CNG and green gas for mobility, and the factors we use are obtained by averaging the CO<sub>2</sub> emission for natural gas from SKAO and from UK DEFRA. For the third time this year, assurance has been provided for the CO<sub>2</sub> footprint for this issue. Section 10.8 on page 250 has the independent assurance report by EY.

There are two possible reasons for a reduction in the footprint (Scope 1 and Scope 2):

1. effective energy-saving measures;
2. reduced activity on or in energy-intensive projects and companies.

### Results for 2013: CO<sub>2</sub> performance ladder

Again this year Ballast Nedam was certified on (the highest) Level 5 of the CO<sub>2</sub> performance ladder. This means we are eligible for preference in tendering when clients such as the Directorate-General for Public Works and Water Management (RWS) and ProRail include this aspect in MEAT (Most Economically Advantageous Tender) criteria.

The action plans that are presented below in this section give the steps we are taking to further reduce CO<sub>2</sub> emission.

### Results for 2013: to promote energy-efficiency initiatives, and to develop products and services based on sustainable energy

We are promoting these initiatives with our innovation management programme and by creating a culture that favours the development of initiatives of this kind in tenders and projects. Among these projects are *Stroomversnelling* and the 74 energy-neutral iQwoning® homes for Woonbedrijf in Eindhoven (for both projects see *Modular construction* on page 45).

DARK is a project for the renovation of sheet piling along the Amsterdam-Rhine Canal, which the Directorate-General for Public Works and Water Management has awarded to the consortium of Ballast Nedam and De Klerk. More than 23 kilometres of sheet piling between Amsterdam and Wijk bij Duurstede are to be renovated. Project planning will proceed between now and 2014, and the renovation will be completed at the end of 2015. The design & construct contract has a value of over 30 million euros.

In 2013 Princess Laurentien presented the Road of the Future in Brabant with the HIER Energie Nul (zero energy) Award. The jury judged the Road of the Future to be the best project among the six entrants. The road's energy consumption has been almost halved by dimming the lighting and using LED technology. All remaining energy needs, such as for traffic lights and petrol pumps, are provided by solar panels. 'This road is a true showpiece of sustainability and conspicuous innovation', the jury said. (<http://www.hier.nu/energienulprijs>)

### Results for 2013: to successfully perform at least 1 of the 3 action plans for energy saving

In 2012 we drew up three specific action plans to reduce our energy consumption and CO<sub>2</sub> emission. Various actions were carried out for all the plans, and measures taken that had had an immediate impact. Experience has shown that a project-specific approach works better than the project-transcending approach that the plan proposed. We amended our choices in the light of this experience, which is why the objective was not achieved.

#### *Action plan for energy scan at production plants*

We performed energy scans at three of the five production plants to arrive at specific energy-saving measures. Several 'quick wins' were implemented immediately.

#### *Action plan for reducing CO<sub>2</sub> emission from company mobility*

This action plan was oriented to reducing the CO<sub>2</sub> emission from our lease cars and company buses.

- We have taken measures that directly influence our vehicle fleet, such as defining a maximum emission per job category.
- Changes in the priorities of our work have diverted attention from the measures in the plan, which were oriented to employee awareness and behavioural change. Employees on the A2 Maastricht project have been given a mobility budget as an experiment that started in 2012, with final results expected in mid 2014.

#### *Action plan for use of diesel in projects*

The proposed measures in this action plan are oriented to cost savings by reducing the use of diesel in projects. Some of these measures have been carried out:

- switches have been fitted in the seats of approximately 25 machines, and the earth-moving machine operators from Ballast Nedam Specialistisch Grondverzet have been given training in 'new excavation techniques' to improve energy efficiency;
- following the success of the pellet burner we installed last year, we have acquired two new ones for our projects.

#### *Objective for 2014: energy*

To reduce the CO<sub>2</sub> emission in 2014 by 2 per cent in proportion to the revenue of the Dutch operations (i.e. an 18 per cent reduction relative to reference year 2008).

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

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

We will continue to reduce our energy consumption in 2014. Our main focus is on the actions with an immediate impact and that help cut costs. The actions to be performed are determined for each business unit or project by the director or project leader concerned. In the Quality, Environment, Health and Safety (QEHS) Core Team, representatives of the business units and projects share the knowledge and experience gained with the measures that have been taken, so that all of Ballast Nedam can learn from the successes and dilemmas that occurred.



#### **Expansion of the Millennium Forest**

The widening and rerouting of the A2 highway through a tunnel at Maastricht destroyed an important foraging area for bats, which must be compensated in compliance with the Code of Conduct for the Flora and Fauna Act.

The compensation measures were designed to be an optimum solution for flora and fauna. Expanding the park-like forest will improve the habitat for bats. The planting of many crop trees also creates an extremely interesting habitat for a variety of birds and mammals. A total of 7.6 hectares of deciduous forest and 1.1 hectares of flowering grassland have been created.

The municipality of Maastricht provided the design. Avenue2 will plant the forest in the 2013-2014 winter season.



### Policy

Our policy is to reduce the emission of CO<sub>2</sub>, nitrogen oxides (NO<sub>x</sub>) and particulate matter in order to improve air quality. Since Ballast Nedam's CO<sub>2</sub> emission is mainly related to energy consumption, the CO<sub>2</sub> policy and figures are given in Section 6.3.1 *Energy* on page 99. With a view to reducing emissions of NO<sub>x</sub> and particulate matter, we are cutting down on the use of fossil fuels. We also take air quality into account in our area development. Our aim when redeveloping these areas is a sustainable living environment. We translate this aim into tangible results by planning in habitat creation and nature conservation.



### Objectives for 2013: air quality and CO<sub>2</sub> emission policy

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

Achieved

### Results for 2013

Ballast Nedam has promoted the use of natural gas as a fuel for many years. Our new vehicles run on CNG. Where this is impracticable, Ballast Nedam purchases only vehicles with soot filters in environmental categories A and B.

	2011	2012	2013
Total number of vehicles	2027	1932	1664
Number of CNG-fuelled vehicles	458	677	751
% of total Ballast Nedam vehicle fleet	23%	35%	45%

The objective was again achieved in 2013. However, the total number of vehicles in our fleet has decreased because of the lower level of employment.

### Objective for 2014: air quality and CO<sub>2</sub> emission policy

Since CNG is now the standard fuel in our company car scheme, we have removed this as a separate objective. However, we remain alert to opportunities to eliminate harmful airborne emissions. There is more on this subject in Section 6.3.1 *Energy* on page 99. Energy consumption produces CO<sub>2</sub>, NO<sub>x</sub> and particulate matter. Efforts to reduce energy consumption also reduce emissions and improve air quality accordingly. The policy for air quality is consequently a derivative of the energy policy.

### 6.3.3 Waste and recycling

Ballast Nedam takes a whole life cycle view of waste. We look upon waste as the result of design, purchasing and implementation choices.

#### Policy

Our policy is to eliminate waste in a way that minimizes the environmental and human impact, which also means we avoid unnecessary costs. We adopt two approaches:

- quantitative: we are systematically reducing the quantity of waste at source by raising material productivity, since better processes and innovative approaches produce less waste;
- qualitative: we are reducing the adverse effects of waste and avoiding resource depletion by using renewable and secondary materials. We also combat pollution by using degradable and reusable materials and optimizing waste management procedures.

#### Objectives for 2013: waste and recycling

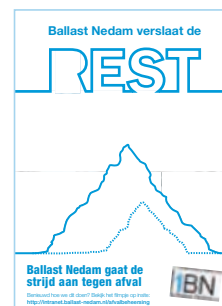
For at least 10 projects to apply the Ballast Nedam waste management plan	Achieved
For 50 per cent of the plants to use the Ballast Nedam waste management plan	Achieved

#### Results for 2013

We introduced waste management plans throughout Ballast Nedam at the start of 2013 based on our own distinctive method that we developed in 2012, which takes a life-cycle approach: we do not take waste for granted, but do all we can either to prevent it, or reuse it intelligently. It is not simply a question of segregating and tidying up waste, but about smarter design, purchasing and construction. For instance, we may arrange for materials to be supplied to a specification and in reusable packaging, or we may return unused material to the supplier, who is better placed to arrange reuse. This method helps us reduce environmental impact and eliminate unnecessary expense.

The essence of our waste management plans comes from devising measures of this kind and putting them into practice. Seventeen projects and 87.5 per cent of our own production plants are now using the complete set of tools from Ballast Nedam's waste management plan.

Our subsidiary LNG24 has acquired one of the first seven certificates for Lean and Green Solutions, which are part of the Connekt Lean and Green programme. Connekt is an enthusiastic and growing community of companies and public authorities in the mobility sector. They are demonstrating how competitiveness and sustainability go hand in hand by reducing CO<sub>2</sub> by 20 per cent within five years. The Lean and Green Star is a sign that this target has been achieved. Having started in the logistics sector, Lean and Green is expanding to other sectors, such as personal transport, and is also having an international impact.



#### Ballast Nedam waste management plan

The set of tools supported by the waste management plan consists of a work plan and communication resources, such as instructional films, posters and a travelling information container. The various tools encourage the project teams to come up with innovative ideas to eliminate waste. They are reinforced by a network of waste coaches, who drive improvements and capture and disseminate relevant know-how. You can watch the instructional films on the Ballast Nedam YouTube channel.

Waste material	Quantity x 1.000 kg	Is reused as
Hardcore	11 349	Crushed demolition waste
Construction and demolition waste	9 220	New materials / energy
Asfalt	8 139	New asphalt
Wood	1 484	New wood products / energy
Industrial waste	726	Energy
Paper / board	198	Paper / board
Household chemicals	63	Miscellaneous
Roofing waste	5	Mineral products
Asbestos	14	Landfill
Other – not hazardous	3 336	Miscellaneous
<b>Total 2013</b>	<b>34 532</b>	
<b>Total 2012</b>	<b>43 986</b>	
<i>Total 2011</i>	<i>10 724</i>	
<i>Total 2010</i>	<i>13 280</i>	
<i>Total 2009</i>	<i>16 849</i>	

#### Objectives for 2014: waste and recycling

To have at least 40 projects and production plants use the Ballast Nedam waste management plan

#### 6.3.4 Materials

##### Policy

Looking ahead, Ballast Nedam will endeavour where possible to use good materials, in the sense of being nontoxic and fit for use in closed (biological or technological) cycles. Ballast Nedam is investigating opportunities for working with closed material cycles.

#### Objectives for 2013: materials

To draw up an action plan for the reuse of waste streams within our own production processes	Achieved
To perform life-cycle analyses of two of our concrete products	Achieved

#### iSPEX

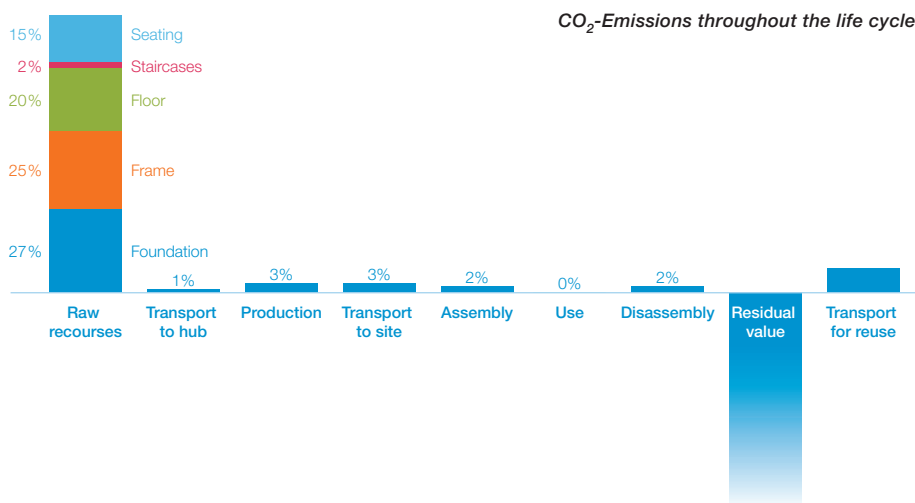
To cement their relationship, Ballast Nedam's subsidiary CNG Net and Longfonds have become joint main partners of iSPEX, which is an experiment in which members of the public measure particulate matter using their smartphones. 10 000 Dutch people have installed an app that measure how much particulate matter is present in the air, the size of the particles, and their chemical composition. The experimental findings will be the subject of a scientific article to be published in the first quarter of 2014. It is also being investigated whether the measurements can be repeated by means of a request through the app. iSPEX could be the basis for a new measurement method for particulate matter.

### Results for 2013

The Ballast Nedam waste management plans have shed light on the waste streams that our own production processes generate. We have produced an action plan based on the new information. One of the measures is to collect our own concrete waste, to be crushed and then reused in the concrete plants. This means less primary raw material, and savings in transport to the processing and reuse sites.

We perform a life cycle analysis (LCA) in the environmental impact assessment of materials and processes. We have investigated the environmental impact per m<sup>2</sup> of balcony for two of our products: traditional concrete and an innovative concrete product with an EPS core. The investigation revealed that the environmental impact per m<sup>2</sup> of the concrete with EPS core was approximately 10 per cent lower. We are using this information to define actions to lower the environment impact through appropriate choices of materials and processes. An example is the use of cleaner concrete mixes, and local suppliers.

Ballast Nedam is also using an LCA approach in various new construction projects, infrastructure projects, and modular products such as the Plug & Play Core®.



In order to acquire more know-how about closed cycles, Ballast Nedam joined a Circular Economy Community of Practice in the past year. There is more about the teamwork with NGOs in Section 7.3 *Dialogue with stakeholders on four levels* on page 137. Ballast Nedam is also involved in initiatives such as FSC controlled wood and MVO Network Beton (for concrete).

### Objectives for 2014: materials

The *Materials* CSR issue is strongly linked in Ballast Nedam with the *Waste and recycling* CSR issue. By having the production sites apply waste management we will generate information about the waste streams from our own production processes. We can then take targeted measures, which will contribute directly to the use of good materials. This is why we have not set the materials issue as a company-wide objective for 2014.

Voor ons modulaire stadionkern Plug & Play Core® hebben we een LCA uitgevoerd om te kwantificeren hoeveel CO<sub>2</sub> er wordt uitgestoten door de gehele levenscyclus heen. Hierdoor zijn we in staat om voor Plug & Play Core® de CO<sub>2</sub>-voetafdruk verder te verkleinen door het materiaalgebruik, de processen en het transport aan te passen. Plug & Play Core® is volledig demontabel, waardoor bij hergebruik slechts minimale additionele energie wordt gebruikt. Dit verlaagt de CO<sub>2</sub>-voetafdruk per stadion aanzienlijk.

### MVO Network Beton wins Green Deal Runner Up Award

At the Innovation Estafette in November 2013, the Minister of Economic Affairs, Henk Kamp, and State Secretary for Infrastructure and the Environment, Wilma Mansveld, presented a Runner Up Award to the Green Deal for a Sustainable Concrete Chain. Two years ago Ballast Nedam signed up to the Green Deal for a Sustainable Concrete Chain, which is now known as MVO Network Beton. This network made firm commitments at last year's annual Concrete Day event, which were recorded in Concreet 1.0.

### Concrete chain could reduce CO<sub>2</sub> emission by up to 30 per cent by 2020

One of MVO Network Beton's recent actions is aimed at reducing CO<sub>2</sub> emission throughout the chain. The network has engaged the environmental consultancy CE Delft to calculate the effects of several possible technical options that the chain could use to achieve this aim.



#### **BP WATER TREATMENT, ROTTERDAM**

Ballast Nedam is performing the civil engineering and the work on the underground lines for the Effluent Treatment Plant (ETP) at the BP refinery in the Rotterdam port area. Ballast Nedam is working on all the individually dimensioned pools of the ETP, which have an internal synthetic coating. Complying with the demanding safety requirements and the high pace and extreme precision of work is a feat of craftsmanship.

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

Our people are the most important factor in our success. We invest in integrated working methods, in our people, in their knowledge and conduct, and in their potential role in a changing market.

### 6.4.1 Our employees

2013 was a tense year for our employees. Restructuring operations that were announced in 2012 were continued in 2013. The difficult market conditions – with building projects declining in number and exhibiting low margins – compelled senior management to implement additional measures to reduce capacity in the organization. These measures have far-reaching personal consequences for the employees concerned.

The enormous changes we have been through as a company this year have altered our priorities. Our main focus has been on carefully implementing the announced measures, with respect for our employees who have directly or indirectly felt the impact of them. There is a redundancy package for employees who have received notice of termination, which has the aim of helping them find other work as quickly as possible. We have set up the Ballast Nedam Mobility Bureau to help and guide them to a new job. This proved to be a successful approach in 2013, with many of the affected employees finding employment again reasonably quickly. By searching for both internal and external vacancies, and focusing on placement opportunities, the Mobility Bureau helped almost 50 per cent of the affected employees find a new job in 2013.



### Employee representation

There is an open dialogue on all levels in Ballast Nedam between employee representatives and management. Employees elect their representatives. The Central Works Council had a total of sixteen meetings in 2013, of which six were ordinary meetings, and ten were extraordinary meetings with the Chairman of the Board of Management. Among the subjects discussed were the overall state of affairs, the half-yearly and annual figures, the possible sale of business units, and a new member of the Supervisory Board.

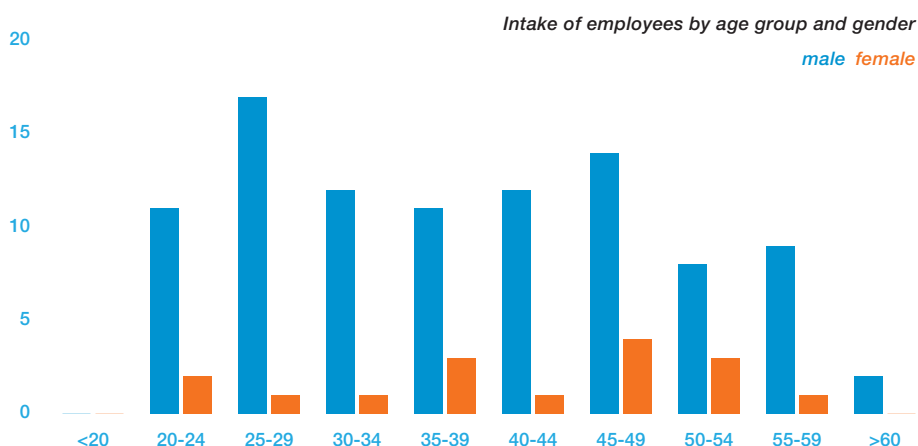
As the need arises the Central Works Council uses employees as a sounding board, as happened in discussions about amendments to the pension agreement and the new personnel record system. Regular meetings were also started in 2013 for the chairs and secretaries of the employee representation structures in Ballast Nedam.

Other issues affecting employees alongside employment security are compliance, safety and training.

### Recruitment and deployment

We exercised great caution in creating vacancies in 2013. The limited number of vacancies were filled internally where possible, failing which – in a restrained but targeted way – we approached the external labour market.

We did so mainly to attract young talented employees. Ballast Nedam is a professional organization in which the employees make the difference, and determine the quality of the organization. Attracting young employees is a way of assuring that we have key staff who are well-trained and well-versed in our core values in the long term. With this in mind, we achieved the envisaged number of the work placements and trainees in 2013. Once the economy picks up, the demand for talent will again be many times higher than the supply, and this trend is only reinforced by population ageing. Arranging for an inflow of young talent now will enable us to minimize our reliance on the external labour market in the future.



94 per cent of all employees are covered by a collective agreement. The remaining 181 employees (six per cent) are not covered by a collective agreement, but some have terms that are tied to a collective agreement.

Ballast Nedam aspires to a corporate culture in which the diversity of people is valued, and people enjoy their work and feel at liberty to share and apply their different points of view. We aim for a balanced male-female distribution in managerial positions, equal promotion opportunities regardless of ethnicity, and we encourage the use of senior employees. Our pay scales depend on the job, not on gender. Our long-term aim is to have at least 30 per cent men and at least 30 per cent women in the Board of Management.

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

	Male	Female	Total
FTEs in the Netherlands	2 598	299	2 897
FTEs international	107	5	112
<b>FTEs total</b>	<b>2 705</b>	<b>304</b>	<b>3 009</b>

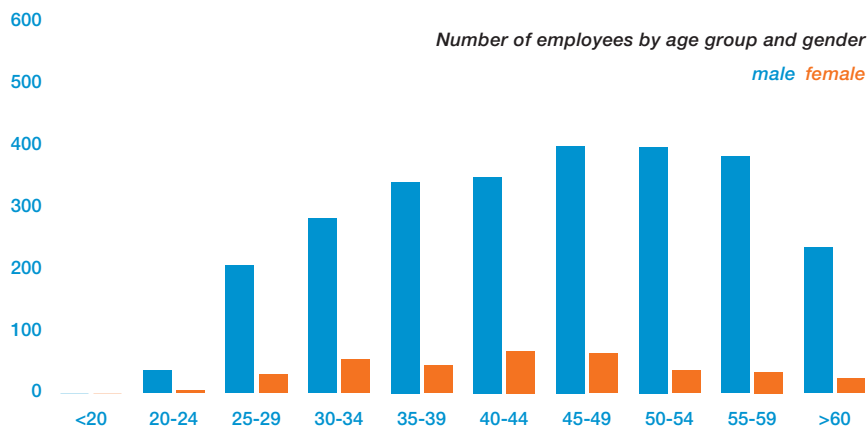
	Male	Female	Total
Full time	2 507	153	2 660
Part time	113	206	319
Netherlands	2 620	359	2 979
International	107	7	114
<b>Total</b>	<b>2 727</b>	<b>366</b>	<b>3 093</b>

#### Objectives for 2013: our employees

To have at least 200 people on work placements and graduation projects per year	Achieved
To have at least 100 apprentices in the apprenticeship system per year	Not achieved
To have at least 10 trainees from universities of applied sciences or research universities (with a technical background) per year	Achieved
To have at least 3 financial trainees from universities of applied sciences and at academic level per year	Achieved
To participate in at least three relevant jobs markets or career fairs each year	Achieved

### Results for 2013

- In 2013 we filled a total of 266 work placement and graduation project positions, achieving the objective. The number of incoming technical and financial trainees was significantly higher than foreseen: 38 compared with 13.
- We maintain contacts with various educational institutions, and our presence at university job fairs allows us to talk directly with interesting potential trainees and recruits. Having attended eight jobs markets, Ballast Nedam has amply fulfilled its objective to enter into direct contact with the target groups.
- The number of apprentices in the apprenticeship system was less than the 100 that were envisaged. Ballast Nedam was able to place no more than 41 apprentices because of the restricted number of suitable positions, and limited supervision capacity.



### Binding and motivating

Our policy is to bind employees to the organization and motivate them at the same time. Ballast Nedam's conviction is that success in the construction industry stands or falls with the commitment of our own employees in their work. The best way we can guarantee this commitment is to create an inspiring and challenging working environment.

By providing career development opportunities, such as through training, or career guidance in the organization, we promote and guarantee permanent employability. We are aware that challenging work is an indispensable condition for this. We motivate our employees by joining with them in a constant search for new challenges. We make this possible by always aiming for challenging new building projects, even while the construction and infrastructure market is under the current severe pressure.

### Objective for 2013: binding and motivating

We set ourselves the objective in 2013 to have an average term of employment of at least 10 years. We achieved this objective, with an average term of employment of 12 years.

This objective may create the inaccurate impression that we are aiming for lifetime employment, in the sense of a lifelong career in the same company. In fact, our main goal is for employees to continuously uphold and develop their knowledge and skills, and to use them to satisfy the needs of their employer, Ballast Nedam. At the same time we endeavour to bind to our company for the long term those employees who are a good match. A bound employee is one who knows the company and how it works, and shares our vision, mission, standards and values.

### Organization development, advancement and departure

Ballast Nedam has a wide range of in-company personal development and management skills training programmes. The programmes are improved on a continuous basis through feedback from the course participants and in line with the organization's requirements. Ballast Nedam's core values are given prominent attention in our in-company training programmes.

Our management training programmes give considerable attention to how Ballast Nedam's current and future managers can best develop and utilize the talents of employees to achieve our objectives. Our Initial Management Programme (for potential managers) is one example of this.

Under normal circumstances the reason for employees to leave is related to personal development. Employees leave the organization at their own initiative if favourable development opportunities arise elsewhere, or at Ballast Nedam's initiative if an employee's development is less than expected. In the current economic climate, however, we are confronted with forced exit because of circumstances.

### Objectives for 2013: organization development, advancement and departure

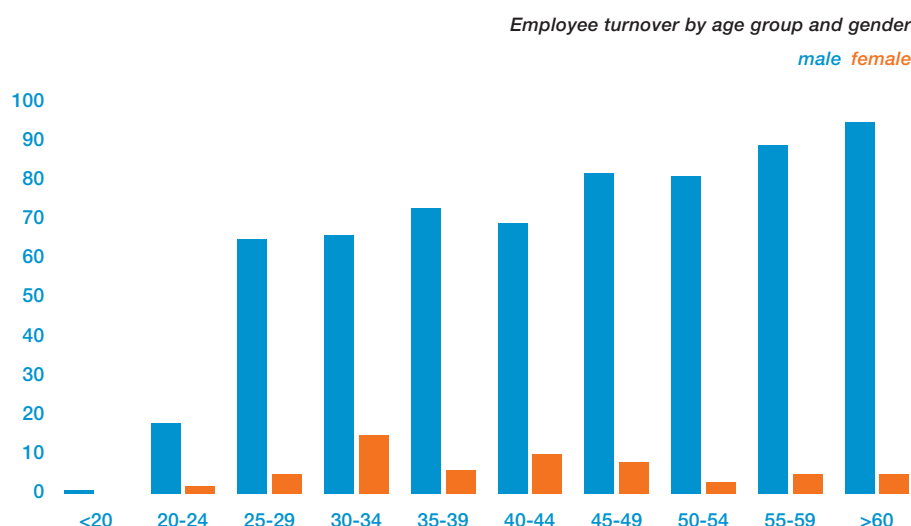
To have 30 per cent of the employees attend a course or training programme at least once a year	33 per cent
To hold an assessment or performance review with all managerial, technical and administrative employees at least once a year, and with all construction site workers once every two years	65 per cent

### Results for 2013

33 per cent of all employees attended a training course. More than half of these were professional or technical in nature, or were connected with safety certificates, such as VCA. Much attention was also given to custom training, such as for senior project managers in DBFM projects at the Twente School of Management (TSM).

The assessment round is a fixed component of Ballast Nedam's annual performance and development cycle, in which a manager and employee discuss various important issues concerned with performance, results, career and general development and employee performance. In the past year 65 per cent of eligible\* employees were given a performance review (78.8 per cent of those with a collective agreement and 56.6 per cent of managerial, technical and administrative staff). This means we did not achieve the objective. The restructuring operations and the accompanying personnel reduction have meant that an assessment or performance review was no longer relevant for a large group of employees.

(\*Not counting employees on long-term absence through illness and those retiring within one year.)



### Vitality and health

This policy has the aim of protecting the vitality, health and wellbeing of all our employees. The actions arising from this policy fall into two categories:

- preventive action to avoid absence;
- curative action to reduce absence to a minimum.

The P&O Department implemented numerous changes in 2013: 1) the internal management approach was introduced, 2) the Sick Leave Coordination Department was founded, and 3) there is now a single health and safety service for all of Ballast Nedam.

The internal management approach places more responsibility on the manager as case manager, and on the employee concerned. The aim is to avoid medicalization where possible, recognizing that situations often have other than medical causes. The communication between managers and employees is essential in this regard. For some business units, the restructuring operations delayed the planned roll-out of this internal management approach throughout Ballast Nedam in 2013.

The annual occupational health examinations are scheduled between November and February, and are conducted by Active Living, a partner organization of the health and safety service. Employees are allowed time off work to attend these examinations at the employer's expense. The aim in 2013 was to increase the participation rate to 90 per cent. Employees who were unwilling to take part have been requested to give their reasons, to allow us to determine any necessary adjustments to raise the participation rate.

### Objective for 2013: vitality and health

To reduce the absence through illness rate to less than 4.5 per cent	Achieved
For 90 per cent of employees to receive a regular occupational health examination	Not achieved
To have fewer than 10 per cent of those receiving a regular occupational health examination assessed as being in 'poor condition'	As yet unknown



### Results for 2013

The results of the objectives for 2013 were not yet known at the time of writing, because the year had not ended (the examinations are scheduled between November 2013 and February 2014).

#### Rate of absence through illness:

2008	2009	2010	2011	2012	2013
5.00%	5.00%	4.78%	5.01%	4.81%	4.48%

### Objectives for 2014: vitality and health

To achieve a rate of absence through illness of 4.5 per cent or less

#### 6.4.2 Safety

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

#### Policy

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

- integrating safety and safe working into project plans;
- employees having pride in their safety performance;
- employees looking out for each other and their environment;
- managers being aware of the value of safety recommendations and improvement actions;
- investigating accidents and near accidents thoroughly and systematically;
- the company distributing investigation findings so that lessons can be learned;
- having two-way communication about safety between the construction site and management;
- also encouraging subcontractors and suppliers to comply with the demanding safety requirements.

To support our objectives we are defining many internal and external initiatives, and we are investing in training courses. We report on the salient results in this section.

### Objectives for 2013: safety

No fatal accidents	Achieved
For the injury frequency (the number of fatal and lost-time injuries involving Ballast Nedam employees per million hours worked) to be less than 6.5	Not achieved

## Results

The injury frequency (IF) for 2013 was 7.45, which is slightly less than for 2012, when it was 8.3. A high IF occurs in particular in the regional companies, the Building & Development cluster and the Supplies cluster. The remaining clusters have performed significantly better. Many Ballast Nedam companies had no accidents leading to absence in 2013. We are upholding our objective to have an IF less than 6.5 for 2014, culminating in an injury-free Ballast Nedam.

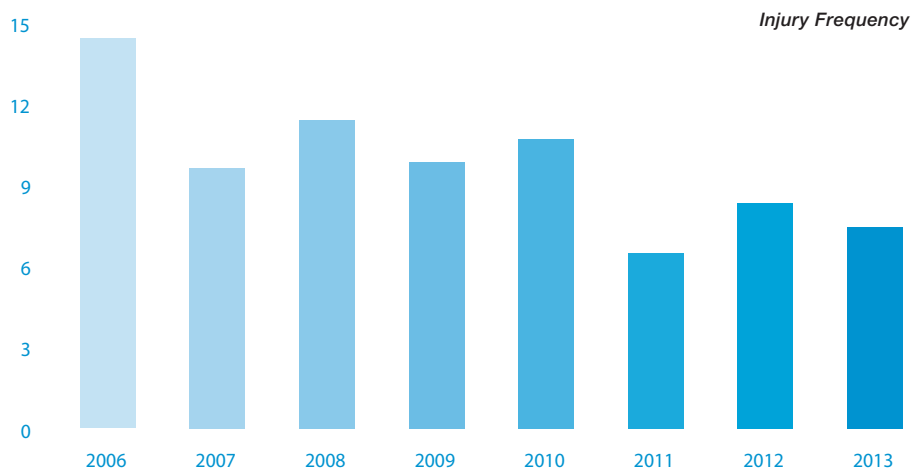
We are investigating the reason why some companies have a significantly high injury frequency, with a view to implementing measures and reducing the number of accidents.

The increased attention to safety has raised safety awareness throughout the organization. In order to maintain awareness at a high level, safety is a fixed agenda item for Board of Management meetings with the cluster Managing Directors.

Various Ballast Nedam companies are seeking to identify, or are experimenting with, an appropriate reward system. Giving an incentive for desirable behaviour can help reduce the number of accidents and near accidents substantially. If our employees approach safety with a positive attitude, a no blame culture will be created in which conduct is open to discussion.

On Avenue2 in Maastricht and the Magnum Bio Power Plant in Eemshaven, the teams are rewarded for exceptional safety contributions. In June the Magnum Bio Power Plant project in Eemshaven celebrated the team's achievement of six million accident-free hours. The Staatsolie Maatschappij Suriname project celebrated 400 000 accident-free hours at the start of July.

**Injury frequency (the number of lost-time accidents per million hours worked)**



## Results: internal initiatives

### 'SOS' (unsafe situation reporting)

Ballast Nedam is to make greater use of SOS reports. The idea for a photo app, which was launched in 2012, was developed in 2013. Testing is nearly complete, and the app will be rolled out in early 2014.

The photo app simplifies SOS reporting. This idea came out of *tok!*, the digital ideas and discussion platform for employees.

### Yellow and red cards

A safety enforcement system has been introduced on some projects. Employees who break the safety rules are given a yellow card.

Employees who exhibit deliberate unsafe behaviour, such as failing to use fall protection, or repeatedly disregarding safety rules, will receive a red card and will be expelled permanently from the project.

#### *Audio-visual project box*

In order to achieve a lasting improvement in project safety, employees, subcontractors and suppliers are given instruction about the construction site and the rules that apply there, through the audio-visual project box. This is a compelling and project-specific presentation that is available in five languages.

#### *Results: training courses*

##### *Safety workshop for managers*

To support managers, the Board of Management added a Safety Workshop to the 2013 Ballast Nedam training programme. This interactive programme gives managers an opportunity to exchange experience and pick up tips for how to manage their employees' safe behaviour more effectively.

##### *Workshop about openly discussing safety*

In 2013 some 150 employees attended a workshop to learn to consciously enter into discussion with fellow building site workers about safety and health issues. Our aim is to bring about a lasting behavioural change.

##### *Health and safety coordination course*

Several Ballast Nedam companies have attended the health and safety coordination course, which covers all the issues relevant to the job of implementation phase health and safety coordinator. The course first sheds light on the formal and legal duties and responsibilities of the health and safety coordinator. There is also specific discussion of Ballast Nedam's policy regarding these duties and responsibilities.

#### *Results: external collaboration and evaluation*

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

The letter of intent that was drawn up in 2013 has been finalized and made quantifiable. In January 2014 the final 'Safety in the Construction Industry' Governance Code was signed by the CEOs of the participating clients and contractors. In 2013 we started on the implementation agenda and carried out the first actions under the Code.

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

The Directorate-General for Public Works and Water Management has set up a safety system to measure the safety performance of consortiums. The various related pilots that were carried out in 2012 have led to safety-related changes. SPIC version 1.2 was also released in 2013. The Directorate-General for Public Works and Water Management has yet to decide whether this system will be followed up.

### Objectives for 2014: safety

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

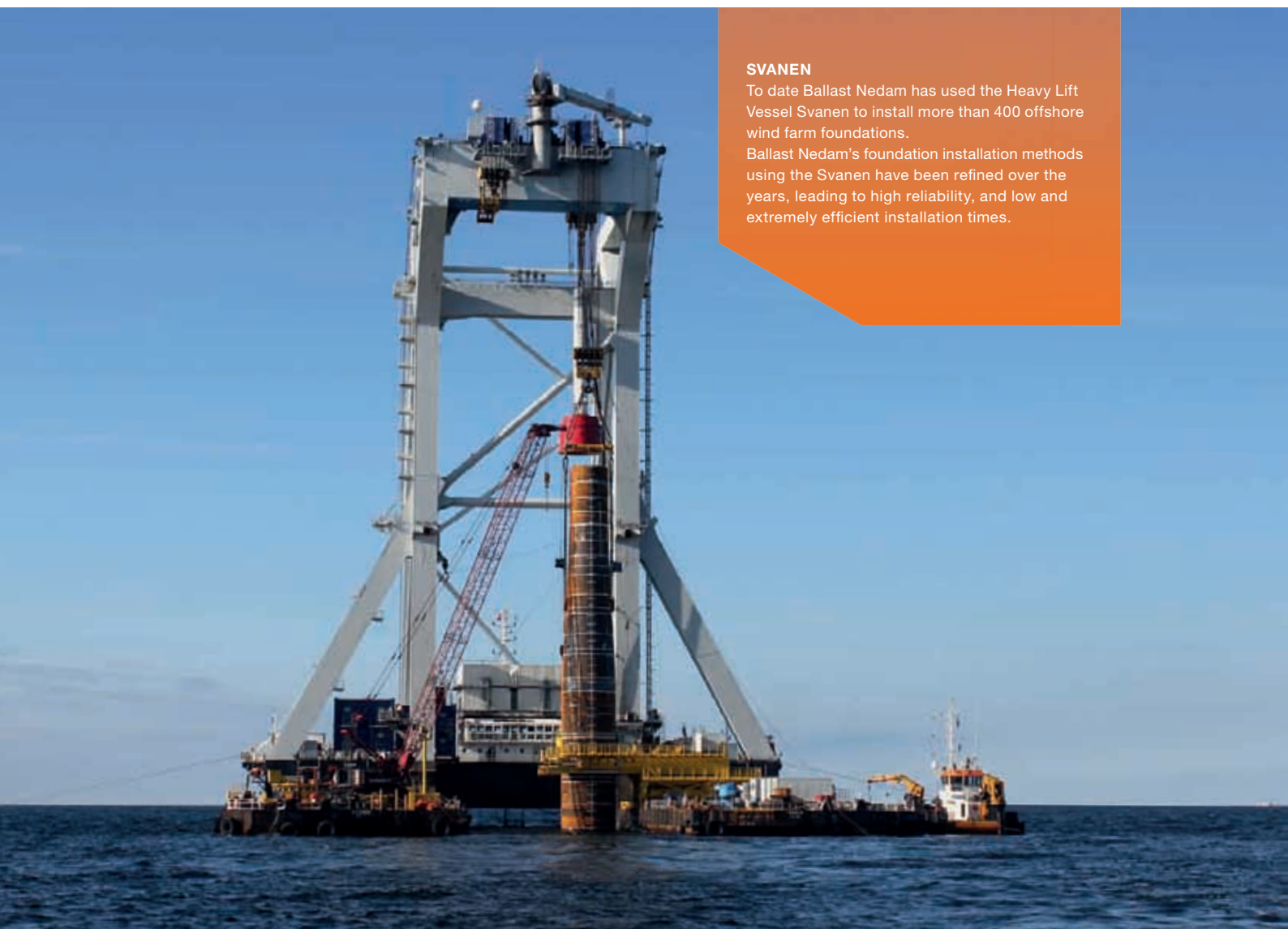
Management and employees are on the way to a higher level of safety awareness. They are making it easier to discuss safety openly, and there is more support for the safety policy. We will continue this trend in 2014 to make the vision of an injury-free Ballast Nedam a reality. We will achieve this aim through:

- permanent management attention to safety, which includes keeping discussion of safety alive, and rewarding safe behaviour;
- making safety a fixed component of the performance assessment and review interviews;
- extending the subcontractor assessment system with additional safety-related points;
- continuing to develop the Safety Workshop for managers;
- continuing to encourage the reporting of unsafe situations in the organization (SOS reports).

#### SVANEN

To date Ballast Nedam has used the Heavy Lift Vessel Svanen to install more than 400 offshore wind farm foundations.

Ballast Nedam's foundation installation methods using the Svanen have been refined over the years, leading to high reliability, and low and extremely efficient installation times.



#### 6.4.3 Compliance and integrity

In 2012 we announced that the identified compliance policy infringements gave cause to tighten this policy. The higher priority duly given to compliance and integrity had operational repercussions in 2013. Our ambition is to be the company with the greatest integrity in the construction industry, because this will set us apart in the market and create business opportunities.

##### Policy

We intend to realize this ambition through our approach to the organization and assurance of compliance: we comply with all applicable legislation and ethical standards (see Section 8.1 *Management and control structure* on page 145) and we operate a zero tolerance policy. This policy means we overlook no infringements of integrity (however minor, and whether on the part of our own employees or third parties) and that every report of a possible infringement will be investigated.

With this policy we seek to render conduct and action in the company transparent, and to raise our employees' awareness of the importance of honest and ethical individual and collective behaviour. We view compliance as part of culture and behaviour.

##### Objectives for 2013: compliance and integrity

To compile an investigation manual: with the procedure to be followed to investigate reports of fraud and other dishonest conduct	Achieved
To have 100 per cent of Ballast Nedam managerial, technical and administrative staff take an e-learning training module about the Code of Conduct within one month of joining the company	Not achieved
To implement a web tool to report compliance and integrity infringements	Achieved
To implement a web tool for requesting and reporting all gifts and entertainment	Achieved
To survey and analyse the risks related to the Code of Conduct	Achieved

##### Results

The higher priority given to compliance and integrity in 2013 has led to the creation of a set of four operational instruments:

- more detailed documents and tighter processes;
- the registration and investigation of reports;
- compliance and integrity training for employees and management;
- convenient tools for reporting infringements.



There is more information below about these four instruments, which were developed as a consistent set to assure compliance. Alongside these instruments, every employee is personally responsible and accountable for his or her ethical conduct, and is obliged to comply with applicable legislation and standards.

#### **More detailed documents and tighter processes**

The standards for compliance and integrity are recorded in the following documents.

- *The Code of Conduct*

This sets down the rules of behaviour that Ballast Nedam subscribes to, in terms of our core values in the relationship with our employees, customers, subcontractors and suppliers, and society at large. The Code of Conduct now has greater consistency between the various policy documents. The working group that was formed for this purpose was drawn from a cross section of the company. The Central Works Council also provided extensive input;

- *The Corporate Compliance Charter*

This is the formal basis for all compliance and integrity actions. It sets down the duties and authorities related to compliance.

- *Separate codes*

Some of the standards given in the Code of Conduct are worked out in more detail for each issue in separate codes. Because of the importance we attach to these issues, the tighter standards are worked out in detail and the procedural aspects of enforcement are also recorded. For instance, there are codes for conflict of interest, gifts and bribery, and for competition, sponsoring and dealing with computer facilities. The procedure for investigating fraud and the rights and duties of employees are documented in the fraud protocol.

- *Fraud Handbook*

The Fraud Handbook sets down the procedure that the fraud team follows in its investigations. The fraud team members are the CCRO, an internal auditor and a senior legal expert. The Fraud Handbook gives the correct procedure and the process for hearing both sides of the case. Reports of dishonest behaviour are investigated immediately and may lead to disciplinary sanctions, up to dismissal. Reports may also give reason to amend or tighten policy.

The strict observance of the zero-tolerance policy has made our employees much more aware of compliance. It can be seen that action is taken almost immediately because of the priority given to new reports, which helps accelerate the process of change in relation to compliance.

Ballast Nedam endorses the guidelines of the Organization for Economic Cooperation and Development (OECD) and the International Labour Organization (ILO). We also subscribe to the Guiding Principles in the Construction Industry and observe the Dutch codes of conduct of Bewuste Bouwers (which is similar to the UK Considerate Constructors scheme), the Netherlands Association of Property Developers and Investors (NEPROM), Flora and Fauna, Structural Safety, and the 'Safety in the Construction Industry' Governance Code.

### Registration and investigation of reports

In the reporting year we recognize the registration and investigation of two types of report:

- compulsory reports for 2013;
- reports made in 2013 using the new 'incident reporting tool' on the compliance site, and reports made through other, existing, channels, such as compliance officers, managers, e-mail and the anonymous hotline.

#### *Compulsory reports for 2013*

In November 2012 all senior managers were required to report all events that had occurred within their span of control within the past five years. All 44 reports were then investigated, and all but five reports handled fully. Most reports were concerned with gifts and entertainment that did not comply with the strict rules that we introduced in 2012. There was also one report of the theft of copper, and of scrap iron being sold for cash, despite the strict ban on cash transactions. These reports led to two dismissals and several reprimands.

#### *Reports in 2013*

The user-friendly online incident reporting tool that went live on our new compliance site in April 2013 was used in reporting 17 incidents. Before this tool had been introduced and promoted, most incidents were reported face to face, by e-mail, or by phone to a compliance officer. No use was made in 2013 of the option to make anonymous reports on the hotline. We conclude from this that our employees saw no need for this channel, and felt confident enough to file reports through the other means mentioned above.

The greater emphasis now being placed on compliance has given rise to a considerable number of reports. Since 1 January 2013 there have been 45 reports in total, which excludes the compulsory reports made in November 2012. The reports were concerned with internal and external integrity issues such as theft, fraud, extortion and threats. 32 reports have been investigated and handled, and 13 reports are still under investigation. All but two of these reports have led to specific measures, ranging from dismissal (in five cases) to a reprimand and an endorsement in the personnel file. We have blacklisted eleven companies. Six reports were judged to be unfounded following investigation. Some reports were concerned with individuals who did not work for Ballast Nedam (externals) and who caused a compliance incident. In 2013 there were six reports in total about externals, including for extortion, threats and fraud. These reports led to two community service orders, one for 240 hours and the other for 120 hours. We report every punishable offence to the police.

We register reports of corruption, discrimination and anticompetitive practices separately, in accordance with GRI guidelines. There were four reports of corruption in 2013. Two predate the new policy (2012), and further investigation led in one case to resignation and in the other to dismissal. There was also a report of bribery of a client. Ballast Nedam informed the client's Board of Management about their employee's explicit soliciting of a bribe, which led to the dismissal of the employee concerned. A project leader reported a corrupt request from a public sector client, with which he did not comply.

A complaint about discrimination against a male applicant was rejected because it was found that there were reasonable and objective grounds to give preference to female candidates.

In 2013 there were no reports or legal proceedings concerned with anticompetitive practices.

### **NAUERNA WIND TURBINE**

Ballast Nedam Concessies is operating two onshore wind turbines at Nauerna through Wind24.







### **Compliance and integrity training for management and employees**

In order to emphasize compliance, all senior managers have been given training in integrity issues, their exemplary role, and enforcement of the integrity policy. They have also been instructed to inform all employees under their responsibility about the Code of Conduct and the related integrity and compliance policy.

All employees with access to the Ballast Nedam intranet are able to consult the Code of Conduct and the related procedures and protocols.

We have also made a new e-learning module on compliance available to 2510 managerial, technical and administrative employees. Allowing for restructuring and long-term illness, 96 per cent of employees have completed this e-learning module. As many as possible of the remaining 4 per cent will be urged to do so in order to achieve our objective for 2013. New Ballast Nedam employees are required to complete the e-learning module on compliance within three weeks of commencement of employment.

### **Development of straightforward tools**

We have implemented several tools to raise employee awareness of the compliance guidelines, and to provide the means to observe these guidelines and keep them alive. Two of the tools on our intranet provide an uncomplicated way to assess invitations (I receive) or gifts (I give) against the compliance policy. The regular tool response will be monitored and handled in accordance with the established procedures. Both tools are used frequently. They were introduced in June 2013, since when they have been used 368 times. Of the 238 gifts offered to Ballast Nedam, 25 were rejected by the manager concerned. Another six assessments are ongoing.

We observe a favourable effect of the feedback about the acceptance or rejection of gifts, and the surrounding dialogue. This is conspicuous not only in the frequent use of the tools, but also in the feedback. There has been pressure from employees themselves to develop an additional tool to allow them to register offers that they have refused at their own initiative pursuant to the rules .

### **Compliance screening of suppliers and subcontractors**

The details of the great majority of Ballast Nedam's suppliers and subcontractors are recorded in a Central Suppliers Database. Suppliers and subcontractors that are not in the Central Suppliers Database are screened on a regular basis. This screening involves investigating our suppliers' and subcontractors' integrity credentials based on open sources. We examine all relevant information that relates to the past five years, both in the Netherlands and abroad. The screening is performed by an external party. The process allows for interim screenings outside the predetermined schedule.

### *Objectives and actions for 2014: compliance and integrity*

A compliance theme for 2014 will be control, and the existing organization will be optimized further. Our aim is unchanged: for all our employees to be aware of the Code of Conduct, and for no infringements of the compliance guidelines. The first concrete objective is the launch of the new 'BeN Wijzer' code of conduct, which explains our values and standards.

We are rolling out the anticorruption & fraud and the competition e-learning modules, and revising several subcodes and protocols from 2012 in line with the latest 'BeN Wijzer' code of conduct. Based on an extensive analysis of all reports made in 2013, we are categorizing the risks and refining the compliance checks at the leading edge of the tendering process.



## 6.5 Chain cooperation (market)

Ballast Nedam aims to add value for all customers through chain cooperation with suppliers and subcontractors. We create real solutions within innovative forms of cooperation with a wide variety of partners. These solutions are better than those we could achieve separately.

### 6.5.1 Chain responsibility

We interpret chain cooperation as extensive collaboration in the construction and infrastructure chain. The collaboration may transcend individual projects. Chain cooperation allows us to take a more market-operated approach, add customer value, reduce failure costs, increase customer satisfaction and promote sustainable innovation in the industry. Within our chain we value clear agreements about energy consumption, waste management, safety, compliance and integrity.

#### Policy

Ballast Nedam takes account of the total life cycle of a project or feature in its chain cooperation. Chain cooperation adds value through combined innovative strength, cost efficiency and optimum coordination of procurement. One of our principles is that all parties must have a sense of responsibility for people, the environment and the community, which they demonstrate through their actions.

#### Objectives for 2013: chain responsibility

---

To hold two dialogues about partnership and sustainable purchasing with the top 20 suppliers that have done business with Ballast Nedam for more than ten years

---

Not achieved

#### Results for 2013

There has been a 'hands on' approach to chain cooperation in the projects in the past year. We held dialogues with our key suppliers, including transport operators, steel constructors, synthetic material suppliers, steel fixers, installers and exterior wall specialists. Among the subjects discussed were CO<sub>2</sub> emission reduction, efficient logistics and loading (fuel consumption), waste prevention and removal, and the origin of materials.

We present several initiatives below that we have tackled together with the chain.

Our purchasing contract refers to the Ballast Nedam general purchasing conditions and the Ballast Nedam code of conduct for subcontractors and suppliers. This code is addressed to all our subcontractors and suppliers, and applies throughout the chain. By signing the contract, our partners also promise to abide by the code.

#### Lean principle

The creation of customer value and a shorter turnaround time are key. Using improvement technologies to learn to see where you want to go while highlighting opportunities for improvement, and implementing them. This requires cooperation with customers, partners and colleagues. Together we define the ideal value stream to arrive at the best product for the customer.

### **New build homes at Schepenlaan for Eigen Haard – Heddes Bouw & Ontwikkeling**

The teamwork between the Eigen Haard housing association and Heddes Bouw & Ontwikkeling and its chain partners arose spontaneously out of mutual trust and a willingness to share responsibility. Both partners have a passion for building and are keen to invest in relationships between people, which provides common ground for their teamwork on the Schepenlaan project. Eigen Haard's Eddo Braam explains: 'From early design through to project completion we worked from our conviction that anything we give each other will be returned. We put the interests of the project first, and our own interests on an equal footing. For the new build homes at Schepenlaan we as client also took our place in the chain. Contacts criss-cross the chain team. Our experience is that it is better not to bring in the cost experts too early, but to keep the dialogue open and encourage creativity. Using the chain partners' know-how and skills, a simple change like reorienting a kitchen on the plan can save as much as 400 euros for every home.'

#### *Objectives for 2014: chain responsibility*

In line with the CO<sub>2</sub> performance ladder we encourage our chain partners to take measures to demonstrably reduce their relative CO<sub>2</sub> production. We are aware that this ambition presents a considerable challenge in view of the current overriding importance of 'most economic price'. Each year we ask our suppliers to provide a CO<sub>2</sub> footprint, with which we fulfil the objective set down in the standards of the CO<sub>2</sub> performance ladder.

We have not set a separate objective for this aspect in 2014. Ballast Nedam has not aimed specifically at chain cooperation in the past two years, although a 'hands on' approach is taken to chain cooperation in projects where value may be added.

#### **6.5.2 Innovation, the common denominator**

Innovation is firmly anchored in our organization. The point is to plough back innovations of proven practical value for our customers' benefit. Besides substantial upgrades we also innovate through stepwise improvement. Our approach to innovation sets us apart and strengthens our position on the growth market of integrated projects and the niche markets. Our conviction is that innovation leads to opportunities for sustainability, and vice versa.

#### **Policy**

Ballast Nedam operates a virtual innovation network (*tok!* Open), in which Ballast Nedam employees and stakeholders jointly generate new business in an open innovation environment.

#### **Futura explained at the Dutch Green Building Week (DGBW)**

The theme of the third DGBW was sustainable building, living and working, and sustainable area development. Ballast Nedam took the opportunity to present the Futura project in Zoetermeer. The Zoetermeer CSR Foundation, one of the DGBW participants, commented that 'Chain integration has paid off. Weekly meetings of all the parties involved in the building allowed direct communication of possible problems and minor adjustments.'

Futura is an extremely sustainable atrium building with 69 apartments with patio in Zoetermeer. Ballast Nedam collaborated closely with all chain partners on this project. Futura is the first sustainable residential complex in the Netherlands to be assessed as '(Very) Good' for New Construction Design Phase BREEAM certification. This certificate is issued for an apartment that is engineered using the latest BIM and 3D technologies, and where the internal and external parties and subcontractors work together in a chain.

#### **Agreements with shipping companies and forwarding agents**

Ballast Nedam has attended annual meetings with the shipping companies that we use. Among the items discussed were the use and development of cleaner marine engines, on which we also made agreements. The meetings are consistent with our LNG ambitions for shipping. We also discussed the Code of Conduct for subcontractors and suppliers in these meetings.

Ballast Nedam is the first Dutch construction company to be a member of the Clean Shipping Index, and we will make maximum use of recommended shipping companies for our goods transport. Ballast Nedam's aim with the Clean Shipping Index is to avoid using polluting vessels and to promote the use of cleaner marine engines. The Heavy Lift Vessel Svanen was duly nominated for and accepted into the Clean Shipping Index in 2013.

We present below some examples of our initiatives in this network for improving the effectiveness of our organization:

- *tok!* Open: the digital ideas and discussion platform for our employees and stakeholders;
- *tok!* formula: a coherent set of activities surrounding the *tok!* platform, including the *tok!* ideas café, *tok!* brainstorming sessions and *tok!* information sessions;
- *tok!* business case factory: together with Business Model Canvas, this supports the development of business cases on the *tok!* platform;
- *tok!* innovation panels: discuss specific issues with stakeholders with a view to defining concrete forms of teamwork. The *tok!* innovation panels for Corporations, Modular Building, City and Energy, and Healthcare concluded in 2013, and have delivered the first successes;

In the past year we have mainly supported initiatives for transsectoral cooperation. For example, Ballast Nedam and events organizer ID&T signed a letter of intent in 2013 to cooperate on open innovations in the construction and events sectors.

#### *Objective for 2013: innovation, the common denominator*

To implement at least two sustainable innovations through cooperation on innovation with chain partners

Achieved

A list of the key innovations and innovative projects that we started or carried out in 2013 is given under Sustainable Innovation on the next page. We have brought together the information about the developments in modular construction (strategic focus) under *Modular construction* on page 45.

#### *Objectives for 2014: innovation, the common denominator*

To implement three sustainable innovations through cooperation on innovation with chain partners

ETTU and Ballast Nedam have agreed on the shared intellectual ownership of the *tok!* software and *tok!* formula, in which ETTU will include the *tok!* software as a social innovation building block in its eConnect product line. ETTU sees great potential in improving social innovation processes for and with its customers by means of *tok!* software and the *tok!* formula.

Summer Village, a partnership between TU Delft, ID&T and Ballast Nedam, is a forerunner of the Green Village: a campus in which scientists, students, entrepreneurs and companies work together on sustainable innovation. This initiative will be implemented in 2014.

The Plug and Play Transformation idea worked its way to the top 30 of the TEDxAwards in 2013, making it 'an idea worth spreading'. Plug & Play Transformation allows vacant office buildings to be transformed rapidly and efficiently into housing locations. The concept is based on 'life-cycle thinking and acting' with modular elements.





#### **IQWONING®**

Woonbedrijf and Ballast Nedam are building 74 energy-neutral iQwoning® homes in Eindhoven. The building style and advanced quality of the new rented homes match the owner-occupied housing that Ballast Nedam built in the area at an earlier stage. The homes achieve energy neutrality through excellent insulation and the application of a variety of sustainable systems. Two homes are erected every day, with finishing work completing six weeks later.



# Sustainable innovation

## Product innovations

### Extension spindles for drains

The extension spindle locks the stench screen to prevent it being lifted from the seat.

An additional advantage is that extra manual operations are no longer needed when cleaning the drain. A damaged stench screen can still be replaced.

### 700-bar hydrogen filling station

This filling station type, which will be built as part of the cross-frontier 'Hydrogen Region Flanders-Netherlands' Interreg IVA programme, will be compatible with the hydrogen-fuelled passenger cars that are to be introduced onto the market. These cars are expected to be available in 2015. The first 700-bar hydrogen filling station in the Netherlands will be built in early 2014 for WaterstofNet.

### ZigZag screen

We developed this modular noise screen together with Grontmij. It has no prominent concrete or steel uprights. The folding construction avoids deformation of the concrete panels, because only normal forces are transmitted to an adjacent panel. The resultant material savings lead to a CO<sub>2</sub> emission reduction of 25 per cent.

## Process innovations

### Logistics modelling

With this innovation we are using software modelling and analysis techniques to optimize the logistics process for offshore wind turbines.

The first version has been used successfully for the Walney 2 offshore wind farm.

### Bridging the Gaps (BtG)

The BtG programme has the objective of raising the standard of tendering within Ballast Nedam and forging connections between people and departments. The Tender Canvas tool that was developed as part of BtG has already led to the first successful contract award from the Port of Rotterdam: for the management of the dry infrastructure.

## Materials innovation



### mbX composite mixture

This newly developed mixture is a highly flexible composite from which extreme forms can be made without reinforcing steel. mbX composite is currently being applied in the construction of the public transport terminal in Arnhem.

## Innovative concepts



### One-lift-concept

This concept enables us to transport a fully assembled wind turbine (tower, nacelle and rotor blades) from land and install it in an offshore wind farm. This dependable installation method is based on our Heavy Lift Vessel Svanen.



## Innovative partnerships

### Stroomversnelling

The Stroomversnelling innovation projects are bringing corporations and builders together to improve 110 000 post-war series-built homes to a zero net energy standard. The necessary investment will be paid for by contributions equal to the former energy bills. An initial prototype has been delivered in Stads kanaal. There is more about Stroomversnelling in Section 4.2 Building & Development.

[▶ More on page 59](#)



## 6.6 Being at the heart of the community (community)

This section explains how Ballast Nedam contributes to the local communities in which we work through community relations management, community investment and social sponsoring.

### 6.6.1 Community relations management

We have the versatility and creativity to use technology to bring social and ecological benefits, while meeting our stakeholders' expectations. We do this through community relations management. The stakeholder dialogues play an important social role, and the Code of Conduct for the Flora and Fauna Act has a significant ecological impact.

#### Policy

Ballast Nedam interprets community relations management as anything that helps us get to know and involve all community parties to promote mutual awareness of our various goals, while controlling and safeguarding the project objectives. We give priority to communication, safety, tidy work, environmental awareness and a social attitude.

Strategic community relations management is a tool for Ballast Nedam to understand and manage the points of contact between a project and its neighbours at the earliest possible stage. The point is to facilitate good relations between the project organization and the various stakeholders in the surrounding area, so that we identify win-win solutions.

#### Objectives for 2013: community relations management

To submit all projects with a value above 5 million euros and every city-centre project above 500 000 euros in the Netherlands as a Bewuste Bouwers project	Not achieved
To extend the quality manual to embed community relations management into the projects	Not achieved

#### Results for 2013

At year-end 2013 36 current projects had been submitted to Bewuste Bouwers, and 26 Bewuste Bouwers projects were completed this year. 16 of the projects were audited. Since the Bewuste Bouwers scheme started, Ballast Nedam has submitted 111 projects, which is 20 per cent of all projects submitted. Most of these are large and city-centre building projects. Infrastructure projects also apply community relations management, but they are not yet always submitted to the scheme. As a result, while we did not achieve the objective, we have demonstrated the importance we attach to community relations management. Infrastructure sets a standard that is higher than that required for Bewuste Bouwers. For infrastructure projects, Ballast Nedam appoints a specific community relations manager to keep a proper focus on community relations management.

We aim to anchor the role of community relations manager in our processes. In 2013 we made a list of what we do well in this area (whether consciously or unconsciously), what is already assured in our processes, and any points on which there is room to improve our processes.

The Bewuste Bouwers organization assesses construction sites on criteria related to considerate building in the widest sense. The primary aim is to improve the construction industry's image by professionalizing community relations management. The key words are aware, safe, tidy, the environment and social. Ballast Nedam is one of the founders of the Bewuste Bouwers scheme.

#### Complaints procedure

It is important for people near our projects to know who to approach with any questions or comments. An increasing number of projects therefore have their own procedure for registering and handling complaints about the contractor, and reporting the results to the client.

Other complaints are handled centrally and allocated to the department or business unit concerned. After handling, the action taken is reported to the stakeholder.

We appointed a long-term unemployed person to look after the safety of passers-by and employees from the start of the sand replenishment in early October 2013 until the beach was delivered at the end of February 2014. He was responsible for putting up warning notices and fences on the sections of beach being worked on, and made sure that people observed the safety instructions.

The findings formed the basis for the community relations management manual, which will be reviewed and implemented in 2014. The essence of the manual is that community relations management activities are an inextricable part of project execution, and that everyone involved must be aware of it.

#### *Objectives for 2014: community relations management*

To have forty current projects in the Netherlands submitted as Bewuste Bouwers projects at year-end

There are many potential points of friction with the neighbours of the A15 Maasvlakte-Vaanplein highway project. The Port of Rotterdam is one of the economic powerhouses of the Netherlands, which inevitably means many large cables and lines to and from the industry there. Large refineries transport their products in pipelines, and if anything happens to these the impact can be enormous. It is therefore vital for us to coordinate our work on this project in detail with parties such as the Port of Rotterdam, Shell, ECT, Eneco and Gasunie.

### 6.6.2 Community investment

#### **Policy**

Ballast Nedam's social policy is directly related to our vision and our key activities. This means that we support those local communities with the greatest need with a combination of time, knowledge, money and expertise. Our conviction is that these communities benefit most from a targeted, long-term involvement. Society as a whole also gains from this. Our investment programmes accordingly focus on:

- education: to help a group of young people, in particular those with a social disadvantage, to build a successful career;
- employment: to enable people who have a substantial barrier to overcome, in particular because they are at the lower end of the labour market or are at the start of their careers, to acquire skills, knowledge, experience and self-confidence;
- entrepreneurship: to improve the social and commercial wellbeing of the community by supporting and initiating partnerships.

#### *Objectives for 2013: community investment*

To add depth to the community investment policy oriented to social return activities that are linked to our projects

Achieved

#### *Result for 2013*

Ballast Nedam employees are becoming increasingly aware of their social return obligation in projects. Ballast Nedam achieves social return through agreements with clients to help people at the lower end of the labour market and those at the start of their careers to gain work and general experience. In many cases we accept an obligation, but we also take initiatives of our own. This gives long-term unemployed people and those who are partially fit for work an opportunity to gain work experience. In 2013 we used the findings of various analyses as input for a workshop for anyone directly involved with social return on the construction site. The workshop participants were given the latest information about social return, and they exchanged success stories and problems. The workshop was used as input for the Social Return Manual, which gives specific tips to help Ballast Nedam employees plan and perform successful social return activities in the tendering stage and during construction.

The Butendiek offshore wind farm in Germany is a good example of how we take nature into account. An important issue in the installation of wind turbines is pile-driving, for which we can obtain a permit only if we take noise limiting measures. Our current approach is to install casings around the pile-driving site to reduce the acoustic disturbance to fish.

To update the Social Return Manual by incorporating lessons learned in practice.

---

### **Social return projects**

Ballast Nedam has 21 ongoing social return projects, as shown in the chart: Ballast Nedam's own voluntary initiatives are shown in blue.

#### **A15 MAASVLAKTE-VAANPLEIN**

The A15 highway is an important link between the expanding Rotterdam port and industrial complex, and the European hinterland. The cooperating parties, Ballast Nedam, John Laing, Strabag and Strukton, are responsible for the complete design and construction of the A15 project, the financing and management, and the maintenance of all existing and new infrastructure for a 20-year period following availability.



Business unit	Project
Avenue 2	A2 school, Maastricht
Ballast Nedam Bouw & Ontwikkeling Noord	MFC Westergeest, Triemen
Ballast Nedam Bouw & Ontwikkeling Speciale Projecten	Erasmus MC, Rotterdam
Ballast Nedam Bouw & Ontwikkeling Zuid	Drents village, Eindhoven
Ballast Nedam Bouw & Ontwikkeling Zuid	Bloemenbuurt, Veghel
Ballast Nedam Infra	Katwijk Coastal Works
Ballast Nedam Infra	New Park redevelopment, Gouda
Ballast Nedam Infra	Cycle park, Rotterdam CS
Ballast Nedam Infra	Business park, Municipality of Echt
Ballast Nedam Infra	Aqueduct in Western Approach Road, Leeuwarden
Ballast Nedam Infra Speciale Projecten	Kralingse Zoom, Rotterdam
Ballast Nedam Specialiteiten	Green space maintenance, Leerdam
Ballast Nedam Specialiteiten	Provincial road maintenance, Noord- Brabant
Ballast Nedam Specialiteiten	Maintenance of plants and shrubs Meer- zicht, Zoetermeer
Heddes Bouw & Ontwikkeling	Engelandlaan, Haarlem
Heddes Bouw & Ontwikkeling	Lopes Dias, Hilversum.
LAUDY Bouw & Ontwikkeling	St. Jansbolwerk, Den Bosch
LAUDY Bouw & Ontwikkeling	Arcus College, Heerlen
LAUDY Bouw & Ontwikkeling	Sports centre, Susteren
LAUDY Bouw & Ontwikkeling, Ballast Nedam Bouw & Ontwikkeling Zuid	New build Municipal Office, Venlo
A-Lanes A15	A15 Maasvlakte-Vaanplein, Rotterdam



# Community investment

Ballast Nedam invests in social projects that support children and adults in need. There are national and international projects in education, employment (social return), entrepreneurship, and development aid in Africa. We consider all these contributions to be community investment, and we endeavour to have a positive impact on society at large. This page presents the projects we invested in in 2013.

## Education

### IMC Weekend School

Ballast Nedam is working with the IMC Weekend School Utrecht, which helps motivated young people between the ages of 10 and 14 from socioeconomically deprived areas to become acquainted with interesting areas of science, the arts and the professions. Ballast Nedam makes an active contribution by providing the Architecture and Building lessons for second-year students, together with the staff of the IMC Weekend School. This year, 28 third-year students were awarded a certificate.

### A2 School

#### *Employment – Social Return*

The A2 School is a jointly operated 'one-stop shop' for the City of Maastricht, the Employee Insurance Agency (UvW) and the sheltered employment organization. The shared goal is to help younger and

older people who are estranged from the labour market back to work. In 2013 the A2 School and Avenue2 (Ballast Nedam and Strukton) created more than 115 FTEs on the A2 Maastricht project implementation, which is an increase of more than 25 FTEs. Besides the building trades, there are also opportunities in office work and technical services.

### Erasmus Medical Centre

Ballast Nedam has entered into a voluntary covenant with the City of Rotterdam and the Aanbouw foundation to help unemployed people back to work on the Erasmus Medical Centre project.

Six unemployed people started on the project in 2013. This project also has an apprenticeship site, which offers apprenticeships to upper secondary vocational school and university of professional education students.

### Katwijk Coastal Works

In consultation with the municipal authority and the Employee Insurance Agency, Rohde Nielsen and Ballast Nedam are providing work on the Katwijk Coastal Works project to help long-term unemployed people back onto the labour market.

This involves three permanent regular jobs, two on-the-job training places, three places for job-relevant training, four work placements and two participation jobs.

### From social workshop to parks and gardens

Ballast Nedam has created jobs for social workshop clients on three green space maintenance projects: parks and gardens in Leerdam, verges of regional roads in North Brabant, and plants and shrubs in the Meerzicht district of Zoetermeer.







## Entrepreneurship

### Support to Oxfam Novib for microcredits

Gebr. Van Leeuwen Harmelen B.V. and Ballast Nedam's Funderingstechnieken and Offshore business units are Oxfam Novib business ambassadors. Standing firm together in the fight against poverty is Oxfam Novib's aim. The objective is to help the poorest people in developing countries set up their own businesses and achieve independence.

### Together for Nieuwegein

Ballast Nedam is one of the partners in Samen voor Nieuwegein (Together for Nieuwegein). The annual Beursvloer event brings local businesses, social organizations and the municipality together to match supply and demand, leading to social transactions in which no money changes hands. Ballast Nedam hosted this event on 21 November 2013.

This time, the event produced 123 matches, with a total social value of over 197 680 euros. Ballast Nedam has promised to help the Vogelnest primary school move a wall, and is investigating the opportunities for work experience places for clients of Tres Werken Leren.

We have international projects in Africa, where we are aiming to have a favourable impact on the community.

Last year we supported the following projects with money, work and goods.

### Crossing the river and staying dry

In Gambia we are providing manpower, resources and know-how to build Calums Road. Our effort and pure Dutch dike-building know-how mean that people can now cross the river with dry feet if they need to visit the hospital in Kuntaur, for example.

### Laughing with clowns

We made a financial contribution to a visit by the Global Clowning organization to Ghana (including to the Countryside orphanage in Bawjiase). Global Clowning brings a smile to children who need this the most. They perform for children in third world countries, where there are hardly any clowns. In slums, hospitals, orphanages, institutes for children with mental and or physical impairments, or schools. They can then briefly forget their problems, poverty, pain and distress, and simply laugh.

### School fees for orphans

Ballast Nedam made a financial contribution to the school fees for 32 children from the Countryside orphanage in Bawjiase, Ghana. We have supported this project for several years, both financially and by carrying out work.

### Ambulance as farewell present

Ballast Nedam spent four years upgrading the road outside the Bansang Hospital in Gambia. At the same time, Ballast Nedam supported the hospital by carrying out work. As a farewell present, we presented the hospital with an ambulance.

## Social sponsoring

### Alpe d'HuZes

In June 2013 eighteen Ballast Nedam employees cycled to the top of the Alpe d'Huez a total of 65 times to collect money for cancer research. They raised some 65 000 euros.

In total Alpe d'HuZes has generated approximately 29 million euros for the cancer charity KWF Kankerbestrijding. Ballast Nedam sponsored the Alpe d'HuZes teams with equipment and finance.

### RopaRun

The Roparun is a relay race of over 500 kilometres from Paris and Hamburg to Rotterdam. The participating teams perform a sporting feat to collect money for causes that provide palliative care for people with cancer.

The total proceeds of the 2013 Roparun were 5 370 960 euros. The Ballast Nedam team raised 13 644 euros.

### Concrete Dragons

The Ballast Nedam dragon boat team 'Concrete Dragons' started in Amstelveen in 1995. Over the years, the team has grown to become one of the seven Dutch national competition teams.

Ballast Nedam is the main sponsor, and many of the team members also work for us. The objective of Concrete Dragons is to respond to the sporting challenge, without losing sight of fun and fellowship.



'The pond is more than functional water storage. It is also part of the new, nature-friendly environment'

---

Marc Nelen – senior project developer of Futura, Zoetermeer

# 7

## Stakeholder dialogue

The wide diversity of companies within Ballast Nedam means we also deal with a wide diversity of stakeholders. Our stakeholders are our (1) customers and clients, (2) suppliers and subcontractors, (3) employees, (4) local residents, (5) shareholders and investors, (6) banks and credit insurers (7) public authorities, (8) knowledge and educational institutions and industry associations, and (9) social organizations. There are more details in Section 1.4 *Stakeholders* on page 22 and Section 6.4 *Our people, standards and values* on page 107.

### 7.1 Guaranteeing commitment

By entering into dialogue with our stakeholders we are able to sound out and refine our vision, policy, strategy and expectations with them. The Sustainable Business Innovation and Communication & Investor Relations support departments work closely together to arrange these strategic stakeholder dialogues. We also maintain permanent operational contact with numerous stakeholders. We use the feedback we receive from stakeholders to improve our organization. (see also Section 6.5 *Chain cooperation* on page 123.)

In 2011 we held one-to-one interviews with our stakeholders. We opted for four multi-stakeholder dialogues in 2012, each linked to one of the areas of work – housing, mobility, energy and nature – and how these areas interrelate. In 2013 Ballast Nedam opted explicitly for dialogue with stakeholders at company and project levels. We gave these operating levels priority because they are where dialogue has the most direct and tangible impact.



## 7.2 Materiality matrix

We use the materiality matrix that we created together with our stakeholders in 2011 to define the key points for attention with respect to corporate social responsibility (CSR). The matrix guides the identification of our CSR issues.

The topics that stakeholders found important for themselves and Ballast Nedam according to this matrix are integrity, sustainable resource use, life-cycle management, chain cooperation and innovation and entrepreneurship. These are therefore the issues that stakeholders expect Ballast Nedam to devote serious attention to, as was borne out in our dialogue with stakeholders in late 2012.

In 2014 we will update the materiality matrix in the light of the results of this year's stakeholder dialogues.



### **PUBLIC TRANSPORT TERMINAL, BREDA**

Breda station is being transformed into a totally new interchange for train, bus, car, bicycle and pedestrian transport. The new complex is also to be fully integrated into the large-scale urban development, combined with offices, housing, commercial functions and parking facilities. The consortium of Ballast Nedam and Hurks is working on this complex, integrated project in the busy urban area.

### 7.3 Dialogue with stakeholders on four levels

In 2013 Ballast Nedam opted for dialogue with stakeholders on the levels where the greatest impact would be achieved: company and project levels. The purpose of the dialogue with stakeholders is to add value for the end-user, the client, and society as a whole.

Our approach to the dialogue with our stakeholders was as follows. We categorized initiatives on the following four levels:

- our initiatives to enter into dialogue with stakeholders on company and project levels;
- opening our internal innovation platform to stakeholders;
- holding a symposium to exchange ideas with stakeholders about a sustainable economy;
- engaging in stakeholder dialogue together with NGOs and knowledge institutes.

We give details of these initiatives in the following sections, together with brief examples.

Communication is obviously an important factor in awareness of and commitment to social themes, which is why we pass on the feedback from our stakeholders to our employees in the internal magazine *Blauwdruk*, in meetings, and on the intranet. We also align our external communication as much as possible with socially relevant issues that matter to our stakeholders. We report on our website in words and pictures about our programme's in platforms such as Provada and InfraTech.

#### Dialogue with stakeholders on company and project levels

On company level, Ballast Nedam views customer satisfaction surveys as an important instrument for improving our services. The Ballast Nedam Building & Development Special Projects cluster performed an extensive customer satisfaction survey in 2013. An external party was engaged in order to obtain the most objective picture possible. The customer interviews led to the definition of actions on various levels within the cluster's improvement plans for 2014. Examples include:

- more consistent and intensive inspections in the construction phase to raise quality to a higher standard;
- more regular discussion with our customers, not just to explain what we are doing, but more in particular why we are doing it;
- greater Ballast Nedam visibility through more effective communication about project progress.

Every year we consider which stakeholders and projects to approach for a customer satisfaction survey. The survey's annual frequency also allows us to measure the improvements we have introduced.

There was a time when industry and nature conservation organizations had conflicting interests, but these two worlds are now working together increasingly often.

An example is Ballast Nedam and the Society for the Preservation of Nature in the Netherlands. Ecohydrologist Robbert Hijdra has been a strategic adviser and public affairs coordinator at this organization for the past two decades: 'Combining our knowledge with that of engineers who share our green heart can create really beautiful things. The challenge is to link major building projects in water or on land with habitat creation. And when it is finished, we take care of the management.'

(Blauwdruk 7, outside in)

#### Customer satisfaction survey

Clients and their advisers are invited to an in-depth interview to explore their experience with Ballast Nedam on projects, both during and after implementation. The output of the interviews is presented in the form of a dashboard that expresses a given cluster's performance. Workshops are held twice a year to discuss the dashboard with cluster employees before using it as input for improvement programmes.



Another example on company level is the quarterly Offshore Wind Q meeting, which Ballast Nedam and Siemens have held for the past four years. This is more than just an informal networking session for all stakeholders, but more of a discussion platform for offshore wind issues. Among the issues raised and discussed are Dutch policy, the spatial aspects of offshore wind energy, and cost reductions. We have invited a variety of politicians, government officials and consultants to speak at these meetings.

We maintain contact between projects and local organizations, because they are stakeholders in the integrated approach to projects. We similarly engage in dialogue with the Limburg Landscape Foundation about the preservation or new habitat creation for flora and fauna in the Lus van Linne redevelopment. We also talk with the cyclists' association about improvements to established cycle path plans where road safety is an issue, such as for the A2 Maastricht.

#### Platform for innovation opened to stakeholders

By opening our internal virtual innovation platform *tok!* to employees of our key stakeholders, we are encouraging open innovation. The extended version of this social media platform – *tok! Open* – is for employees of Ballast Nedam and our stakeholders alike. It provides a permanent and easily accessible interaction platform for working together with stakeholders on sustainable innovation, with an emphasis on current social issues. More about *tok!* and the results can be found in Section 6.5.2 *Innovation, our common denominator* on page 124.

Ballast Nedam works with the Hogeschool Utrecht to develop the ideas that come out of *tok!* in the 'sustainable innovation' project for third-year Technology and Management students. One hundred students work in groups in an open innovation environment on material drawn from Ballast Nedam's ideas and discussion platform *tok!*. The students have ten weeks to produce a complete business case for Ballast Nedam's ideas team.

This special form of teamwork has led to Ballast Nedam's nomination for the Sustainable Entrepreneurship Plaque awarded by the Koning Willem I foundation. The nomination was based on 'the good work that Ballast Nedam is doing through its work with the education sector, in which the company is displaying its social commitment by investing in young people', the foundation says.

#### Symposium on sustainability and the circular economy

Ballast Nedam held a symposium in 2013 with the title Life-cycle thinking and acting – the next phase. The debate was intended to raise awareness of and discussion about the theme. It also occupies a central place in Ballast Nedam's strategy (see also Section 3.1.1 *Life-cycle thinking and acting* on page 16).

Three introductory speakers led the 180 participants in a lively debate on the central theme: the new reality confronting the construction industry, with changing needs of both customers and society as a whole. External and internal stakeholders engaged in a fervent debate about how traditional approaches are making way for future-proof, sustainable business models. Among the important related issues are sustainable resource use, the circular economy, life-cycle management and product responsibility throughout a product's life.

We are also applying the steps towards a circular economy (one based on product and raw material reuse) within Ballast Nedam, such as in our wide modular product range, which consists of reusable components with a definite residual value. We also perform life-cycle analyses for materials, and even for energy, which is a way for us to put circular thinking into practice.

#### Lus van Linne

The lakes to the south of Roermond are not natural, but the result of gravel extraction between the 1920s and 1970s for the Dutch railway system.

Ballast Nedam became the owner of this area of over 200 hectares in 2009. Our aim in this project is to facilitate and preserve nature, and to create added value. To achieve this aim, we will do what we are good at: digging in clay and gravel. Indeed, we are now able to extract soil that was inaccessible at the time of the excavations for the railways, which were only interested in coarse gravel anyway. There is still some 6 million cubic metres of sand and gravel on this site, which is the financial motor for the entire project. It is enough to fund the land purchase and all the necessary earth movement.



#### tok! Open

The latest version of the digital ideas and discussion platform *tok!* went on line in 2013: *tok! Open*. This is a platform for open innovation and improvement. Ballast Nedam has opened *tok!* to its stakeholders: clients, suppliers, knowledge institutes, customers and partners. The aim is to create a medium through which to collaborate on ideas. Ballast Nedam believes that *tok!* can help us improve ideas and bring them to market faster, which can generate new business for both Ballast Nedam and its stakeholders.

The *Life-cycle thinking and acting – the next phase* debate has raised stakeholders' and employees' awareness of these issues.

#### Stakeholder dialogue with NGOs and knowledge institutes

Ballast Nedam sets great store by cooperation and knowledge sharing, as external stakeholders are increasingly aware. In the past year Ballast Nedam has been invited regularly as a chain partner for stakeholder dialogues held by NGOs and knowledge institutes, alongside our main activities within industry associations. The following examples of Ballast Nedam's involvement have a direct connection with the issues in our CSR policy.

#### **Life-cycle management: Circular Economy Community of Practice (organized by MVO Nederland)**

In order to develop knowledge about closed cycles, Ballast Nedam participated in the past year in the Circular Economy Community of Practice, which is an initiative of MVO Nederland in which front runners from Dutch industry jointly explore the opportunities presented by the circular economy, and translate these into concrete action within their own companies. In order to spread the circular economy philosophy within Ballast Nedam, employees from various business units attended the meetings and shared the knowledge with their colleagues at lunchtime sessions. Ballast Nedam also organized a session that led to new insights and interesting reference points for follow-on steps in a pilot for an office transformation.

#### **Life-cycle management: Partnership Resource Centre**

We are talking with Cordaid about the development of business models for issues such as slum dwellers in development zones, and about the role that Ballast Nedam could play. Cordaid is a member of the Partnership Resource Centre, in which Ballast Nedam is also a partner. At the 'Multiparty sustainable business strategies for the urban future' symposium held on 3 December 2013, sixty representatives of government, industry and the NGOs arrived at the following conclusion: *'Cities in developing countries are a fertile ground for new business models with a social impact. Yet generating a positive impact requires cooperation between public and private stakeholders, local stakeholders and the community.'*

Ivo Opstelten, professor of 'New Energy in the City' at Hogeschool Utrecht, has this to say about the circular economy: 'Take a piece of land where people live and do business. Put a fence around it so that nothing can get either in or out. You then have no option but to reuse products, components and raw materials. Dismantlable components are then a way to minimize the costs of value retention.'

Jan Rotmans, professor of transition management at Erasmus University Rotterdam comments in 'Rebuilding the building industry, construction seeks citizen' that 'The construction industry has too few people who understand people. The community is undergoing drastic change that is too radical and fast for the construction industry to keep up with, which demands a change of approach. This approach must put customers and occupiers at the centre. Since there is no such thing as the customer or the occupier, I am much in favour of more social psychology in the construction industry.'

**Air quality: cooperation with Longfonds and Trees for All**

CNG Net, a Ballast Nedam subsidiary, has teamed up with Longfonds with a view to improving air quality.

**Trees for All**

We are talking with Trees for All about how we can work on CO<sub>2</sub> reduction. We will create a 'leadership plantation' together with the National Forest Service in the Netherlands and commercial companies (see Section 6.3.2 Air quality and CO<sub>2</sub> emission policy on page 102).

**Chain cooperation: FuturA**

Ballast Nedam is a participant in FuturA, which is one of 23 projects that originated in the Netherlands Organization for Scientific Research (NWO) under the 'CLICK NL' umbrella. The project emerged from the top sectors policy for the creative industry. It provides two doctorate positions, and holds various Living Lab meetings at which the consortium contributes its knowledge to help develop feasible business models for services to be provided by the architect of the future.

The partners in the research consortium are from the Royal Institute of Dutch Architects BNA, De Zwarte Hond, EGM architecten, IAA Architecten, Rothuizen, JHK Architecten, Ballast Nedam, Havensteder and the Government Buildings Agency, and academics from TU Delft and Radboud University Nijmegen. Ballast Nedam was approached because of our active role in integrated projects.

**Partnership between Longfonds and CNG Net**

Longfonds and CNG Net have the same goal: clean and healthy air in the Netherlands. Longfonds does this through lobbying, the provision of information and scientific research. CNG Net, as an operator of CNG filling stations, makes CNG available to drivers. CNG is an inexpensive and clean fuel that helps improve air quality, in that CNG-fuelled vehicles produce almost no particulate matter or soot. This shared goal has brought CNG Net and Longfonds together in a commercial partnership. For instance, they are the joint main partners behind iSPEX, an experiment in which thousands of Dutch people measure particulate matter using their smartphones (for iSPEX see also Section 6.3.2 Air quality and CO<sub>2</sub> emission policy on page 102).





#### ROAD OF THE FUTURE

The Road of the Future (N329) has received the HIER Energie Nul (zero energy) award, and has been praised as a sustainable and innovative zero net energy civil engineering project. The project was presented with the award by Princess Laurentien on 28 June 2013. The projects were assessed for originality, the degree of integration of sustainable energy consumption and generation, exemplary work, the reusability of project methods elsewhere, and the contribution to CO2 reduction.











# Corporate governance

---

8.1	Management and control structure	145
8.2	Report of the Supervisory Board	152
8.3	Members of the Supervisory Board	161
8.4	Remuneration report	163
8.5	Members of the Board of Management	169



‘Nothing can beat creating dynamic nature with social added value in a large-scale advanced infrastructure project’

Willem-Jan Duijnstee – director of Ballast Nedam Grondstoffen

# 8

## Corporate governance

### 8.1 Management and control structure

Ballast Nedam has a structure of four segments that are formed around products and processes. The segments are Building & Development, Infrastructure, Specialized Companies, and Supplies. The structure is unchanged from last year. For full details, please see the website [www.ballast-nedam.com](http://www.ballast-nedam.com).

The Ballast Nedam Board of Management consists of Mr T.A.C.M. Bruijninx as Chief Executive Officer and Mr P. van Zwieten as Chief Financial Officer. There are three cluster Managing Directors, each responsible for two clusters. Each cluster Managing Director is supported by a financial director. The Board of Management and the cluster Managing Directors jointly form the Ballast Nedam Concern Council. Ballast Nedam reports on operations in the four segments.

#### 8.1.1 Dutch Corporate Governance Code

Ballast Nedam endorses the principles of the Dutch Corporate Governance Code (referred to below as the Code) and, with a few specific exceptions, applies the best practice provisions of the Code, as explained below. Ballast Nedam applied the best practice provisions as fully as possible in financial year 2013.

The General Meeting of Shareholders held on 10 May 2006 approved Ballast Nedam's corporate governance policy and structure. Neither the company's corporate governance structure nor compliance with the Code have changed substantially in the meantime. The corporate governance structure and corporate governance policy are on the agenda of every General Meeting of Shareholders.

Ballast Nedam abides by the Code, with the exception of the following key best practice provisions:

1. *best practice provision II.1.1: maximum term of appointment of four years*

We do not apply this best practice provision in the case of Mr Bruijninckx.

Mr Bruijninckx was appointed for an indeterminate period early in 2003, before the Code came into effect, and Ballast Nedam respects these contract terms.

2. *best practice provision II.2.8: maximum severance pay of one fixed annual salary*

We do not apply this best practice provision in the case of Mr Bruijninckx.

Mr Bruijninckx was appointed early in 2003, before the Code came into effect.

The severance pay agreed with him was one-and-a-half times fixed annual salary, and Ballast Nedam respects these contract terms.

3. *best practice provision II.2.10: the power to adjust variable components of remuneration*

The Supervisory Board does not have the power to adjust components of remuneration in respect of Mr Bruijninckx, and Ballast Nedam respects the pre-existing contract terms. We do incorporate the possibility to adjust variable components of remuneration in the employment contracts of new directors, as has happened in the case of Mr Van Zwieten. As of 1 January 2014 there is compliance with this provision by virtue of the 'Clawback' Act.

4. *best practice provision II.2.11: the clawback clause*

The Supervisory Board does not have the power in respect of Mr Bruijninckx to claw back components of remuneration awarded on the basis of incorrect financial or other information, and Ballast Nedam respects the pre-existing contract terms.

We do incorporate the possibility to adjust variable components of remuneration in the employment contracts of new directors, as has happened in the case of Mr Van Zwieten. As of 1 January 2014 there is compliance with this provision by virtue of the 'Clawback' Act.

5. *best practice provision IV.3.1: live webcasts of presentations*

It is not possible for shareholders to follow analyst meetings, analyst presentations, presentations to institutional and other investors and press conferences simultaneously through webcasting, telephone, or by other means. Ballast Nedam has no plans to introduce these facilities in the near future.

Details of our compliance with the Code are available on [www.ballast-nedam.com](http://www.ballast-nedam.com).

### 8.1.2 Corporate Governance Statement

Ballast Nedam N.V. has included in this Annual Report all statements and announcements as set down in the Code, the Netherlands Civil Code and in other laws and regulations concerned with corporate governance. Our website also has a document that contains all statements and announcements as referred to in the Resolution of 23 December 2004 in respect of additional regulations about the content of the Annual Report.

### 8.1.3 Legal structure

Ballast Nedam N.V. is a private limited liability company under Dutch law, subject in full to the statutory two-tier rules. The issued share capital consists of 10 million registered ordinary shares. Depositary receipts for Ballast Nedam shares are listed on NYSE Euronext Amsterdam. The Ballast Nedam Administration Office issues depositary receipts for shares and administers the underlying shares. As at 31 December 2013, the Administration Office had issued depositary receipts for 99.46 per cent of the capital in issue. Ballast Nedam has no anti take-over constructions.

The company has a Supervisory Board and a Board of Management. The Board of Management requires Supervisory Board approval for certain important decisions. The Board of Management also requires the approval of the General Meeting of Shareholders for important changes in the identity or character of the company or the business.

If the Board of Management makes a proposal to amend the Articles of Association, which the Supervisory Board approves, the General Meeting of Shareholders will pass the resolution by an ordinary majority of the votes cast. In all other cases, resolutions to amend the Articles of Association are carried in the meeting only by a majority of votes representing at least 70 per cent of the capital in issue.

### 8.1.4 Supervisory Board

The Supervisory Board supervises the policy of the Board of Management and the general performance of the company and its business, and supports the Board of Management with advice. The Supervisory Board performs its tasks mindful of the interests of Ballast Nedam N.V. and the associated business, taking into consideration the relevant interests of the stakeholders who play a part or are affiliated. The Supervisory Board also takes into consideration in its duties in the social aspects of business conduct that are relevant to the company.

Ms C.M. Insinger was appointed member of the Supervisory Board at the General Meeting of Shareholders held in May 2013. In October 2013 Mr J.C. Huis in 't Veld resigned with immediate effect from the Supervisory Board, and at the request of the Ballast Nedam Board of Management he has been appointed on an interim basis to the management team of Infrastructure Special Projects. The Supervisory Board currently has four members. All supervisory directors are independent within the meaning of the Code.





#### **PUBLIC TRANSPORT TERMINAL, ARNHEM**

A consortium of Ballast Nedam and BAM is constructing the public transport terminal in Arnhem for ProRail. The project includes an imposing transfer hall linking platforms, the bus station, and the parking facilities for cars and bicycles. The elaborate shapes involved in the design are being created using the innovative mbX composite mixture.

#### **Nomination and appointment**

The General Meeting of Shareholders appoints the members of the Supervisory Board as nominated by the Supervisory Board. The General Meeting of Shareholders may reject nominations by an ordinary majority of the votes cast, providing that at least one third of the capital in issue is represented at the meeting. The General Meeting of Shareholders and the Central Works Council may recommend specific people for nomination as members of the Supervisory Board. The Supervisory Board will follow the recommendations of the Central Works Council in nominating one third of its membership. This principle ceases to apply if the Supervisory Board has objections, in particular if the Board expects:

- the nominee to be unfit to perform the duties of a supervisory director;
- the composition of the Supervisory Board to be inappropriate if the recommended appointment were to be made.

The General Meeting of Shareholders may adopt a vote of no confidence in the Supervisory Board by an ordinary majority of the votes cast, provided that at least one third of the capital in issue is represented at the meeting.

#### **Remuneration**

The General Meeting of Shareholders fixes the remuneration of the supervisory directors. The current remuneration of the Supervisory Board was fixed at the Annual General Meeting of Shareholders in 2005. The remuneration of the Audit Committee was fixed at the Annual General Meeting of Shareholders in 2008.

#### **Duties and regulations**

The Supervisory Board has formed an Audit Committee, a Remuneration Committee and a Selection and Appointments Committee. Each within their field of responsibilities, these committees prepare Supervisory Board decision-making and advise the Supervisory Board. The responsibilities and working methods of these committees are laid down in regulations that are posted on [www.ballast-nedam.com](http://www.ballast-nedam.com).

The Supervisory Board Regulations contain additional rules on the allocation of tasks and working methods of the Supervisory Board, and on its dealings with the Board of Management, the General Meeting of Shareholders, and the Central Works Council. These rules are also posted on our website. *Personal details of the Supervisory Board members* are presented in Section 8.1.4 on page 147.

#### **No conflict of interest**

In 2013 a termination agreement was concluded between a former member of the Board of Management and the company. Otherwise no transactions took place in 2013 involving a conflict of interest on the part of supervisory directors, managing directors or natural or legal persons holding at least 10 per cent of the Ballast Nedam shares. The above refers to transactions of material significance for the company or the person in question.

#### **8.1.5 Board of Management**

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

The Supervisory Board appoints, suspends and dismisses members of the Board of Management. The Supervisory Board notifies the General Meeting of Shareholders of a proposed appointment. The Supervisory Board will dismiss a member of the Board of Management only after hearing the views of the General Meeting of Shareholders on the proposed dismissal.

#### **Remuneration**

The Supervisory Board sets the remuneration of individual Board of Management members within the limits of the remuneration policy adopted by the General Meeting of Shareholders. Ballast Nedam's current remuneration policy was adopted at the Annual General Meeting of Shareholders in 2005. The remuneration policy followed in 2013 will be handled as a separate agenda item at the General Meeting of Shareholders to be held on 25 April 2014, in view of the legislative amendment regarding the authority to adjust excessive bonuses of directors (the 'Clawback' Act) that came into force on 1 January 2014.

The Annual General Meeting of Shareholders in 2013 gave the Board of Management authority until 16 November 2014 to:

- buy back shares, or depositary receipts for shares, in the company, to a maximum of 10 per cent of the capital in issue;
- issue shares and/or grant rights to acquire shares, to a maximum of 10 per cent of the capital in issue, plus an additional 10 per cent of the capital in issue if the issue coincides with an acquisition or merger;
- restrict or exclude preferential rights to shares to be issued.

The Board of Management requires approval from the Supervisory Board for these acts.

#### **Regulations**

The Board of Management Regulations contain additional rules on the allocation of tasks and working methods of the Board of Management, and on its dealings with the Supervisory Board, the General Meeting of Shareholders, the Central Works Council and the external auditors. These Regulations are posted on [www.ballast-nedam.com](http://www.ballast-nedam.com). Personal details of the Board of Management members are presented in Section 8.5 on page 169.

#### 8.1.6 Management of the clusters and business units

The Board of Management supervises the cluster management teams, who in turn supervise the management of the business units. The management of the clusters and of each business unit have clearly defined terms of reference that determine their powers. Board of Management approval is required for projects above a certain value, or with a particular risk profile, before Ballast Nedam can conclude a contract. The same system applies at cluster level for projects of the business units with a certain value and a certain risk profile. Approval from the cluster Managing Director is required for all major and high-risk projects, which must ultimately also be submitted for Board of Management approval. There is additional information about this subject in Chapter 5 *Risk and risk management* on page 77.

#### 8.1.7 General Meeting of Shareholders

The Annual General Meeting of Shareholders shall be convened within six months of the end of the financial year. Other meetings of shareholders may be convened by the Board of Management or the Supervisory Board. Shareholders and/or holders of depositary receipts for shares who solely or jointly represent at least 10 per cent of the capital in issue may also convene a meeting of shareholders.

##### **Agenda of the Annual General Meeting of Shareholders**

The following items at least will be on the agenda of the Annual General Meeting of Shareholders:

- discussion of the Annual Report;
- adoption of the financial statements;
- motion to discharge the Board of Management and the Supervisory Board from liability for their management and supervision, respectively;
- appointment of the external auditors.

Shareholders and/or holders of depositary receipts for shares solely or jointly representing at least 3 per cent of the capital in issue have the right to propose agenda items. The company will accept requests of this kind. Requests must be submitted at least sixty days prior to the date of the meeting.

##### **Voting right and decision procedure**

Each shareholder and holder of depositary receipts for shares has the right to attend and address the General Meeting of Shareholders, and to exercise voting rights at that meeting. In order to exercise such meeting rights, shareholders and holders of depositary receipts for shares must comply with the conditions stated in the notice convening the meeting. In convening a meeting of shareholders, the Board of Management makes use of a registration date. Each share or depositary receipt for a share affords the right to cast one vote. All resolutions of the General Meeting of Shareholders shall be carried by an ordinary majority of the votes cast, unless a larger majority is required by law or the Articles of Association.

### Voting results and minutes

The results of votes cast for each agenda item at a General Meeting of Shareholders shall be posted on the company's website [www.ballast-nedam.com](http://www.ballast-nedam.com) within fifteen days of the meeting. The draft minutes shall be posted on Ballast Nedam's website within three months of a General Meeting of Shareholders. Shareholders and holders of depositary receipts for shares may respond to the draft minutes in the subsequent three months. The Chairman and Secretary of the General Meeting of Shareholders will then adopt the minutes.

#### 8.1.8 Depositary receipts for shares

If the Board of the Ballast Nedam Administration Office exercises its voting rights for the shares, the Board focuses primarily on the interests of the holders of depositary receipts for shares, and takes account of the interests of the company and its associated business. The Board of the Administration Office consists of three independent members, and appoints the members. The terms of office of two of the three members will expire in 2014. The Meeting of Holders of Depositary Receipts may recommend persons for appointment to the Board. The Board of the Ballast Nedam Administration Office is endeavouring to ensure timely succession.

A Meeting of Holders of Depositary Receipts is convened each year. At this meeting, the Board of the Administration Office declares its proposed voting conduct at the General Meeting of Shareholders.

The Board of the Ballast Nedam Administration Office issues proxies in all circumstances and without limitation to the holders of depositary receipts who so request. There is also the possibility to issue binding voting instructions. The depositary receipts are fully exchangeable. Ballast Nedam does not use the system of issuing depositary receipts for shares as an antitakeover measure, but as a means of preventing a minority of shareholders from controlling the decision-making process in a General Meeting of Shareholders, and as a means to allow, also minor, shareholders to be represented by an independent board in the exercise of their voting rights.

Section 10.5 on page 241 presents the report of the Board of the Ballast Nedam Administration Office (*Stichting Administratiekantoor van aandelen Ballast Nedam*) explaining its activities in 2013. The report also gives personal details of the board members.

#### 8.1.9 Auditors

The external auditors audit the financial statements. The external auditors are appointed by the General Meeting of Shareholders, which in 2013 engaged Ernst & Young Accountants LLP to audit the Annual Accounts for 2013. The external auditors attend the Annual General Meeting of Shareholders in order to answer any questions about the auditors' opinion as to whether the financial statements present a true and fair view.

The external auditors also attend the meetings of the Audit Committee and Supervisory Board at which the annual and interim financial reports are discussed. The external auditors report to the Supervisory Board and the Board of Management.

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



## 8.2 Report of the Supervisory Board

2013 was a harsh year for Ballast Nedam. The Supervisory Board has overseen the measures taken by the organization to adapt to the deteriorating market conditions. Unfortunately the measures have also had an impact on employment. Ballast Nedam has been unable to retain many valued colleagues.

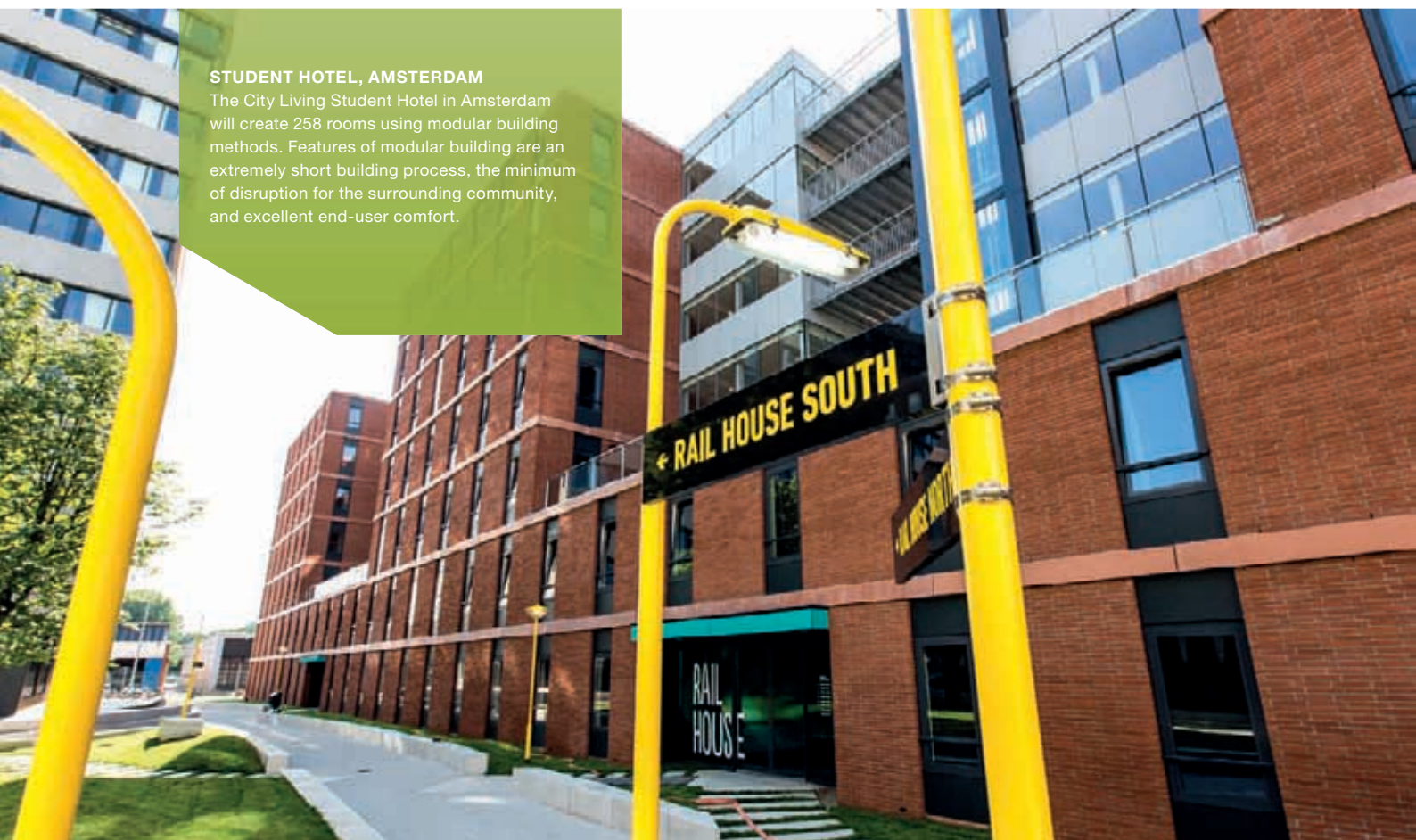
At each meeting the Supervisory Board discussed financial developments, and reviewed the operations within the group and market trends, using the extensive management quarterly reports and other information as input. Memorandums from the Board of Management were also discussed in the meetings, as well as Board of Management decisions that require Supervisory Board approval.

In May the Annual Meeting of Shareholders was prepared and evaluated. Furthermore the Supervisory Board consulted regularly with the Board of Management about the measures necessitated by the economic crisis. Much time and attention was devoted to Ballast Nedam's financial health, leading at the start of 2014, with the consent of the Supervisory Board, to the Board of Management making arrangements for refinancing until 2017. Furthermore the major shareholders have committed to underwrite approximately 70 per cent of the share issue of 30 million euros to be made in 2014.

The annual figures were discussed at the meeting held in March. The external auditors attended this meeting in order to present their findings on the financial reporting of the annual figures. The half-yearly figures were discussed with the external auditors in the meeting held in July. Ernst & Young was engaged to audit or review Ballast Nedam's interim report for the first half-year. The Supervisory Board discussed with the external auditors and the Board of Management the findings of the external auditors, the management letter for 2013 and the actions to be taken on the findings.

### STUDENT HOTEL, AMSTERDAM

The City Living Student Hotel in Amsterdam will create 258 rooms using modular building methods. Features of modular building are an extremely short building process, the minimum of disruption for the surrounding community, and excellent end-user comfort.





The Supervisory Board furthermore evaluated the relationship with the external auditors and, in view of this, advised the General Meeting of Shareholders to engage Ernst & Young to audit the Annual Accounts for the 2013 financial year.

The Supervisory Board is confident that Ballast Nedam will emerge well from 2014 despite the unrelenting fierce competition, price pressure and deteriorating market conditions. Our confidence stems in part from the restructuring, the refinancing that has been achieved, and the support of the shareholders.

The Supervisory Board is fully aware that the difficult market conditions and the subsequent reorganization have required a great effort of all Ballast Nedam employees. The Supervisory Board is extremely grateful to them.

#### 8.2.1 Report of supervision by the Supervisory Board

In pursuit of its supervisory duties, the Supervisory Board has given consideration to the achievement of the corporate objectives, the strategy and risks, the purpose and performance of internal risk control, financial reporting, compliance with legislation, investor relations and corporate social responsibility (CSR). Each of these issues is explained below.

##### *Report of supervision: achievement of corporate objectives*

Looking back on 2013 the Supervisory Board concludes that the Board of Management has performed under difficult economic conditions. The Board of Management has also been obliged to devote much time and energy to issues surrounding financing.

The organization has achieved excellent results on several large multiyear projects and in the niche markets. This endorses Ballast Nedam's strategy of focusing on major integrated complex projects and related activities in the niche markets. On the other hand losses increased for the regional construction companies, a number of specialized companies, and one major project. The regional construction companies will be drastically reorganized in 2014, and measures had already been taken in the two specialized companies in 2013.

The Supervisory Board notes that Ballast Nedam achieved an operating loss for 2013 of 30 million euros. The sustained adverse economic conditions have led Ballast Nedam to adapt its organization further than was foreseen at the start of 2013.

As explained in Chapter 3 *Strategic objectives and results* on page 41, the other strategic objectives for 2013 have been achieved in part.

The Supervisory Board has discussed the performance of the Board of Management both collectively and of the individual members. The remuneration of Board of Management members was also raised.

Mr Huis in 't Veld decided in mid 2013 to stand down from the Supervisory Board to concentrate fully on the settlement of a claim on one of Ballast Nedam's major projects. The Supervisory Board is grateful to Mr Huis in 't Veld for his willingness to take this action.

#### BIO POWER PLANT, DELFZIJL

The AMB consortium (Areva, Metso and Ballast Nedam) has constructed the Bio Golden Raand bio power plant. This plant will generate 50 megawatts of green power from waste wood, supplying electricity to 120 000 households. The high priority given to safety during construction and the rapid pace of building through the use of smart technologies have allowed this project to be completed successfully in just two years.







By mutual agreement in February 2014 between Mr Bruijninx and the Supervisory Board, Mr Bruijninx will leave Ballast Nedam with effect from 1 July 2014. The Supervisory Board is grateful to Mr Bruijninx for his enormous effort over many years, and his firm management of Ballast Nedam, in particular in the turbulent times that the company has entered.

#### *Report of supervision: strategy and risks*

The Supervisory Board has deliberated at length on Ballast Nedam's strategy. The Supervisory Board supports the Board of Management in the strategy that is set out in Section 2.3 *Strategic plan for 2014-2016* on page 31. However, the economic forecasts were reason to increase the pace of implementing the strategy that is oriented to the markets of integrated projects. The shift in Ballast Nedam's profile from a major player on the traditional markets to a prominent player on the major integrated projects market, such as the PPP projects, has accordingly been accelerated.

The Supervisory Board and the Audit Committee also deliberated repeatedly on the various risks set out in Chapter 5 *Risk and risk management* on page 77. For instance, the tighter compliance policy has been discussed at length.

#### *Report of supervision: purpose and performance of internal risk control*

The Board of Management informed the Supervisory Board regularly about the risk profile, the course of events, the financial situation and market developments. The Supervisory Board also discussed with the Board of Management the salient risks for Ballast Nedam, the internal risk management and control systems, and how the risks can be further limited and controlled. The Supervisory Board also discussed with the Board of Management methods of limiting the risks in the operational process. The external auditor attended these discussions.

#### *Report of supervision: financial reporting*

Financial reporting was discussed at each Audit Committee meeting. Developments related to the International Financial Reporting Standards (IFRS) and changes in legislation related to auditors were also discussed at length. The Audit Committee also discussed taxation. Finally the Supervisory Board discussed the half-yearly figures, the annual figures, the trading updates and the business plan extensively.

#### *Report of supervision: compliance with legislation*

The issue of compliance was discussed at each meeting of the Audit Committee and several meetings of the full Supervisory Board. Furthermore all ongoing significant legal proceedings were discussed in the presence of the external auditors.

#### *Report of supervision: investor relations*

The Supervisory Board is of the opinion that the contact with shareholders should take place primarily in the shareholders' meetings. The Board considers it important for many shareholders to attend these meetings. In addition the Supervisory Board considers it important, for both the company and the shareholders, for contact to take place between the company and shareholders outside shareholders' meetings. Ballast Nedam has defined an investor relations policy, which is presented on the Ballast Nedam website.

The Supervisory Board has had contact with the major shareholders on several occasions in view of Ballast Nedam's financial position. The Board of Management has also spoken with the major shareholders, with the result that these shareholders have expressed their confidence in the company and have committed to take part in a share issue. The Supervisory Board greatly appreciates the confidence that has been placed in the company and the support provided.

#### *Report of supervision: corporate social responsibility*

Corporate social responsibility (CSR) is an important theme that is discussed several times each year. Each Ballast Nedam business unit produces a quarterly CSR report to shed light on the progress being made on the CSR objectives and how it is managed. These CSR reports jointly form the GRI report, which is presented in this Annual Report in Section 10.7 on page 246. Details of the CSR policy and the objectives are given in Chapter 6 *Our CSR policy* on pages 93 to 133, inclusive.

#### **8.2.2 Report of the Audit Committee**

The Audit Committee has two members. Following the departure of Mr J.C. Huis in 't Veld from the Supervisory Board, Ms C.M. Insinger has assumed the role of chair of the Audit Committee. Mr L.W.A.M. van Doorne is also a member of the Audit Committee. The Committee met on three occasions in 2013 in the presence of the Chairman and the CFO of the Board of Management. The external auditors and the secretary of the Supervisory Board also attended a part of these meetings.

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

- the half-year and annual figures;
- the Annual Report;
- the reports of the external auditors;
- developments in International Financial Reporting Standards (IFRS);
- valuation methods;
- compliance;
- the risk profile;
- risk management;
- ICT policy and execution;
- Ballast Nedam's tax position;

In addition the Audit Committee specifically addressed the general financial strategy and financial procedures, the internal risk management and monitoring systems, and the risk management of projects.

In the third meeting the Audit Committee spoke separately with the external auditors and the Chief Financial Officer (CFO). The Committee also carried out a performance self assessment through internal scrutiny of the Audit Committee's performance.

The Supervisory Board has discussed with the external auditor the findings of the external auditor, the management letter for the year 2013, and the actions to be taken on the findings.



### 8.2.3 Report of the Remuneration Committee

The Remuneration Committee met twice in 2013. Messrs J. Bout (Chairman) and L.W.A.M. van Doorne are the members of this Committee.

The following items were discussed at the meeting:

- evaluation of the remuneration policy for members of the Board of Management;
- evaluation of the remuneration of individual members of the Board of Management;
- evaluation of the remuneration of individual members of the Supervisory Board;
- scenario analyses.

The Remuneration Committee then advised the Supervisory Board regarding these issues. There are additional details of the remuneration policy in Section 8.4 *Remuneration report* on pages 163 to 168.

### 8.2.4 Report of the Selection and Appointments Committee

The Selection and Appointments Committee met twice in 2013. Messrs L.W.A.M. van Doorne (Chairman) and J. Bout are the members of this Committee.

The following items were discussed at the meeting:

- review of the size and composition of the Supervisory Board;
- review of the size and composition of the Board of Management;
- profile of the Supervisory Board;
- filling the vacancy on the Supervisory Board;
- review of the performance of members of the Supervisory Board;
- review of the performance of individual members of the Board of Management;
- the Board of Management's policy on senior management selection criteria and appointment procedures.

The Selection and Appointments Committee then advised the Supervisory Board regarding these issues.

### 8.2.5 Members of the Supervisory Board

At the Annual General Meeting of Shareholders of Ballast Nedam N.V. held on 16 May 2013, Ms C.M. Insinger (1965) was appointed as a new member of the Supervisory Board.

In 2013 Mr J.C. Huis in 't Veld stood down as a member of the Supervisory Board in order to concentrate as a member of the management team of Ballast Nedam Infrastructure Special Projects on the contractual changes for a major project.

Each member of the Supervisory Board must be capable of assessing the salient features of the total policy. He possesses the specific expertise needed to fulfil his duties, within his role that is compatible with the Board's profile. The Supervisory Board strives to achieve a diversity of backgrounds and expertise among its members. Among the relevant areas of knowledge are human resource management, the construction industry, public administration, financial expertise, compliance and legal affairs. The composition of the Supervisory Board must be such that he is able to perform his duties satisfactorily. Furthermore each member of the Supervisory Board must have sufficient time available to perform his duties satisfactorily.

#### 8.2.6 Quality assurance of supervision

The Supervisory Board reports below on the activities carried out to assure the quality of the Board and the supervision performed.

##### *Quality assurance of supervision: evaluation*

The Supervisory Board also had meetings without the Board of Management, in one of which the Supervisory Board discussed the performance of the Board of Management both collectively and of the individual members. The remuneration of Board of Management members was also raised.

The Supervisory Board evaluated its own performance, in which the members discussed among themselves the performance of the Supervisory Board and its individual members. The Supervisory Board deliberated among other things on its internal decision-making process, the quality of its supervisory role and its relationship with the Board of Management.

##### *Quality assurance of supervision: succession planning*

The Selection and Appointments Committee has deliberated on Ballast Nedam's management development policy. The Supervisory Board also interviewed the cluster Managing Directors, cluster controllers and some staff directors in order to gain a clearer picture of the management level below the Board of Management and of the insights of these directors regarding Ballast Nedam. The Board recognizes that this management level largely determines our business continuity.

##### *Quality assurance of supervision: induction programme*

An induction programme was arranged for Ms C.M. Insinger shortly after her appointment. As part of this programme Ms Insinger visited several projects and had initial meetings with various Ballast Nedam employees.

##### *Quality assurance of supervision: independence*

The Supervisory Board complies with the independence criterion laid down in the Dutch Corporate Governance Code.

##### *Quality assurance of supervision: soliciting information*

The Supervisory Board pays regular visits to construction projects and subsidiaries. The Board also invites Ballast Nedam employees to a Supervisory Board meeting. The purpose of these visits and invitations is to maintain affinity with the company and to gather information about the business other than through the Board of Management. Against this background members of the Supervisory Board also had talks with the full Central Works Council. The Supervisory Board also solicits external advice on an incidental basis.

##### *Quality assurance of supervision: internal auditor*

Each year the Audit Committee evaluates the desirability of appointing an internal auditor. The Audit Committee concluded in 2013 that an internal auditor would be unlikely to add worthwhile value, if any, for Ballast Nedam over and above the company's supplementary engagements of the external auditors each year, through which all business units are audited on a periodic basis. The cluster controllers and the support services, such as Legal, also periodically audit projects and business units.

#### 8.2.7 Internal affairs

This section describes changes in the composition of the Supervisory Board and the attendance at meetings.

##### *Internal affairs: departure*

In mid 2013 Mr J.C. Huis in 't Veld announced that as of 31 October 2013 he would be standing down as a member of the Supervisory Board in order to assume a position as a member of the management team of Ballast Nedam Infrastructure Special Projects. The Supervisory Board greatly respects and appreciates this decision, and thanks Mr Huis in 't Veld for his demonstrable effort as a member of Ballast Nedam's Supervisory Board. Ms C.M. Insinger succeeds Mr Huis in 't Veld as chair of the Audit Committee.

##### *Internal affairs: attendance*

In 2013 there were 18 meetings of the Supervisory Board, three meetings of the Audit Committee, two meetings of the Remuneration Committee, and two meetings of the Selection and Appointments Committee. On three occasions a member of the Supervisory Board was prevented from attending these meetings. These members of the Supervisory Board were in contact by phone to discuss the agenda items. The rate of absence is therefore 4 per cent.

#### 8.2.8 Dividend

The underlying principle of Ballast Nedam's dividend policy is that 50 per cent of the profit for the period is placed at the disposal of shareholders for distribution as dividend if the leverage ratio is less than 2. In view of the loss made and the poor market forecasts the Supervisory Board has approved the Board of Management proposal to refrain from paying a dividend for 2013.

#### 8.2.9 Financial statements and ratification

The Supervisory Board hereby submits the Annual Report for the financial year 2013, which includes the consolidated and company financial statements of Ballast Nedam N.V. as prepared by the Board of Management and approved by the Supervisory Board. The annual financial statements were audited by Ernst & Young Accountants LLP. The independent auditor's report is given in Section 10.1 on page 236. The Supervisory Board recommends that you adopt the financial statements and requests you to ratify the management and supervisory actions of the members of the Board of Management and of the members of the Supervisory Board in 2013.

Nieuwegein, 6 March 2014  
Supervisory Board

*A.N.A.M. Smits*  
*J. Bout*  
*L.W.A.M. van Doorne*  
*C.M. Insinger*

### 8.3 Members of the Supervisory Board

The members of the Supervisory Board are Messrs A.N.A.M. Smits, J. Bout and L.W.A.M. van Doorne, and Ms C.M. Insinger. Their personal details are given in this section.

#### A.N.A.M. Smits (Chairman)

Mr Smits was born in 1943 and is a Dutch national. He has been a member of the Boards of Management of Macintosh N.V. and Wilma International N.V. Mr Smits is a member of the supervisory boards of a variety of companies. He is currently Chairman of the Supervisory Board of Faber-Halbertsma Group. He is also a member of the supervisory boards of Vebego Holding B.V., De Raekt B.V., Vercoat Invest B.V., and IGO-Post. Mr Smits was first appointed to the Supervisory Board of Ballast Nedam in 2004. His current term of office expires on 16 May 2016.



#### J. Bout

Mr Bout was born in 1946 and is a Dutch national. Until 1 January 2011 he was Chairman of the Board of Management of Royal Haskoning. Mr Bout is a member of the Supervisory Board of the listed company Brunel N.V., the unlisted company Delta N.V. and the unlisted Koninklijke Haskoning DHV Groep B.V. Mr Bout is a member of the supervisory board of Deltares and a member of the Governing Board of the Ubbo Emmius Fund. He is also Vice-Chairman of the Netherlands Commission for Environmental Assessment (NCEA). Mr Bout was first appointed to the Supervisory Board of Ballast Nedam in 2011. His current term of office expires on 19 May 2015.



#### L.W.A.M. van Doorne

Mr Van Doorne was born in 1959 and is a Dutch national. He is CEO and major shareholder of Optics Innovation Group B.V. and Managing Director of Pallieter RENEFF B.V. Mr Van Doorne is also Chairman of the Supervisory Board of Pallieter Group B.V. and a member of the Supervisory Boards of Diana Capital SGEER SA, CityFibre Holdings Ltd. and Shanxi Guangyu LED Lighting Co., Ltd. He is also member of the Board of the Muziekgebouw Eindhoven Fund and the Thomas van Villanova Foundation and member of the supervisory boards of Verder International B.V., Eindhoven Marketing Foundation and Vrienden van het Hart Z.O. Brabant. Mr Van Doorne was first appointed to the Ballast Nedam Supervisory Board in 2012. His current term of office expires on 16 May 2016.



#### C.M. Insinger MBA

Ms Insinger was born in 1965 and is a Dutch national. She works as an independent interim manager and consultant.

Ms Insinger is a member of the Supervisory Board of SNS Reaal N.V., member of the Supervisory Board of Rijnland Zorggroep and member of the Supervisory Board of Air Traffic Control the Netherlands. Until 1 January 2014 she was a member and the Vice-Chair of the Supervisory Board of Stichting Koninklijke Diergaarde Blijdorp and a member of the Supervisory Committee of Vesteda Residential Fund.

Ms Insinger is also a member of the Strategic Audit Committee of the Ministry of Foreign Affairs.

Ms Insinger was first appointed to the Supervisory Board of Ballast Nedam in 2013. Her current term of office expires on 16 May 2017.







#### **a.s.r. HEAD OFFICE, UTRECHT**

Our planner Matthijs Keller is working on the large-scale renovation of the a.s.r. head office in Utrecht. He took the photos of this complex project. The renovation work is proceeding while large parts of the building remain occupied. a.s.r. has also imposed demanding sustainability requirements on the building.





## 8.4 Remuneration report

The Supervisory Board hereby presents the remuneration report, containing a summary account of Ballast Nedam's remuneration policy. The Supervisory Board formed a Remuneration Committee in 2013. Mr Bout is Chairman and Mr Van Doorne member of this Committee.

### 8.4.1 Principles of the remuneration policy for Board of Management members

The Supervisory Board determines the remuneration of the members of the Board of Management in accordance with the remuneration policy that was adopted at the General Meeting of Shareholders in 2005. The full Supervisory Board and the remuneration committee discussed the remuneration of the individual members of the Board of Management in a single meeting in 2013. Pursuant to the Dutch Corporate Governance Code the Supervisory Board drew up and discussed scenario analyses in 2013 regarding the amount and structure of the remuneration of the members of the Board of Management.

The aim of the remuneration policy for the Board of Management is to motivate and retain skilled board members. The members of the Board of Management must be capable of leading a major Dutch construction group with international operations.

The reference for the remuneration level of the members of the Board of Management of Ballast Nedam N.V. is the remuneration level of other (comparable) listed Dutch construction groups. The Supervisory Board takes into consideration the complexity, size, risk profile and management model of the reference companies. The remuneration level of the individual members of the Board of Management is furthermore based on the responsibilities of the respective members.

The remuneration agreements made with the members of the Board of Management are set down in contracts when they take up their positions.

#### **Fixed annual salary**

After members of the Board of Management take up their positions, adjustments to their fixed annual salary are limited in principle in line with adjustments under the collective labour agreement for the building industry (CAO Bouwnijverheid).

#### **Variable remuneration in the short term: bonus payments**

Under the current remuneration policy for members of the Board of Management, a bonus may be paid in addition to the fixed salary, up to a maximum of one third of the fixed salary. Two thirds of the bonus is determined by reference to financial targets, the profit for the period and average capital employed, as documented in the business plan approved by the Supervisory Board. One third of the bonus is determined by reference to nonfinancial criteria, as laid down and assessed by the Supervisory Board. These criteria are leadership, quality of relationships with the various stakeholders of the company, sustainability and the quality of the management of specific important issues arising in a given year. The Supervisory Board bases its assessment of these nonfinancial criteria on reports, personal observation, discussions with the Board of Management, discussions with third parties, and other information.

The Supervisory Board has discretionary powers to award different bonuses or not to award bonuses, independently of any financial or nonfinancial criteria. Any bonus payment is made after the end of the financial year to which it relates. For competitive reasons, the financial targets included in the business plan are not publicly disclosed in advance.

At the General Meeting of Shareholders, the Supervisory Board reports on the financial and nonfinancial targets that were set for the prior financial year, and the extent to which they were achieved.

#### **Variable remuneration in the long term: options**

Ballast Nedam N.V. has a management option scheme that was approved at an Extraordinary General Meeting of Shareholders on 26 October 2006. The management option scheme has the following two objectives: (i) to obtain the long-term loyalty of directors and (ii) to ensure that the interests of individual directors mirror those of the shareholders.

Options are granted under the following two conditions: the members of the Board of Management must themselves buy depositary receipts for shares equivalent to a minimum of 5 per cent of the number of options granted, and hold these depositary receipts for shares for three years after the options are granted.

The Supervisory Board is authorized to grant or not to grant options to the members of the Board of Management on the publication date of the Ballast Nedam N.V. annual figures. The Supervisory Board determines the number of options to be granted with reference to the following criteria:

- the proven high personal significance for the company of the managing director in question;
- the Supervisory Board's desire to secure the loyalty of the managing director for the longer term, in the interests of business continuity;
- the degree to which the individual member of the Board of Management met the financial and nonfinancial criteria in the preceding financial year.

Under this scheme, the aggregate maximum option rights that the Supervisory Board may grant to the Board of Management each year is 2 per cent of the total number of Ballast Nedam N.V. shares in issue. The members may exercise their option rights between three and six years from the date the options were granted.

The exercise price of the options is equal to the average closing price of Ballast Nedam N.V. shares on NYSE Euronext Amsterdam for five trading days prior to the award of the options, including the date on which they were awarded. The option exercise price and other conditions for the granted options remain unchanged throughout the term of the options.

#### **8.4.2 Remuneration policy for 2014**

The Supervisory Board takes the view that the current scale of, and criteria for, the remuneration package properly reflect the administrative priorities. The Board supports limited variable remuneration linked to feasible targets that provide the appropriate emphasis. The Supervisory Board has drawn up scenario analyses for the possible outcomes of variable remuneration. The Supervisory Board intends to continue the current remuneration policy in 2014, taking the scenario analyses into consideration.

The most important indicators of the financial targets derive from Ballast Nedam N.V.'s strategy objectives (see Chapter 2 *Strategic objectives and results* on page 41) and are reflected in the financial performance criteria. These criteria are the net profit for the period and average capital employed, as specified in the business plan. The Supervisory Board refers to the achievement or otherwise of the financial and nonfinancial performance criteria in determining the eligibility of members of the Board of Management for bonus payments.

There is also a connection through the management option scheme between strategic targets and variable remuneration in the long term, in that the achievement or otherwise of strategic targets is a determinant of Ballast Nedam N.V.'s share price.

#### **Remuneration of Board of Management members**

The fixed annual salaries including holiday allowance of the members of the Board of Management are as follows:

##### *Fixed annual salary*

The fixed annual salaries including holiday allowance of the members of the Board of Management are as follows:

	1 January 2014	1 January 2013
T.A.C.M. Bruijninx	496 000 euros	496 000 euros
P. van Zwieten	364 000 euros	364 000 euros

These amounts consist of the fixed periodic salaries as at 1 January 2014 multiplied by 13, plus holiday allowance. These annual salaries are based on 52 weeks.

##### *Bonus payments*

As is evident in this Annual Report, the Board of Management has demonstrated skilled management of important issues for the company, such as bringing the organization into line with the company's strategic route. In the opinion of the Supervisory Board, the members of the Board of Management have satisfied the nonfinancial criteria in part. The Board of Management members have not met the financial performance criteria that they were set. The members of the Board of Management are consequently ineligible for a bonus.

##### *Options*

In 2013, no options were granted to Board of Management members for the 2012 financial year.

##### *Pensions*

Board of Management members take part in the Ballast Nedam pension fund on the same terms as other Ballast Nedam employees. Ballast Nedam bears a portion of the pension financing costs, and the members of the Board of Management each bear the remaining portion. There is no early retirement scheme for the members of the Board of Management.

##### *Other*

Board of Management members receive a fixed allowance and use of a company car. In other respects, the members of the Board of Management are entitled to the provisions of the applicable collective labour agreement for the building industry (CAO Bouwnijverheid), including annual increments. The members of the Board of Management may avail themselves of the same schemes that apply to other Ballast Nedam employees, such as tax-efficient gym membership and use of a mobile phone or PDA.

*Contract term, notice period and severance pay*

Mr Bruijninx was appointed to the Board of Management on 13 February 2003 under a permanent contract. Mr Van Zwieten was appointed to the Board of Management for a four-year period on 19 May 2011. The notice period for Board of Management members is three months and for Ballast Nedam six months. Severance pay in the event of dismissal of Mr Bruijninx is one-and-a-half times his fixed annual salary, and of Mr Van Zwieten is equal to his fixed annual salary. The Supervisory Board is authorized to claw back any future variable remuneration awarded if it was based on incorrect financial or other information.

*Relationship between performance criteria and strategy objectives.*

The achievement or otherwise of the financial performance criteria 'profit for the period' and 'average capital employed' is assessed largely with reference to Ballast Nedam's strategic targets, which are given in Chapter 3 *Strategic objectives and financial results* on page 41.

*Relationship between remuneration and performance, both ex-ante and ex-post*

In the opinion of the Supervisory Board, the performance delivered by the Board of Management in 2013 is in line with the remuneration they receive. The Supervisory Board arrives at this opinion in view of the substantial achievement of the nonfinancial performance criteria, and the necessary and radical organizational changes the Board of Management has been obliged to make under difficult market conditions.

The Supervisory Board has also compared the remuneration level of the members of the Board of Management with that of other Dutch publicly listed construction groups, taking into consideration the complexity, size, risk profile; and management model of the reference companies.

The Supervisory Board expects the remuneration of the Board of Management in 2014 to be in line with the performance delivered by the members of the Board of Management. This expectation arises from the inclusion in the remuneration structure of a variable component alongside a fixed salary, and the direct connection, also in 2014, between the established performance criteria and the strategic targets for 2014.

**Remuneration of Supervisory Board members**

Supervisory Board members receive a fixed fee that is independent of company performance. The General Meeting of Shareholders set the remuneration of the Supervisory Board in 2005. As of 1 January 2014, the annual fees for members of the Supervisory Board were as follows:

A.N.A.M. Smits	45 000 euros
J. Bout	30 000 euros
L.W.A.M. van Doorne	30 000 euros
C.M. Insinger	30 000 euros

The members of the Supervisory Board also receive an allowance for expenses incurred in performing their duties.

An Audit Committee is formed from members of the Supervisory Board. The General Meeting of Shareholders fixed the remuneration of the Audit Committee in 2008. As of 1 January 2014, the annual fees for members of the Audit Committee were as follows:

C.M. Insinger	5 000 euros
L.W.A.M. van Doorne	5 000 euros

#### Remuneration chart

##### Board of Management and Supervisory Board

x € 1 thousand	2013			2012		
	Gross salary	Bonus	Pension charges & social security costs	Gross salary	Bonus	Pension charges & social security costs
			Reim-bursement			Reim-bursement
<b>Board of Management</b>						
T.A.C.M. Bruijninx	496		109	5	493	153
R. Malizia <sup>(3)</sup>	759		76	4	406	110
P. van Zwieten	364		82	5	361	80
	<b>1 619</b>		<b>267</b>	<b>14</b>	<b>1 260</b>	<b>343</b>
<b>Supervisory Board</b>						
A.N.A.M. Smits	45		2	45		2
R.M.M. Boelen	-		-	35		2
J.C. Huis in 't Veld <sup>(1)</sup>	29		2	35		2
J. Bout	30		2	30		2
L.W.A.M. van Doorne	31		2	19		1
C.M. Insinger <sup>(2)</sup>	22		1			
	157		9	164		9
<b>Total</b>	<b>1 776</b>		<b>267</b>	<b>23</b>	<b>1 424</b>	<b>343</b>

<sup>(1)</sup> until 31 October 2013 – <sup>(2)</sup> as of 16 May 2013 – <sup>(3)</sup> until 5 March 2013

#### Theoretical value and time value

The theoretical value of the options at the grant date is measured using an option valuation model that takes account of the intrinsic value and the time value. The intrinsic value is determined on the basis of the difference between the share price and the option exercise price at the grant date. The time value is determined on the basis of factors including the predicted movement in the share price, which in turn is derived from historical prices. If the options concerned are publicly traded on the stock exchange, the value may deviate upwards or downwards.

#### Cost determination of options

When awarding the options Ballast Nedam recognizes the theoretical value of the options during the vesting period as an expense in the income statement. This expense is distributed uniformly in time over the year in which the option is granted and three subsequent financial years. The total costs in the financial year consist of the costs allocated to that financial year of all current option grants in the vesting period.



The expected value at the end of the vesting period is recalculated annually in the light of the information available at the end of the financial year. This expected value also consists of an intrinsic value and a time value. The time value may mean that the options have a value although the current share price is lower than the exercise price.

#### Option scheme

Year granted	2013	2012	2011	2010	2009
<b>T.A.C.M. Bruijninx</b>					
Total costs in the financial year in €	82 295	235 376	243 226	278 000	311 000
Number	0	40 000	40 000	30 000	40 000
Exercise price in €	-	12.67	15.29	13.43	11.60
Share price at grant in €	-	13.27	15.88	14.10	13.00
Benefit obtained at grant date in €	-	-	-	-	-
Theoretical value at grant date in €	-	235 600	274 800	189 300	247 600
Status per 31/12/2013	n/a	conditonal	conditonal	conditonal	un- conditonal
End of vesting period	n/a	9/03/2015	12/3/2014	12/03/2013	13/03/2012
Expiry date	n/a	8/03/2018	11/3/2017	11/03/2016	12/03/2015
Expected value at end of vesting period in €	n/a	259 000	242 000	180 000	300 000
<b>R. Malizia</b>					
Total costs in the financial year in €	(1041 504)	176 532	182 419	208 000	233 000
Number	0	30 000	30 000	22 500	30 000
Exercise price in €	-	12.67	15.29	13.43	11.60
Share price at grant in €	-	13.27	15.88	14.10	13.00
Benefit obtained at grant date in €	-	-	-	-	-
Theoretical value at grant date in €	-	176 700	206 100	141 975	185 700
Status per 31/12/2013	n/a	conditonal	conditonal	conditonal	un- conditonal
End of vesting period	n/a	9/03/2015	12/3/2014	12/03/2013	13/03/2012
Expiry date	n/a	8/03/2018	11/3/2017	11/03/2016	12/03/2015
Expected value at end of vesting period in €	n/a	194 000	181 000	135 000	225 000
<b>P. van Zwieten</b>					
Total costs in the financial year in €	58 900	47 927			
Number	0	30 000			
Exercise price in €	-	12.67			
Share price at grant in €	-	13.27			
Benefit obtained at grant date in €	-	-			
Theoretical value at grant date in €	-	176 700			
Status per 31/12/2013	n/a	conditonal			
End of vesting period	n/a	9/03/2015			
Expiry date	n/a	8/03/2018			
Expected value at end of vesting period in €	n/a	194 000			



## 8.5 Members of the Board of Management

### [T.A.C.M. Bruijninx \(chair\)](#)

Mr Theo Bruijninx was born in 1961 and is a Dutch national. Mr Bruijninx serves as Chief Executive Officer (CEO) and has been employed by Ballast Nedam since 1990. He held various positions at Ballast Nedam Engineering, the Head Office, Ballast Nedam Projectontwikkeling and Ballast Nedam Woningbouw before returning to the Head Office. Mr Bruijninx was appointed to the Board of Management on 13 February 2003 under a permanent contract. He was appointed Chairman of the Board of Management on 13 August 2007. Mr Bruijninx is a member of the supervisory board of Hollandia Holding B.V.

### [P. van Zwieten](#)

Mr Peter van Zwieten was born in 1961 and is a Dutch national. Mr Van Zwieten serves as Chief Financial Officer (CFO) and has been employed by Ballast Nedam since 1989. He has held a number of financial positions in various business units and departments, including Ballast Nedam Beton and Waterbouw, Ballast Nedam Groep in Saudi Arabia and for Ballast Nedam International in several European countries and in Taiwan. He has been financial director of Ballast Nedam Ontwikkelingsmaatschappij and became financial director of the Ballast Nedam Infra division in 2002. Mr Van Zwieten was first appointed to the Board of Management for a four-year term on 19 May 2011. His current term of office expires on 19 May 2015.



### LUS VAN LINNE

The transfer of 150 hectares in this meander in the river Maas in Roermond to the Limburg Landscape Foundation marks the start of the 'New Life in the Lus van Linne' project. In close collaboration with the Limburg Landscape Foundation, the Municipalities of Roermond and Maasgouw and local residents, the integrated plan that Ballast Nedam has produced in the past few years features a combination of habitat creation, flood protection measures and gravel extraction.





# Financial statements 2013

---

9.1	Consolidated statement of financial position	172
9.2	Consolidated income statement	173
9.3	Consolidated statement of changes in equity	174
9.4	Consolidated statement of cash flows	175
9.5	Notes to the consolidated financial statements	176
9.6	Operating segments	191
9.7	Disposals	195
9.8	Notes to the consolidated statement of financial position	196
9.9	Notes to the consolidated income statement	213
9.10	Company statement of financial position (before appropriation of result)	226
9.11	Company income statement	226
9.12	Notes to the company financial statements	227

## 9.1 Consolidated statement of financial position

x € 1 million	Note	31 December 2013	31 December 2012
<b>Non-current assets</b>			
Intangible assets	1	21	31
Property, plant and equipment	2	137	169
Financial assets	3	17	11
Investments in associates	4	4	2
Deferred tax assets	5	32	32
		<b>211</b>	<b>245</b>
<b>Current assets</b>			
Inventories	6	175	202
Work in progress	7	135	112
Receivables	8	226	239
Cash and cash equivalents	9	54	84
Assets held for sale	15	48	4
		<b>638</b>	<b>641</b>
<b>Current liabilities</b>			
Bank overdrafts	9	(22)	(8)
Current portion of long-term loans	11	(9)	(17)
Prepayments on inventories	6	(2)	(1)
Work in progress	7	(106)	(124)
Trade payables		(237)	(253)
Income tax expense	5	(1)	(3)
Other liabilities	10	(207)	(187)
Provisions	13	(28)	(39)
Liabilities held for sale	15	(27)	(2)
		<b>(639)</b>	<b>(634)</b>
<b>Current assets minus current liabilities</b>		<b>(1)</b>	<b>7</b>
		<b>210</b>	<b>252</b>
<b>Non-current liabilities</b>			
Loans	11	106	108
Derivatives		1	1
Deferred tax liability	5	1	4
Employee benefits	12	5	4
Provisions	13	7	4
		<b>120</b>	<b>121</b>
<b>Total equity</b>			
Equity attributable to the owners of the company	14	90	131
Non-controlling interest	14	-	-
		<b>90</b>	<b>131</b>
		<b>210</b>	<b>252</b>

Note: Reference is made to the notes to the consolidated financial statements on page 176 to page 225, which are an integral part of these consolidated financial statements.



## 9.2 Consolidated income statement

x € 1 million	Note	2013	2012
Revenue	16	1 268	1 296
Other operating income	17.1	-	4
Costs of raw materials and subcontractors	17.2	(949)	(956)
Personnel expenses	17.3	(268)	(285)
Other operating expenses		(57)	(57)
		(1 274)	(1 298)
Share in profits of associates	4	-	-
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>		<b>(6)</b>	<b>2</b>
Depreciation and amortization of property, plant and equipment and intangible assets	1, 2	(21)	(23)
Impairment of tangible and intangible assets	1, 2	(3)	(10)
<b>Earnings before interest and taxes (EBIT)</b>		<b>(30)</b>	<b>(31)</b>
Finance income	18	-	3
Finance expense	18	(7)	(10)
Net finance income and expense		(7)	(7)
Resultaat geconsolideerde deelnemingen		-	-
<b>Profit before income tax</b>		<b>(37)</b>	<b>(38)</b>
Extraordinary costs and benefits		-	-
Income tax expense	19	(4)	(3)
<b>Profit for the period</b>		<b>(41)</b>	<b>(41)</b>
Attributable to:			
Owners of the company		(41)	(41)
Non-controlling interest			
<b>Profit for the period</b>		<b>(41)</b>	<b>(41)</b>
Attributable to owners of the company:			
Basic earnings per share (€)	20	(4.22)	(4.24)
Diluted earnings per share (€)	20	(4.22)	(4.24)

### Consolidated statement of comprehensive income

x € 1 million	Note	2013	2012
<b>Profit for the period</b>		<b>(41)</b>	<b>(41)</b>
Non-realised results to be allocated to the P&L withdrawal after the first withdrawal			
Foreign currency translation differences		-	-
Net changes in hedging reserve, associates		2	(1)
Net changes in hedging reserve		(1)	(3)
Net changes in hedging reserve through income statement		-	9
Net changes in hedging reserve, associates through income statement		-	-
Non-realised results (after tax)		1	5
Non-realised results not to be allocated to the P&L			
Non-realised results to be allocated to the P&L after the first withdrawal		-	-
Other comprehensive income		1	5
<b>Total comprehensive income for the period</b>		<b>(40)</b>	<b>(36)</b>
Attributable to:			
Owners of the company		(40)	(36)
Non-controlling interest		-	-
<b>Total comprehensive income for the period</b>		<b>(40)</b>	<b>(36)</b>

Note: see the notes to the consolidated financial statements on page 176 to page 225, which are an integral part of these consolidated financial statements.

The amounts included in the consolidated statement of comprehensive income are the changes after taxes of € 0 million (2012: € 2 million).

### 9.3 Consolidated statement of changes in equity

x € 1 million	Issued share capital	Share premium	Repurchased own shares	Currency translation reserve	Reserves of associates	Hedging reserve	Other reserves	Profit for the period	Equity attributable to owners of the company	Non-controlling interest	Total equity
<b>31 December 2011</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>41</b>	<b>(9)</b>	<b>23</b>	<b>9</b>	<b>171</b>	<b>-</b>	<b>171</b>
Profit for the period								(41)	(41)		(41)
Foreign currency translation differences				-					-		-
Effective portion of changes in fair value of hedging instruments						(3)			(3)		(3)
Effective portion of changes in fair value of hedging instruments, associates						(1)			(1)		(1)
Net change in fair value of hedging instruments transferred to income statement						9			9		9
Net change in fair value of hedging instruments, associates, transferred to income statement						-			-		-
<b>Comprehensive income</b>				<b>-</b>		<b>(5)</b>		<b>(41)</b>	<b>(36)</b>	<b>-</b>	<b>(36)</b>
Dividend paid							(5)		(5)		(5)
Option scheme							1		1		1
Repurchased own shares			-						-		-
<b>Transactions with shareholders</b>			<b>-</b>				<b>(4)</b>		<b>(4)</b>	<b>-</b>	<b>(4)</b>
Appropriation of 2012 result					-		9	(9)	-	-	-
Other					(5)		5		-		-
<b>31 December 2012</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>36</b>	<b>(4)</b>	<b>33</b>	<b>(41)</b>	<b>131</b>	<b>-</b>	<b>131</b>
Profit for the period								(41)	(41)		(41)
Foreign currency translation differences				-					-		-
Effective portion of changes in fair value of hedging instruments						(1)			(1)		(1)
Effective portion of changes in fair value of hedging instruments, associates						2			2		2
Net change in fair value of hedging instruments transferred to income statement						-			-		-
Net change in fair value of hedging instruments, associates, transferred to income statement						-			-		-
<b>Comprehensive income</b>						<b>1</b>		<b>(41)</b>	<b>(40)</b>	<b>-</b>	<b>(40)</b>
Dividend paid							-		-		-
Option scheme							(1)		(1)		(1)
Repurchased own shares					-				-		-
<b>Transactions with shareholders</b>					<b>-</b>		<b>(1)</b>		<b>(1)</b>	<b>-</b>	<b>(1)</b>
Appropriation of 2013 result					-		(41)	41	-	-	-
Other			-			-			-		-
<b>31 December 2012</b>	<b>60</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>36</b>	<b>(3)</b>	<b>(9)</b>	<b>(41)</b>	<b>90</b>	<b>-</b>	<b>90</b>

Note: See the notes to the consolidated financial statements on page 176 to page 225, which are an integral part of these consolidated financial statements.

The amounts included in the consolidated statement of changes in equity are the changes after taxes.

## 9.4 Consolidated statement of cash flows

x € 1 million	Note	31 December 2013	31 December 2012
<b>Net cash - opening balance</b>	<b>9</b>	<b>76</b>	<b>87</b>
Profit for the period		(41)	(41)
Adjustments:			
Depreciation	2	21	23
Amortization	1	-	-
Impairment (in) tangible assets	1,2	3	10
Finance expense	18	7	10
Finance income	18	-	(3)
Share-based payments	14	-	1
Gain from disposal of fixed assets and subsidiaries		-	-
Income tax expense	19	1	3
Share in profits of associates	4	-	-
Gains and losses from fixed assets		-	-
Movements:			
Movement in inventories	6	27	6
Movement in work in progress	7	(41)	(46)
Movement in fair value investments	3,2	-	1
Movement in other receivables		5	24
Movement in provisions and employee benefits	12,13	(7)	(2)
Movement in other current liabilities		10	28
Interest paid	18	(7)	(7)
Interest paid on hedging instruments	18	-	(3)
Interest received	18	-	-
Income taxes paid	19	(2)	(3)
<b>Net cash from operating activities</b>		<b>(24)</b>	<b>1</b>
Intangible assets			
investments	1	(6)	(2)
income from disposals	1	2	1
Property, plant and equipment			
investments	2	(19)	(23)
acquisitions		-	-
income from disposals	2	7	8
Financial assets			
investments	3,1	(7)	(41)
income from disposals	3,1	1	-
dividends received	3,2	-	1
income from other receivables	3,3	-	-
Investments in associates	4	(2)	-
Disposal of subsidiaries after deduction of disposed cash and cash equivalents		-	(4)
Sale of subsidiaries after deduction of disposed cash and cash equivalents		8	-
<b>Net cash used in investing activities</b>		<b>(16)</b>	<b>(60)</b>
Income from long-term loans drawn	11	14	62
Repayment of long-term loans	11	(15)	(7)
Disposal of long-term loans	11	-	-
Handling charges paid on new loans	11	-	-
Finance lease instalments paid	11	(3)	(2)
Acquisition of non-controlling interest		-	-
Dividend paid	14	-	(5)
Proceeds from repurchase of own shares	14	-	-
<b>Net cash from financing activities</b>		<b>(4)</b>	<b>48</b>
Effect of exchange rate fluctuations on cash held		-	-
<b>Effect of exchange rate fluctuations on cash held</b>	<b>9</b>	<b>32</b>	<b>76</b>

Note: See the notes to the consolidated financial statements on page 176 to page 225, which are an integral part of these consolidated financial statements.

Net cash consists of the balance of cash and cash equivalents and bank overdrafts that cannot be set off against each other. Of the total net cash € 2 million is not at the free disposal of the company (2012: € 2 million). Reference is made to note 9 to net cash. The above statement of cash flows includes € 7 million of investments in PPP receivables which are part of the net cash flow from investing activities.

## 9.5 Notes to the consolidated financial statements

### Significant accounting policies

Ballast Nedam N.V. has its statutory seat in Nieuwegein in the Netherlands.

The consolidated financial statements of Ballast Nedam N.V. for the 2013 financial year comprise Ballast Nedam N.V. (the head of the group) and its subsidiaries (jointly referred to as Ballast Nedam) and Ballast Nedam's interest in associates and entities over which there is joint control.

With respect to the company only income statement of Ballast Nedam N.V., use has been made of the exemption under Section 402 of Book 2 of the Dutch Civil Code.

The Board of Management prepared the financial statements on 6 March 2014, which the Supervisory Board adopted on 6 March 2014. The financial statements will be submitted for approval to the General Meeting of Shareholders to be held on 25 April 2014.

### Continuity and liquidity of the business

In the past year Ballast Nedam incurred a net loss for the period of € 41 million (2012: € 41 million), with solvency declining from 15% to 11%.

To strengthen the financial position and meet the capital requirement, Ballast Nedam managed to refinance its financial position in 2014 with the support of all 5%-plus shareholders and banks. The refinancing will consist of an increase of equity through a € 30 million rights issue and new loans of € 80 million that mature in 2016. In addition, a bridging facility of € 30 million in the run-up to the rights issue has been agreed. Current shareholders have committed to the rights issue to an amount of € 20.6 million, with the remaining € 9.4 million having been underwritten by Rabobank and ING. The loans of € 80 million partly replace the existing (formerly uncommitted) facility of € 60 million. Gains from any company disposal of business units arising through 2016 must be used partly to repay the loans.

The refinancing strengthens Ballast Nedam's financial position, providing the company with sufficient financial scope to focus on the accelerated execution of its strategy, which is geared to major integrated complex projects.

Along with the financial measures, Ballast Nedam also announced several operational measures to improve the operating profit. They include the restructuring of regional construction companies into one construction company with integrated operations. Furthermore, some supply and specialized companies that no longer contribute to Ballast Nedam's strategic proposition will be disposed of. Having made the transition to an infrastructure company with nationwide operations, and the related departure from the loss-making traditional markets, Ballast Nedam is now focusing its organization more extensively on the strategic route that it has embarked upon. Ballast Nedam expects this strengthening of its financing structure and the business plan adopted for 2014-2016 to lay the foundation for leaving the heavy loss-making years behind it.

Nevertheless, there are uncertainties that may have either adverse, or conversely favourable, consequences for Ballast Nedam. On the one hand, there are sensitive issues in the business plan, such as the timing of contracts for major projects, and settlement of ongoing judicial proceedings. On the other hand, uncertainties have arisen in the implementation of improvement processes, such as the sale of business units and cost-saving measures. The covenants for the refinancing will be adopted at the end of March 2014.

Ballast Nedam is of the opinion that the measures taken and the business plan for 2014-2016, taking into account the sensitivities identified, will put the company in a position to remain within its credit limit. At the same time, the business plan together with the expected gains from the sale of business units will create sufficient scope for Ballast Nedam to comply, over the next few years, with the covenants to be agreed and to be adopted before 31 March 2014 in consultation with the banks and based on the business plan.

The financial statements for 2013 have been prepared on the basis of the actions, plans and expectations set out above, with due regard to the continuity assumption.

#### Accounting estimates and judgements

In preparing the financial statements, management of Ballast Nedam has made estimates and judgements that affect the amounts recognized for assets, liabilities, revenue, costs and the related notes on contingent and off-balance-sheet liabilities. Estimates and judgements are evaluated on a regular basis.

#### Project results

'Work in progress' comprises, besides the recognized costs and invoiced instalments for each project, the interim profit realized or provision formed for loss. The profit and loss are both based on an estimate of the ultimate profit for each project: the end of work forecast.

The uncertainty in this profit estimate increases as, for example:

- an agreed contract form entails more risks for the contractor, such as the design risk that contractors accept in design & construct contracts, plus, for a DBMO contract, the responsibility for maintenance and operation;
- a project is in an early design or implementation stage. When detailing a preliminary or final design, substantial deviations from the preliminary design may arise (because an initial solution turns out, on closer inspection, to be infeasible, or because the underlying conditions are better or worse than expected, or because the dialogue with stakeholders is far more complicated, and therefore more expensive, than foreseen). Countless risks may also arise in the implementation phase that are for the contractor's account. These deviations may be positive or negative;
- the term of the contract is longer, which introduces inherent estimating uncertainty into the end of work forecast; or
- projects are subject to additional work and claim situations.

#### Goodwill

The recoverable amount is measured using future cash flow forecasts. The budgets of the cash generating units are used to estimate future cash flows for the next three years. The assumptions in these budgets are based in part on historical profits and external information sources. Cash flows after three years are extrapolated using expected growth rates.



### **Land positions**

Land positions are acquired and held for future development purposes, and are recognized at the lower of historical cost and realizable value. The realizable value is the higher of the current market value and the present value of the estimated future cash flows. The future cash flows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 9%.

### **Accounting for income taxes**

At the year-end closing process, Ballast Nedam makes an estimate of the income tax position of all taxable entities. This involves estimating the actual short-term tax charges and income, and the temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. A decision is taken at the reporting date as to whether loss carry-forwards and deferred tax recoverable resulting from temporary differences may be recognized. Ballast Nedam recognizes the portion of deferred tax assets that will probably be realized. If the actual anticipated taxable profits differ from the estimates, and depending on the tax strategies that Ballast Nedam may implement, deferred tax assets that have been recognized may not be realized, thus affecting the financial position and results of Ballast Nedam.

### **Provisions**

Provisions relating to constructive obligations are based on estimates and judgements as to whether the criteria for treatment as an obligation have been met, including an estimate of the size of the obligation. Constructive obligations are disclosed if it is likely that an obligation will arise and its size can be reasonably estimated. Provisions for warranties are formed for the expected expenses necessary to settle complaints. If the actual outcome differs from the assumptions as to anticipated costs, the estimated provisions will be revised, which could have an effect on the financial position and results of Ballast Nedam.

### **Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") and also comply with Part 9 of Book 2 of the Dutch Civil Code.

### **Accounting policies used in the consolidated financial statements**

The consolidated financial statements are presented in millions of euros. Any items with a value less than € 0.5 million are shown as '-'. The financial statements have been prepared on the basis of historical cost, except for those items for which EU-IFRS prescribes a different method for valuation or determination of the result.

When preparing the financial statements, management makes estimates and assumptions that affect the amounts and results presented in the financial statements. The actual results may differ from these estimates and assumptions. See also Accounting estimates and judgements on page 177.

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

The accounting policies set out below have been consistently applied for all entities and periods presented in these consolidated financial statements, with due regard given to the following changes.

### **Changes in accounting policies**

A number of new standards, as well as changes to, and interpretations of, existing standards became effective in 2013. The new standards, changes and interpretations that were relevant to Ballast Nedam had no impact on the measurement and classification of assets and liabilities, the income statement, or cash flows, but have led to limited changes in the explanatory notes. The most important of these are IFRS 13 'Fair Value Measurement' and IAS 1 'Presentation of Financial Statements'. IFRS 13 is concerned with the measurement of fair value. The impact of IFRS 13 is small because, with the exception of derivatives, Ballast Nedam has not applied fair value measurement to any items. IFRS 13 also requires additional disclosure. Among other things, additional disclosure has been provided on the fair value of instruments that are carried at amortized cost. The change in IAS 1 is concerned with the presentation of the consolidated statement of comprehensive income. Items that will be reclassified to the income statement in subsequent periods are presented separately from other items.

### **Basis of consolidation, assets, liabilities and income statement**

#### **Subsidiaries**

Subsidiaries are entities in which Ballast Nedam directly or indirectly controls the financial and operating policy decisions with a view to obtaining benefits from their operations. These subsidiaries are consolidated in full, and non-controlling interests, where applicable, are separately disclosed. These entities are included in the consolidated financial statements from the date on which control commences until the date on which the control ceases.

#### **Associates**

Associates are those entities in which Ballast Nedam exercises significant influence on the financial and operating policy decisions, but over which it does not have control.

The consolidated financial statements include Ballast Nedam's share of the recognized income and expenses of associates, using the equity method, from the date on which Ballast Nedam first exercised a significant influence until the date on which the influence ceases. If Ballast Nedam's share in the losses exceeds the value of the interest in an associate, the carrying amount of the investment is reduced to zero in Ballast Nedam's statement of financial position and only the portion of any further losses for which Ballast Nedam has a legal or constructive obligation will be recognized.

#### **Joint ventures**

Interests in combinations in which Ballast Nedam has no controlling influence, but may exercise joint influence on policy as for each of the other participants, including construction consortia, are proportionately consolidated. Consolidation occurs as of the date on which control is first exercised until the date on which control ceases.

#### **Elimination of transactions for consolidation purposes**

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

Unrealized losses are eliminated in the same way, except where there are indications of impairment.

### **Foreign currency translation**

Assets and liabilities of foreign activities denominated in functional currencies other than the euro are translated to the functional currency in euros at the rates of exchange prevailing at 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 year).

Translation differences resulting from the conversion of investments in these foreign activities, including semi-permanent financing, and the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the reporting date, are recognized as a separate item in the consolidated statement of comprehensive income.

Receivables and payables in foreign currencies are translated to the functional currency at the exchange rate prevailing at the reporting date. Transactions in foreign currencies are translated to the functional currency at the exchange rate applying on the transaction date. The resulting foreign currency translation differences are recognized as part of earnings before interest and taxes.

### **Intangible assets**

#### *Goodwill*

Goodwill arises as a result of the acquisition of subsidiaries, associates and joint ventures. Business combinations are accounted for using the purchase method of accounting. Goodwill is allocated to cash-generating units.

Goodwill is measured as:

- the fair value of the consideration transferred;
- plus the recognized amount of any non-controlling interests in the acquired entity;
- plus in a business combination achieved in stages, the fair value of the acquirer's previously-held equity interest in the acquiree;
- less the recognized amounts (generally the fair value) of the identifiable assets acquired and liabilities assumed.

Negative goodwill arising on acquisition is recognized as income immediately.

The transaction costs incurred by the Group in connection with a business combination, other than those concerned with the issue of shares or bonds, are recognized when they are incurred.

A contingent consideration is recognized at fair value at the acquisition date. A contingent consideration that is classified as equity is not reassessed and the settlement is recognized in equity. Other changes are recognized in the income statement after initial recognition.

Goodwill is not amortized. Instead, an impairment test is performed annually, or earlier if there are signs of impairment. In the case of associates, the carrying amount of goodwill is included in the carrying amount of the investment in associates.

#### *Other intangible assets*

Software is recognized at cost less accumulated amortization and impairment.

Concessions for raw material extraction are recognized at cost less accumulated amortization and impairment.

#### *Amortization*

Amortization of intangible assets, other than goodwill and those with an indefinite life, is calculated on the basis of the expected useful life. Concessions in respect of land and raw materials are amortized in proportion to the extent of the raw materials estimated to have been extracted.

Where significant, the residual value, amortization methods and estimated useful lives are assessed annually.

The estimated useful lives are 5 – 40 years for concessions, and 3 years for software.

Goodwill and intangible assets with an indefinite life are systematically assessed for impairment at least at each year-end, or sooner if there are signs of impairment.

### **Property, plant and equipment**

#### *Owned assets*

Items of property, plant and equipment are recognized at cost of acquisition or manufacture less accumulated depreciation and impairment.

If individual items of property, plant and equipment consist of elements with differing estimated useful lives, those elements are recognized as separate assets and depreciated accordingly.

Where they can be estimated reliably, the costs of dismantling and disposing of assets and the cost of restoring sites where assets are located are recognized as a provision at net present value. The borrowing costs for qualifying assets, which necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized.

#### *Leased assets*

Lease agreements under which Ballast Nedam assumes virtually all the risks and rewards of ownership are classified as finance leases. The leased asset is measured at the lower of the fair value and the present value of the minimum lease instalments at the commencement of the lease, less accumulated depreciation and impairment.

#### *Subsequent costs*

If it is probable that the future economic benefits will flow from the asset to Ballast Nedam and the cost of the asset can be reliably measured, Ballast Nedam includes the cost of replacement of part of an item of property, plant and equipment in the carrying amount of the asset concerned when those costs are incurred. All other costs are recognized in the income statement as an expense when they are incurred.

#### *Depreciation*

Depreciation is generally calculated on a straight-line basis over the expected useful life of each item of property, plant and equipment (or part thereof). Land is not depreciated.

The estimated useful lives are 10 – 30 years for buildings, 5 – 20 years for plant and equipment, and 2 – 10 years for other operating assets.

The residual value, depreciation methods and estimated useful lives are assessed annually. Some assets are depreciated using the units of production method.

## Financial assets

### *PPP receivables*

Receivables in respect of Public-Private Partnerships (PPPs) relate to concession fees from public bodies (public authorities) receivable in connection with PPP projects. PPP receivables are recognized as financial assets. In conformity with IAS 32 and 39, PPP receivables are initially recognized at fair value and are subsequently measured at amortized cost based on an effective interest rate. This method of recognizing PPP receivables is in conformity with the financial assets model of IFRIC 12 'Service Concession Arrangements'.

### *Other investments*

If no significant influence is exercised over the operating and financial policy, recognition of other investments is at fair value, with gains and losses recognized in the consolidated statement of comprehensive income if the investment is classified as available for sale; if not, they are recognized in the income statement. Only in the exceptional case that the fair value cannot be reliably determined is the investment measured at cost minus impairment.

### *Assets and liabilities held for sale*

Immediately prior to classification as held for sale, the assets and liabilities of a disposal group are tested for impairment in accordance with the applicable policies. On initial recognition as assets held for sale, assets and disposal groups are measured at the lower of the carrying amount and fair value less costs to sell.

A discontinued operation is part of the Group's activities that represents a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs on the earlier of disposal or when the operation meets the criteria for classification as an asset held for sale. A disposal group that ceases to be classified as such can also meet these criteria.

### *Derivative financial instruments*

Ballast Nedam makes use of derivative financial instruments in order to hedge exposure to currency, interest rate and market risks arising from operating, financing and investing activities. In conformity with its treasury policy Ballast Nedam holds no derivatives for trading purposes, nor does it issue derivatives of this kind.

On initial recognition, derivative financial instruments are measured at fair value, and the attributable transaction costs are recognized in the income statement as soon as they occur. If no hedge accounting is applied, gains and losses on revaluation to fair value are recognized directly in the income statement. Gains and losses arising from fair value adjustments of forward exchange contracts are recognized as a part of the natural hedge on the currency results of the project concerned.

If hedge accounting is applied, Ballast Nedam documents the relationship between the financial instrument and the position to be hedged. The objectives with respect to risk management, and the strategy followed in initiating hedging transactions, are recorded. Ballast Nedam also documents estimates of the effectiveness of the hedging transaction. If the hedge relationship is effective, movements are recognized in the consolidated statement of comprehensive income, with allowance for the deferred taxation effect.



The changes in the fair value of hedging transactions could comprise movements in the fair value of existing hedging transactions, and realized results if the hedged position is recognized in the income statement. The movement in values for any ineffective portion of the hedging transaction is recognized in the income statement.

The fair value of forward exchange contracts is the present value of the forward rate. The fair value of the other derivative financial instruments is measured on the basis of the discounted value of the estimated future cash flows from these instruments.

### **Inventories**

Land positions are acquired and held for future property development purposes, and are recognized at the lower of historical cost and net realizable value. The net realizable value is the higher of the current market value and the present value of the estimated future cash flows. The future cash flows are estimated using scenario and sensitivity analyses. In principle these holdings are not 'in production' and development costs are consequently not capitalized. Interest is capitalized subject to meeting the conditions for capitalizing finance expense and at the time the land position is actively developed. The associated costs are expensed. Planning permissions and building permits are included in land positions.

Land and buildings for sale are also included in inventories. The buildings concerned have yet to be sold to third parties and are either under construction or have reached structural completion. The stocks of land and buildings available for sale are carried at the lower of cost, including directly attributable indirect costs, and market value less selling costs. Interest is capitalized subject to meeting the conditions for capitalizing finance expense.

Sold residential building projects in which the client has no option to specify structural elements in the design, and where there is continuous transfer of the significant risks and rewards of ownership, are recognized under inventories. This portion of inventories is recognized at cost plus profit in proportion to the progress of the project less a provision for foreseeable losses and less invoiced instalments in proportion to the progress of the project. Interest is capitalized subject to meeting the conditions for capitalizing finance expense. The cost of residential building projects includes directly attributable indirect costs on the basis of normal production capacity.

Finished goods are measured at the lower of cost and net realizable value. The cost of finished goods is based on the first-in, first-out (FIFO) principle. The cost includes interest subject to meeting the conditions for capitalizing finance expense. The cost of finished goods includes directly attributable indirect costs on the basis of normal production capacity.

Raw materials are measured at the lower of cost and net realizable value.

**Work in progress**

Work in progress on behalf of third parties is recognized at cost plus profit in proportion to the progress of the project less a provision for foreseeable losses and less invoiced instalments in proportion to the progress of the project. Interest is capitalized subject to meeting the conditions for capitalizing finance expense. The cost of work in progress includes directly attributable indirect costs on the basis of normal production capacity.

As soon as a reliable profit estimate can be made for construction contracts on behalf of third parties, the contractual revenues and expenses are recognized in the income statement in proportion to the percentage of completion of the project. The percentage of completion is determined on the basis of production measurements. Expected losses on contracts are recognized immediately in the income statement.

Preparatory expenses and design and construction costs on large projects (i.e. tendering costs) are capitalized as work in progress as and when Ballast Nedam becomes the sole bidder in contract negotiations. Any preparatory expenses prior to this phase are charged to the income statement. Tendering costs expensed in the period to which they relate are not subsequently capitalized if the project is won.

**Receivables**

On initial recognition, trade and other receivables are measured at fair value less attributable transaction costs. After initial recognition, trade and other receivables are carried at amortized cost less impairment. Long-term receivables are carried at amortized cost with the exception of deferred tax assets, which are stated at the nominal amount.

**Cash**

Cash consists of cash and bank balances and other demand deposits. The bank balances are part of a cash pool, and the cash facilities that are an integral part of Ballast Nedam's funds management, constitute cash in the statement of cash flows.

**Impairment**

Except for inventories of finished product, raw materials and semi-finished goods, work in progress and the deferred tax asset of Ballast Nedam, the carrying amount of assets is reviewed at the reporting date in order to determine whether there are any indications of impairment. Where there are such indications an estimate is made of the recoverable amount of the asset.

In the case of goodwill and assets with an indefinite useful life, the recoverable amount is estimated at the end of each reporting period.

The recoverable amount is equal to the higher of fair value less costs to sell, and value in use. In measuring the value in use, the present value of the estimated future cash flows is calculated using a pre-tax discount rate which reflects both the current market estimates of the time value of money and the specific risks inherent in the asset in question.

In the case of an asset which only generates income that is highly dependent on that of other assets, the recoverable amount is measured for the cash-generating unit to which the asset belongs.

Impairment losses are recognized in the income statement.

**Repurchase of own shares**

For purchased own shares included in equity in the statement of financial position, the amount paid, including directly attributable costs, is recognized in equity. Repurchased shares are classified as purchased own shares and included as a deduction from total equity. When purchased own shares are delivered, they are removed from the portfolio on a first-in, first-out (FIFO) basis. The difference between cost and market value is recognized in the share premium reserve.

**Dividend**

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

**Equity-settled share-based payment transactions**

The share option scheme enables the Board of Management to acquire depositary receipts for shares in Ballast Nedam. The options become exercisable if the person to whom they have been granted remains in the service of the company for an uninterrupted period of three years after the grant date, and may then be exercised at any time in the following three years. The option rights lapse on termination of employment. The Supervisory Board is responsible for granting option rights, depending on quantitative and qualitative criteria. Each year, the Supervisory Board will decide on the granting of options on the date of publication of the results for the year, or on appointment of the individual concerned.

The fair value of the granted options is included in employee benefits with simultaneous recognition of a corresponding amount added to equity (equity-settled). The fair value is measured on the grant date and expensed over the vesting period. The remaining part of the measured value of options is written down as and when they are replaced or are settled before they vest. The fair value of the options is measured using an option valuation model taking account of the conditions under which the options are granted.

**Long-term loans**

On initial recognition, long-term loans are measured at fair value less attributable transaction costs. Interest-bearing loans are subsequently recognized at amortized cost, with any difference between the cost and the amount repayable recognized in the income statement over the term of the loans on the basis of the effective interest method.

**Pensions**

The pension scheme established by Ballast Nedam for office staff qualifies as a defined contribution plan, and is administered by Stichting Pensioenfonds Ballast Nedam. Under this defined contribution plan, the obligations in respect of the defined contributions are recognized as an expense in the income statement when they fall due.

Ballast Nedam's building site workers are covered by the compulsory industry-wide pension scheme for the building industry (bpfBOUW). Under IAS 19R this pension scheme is accounted for as a defined contribution plan.

**Long-term employee benefits**

Ballast Nedam's net obligation in respect of long-term employee benefits (long-service bonuses, long-term illness), with the exception of pension plans, is the sum of the future benefits that employees have earned in exchange for their services during the period under review and in preceding periods. The liability is converted to present value, taking account of actuarial assumptions.

**Provisions**

A provision is recognized in the statement of financial position if Ballast Nedam has a legal or constructive obligation as a result of an event in the past and it is probable that an outflow of resources embodying economic benefits will be required in order to settle that obligation.

If the effect thereof is material, the provisions are determined by calculating the present value of the estimated future cash flows using a pre-tax discount rate reflecting both the current market estimates of the time value of money and, where necessary, the specific risks inherent in the obligation.

**Trade and other payables**

On initial recognition, trade payables and other payable items are measured at fair value. After initial recognition, trade payables and other payable items are measured at amortized cost.

**Revenue***Construction contract revenue*

The contractual income and expenses in relation to work in progress are recognized in the income statement in proportion to the percentage of completion of the project. The percentage of completion is determined on the basis of production measurements. Expected losses on contracts are recognized immediately in the income statement.

*Sale of goods*

Income from the sale of goods is recognized in the income statement as and when the significant risks and rewards of ownership have been transferred to the buyer. Revenue and profit are recognized on a pro rata basis as construction progresses for those residential building projects in which the client has no option to specify structural elements in the design, and where there is continuous transfer of the significant risks and rewards of ownership.

*Services*

Income from services rendered is recognized in the income statement in proportion to the percentage of completion of the transaction at the reporting date. The percentage of completion is determined on the basis of assessments of the activities performed. No income is recognized if there are significant uncertainties concerning the collection of the amounts due or the related costs or any returns of goods, and also if there is any question of continuing management involvement in the goods.

*PPP projects*

During the construction phase of the asset, PPP projects are recognized as projects for third parties. The related financial asset is recognized based on invoiced instalments. The contractual income and expenses are recognized in the income statement in proportion to progress on the project. The percentage of completion is determined on the basis of production measurements. The interest income of the financial asset is recognized as financial income in the income statement.

During the operating phase, the income from PPP projects comprises the fair value of the delivery of contractually agreed services and the interest income related to the investment in the project. Income is recognized when the services to which it relates are delivered.

#### **Government subsidies**

Government subsidies are recognized once it is reasonably certain that they will be received and the conditions for award of the subsidy have been met. Subsidies awarded to compensate costs are recognized in the income statement in the same period as the costs incurred. Subsidies that contribute to the development or purchase of assets are deducted from the price of the assets concerned.

#### **Costs**

Costs are allocated to the period to which they relate.

#### **Lease instalments on operating leases**

Lease instalments on operating leases are recognized in the income statement on a straight-line basis over the period of the lease.

#### **Lease instalments on finance leases**

The minimum lease instalments are recognized partly as financing costs and partly as repayment of the outstanding liability. The financing costs are allocated to each period of the total lease period in such a way as to result in a constant periodic rate of interest over the remaining balance of the liability.

#### **Net finance expense**

The net finance expense comprises the interest income and expenses on borrowings calculated using the effective interest method. The interest component of the financial lease instalments is recognized in the income statement using the effective interest method. Gains and losses on exchange and on derivative financial instruments other than interest rate swaps are recognized in the income statement in earnings before interest and taxes. Gains or losses on interest rate swaps are recognized as finance income or expense.

#### **Income tax expense**

Tax is calculated on the result from ordinary operations, allowing for tax-exempt items and based on the applicable tax rates. Tax is recognized in the income statement except in relation to items recognized in the consolidated statement of comprehensive income.

Deferred tax is recognized using the balance sheet method on temporary differences between the reported carrying amounts and tax bases of assets and liabilities, and for future carry-forward losses, and is accounted for on the basis of the applicable tax rates for the periods when the temporary differences are expected to be reversed.

Deferred tax assets are recognized at nominal value of the portion that will probably be realized.

No deferred tax is recognized for the following temporary differences: the initial recognition of goodwill, and differences in relation to subsidiaries and associates that will not be settled in the near future, and to the extent that the settlement is under Ballast Nedam's control.



**Statement of cash flows**

Cash flows from operating activities are presented using the indirect method. Cash flows in foreign currencies are converted at the exchange rate on the date of the cash flow or at the average rate. Non-cash items, such as foreign currency translation differences, changes in fair value, equity-settled share-based payments and so forth are eliminated from this statement. Dividends paid to ordinary shareholders are included in the cash flows from financing activities. Interest paid is included in the cash flows from operating activities. Current-account balances payable on demand are included in the balance of cash and overdrafts with banks in preparing the consolidated statement of cash flows.

**Basic earnings per share**

The basic earnings per share are calculated by dividing the profit for the period attributable to holders of shares by the average number of shares in issue in the period. The diluted earnings per share are calculated by dividing the profit by the average number of issued shares, including the number of shares that would have been issued if the outstanding share options had been exercised, if this would lead to dilution.

**Operating segments**

An operating segment is a component of Ballast Nedam that engages in business activities that may contribute substantially to revenues and expenses, including those related to transactions with other components of the Group.

The Board of Management regularly uses information about individual segments in order to make decisions about resources to be allocated and to assess performance. Additional financial information is provided for each segment. The decisions about resources to be allocated and the assessment of performance are based on earnings before interest and taxes and capital employed. The amounts for transactions between segments are determined on an arm's length basis. The results, assets and liabilities of a segment comprise items that can be attributed to the segment either directly or on a reasonable basis. Among the items that are not included are finance income and expense, and income tax assets and liabilities.

Additional financial information is provided for each geographical segment. In presenting information on a geographical basis, income is based on the geographical location of the customers. The criterion for assets is their geographical location.

**New standards and interpretations not yet applied**

A number of new standards, changes to existing standards and interpretations had yet to come into effect in 2013 and are therefore not applied in the consolidated financial statements. The most important of these for Ballast Nedam are as follows.

**IFRS 10 - 'Consolidated Financial Statements'**

IFRS 10 introduces a new approach for determining whether an investor must consolidate an investee, and a uniform principle for determining whether an investor controls an investee, thereby including 'special purpose entities' (SPEs). To coincide with IFRS 10, the IASB issued an amended IAS 27 that now comprises the accounting principles for separate financial statements. IFRS 10 and the amended IAS 27 were adopted by the EU in the fourth quarter of 2012, and they are expected to have no material impact on Ballast Nedam's comparative figures or equity. This standard applies to annual financial periods beginning on or after 1 January 2014.

### **IFRS 11 - 'Joint Arrangements'**

IFRS 11 replaces IAS 31 'Interests in Joint Ventures' and SIC-13 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers'.

IFRS 11 distinguishes two kinds of joint arrangement, depending on whether the parties have rights to the assets and obligations for the liabilities (joint operation), or only rights to the net assets (joint venture). The essential distinction between a joint venture and a joint operation is that a joint operator's obligations are unlimited in principle for its share in the liabilities, while a joint venturer's obligation is limited in principle to its investment in the entity that embodies the partnership. Joint ventures can no longer be proportionately consolidated, but must be accounted for using the equity method. A joint operator must recognize its share of the assets, liabilities, revenue and expenses, which is not necessarily the same as proportionate consolidation.

This standard applies to annual financial periods beginning on or after 1 January 2014. For annual periods up to and including 2013 Ballast Nedam proportionately consolidated the joint ventures in accordance with IAS 31. Ballast Nedam has determined criteria for assessing the joint arrangements for the application of IFRS 11, on which basis it has been determined which joint arrangements are joint ventures, which must then be accounted for using the equity method in accordance with IFRS 11 starting in 2014, as opposed to proportionate consolidation. Examples include interests in asphalt batching plants and other non-controlling interests. If IFRS 11 were to have been applied in 2013, the impact on revenue would have been € 48 million negative, or 4%. The management has assessed the impact on the cash flows, order book and operating segments, and has concluded that this is limited. The transition will have no effect on the unrealized results of the Group or on the ordinary and diluted basic earnings per share.

### **IFRS 12 - 'Disclosure of Interests in Other Entities'**

IFRS 12 is a consolidated disclosure standard requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. Ballast Nedam is currently comparing the existing and new disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 requires the disclosure of the nature, risks associated with, and financial effects of these interests. IFRS 12 was adopted by the EU in the fourth quarter of 2012. This standard applies to annual financial periods beginning on or after 1 January 2014.

## Non-proportionately consolidated statement of financial position

Ballast Nedam has elected to account for joint ventures using proportionate consolidation based on IAS 31. The statement of financial position that results if the joint ventures are not proportionately consolidated (i.e. the equity method) is presented below based on IAS 31. The associated impact on the income statement mainly affects revenue and, to a limited extent, the profit for the period.

Solvency based on proportionately consolidated figures is 11% (2012: 15%). Based on the non-proportionately consolidated figures, solvency would be 13% (2012: 17%).

	Proportionately consolidated	Not proportionately consolidated	
x € 1 million	31 December 2013	31 December 2013	31 December 2012
<b>Non-current assets</b>			
Intangible assets	21	15	25
Property, plant and equipment	137	123	141
Financial assets	21	52	41
Deferred tax assets	32	32	32
<b>Assets held for sale</b>	<b>211</b>	<b>222</b>	<b>239</b>
<b>Current assets</b>			
Inventories	175	133	165
Work in progress	135	118	96
Receivables	226	179	188
Cash and cash equivalents	54	21	68
Assets held for sale	48	24	4
	638	475	521
<b>Current liabilities</b>			
Bank overdrafts	(22)	(17)	-
Current portion of long-term loans	(9)	(5)	(9)
Prepayments on inventories	(2)	(2)	-
Work in progress	(106)	(60)	(63)
Trade payables	(237)	(154)	(180)
Income tax expense	(1)	-	(2)
Other liabilities	(207)	(222)	(204)
Provisions	(28)	(28)	(67)
Liabilities held for sale	(27)	(10)	(2)
	(639)	(498)	(527)
<b>Current assets minus current liabilities</b>	<b>(1)</b>	<b>(23)</b>	<b>(6)</b>
	<b>210</b>	<b>199</b>	<b>233</b>
<b>Non-current liabilities</b>			
Loans	106	97	93
Derivatives	1	-	-
Deferred tax liability	1	2	2
Employee benefits	5	4	4
Provisions	7	6	3
<b>Liabilities held for sale</b>	<b>120</b>	<b>109</b>	<b>102</b>
<b>Total equity</b>			
Equity attributable to the owners of the company	90	90	131
Non-controlling interest		-	
	<b>90</b>	<b>90</b>	<b>131</b>
	<b>210</b>	<b>199</b>	<b>233</b>
Solvency	11%	13%	17%

## 9.6 Operating segments

### Operating segments 2013

x € 1 million	Infrastructure	Building & Development	Specialized Companies	Supplies	Subtotal operating segments	Reconciliation (1)	Total
<b>Revenue</b>	<b>546</b>	<b>531</b>	<b>260</b>	<b>212</b>	<b>1 549</b>	<b>(281)</b>	<b>1 268</b>
Other operating income	-	-	-	-	-	-	-
Total operating expenses	(542)	(536)	(273)	(196)	(1 547)	273	(1 274)
Share in profits of associates	-	-	-	-	-	-	-
<b>Earnings before interest, taxes, depreciation and amortization (EBITDA)</b>	<b>4</b>	<b>(5)</b>	<b>(13)</b>	<b>16</b>	<b>2</b>	<b>(8)</b>	<b>(6)</b>
Impairment	-	(3)	-	1	(2)	(1)	(3)
Depreciation	-	(3)	(6)	(9)	(18)	(3)	(21)
<b>Earnings before interest, taxes and amortization (EBITA)</b>	<b>4</b>	<b>(11)</b>	<b>(19)</b>	<b>8</b>	<b>(18)</b>	<b>(12)</b>	<b>(30)</b>
Amortization	-	-	-	-	-	-	-
<b>Earnings before interest and taxes (EBIT)</b>	<b>4</b>	<b>(11)</b>	<b>(19)</b>	<b>8</b>	<b>(18)</b>	<b>(12)</b>	<b>(30)</b>
Net finance income and expense							(7)
Income tax expense							(4)
<b>Profit for the period</b>							<b>(41)</b>
Margin	0.8%	(2.2%)	(7.5%)	3.8%			(2.4%)
Order book	596	691	113	55	1 455	5	1 460
Capital employed (2)	(21)	48	33	118	178	(22)	156
Assets (3)	247	289	115	187	838	11	849
Investments in property, plant and equipment	6	8	3	13	30	2	32
Associates	-	2	-	-	2	-	2
Liabilities (4)	277	272	74	76	699	60	759
Impairment of Intangible assets and property, plant and equipment							
impairment	-	(3)	-	-	(3)	(1)	(4)
reversal of impairments	-	-	-	1	1	-	1
Average number of employees							
temporary employment	35	53	55	16	159	25	184
permanent employment	515	1 116	774	579	2 984	231	3 215
<b>Total employees</b>	<b>550</b>	<b>1 169</b>	<b>829</b>	<b>595</b>	<b>3 143</b>	<b>256</b>	<b>3 399</b>

(1) The reconciliation column relates to holding entities and intersegment eliminations.

(2) Capital employed is non-current assets plus current assets minus current liabilities, excluding net cash.

(3) Assets are defined to encompass non-current and current assets.

(4) Liabilities are defined to encompass non-current and current liabilities.

## Exceptional operating profit or loss by segment

### *The Infrastructure segment:*

Infrastructure achieved a profit of € 4 million. Good results on several major projects exceeded the losses incurred on the major A15 Maasvlakte-Vaanplein project and several old regional projects that predate the 2012 restructuring operation.

### *Building and Development segment:*

Building & Development incurred an operating loss of € 11 million because of impairment losses of € 6 million and restructuring costs of € 5 million. The revenue of Building & Development went down by 7% to € 531 million because of the decline in the regional construction companies. The assets of Building & Development decreased by € 25 million to € 289 million because of a decrease in unsold property and lower land positions. The land positions decreased by € 10 million to € 142 million, consisting of sales of € 9 million and an impairment of € 1 million.

### *The Specialized Companies segment:*

Specialized Companies achieved a disappointing loss of € 19 million, including a restructuring expense of € 5 million. The successes achieved in the companies that performed well were overshadowed by losses in two specialized companies. Lower investments resulted in a decrease in total assets of € 6 million to € 115 million.

### *The Supplies segment:*

Supplies' revenue decreased by € 4 million to € 212 million. Improved results in the prefabricated concrete companies and the sale of Yvoir and an associated asphalt plant supported the profit. The assets of Supplies decreased by € 18 million to € 187 million mainly because of the sale of Yvoir and a stake in an asphalt plant.

The number of employees posted abroad was 115 (2012: 159).



## Operating segments 2012

x € 1 million	Infrastructure	Building & Development	Specialized Companies	Supplies	Subtotal operating segments	Reconciliation (1)	Total
<b>Revenue</b>	<b>496</b>	<b>573</b>	<b>262</b>	<b>216</b>	<b>1 547</b>	<b>(251)</b>	<b>1 296</b>
Other operating income	-	-	-	4	4	-	4
Total operating expenses	(485)	(595)	(265)	(202)	(1 547)	249	(1 298)
Share in profits of associates	-	-	-	-	-	-	-
<b>Earnings before interest, taxes, depreciaton and amortization (EBITDA)</b>	<b>11</b>	<b>(22)</b>	<b>(3)</b>	<b>18</b>	<b>4</b>	<b>(2)</b>	<b>2</b>
Impairment	-	(1)	-	(6)	(7)	(3)	(10)
Depreciation	(1)	(3)	(7)	(10)	(21)	(2)	(23)
<b>Earnings before interest, taxes and amortization (EBITA)</b>	<b>10</b>	<b>(26)</b>	<b>(10)</b>	<b>2</b>	<b>(24)</b>	<b>(7)</b>	<b>(31)</b>
Amortization	-	-	-	-	-	-	-
<b>Earnings before interest and taxes (EBIT)</b>	<b>10</b>	<b>(26)</b>	<b>(10)</b>	<b>2</b>	<b>(24)</b>	<b>(7)</b>	<b>(31)</b>
Net finance income and expense							(7)
Income tax expense							(3)
<b>Profit for the period</b>							<b>(41)</b>
Margin	2.1%	(4.6%)	(3.8%)	0.9%			(2.4%)
Order book	900	731	90	56	1 777	(16)	1 761
Capital employed (2)	(27)	29	45	130	177	(1)	176
Assets (3)	214	314	131	205	864	22	886
Investments in property, plant and equipment	24	28	7	10	69	2	71
Associates	-	1	-	1	2	-	2
Liabilities (4)	225	308	74	80	687	68	755
Impairment of Intangible asset and property, plant and equipment							
impairment	-	-	-	(7)	(7)	(3)	(10)
reversal of impairments	-	-	-	-	-	-	-
Average number of employees							
temporary employment	50	71	64	24	209	37	246
permanent employment	748	1 211	797	635	3 391	222	3 613
<b>Total employees</b>	<b>798</b>	<b>1 282</b>	<b>861</b>	<b>659</b>	<b>3 600</b>	<b>259</b>	<b>3 859</b>

(1) The reconciliation column relates to holding entities and intersegment eliminations.

(2) Capital employed is non-current assets plus current assets minus current liabilities, excluding net cash.

(3) Assets are defined to encompass non-current and current assets.

(4) Liabilities are defined to encompass non-current and current liabilities.

## Operating segments (continued)

### Revenue

x € 1 million	31 December 2013	31 December 2012
Operating segments	1 549	1 547
Other	-	-
Intersegment revenue	(281)	(251)
<b>Total</b>	<b>1 268</b>	<b>1 296</b>

### EBIT

x € 1 million	31 December 2013	31 December 2012
Operating segments	(18)	(24)
Not allocated to segments	(12)	(7)
<b>Total</b>	<b>(30)</b>	<b>(31)</b>

### Total non-current and current assets

x € 1 million	31 December 2013	31 December 2012
Operating segments	838	864
Not allocated to segments	11	22
Associates	-	-
<b>Total</b>	<b>849</b>	<b>886</b>

### Liabilities

x € 1 million	31 December 2013	31 December 2012
Operating segments	699	687
Not allocated to segments	60	68
Eliminations and unallocated liabilities	-	-
<b>Total</b>	<b>759</b>	<b>755</b>

### Geographical segments

x € 1 million	Revenue		Assets		Other fair value investments	
	2013	2012	2013	2012	2013	2012
The Netherlands	1 020	1 153	150	186	3	3
Other Europe	204	108	16	19	1	-
Africa	1	21	-	-	-	-
Asia	8	4	-	-	-	-
South America	30	10	-	-	-	-
Other	5	-	-	-	-	-
<b>Total</b>	<b>1 268</b>	<b>1 296</b>	<b>166</b>	<b>205</b>	<b>4</b>	<b>3</b>

Of the revenue, 80% (2012: 89%) was generated in the Netherlands. The assets reported under the geographical segments comprise the non-current assets, excluding financial instruments and deferred tax assets.

## 9.7 Disposals

### Disposals

On 12 July 2013, Ballast Nedam sold its 100% equity interest in Société d'Exploitation des Carrières d'Yvoir SA (SECY, Yvoir) to Group De Cloedt. On 20 December 2013 Ballast Nedam sold the wholly-owned subsidiary Gebr. Van Leeuwen Boringen B.V. to Kleywegen Groep. Both sales are in line with Ballast Nedam's strategy of strengthening its financial position.

### Summary of the disposals

x € 1 million	
Financial assets	-
Deferred tax asset	-
Property, plant and equipment	3
Inventories	1
Receivables	3
Trade payables	(2)
Derivatives	-
Loans	-
<b>Net assets and liabilities</b>	<b>5</b>

x € 1 million	
<b>Considerations received in cash</b>	<b>8</b>
Disposed cash and cash equivalents	-
<b>Net cash - inflow</b>	<b>8</b>

## 9.8 Notes to the consolidated statement of financial position

### 1 Intangible assets

x € 1 million	Goodwill	Concessions	Other	Total
Cost				
<b>31 December 2011</b>	<b>14</b>	<b>29</b>	<b>6</b>	<b>49</b>
Investments	-	2	-	2
Acquisitions	2	-	1	3
Disposals	-	-	(1)	(1)
Assets held for sale	-	-	-	-
<b>31 December 2012</b>	<b>16</b>	<b>31</b>	<b>6</b>	<b>53</b>
Investments	-	5	1	6
Acquisitions	-	-	-	-
Disposals	-	(2)	-	(2)
Assets held for sale	(3)	(8)	-	(11)
<b>31 December 2013</b>	<b>13</b>	<b>26</b>	<b>7</b>	<b>46</b>
Amortization and accumulated impairment				
<b>31 December 2011</b>	<b>3</b>	<b>12</b>	<b>3</b>	<b>18</b>
Acquisitions	-	-	-	-
Amortization	-	-	-	-
Impairment	2	1	1	4
Disposals	-	-	-	-
Assets held for sale	-	-	-	-
<b>31 December 2012</b>	<b>5</b>	<b>13</b>	<b>4</b>	<b>22</b>
Acquisitions	-	-	-	-
Amortization	-	-	-	-
Impairment	3	-	1	4
Disposals	-	-	-	-
Assets held for sale	(1)	-	-	(1)
<b>31 December 2013</b>	<b>7</b>	<b>13</b>	<b>5</b>	<b>25</b>
Carrying amount				
<b>31 December 2012</b>	<b>11</b>	<b>18</b>	<b>2</b>	<b>31</b>
<b>31 December 2013</b>	<b>6</b>	<b>13</b>	<b>2</b>	<b>21</b>

#### Goodwill

An impairment test is performed at least annually, or earlier when there are strong indications of impairment. The present value of the future cash flows are estimated using a pre-tax discount rate of 9%. The business plan was followed for the projections for 2014 to 2016, inclusive. The residual value was calculated for the infinite cash flow assuming a growth rate of 1.5%. Among other things, the impairment tests identified an impairment of € 3 million at Bouw Noord B.V., which is attributable to the poor market prospects for the business units concerned. Regarding the other goodwill impairment tests, a 1% higher pre-tax discount rate or 1% lower growth rate would not lead to material impairment.

## Goodwill

x € 1 million	31 December 2013	31 December 2012
Bontrup Beheer B.V.	1	2
Verkaik B.V.	2	2
Bouw Noord B.V.	-	3
Concrete Valley B.V.	2	2
Other	1	2
<b>Total</b>	<b>6</b>	<b>11</b>

## Concessions

Ballast Nedam owns concessions for high-grade primary raw materials in Belgium, Norway, Germany and the Netherlands. Amortization takes place in proportion to extraction. The remaining weighted average amortization period for concessions as at year-end was 33 years (2012: 39 years). Ballast Nedam incurred no significant raw material and minerals exploration costs in 2013 for raw materials with unproven technical or commercial extraction potential.

## Purchase commitments

As at the reporting date, Ballast Nedam had no material outstanding obligations to acquire intangible assets.

## Research & development expenses

In 2013 expenses of € 13 million were recognized in the income statement for product development and other innovations (2012: € 15 million). No material development expenses were capitalized.



## 2 Property, plant and equipment

x € 1 million	Land and buildings	Plant and equipment	Other operating assets	Total
<b>Cost</b>				
<b>31 December 2011</b>	<b>99</b>	<b>286</b>	<b>36</b>	<b>421</b>
Investments	1	20	2	23
Acquisitions	-	4	-	4
Disposals	(10)	(13)	(4)	(27)
Sale of subsidiary	-	(11)	-	(11)
Foreign currency translation differences	-	-	-	-
Assets held for sale	-	-	-	-
<b>31 December 2012</b>	<b>90</b>	<b>286</b>	<b>34</b>	<b>410</b>
Investments	2	16	1	19
Acquisitions	-	-	-	-
Disposals	(5)	(24)	(8)	(37)
Sale of subsidiary	-	(13)	-	(13)
Foreign currency translation differences	-	-	-	-
Assets held for sale	(5)	(34)	-	(39)
<b>31 December 2013</b>	<b>82</b>	<b>231</b>	<b>27</b>	<b>340</b>
<b>Depreciation and accumulated impairment</b>				
<b>31 December 2011</b>	<b>36</b>	<b>176</b>	<b>26</b>	<b>238</b>
Impairment	2	4	-	6
Depreciation	3	17	3	23
Disposals	(7)	(9)	(3)	(19)
Sale of subsidiary	-	(7)	-	(7)
Foreign currency translation differences	-	-	-	-
Assets held for sale	-	-	-	-
<b>31 December 2012</b>	<b>34</b>	<b>181</b>	<b>26</b>	<b>241</b>
Impairment	(1)	-	-	(1)
Depreciation	3	16	2	21
Disposals	(1)	(22)	(7)	(30)
Sale of subsidiary	-	(10)	-	(10)
Foreign currency translation differences	-	-	-	-
Assets held for sale	(1)	(17)	-	(18)
<b>31 December 2013</b>	<b>34</b>	<b>148</b>	<b>21</b>	<b>203</b>
<b>Carrying amount</b>				
<b>31 December 2012</b>	<b>56</b>	<b>105</b>	<b>8</b>	<b>169</b>
<b>31 December 2013</b>	<b>48</b>	<b>83</b>	<b>6</b>	<b>137</b>

The investments in land and buildings and in equipment and inventories in both 2013 and 2012 were mainly for the Supplies segment. Also the subsidiary CNG Net B.V. invested over € 6 million in fuel filling stations (2012: € 5 million). The investments in other operating assets in both 2013 and 2012 were mainly in ICT hardware. In 2013 'Sale of subsidiary' was largely the sales of Yvoir and Gebr. Van Leeuwen Boringen B.V. The disposals in 2013 occurred mainly within the Supplies segment (2012: the Specialized Companies and Supplies segments).

### Purchase commitments

At the reporting date, Ballast Nedam had unconditional purchase commitments of € 1 million (2011: ditto) for property, plant and equipment.

### Collaterals

Property, plant and equipment with a carrying amount of € 32 million (2012: € 35 million) have been provided as mortgage collateral.

### Finance lease

Ballast Nedam holds various items of property, plant and equipment under finance lease. Ballast Nedam has the option to buy the assets at the end of several of the lease contracts. The leased assets serve as security for the lease obligations. At the reporting date, the carrying amount of leased assets was € 6 million (2012: € 8 million).

## 3 Financial assets

x € 1 million	Note	31 December 2013	31 December 2012
PPP receivables	3.1	15	8
Other fair value investments	3.2	2	3
Other receivables		-	-
<b>Total</b>		<b>17</b>	<b>11</b>

### 3.1 PPP-receivables

x € 1 million	2013	2012
<b>1 January</b>	<b>9</b>	<b>30</b>
Recognized receivables	7	41
Sales of subsidiaries	-	(62)
Capitalized interest	-	3
Consideration received	(1)	(3)
<b>31 December</b>	<b>15</b>	<b>9</b>
of which:		
Non-current	14	8
Current	1	1

The Public-Private Partnership (PPP) receivables are related to the concession fees receivable from public bodies (public authorities) in connection with providing sections of the Dutch N31 highway, and the construction and operation of the Zaanstad Penitentiary. No PPP projects were sold in 2013. The figure in 2012 consists of 1 project.

The interest income on the PPP receivables and the interest expenses on the PPP loans are recognized as interest income and expenses in the income statement. The current portion of the PPP receivables is included in receivables. The PPP receivables have been provided as security set for the associated loans.

### 3.2 Other investments

x € 1 million	Proportion owned	Land	31 December 2013	31 December 2012
<b>Name</b>				
CV GEM Vleuterweide	13,4%	The Netherlands	2	2
Other			0	1
<b>Fair value</b>			<b>2</b>	<b>3</b>

The fair value of the interest in the joint venture CV GEM Vleuterweide has been measured on the basis of the present value of the expected cash flows. (The land position was impaired in 2012 by € 1 million.)

### 4 Investment in associates

The main associates are Benelux Secondary PPP Fund 1 and PPP lanes A15 Holding. The relevant financial data for these two associates are given below.

x € 1 million	31 December 2013			2013		
	Assets	Liabilities	Shareholders' equity	Revenue	Profit for the period	Shares Ballast Nedam
<b>Name</b>						
Benelux Secondary PPP Fund 1	25	14	11	0	1	20%
PPP Lanes A15 Holding	1		1	0	1	20%

The total value of associates which at the reporting date was € 4 million (2012: € 2 million).

### 5 Deferred tax

Deferred tax assets arise from the recognition of carry-forward tax losses, from temporary differences between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities, and from deferred tax of the revaluation of derivatives to fair value.

#### 5.1 Deferred tax asset

x € 1 million	2013	2012
<b>1 January</b>	<b>32</b>	<b>35</b>
Movement through income statement	-	-
Derecognition of carry-forward losses	-	(13)
Use of temporary differences	(2)	(1)
Loss measurement	2	17
Under/(over) provided in earlier years	-	(3)
Movement through comprehensive income	-	-
Sale of subsidiary	-	(3)
<b>31 December</b>	<b>32</b>	<b>32</b>

The Dutch fiscal unit has approximately € 100 million (2012: approximately € 50 million) of carry-forward losses in the Netherlands, € 54 million of which are recognized (2012: € 48 million). There is a limitation on the utilization of these tax losses in the Netherlands. The remaining carry-forward period is between two and nine years (2012: average of four years). In 2013, € 6 million of carry-forward losses were recognized and € 6 million derecognized with respect to the temporary differences. The tax losses are measured on the basis of management's estimate of the amount of these losses that will be realized within the carry-forward period. An input to this estimate is the business plan for 2014-2016 (see also the explanatory note about continuity and liquidity on page 176), which has been assessed both internally and externally in connection with the refinancing. The future realization of these items is inherently uncertain. The outcome of the measurement is that, except for the €6 million, the new carry-forward tax losses in 2013 have not yet been measured.

Besides carry-forward losses, Ballast Nedam's Dutch fiscal unit has unrecognized pre-incorporation profit of foreign permanent establishments that is eligible for set-off to prevent double taxation. At the reporting date, Ballast Nedam had approximately € 96 million of foreign pre-incorporation profit that in principle is eligible for unlimited set-off. In early 2013 Ballast Nedam received a tax assessment from the Dutch tax authorities that confirmed pre-incorporation profit at € 48 million for the periods up to and including 2008.

Ballast Nedam also has carry-forward losses abroad that are unrecognized because set-off of losses is considered improbable in the countries concerned.

Of the deferred tax asset, € 18 million is attributable to temporary differences between the carrying amounts for financial reporting purposes and the tax bases of property, plant and equipment and derivatives. The deferred taxation of the portion of fair value changes of derivatives where the hedge relationship was effective was less than € 1 million (2012: less than € 1 million).

Ballast Nedam intends to liquidate several more foreign companies in the next few years. The size of the possible liquidation losses cannot yet be estimated reliably.

## 5.2 Deferred tax liabilities

x € 1 million	2013	2012
Intangible assets	2	2
Property, plant and equipment	2	2
Liabilities held for sale	(3)	-
<b>1 January</b>	<b>1</b>	<b>4</b>
Movement through comprehensive income	-	-
Movement through income statement	-	-
<b>31 December</b>	<b>1</b>	<b>4</b>

Deferred tax liability arises from temporary differences between the carrying amounts for financial reporting purposes and the tax bases of assets and liabilities. These temporary differences were attributable to the items shown in the above table.

### 5.3 Current liabilities, income tax payable

The income tax payable consists of income tax due outside the fiscal unit, and was € 1 million at year-end (2012: € 3 million).

### 6 Inventories

x € 1 million	31 December 2013	31 December 2012
Land positions	142	152
Unsold stock under construction	5	6
Unsold stock delivered	10	18
Residential building projects	-	-
Finished product	12	12
Raw material & semi-finished goods	6	14
Inventories held for sale	-	-
<b>Total</b>	<b>175</b>	<b>202</b>

The accumulated impairment losses for land positions amounted to € 40 million (2012: € 39 million).

The adjustment of a number of land positions to lower market value amounted to € 1 million (2012: € 21 million). In 2013 there were net disposals of € 9 million of land positions.

Land positions are acquired and held for future development purposes, and are recognized at the lower of historical cost and net realizable value. The net realizable value is the higher of the current market value and the present value of the estimated future cash flows. The future cash flows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 9%.

#### Prepayments on inventories

Prepayments on inventories amounted to € 2 million (2012: € 1 million), were related to housing projects on which the value of the work performed was lower than the amount of the instalments invoiced.



## 7 Work in progress

x € 1 million	31 December 2013	31 December 2012
Work in progress under current assets	135	112
Work in progress under current liabilities	(106)	(124)
<b>Total</b>	<b>29</b>	<b>(12)</b>
Project costs including recognized results	614	728
Instalments	(585)	(740)
<b>Total</b>	<b>29</b>	<b>(12)</b>
Instalments received	463	621
Outstanding instalments	122	119
Retained from instalments	-	-
<b>Total</b>	<b>585</b>	<b>740</b>

The positive balance of work in progress consists of all construction contracts on behalf of third parties where the expenses incurred plus the capitalized profit, less recognized losses, exceed the instalments invoiced. The balance increased by € 23 million relative to 2012.

The negative balance of work in progress consists of all construction contracts on behalf of third parties where the expenses incurred plus the capitalized profit, less recognized losses, are less than the instalments invoiced. The balance decreased by € 18 million relative to 2012. The total work in progress thereby increased by € 41 million because of lower receipts of prepayments on projects. Substantial fluctuations may arise in work in progress in the course of the year in view of its project-related nature.

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

## 8 Receivables

x € 1 million	31 December 2013	31 December 2012
Instalments	139	142
Trade receivables	82	93
PPP receivables	1	1
Prepaid expenses	4	3
Receivables held for sale	-	-
<b>Total</b>	<b>226</b>	<b>239</b>

At year-end, instalments included zero (2012: zero) retentions related to construction contracts in progress. Retentions are recognized at present value of the estimated future cashflows. The PPP receivables represent the current portion of the Public-Private Partnership receivables arising from concession fees receivable from public bodies (public authorities) in connection with PPP projects.

#### Aging analysis of instalment and trade receivables

x € 1 million	31 December 2013	31 December 2012
0 - 30 days	154	163
31 - 60 days	37	39
61 - 90 days	12	12
91 - 365 days	13	16
Older than 1 year	12	11
	<b>228</b>	<b>241</b>
Write-down on bad debtors	(7)	(6)
<b>Total</b>	<b>221</b>	<b>235</b>

Ballast Nedam requests prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on the above categories of instalments and trade receivables. The average payment period is 45 days (2012: 45 days). The net total of outstanding instalments after due date invoice is approximately € 52 million.

The cumulative write-down for doubtful accounts receivable amounted to € 7 million (2012: € 6 million) and has been deducted from trade receivables. The movements in the provision were as follows.

#### Write-down on doubtful accounts receivable

x € 1 million	31 December 2013	31 December 2012
<b>1 January</b>	<b>6</b>	<b>7</b>
Addition	3	2
Reversals	(2)	(2)
Utilization	-	(1)
<b>31 December</b>	<b>7</b>	<b>6</b>

At the reporting date, similar to last year, there were no known attachments of receivables. This is without the pledge on the receivables of CNG Net B.V. on behalf of the investors, Ballast Nedam N.V. does not guarantee this pledge (2012: no attachments).

## 9 Net cash

x € 1 million	31 December 2013	31 December 2012
Cash and cash equivalents	54	84
Bank overdrafts	(22)	(8)
<b>Total</b>	<b>32</b>	<b>76</b>
Fully consolidated	(3)	63
Proportionately consolidated	35	13
<b>Total</b>	<b>32</b>	<b>76</b>

### *Situation at the reporting date*

Net cash comprises the net amount of cash and bank overdrafts that cannot be set off against each other, but are treated together for cash management purposes. Of the net cash, € 2 million is not at the free disposal of the company (in 2012: € 2 million)

Ballast Nedam has uncommitted credit facilities with three banks for a total of € 60 million. Ballast Nedam made use of these facilities in the course of the year under review. At year-end 2013, € 17 million of these facilities had been drawn (no drawing at year-end 2012).

### *Situation in February 2014*

In February 2014 the uncommitted cash facilities were converted into a committed cash facility for 3 years. See the explanatory notes about continuity and liquidity on page 176.

## 10 Other liabilities

x € 1 million	31 December 2013	31 December 2012
VAT, payroll tax and social security contributions	23	43
Pension premiums	-	1
Charges relating to work in progress	108	63
Other	76	80
<b>Totaal</b>	<b>207</b>	<b>187</b>

Other liabilities, in the amount of € 76 million (2012: € 80 million) included liabilities for vacation pay and untaken vacations (€ 15 million, in 2012: € 16 million), accruals, debts to joint venture partners and various other liabilities that cannot be allocated to the other items.

## 11 Loans

x € 1 million	2013	2012
<b>1 January</b>	<b>125</b>	<b>132</b>
Loans drawn	14	62
Repayments	(15)	(9)
Sales of subsidiaries	-	(60)
Liabilities held for sale	(9)	
<b>31 December</b>	<b>115</b>	<b>125</b>
Non-current	106	108
Current	9	17
<b>31 December</b>	<b>115</b>	<b>125</b>
Recourse loans	91	96
Non-recourse loans	24	29
<b>31 December</b>	<b>115</b>	<b>125</b>
<b>Non-current</b>		
Business loans	50	50
Land bank financing	36	38
PPP loan	7	5
Finance leases	2	4
Other loans	11	11
<b>31 December</b>	<b>106</b>	<b>108</b>
<b>Current</b>		
Business loans	1	1
Land bank financing	4	6
PPP loan	1	1
Finance leases	2	3
Other loans	1	6
<b>31 December</b>	<b>9</b>	<b>17</b>

### 11.1 Loans per bank

x € 1 million	Currency	Maturity date	Interest	Facility	31 December 2013	31 December 2012
Rabobank	EUR	2017	5.40%	50	50	50
FGH Bank	EUR	2015	Euribor 3-month + margin	37	33	33
NIBC Bank	EUR	2013	Euribor 1-month + margin	7	5	5
NIBC Bank	EUR	2015	Euribor 3-month + margin	10	10	3
Triodos Bank	EUR	2017	4.21%	3	-	2
Bank Nederlandse Gemeenten (PPP)	EUR	2034	Euribor 3-month + margin	8	5	6
NIBC Bank (PPP)*	EUR	2021	Euribor 1-month + margin	53	2	
ING Bank (PPP)	EUR	2021	Euribor 1-month + margin	65	1	-
Institutional investors (PPP)	EUR	2040	Constant	72		
Other	EUR			9	9	26
<b>Total</b>				<b>314</b>	<b>115</b>	<b>125</b>

## Situation at the reporting date

The loans that provide no recourse on Ballast Nedam N.V. contain no financial covenants.

### **Rabobank**

The loan of € 50 million matures on 1 April 2017. The loan has a fixed interest rate of 5.4%. As security for the loan, mortgages were taken out on a number of registered properties in use by Ballast Nedam.

### **FGH Bank**

Ballast Nedam has financing facilities of € 37 million with FGH Bank for a number of land positions, which have been placed in a separate company. The land positions concerned were mortgaged as security for the loan at an interest equal to the Euribor rate plus a margin. The loan does not contain any financial covenants. The loan will be (partially) redeemed on the sale of the land positions. At year-end 2013, € 33 million of this facility had been drawn.

FGH Bank also provided financing for various company buildings. At year-end 2013, approximately € 1 million of this amount was still outstanding (2012: € 1 million).

### **NIBC Bank**

IJsseloord Beheer B.V., in which Ballast Nedam has a 50% stake, has an overdraft facility of € 14 million for the IJsseloord 2 project in Arnhem. The loan was extended in 2013 and now matures on 31 December 2016. The interest rate is Euribor 3 month plus a margin of 325 basis points. At year-end 2013, € 8 million of this facility had been drawn. Ballast Nedam N.V. does not guarantee this loan.

### **NIBC Bank**

CNG Net B.V., a Ballast Nedam wholly owned subsidiary, has a financing facility of € 10 million with NIBC Bank. A first pledge on CNG Net's receivables and bank accounts and a mortgage on right of superficies and pledging of the current and future property, plant and equipment for the public fuel filling stations have been provided as collateral. The loan matures in December 2015. The loan has a financial covenant that specifies a maximum net debt to EBITDA ratio of 3. The interest rate is Euribor 3 month plus a margin of 375 basis points. At year-end 2013, € 10 million (year-end 2012: € 3 million) of this facility had been drawn and the financial covenant was complied with. Ballast Nedam N.V. does not guarantee this loan.

### **PPP loans**

The PPP loans comprise multiple tranches, where the maturity date of the tranche with the longest term is shown. Of the PPP loans € 5 million was drawn from the Bank Nederlandse Gemeenten. Derivatives held for hedging the cash flow risk on variable interest rate PPP loans were obtained from the same financial institutions as the underlying loans. The maximum margin on the PPP loans is less than 3%. Ballast Nedam does not guarantee this loan.

### *Situation in February 2014*

In February 2014, the uncommitted cash facilities were converted into a committed cash facility for three years. See the explanatory notes about continuity and liquidity on page 176.



## 11.2 PPP loans per project

x € 1 million	2013	2012
<b>Non-current</b>		
Waldwei.com BV	4	5
PI2 BV	3	-
<b>31 December</b>	<b>7</b>	<b>5</b>
<b>Current</b>		
Waldwei.com BV	1	1
<b>31 December</b>	<b>1</b>	<b>1</b>

The loans represent Ballast Nedam's proportional share of project finance for the 'Design Build Finance Maintain Operate' contracts of the PPP projects. The shares of the companies that are responsible for these projects, and all other receivables and assets of these companies, have been pledged as collateral.

## 11.3 Finance leases

x € 1 million	2013	2012
Less than 1 year	2	3
1 - 5 years	2	4
More than 5 years	-	-
<b>Future lease instalments</b>	<b>4</b>	<b>7</b>
Future finance expense	-	-
Less than 1 year	2	3
1 - 5 years	2	4
More than 5 years	-	-
<b>Present value of finance leases</b>	<b>4</b>	<b>7</b>

The finance expense attributable to finance leases was, as last year, less than € 1 million in 2013. The finance leases involve no constraints on financing or dividend policy.

x € 1 million	Long-term illness	Long-service bonuss	Other remuneration	Total employee benefits	
				2013	2012
<b>1 January</b>	<b>1</b>	<b>3</b>	<b>-</b>	<b>4</b>	<b>5</b>
Addition	-	1	-	1	-
Interest accrual	-	-	-	-	-
Utilization	-	-	-	-	(1)
<b>31 December</b>	<b>1</b>	<b>4</b>	<b>-</b>	<b>5</b>	<b>4</b>
of which recognized under current liabilities				-	-
				<b>5</b>	<b>4</b>

#### Long-term illness and long-service bonuses

The discount rate of the provision for long-term illness and long-service bonuses was 5% (2011: 5%).

#### Pensions

Pension premiums payable to various pension funds. Most pension liabilities have been transferred to Stichting Pensioenfonds Ballast Nedam. Ballast Nedam now has only a very small number of defined benefit plans in place. Some Ballast Nedam pension schemes have defined benefits under which employees' rights are based on the number of years of service and salary level. The obligations under these pension schemes are systematically covered by means of payments into pension funds or to insurance companies. Under IAS 19R this pension scheme is accounted for as a defined contribution plan. Ballast Nedam is obliged to pay the prescribed premium for these schemes. Ballast Nedam cannot be compelled to make up any deficits other than through future premium adjustments. Conversely, Ballast Nedam cannot claim any pension fund surpluses. The coverage ratio of the industry-wide pension scheme for the building industry (bpfBouw) that is accounted for as a defined benefit pension plan was estimated at 111.6% at year-end 2013.

x € 1 million	Reorganization	Guarantees	Other	Total
<b>31 December 2011</b>	<b>7</b>	<b>7</b>	<b>30</b>	<b>44</b>
Addition	18	8	5	31
Unwinding of discount	-	-	-	-
Reversals	(2)	(1)	(15)	(18)
Utilization	(6)	(5)	(3)	(14)
<b>31 December 2012</b>	<b>17</b>	<b>9</b>	<b>17</b>	<b>43</b>
Addition	12	5	4	21
Unwinding of discount	-	-	-	-
Reversals	(2)	(2)	(3)	(7)
Utilization	(9)	(6)	(7)	(22)
<b>31 December 2013</b>	<b>18</b>	<b>6</b>	<b>11</b>	<b>35</b>
<b>Current (&lt; 1 year)</b>				
31 December 2012	15	8	16	39
31 December 2013	15	5	8	28

The € 12 million addition to the restructuring provision relates to the ongoing restructuring of the Building & Development segment, several specialized companies and Ballast Nedam Holding. In the next three years the provision will generate a cash flow of € 18 million, most of which will occur in 2014. A large part of the utilization from the restructuring provision was payments for severance arrangements and the settlement of a rental guarantee (2012: € 6 million).

'Guarantees' relates to work that has been completed. Of the addition to the provision, € 5 million (2012: € 8 million) was charged to income. Provisions no longer needed, in the amount of € 2 million (2012: € 1 million), were released to income, and € 6 million (2012: € 5 million) was utilized to settle warranty claims received.

Other provisions include € 5 million (2012: € 7 million) for the consequences of infringements of competition rules prior to year-end 2001. The remaining amounts of the provisions and additions were related to other claims against Ballast Nedam. The release of € 3 million (2012: € 15 million) related to several provisions that are no longer needed for potential claims. The release of € 7 million (2012: € 3 million) included the settlement of claims.

The finance expense that is related to unwinding of discount on long-term provisions is shown in the income statement. Provisions are stated with compound interest only if a reasonable estimate can be made of the release date of the funds. The interest rate used is 5% (2012: 5%). In 2013 the unwinding of discount amounted to less than € 1 million (2012: ditto).

## 14 Equity

The authorized capital consists of 20 000 000 ordinary shares and amounts to € 120 million. The issued share capital consists of 10 000 000 ordinary shares with a nominal value of € 6.

See for the developments surrounding the rights issue of € 30 million in 2014 the explanatory notes about continuity and liquidity on page 176.

The total number of repurchased shares at year-end 2013 was 332 500 (2012: 332 500) and is stated at acquisition price. No shares were repurchased in 2013 (2012: zero) and no repurchased shares were sold (2012: ditto). Ballast Nedam's policy is to avoid potential dilution through option rights granted by buying back a proportionate number of its own shares.

### Share capital

	2013	2012
<b>Shares in issue at 1 January</b>	<b>9 667 500</b>	<b>9 667 500</b>
Issued shares	-	-
Net change in repurchased shares	-	-
<b>Shares in issue at 31 December</b>	<b>9 667 500</b>	<b>9 667 500</b>

Translation differences arise on the conversion of the investments in foreign activities, including semi-permanent financing, and on the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the reporting date.

The reserves of the associates relate to profits and/or reserves of the associates, joint ventures and construction consortia subject to legal restrictions on distribution, or restrictions imposed by the Articles of Association. The change is attributable to an increase in the equity of proportionately consolidated joint ventures and construction consortia where distribution is restricted by influence of the partners.

The hedging reserve comprises the cumulative net movement in the fair value of derivative financial instruments, for which the hedged transaction has yet to take place.

No dividend was paid in 2013. The Board of Management, with the approval of the Supervisory Board, proposes to refrain from distributing a dividend (2012: nil).

Share-based transactions, the option scheme, related to the addition to the other reserves because of the employee benefits recognized in respect of options granted. The movement in equity in 2013 was € 900 000 negative (2012: € 460 000).

## 15 Assets and liabilities held for sale

Ballast Nedam measures assets held for sale at the lower of the carrying amount and fair value less costs to sell. At year-end 2013, Ballast Nedam identified Feniks Recycling Maatschappij B.V. and the 30% stake in Bontrup B.V. as a group that is available for immediate sale in line with the strategy of strengthening Ballast Nedam's financial position. Both companies are part of the Supplies segment. The impact on Ballast Nedam's consolidated statement of financial position is shown in the table below. These sales are expected to occur in 2014. In 2012, Rademakers Gieterij B.V. was identified as an asset held for sale. This did not lead to a sale in 2013 because of insufficient market interest and the interruption of negotiations. Rademakers is now no longer classified as an asset held for sale.

## Compressed overview assets held for sale

x € 1 million	
Intangible assets	10
Property, plant and equipment	20
Financial assets	-
Current assets	18
	<b>48</b>
Current liabilities	(15)
Non-current liabilities	(12)
	<b>(27)</b>

## Net investment in PPPs

x € 1 million	Total	Non-current	Current
<b>2012</b>			
PPP receivables	9	8	1
Non-recourse PPP loans	(6)	(5)	(1)
<b>Subtotal</b>	<b>3</b>	<b>3</b>	<b>-</b>
Net other assets and liabilities	(2)	(3)	1
<b>Total 31 December 2012</b>	<b>1</b>	<b>-</b>	<b>1</b>

x € 1 million	Total	Non-current	Current
<b>2013</b>			
PPP receivables	15	14	1
Non-recourse PPP loans	(8)	(7)	(1)
<b>Subtotal</b>	<b>7</b>	<b>7</b>	<b>-</b>
Net other assets and liabilities	-	-	-
<b>Total 31 December 2013</b>	<b>7</b>	<b>7</b>	<b>-</b>

The balance of other assets and liabilities consisted largely of the negative fair value of the hedging instruments.

Ballast Nedam is engaged on the Waldwei PPP project, alongside its 20% stake in the Benelux Secondary PPP Fund I and 1% stake in the PPP project A-Lanes A15. Waldwei is responsible for the N31 motorway in the Netherlands, which opened in 2008. The remaining term of the concession is 8 years. Ballast Nedam has a 33% interest. Ballast Nedam is also involved in the Zaanstad Penitentiary PPP project. This project consists of the construction and provision of a detention centre for the Ministry of Security and Justice. The period is 28 years. Ballast Nedam has a 100% stake.

At the end of the term the concession rights to the aforementioned PPP projects will transfer to the client.

## Capital contributions

The accumulated capital contributions at year-end 2013 were € 3 million (2012: nil).

At the reporting date, Ballast Nedam had unconditional capital contribution commitments of € 9 million (2012: € 3 million) with respect to the Zaanstad Penitentiary PPP project.

The increase in the liabilities is attributable to the acquisition of the 100% stake in the Zaanstad Penitentiary PPP project.



## 9.9 Notes to the consolidated income statement

### 16 Total revenue

x € 1 million	2013	2012
Sale of goods	184	194
Services	73	76
Construction contract revenue	1 011	1 026
Other	-	-
<b>Total</b>	<b>1 268</b>	<b>1 296</b>

### 17.1 Other operating income

The other operating income in 2013 was nil. In 2012 other income comprised the sale of the A15 Maasvlakte-Vaanplein PPP project and the settlement of claims.

### 17.2 Costs of raw materials and subcontractors

The costs of raw materials and subcontractors comprises an expense of € 1 million because of the write-down of a number of land positions to lower market value. In 2012 this expense was € 21 million. These costs also include the Maasvlakte-Vaanplein PPP project losses. There is still some considerable bandwidth in the forecasts for both income and expense for this project.

### 17.3 Employee benefits

x € 1 million	2013	2012
Wages and salaries	213	228
Social security costs	31	32
Pension charges	24	25
<b>Total</b>	<b>268</b>	<b>285</b>
Pension charges, defined contribution plan	24	25
<b>Pension charges</b>	<b>24</b>	<b>25</b>

### 18 Finance income and expense

x € 1 million	2013	2012
Interest on bank deposits	-	-
Interest on hedging instruments	-	-
Capitalized interest on PPP receivables	-	3
Capitalized interest on other assets	-	-
<b>Finance income</b>	<b>-</b>	<b>3</b>
Unwind of discount on provisions	-	-
Interest charge on hedging instruments	-	(3)
Interest expenses	(7)	(7)
<b>Finance expense</b>	<b>(7)</b>	<b>(10)</b>

## 19 Income tax expense

The income tax expense for the year was € 4 million (2012: € 3 million), which fell entirely outside the Dutch fiscal unit. The Dutch fiscal unit has approximately € 100 million (2012: approximately € 50 million) of carry-forward losses in the Netherlands, of which € 54 million are recognized (2012: € 48 million). In 2013 € 6 million of carry-forward losses were recognized, and € 6 million derecognized.

### Reconciliation with the effective tax rate

x € 1 million	2013		2012	
Profit before income tax		(37)		(38)
Nominal taxes (25%)	24.3%	9	23.7%	9
Additional tax-deductible losses	5.4%	2	15.8%	6
Deferred results not included in the fiscal unit	(29.7%)	(11)		2
Deferred results not included outside the fiscal unit	0.0%	-	5.3%	-
Effect of change in tax rate	0.0%	-		-
Effect of tax rates of foreign jurisdictions	0.0%	-	0.0%	-
Tax-exempt results	0.0%	-	(5.3%)	(2)
Derecognition of carry-forward losses	(5.4%)	(2)	(34.2%)	(13)
Under/(over) provided in earlier years	0.0%	-	(7.9%)	(3)
Non-deductible expenses	(5.4%)	(2)	(5.3%)	(2)
<b>Effective tax expense</b>	<b>(10.8%)</b>	<b>4</b>	<b>(7.9%)</b>	<b>3</b>

### Income tax due recognized in income statement

x € 1 million	2013		2012	
<b>Current income tax</b>		-		-
Tax outside the fiscal unit		4		3
		<b>4</b>		<b>3</b>
<b>Deferred taxation</b>				
Utilization of carry-forward losses		-		-
Derecognition of carry-forward losses		(2)		(13)
Recognized temporary differences		-		(1)
Tax-deductible losses		2		17
Under/(over) provided in earlier years		-		(3)
Movement in provision for deferred taxation		-		-
		-		-
<b>Total income tax expense</b>		<b>4</b>		<b>3</b>

#### Deferred taxes recognized directly in comprehensive income

x € 1 million	2013	2012
Derivatives in net changes in hedging reserve	-	2
<b>Total</b>	<b>-</b>	<b>2</b>

The utilization of carry-forward losses was realized outside Ballast Nedam's Dutch fiscal unit.

#### 20 Earnings per share

	2013	2012
Shares issued at 1 January	10 000 000	10 000 000
Issued this year	-	-
Repurchased own shares	(332 500)	(332 500)
<b>Shares in issue at 31 December</b>	<b>9 667 500</b>	<b>9 667 500</b>
Maximum shares issued on options	-	-
<b>Number shares diluted</b>	<b>9 667 500</b>	<b>9 667 500</b>
Average number of issued shares	9 667 500	9 667 500
Average number of issued shares (diluted)	9 672 643	9 672 643
<b>Profit for the period</b>	<b>(41)</b>	<b>(41)</b>
Basic earnings per share (€)	(4.22)	(4.24)
Diluted earnings per share (€)	(4.22)	(4.24)

Based on the average share price the option scheme did not have a dilutive effect on the earnings per share in 2013.

## Financial risk management

### General

Ballast Nedam distinguishes different categories of financial risk factors with respect to currency, credit and liquidity. The risks concerned are not uncommon in the industry. Ballast Nedam also makes use of financial instruments, including derivatives, in its normal business operations. These are financial instruments entered into in order to hedge future transactions and cash flows and are recognized in the statement of financial position. Ballast Nedam does not hold these financial instruments for trading purposes.

Ballast Nedam determines the fair value of derivatives on the basis of listed market prices when these are available. If they are unavailable, the fair value is determined by discounting the difference between the current market price of the derivative and the contracted price at a risk-free interest rate.

Treasury is a centralized responsibility at Ballast Nedam, and is organized accordingly. The treasury policy is aimed at creating and maintaining the best possible financial conditions for Ballast Nedam's operating activities, to which end the operating companies' bank accounts are held in a bank in two cash pools. Surplus cash assets are transferred to the money market on a daily basis, by contracting call funds and short-term deposits.

### Financial risk factors

#### Market risks

##### *Foreign currency risk*

Ballast Nedam is exposed to foreign currency risk on revenue, project operating costs, loans and investments in associates, held in currencies other than the group's functional currency. Most transactions of this kind are in USD and GBP. Forward exchange contracts are entered into with top-class banks to hedge the transaction risk on cash flows generated by ordinary business activities. At year-end 2013, Ballast Nedam had no outstanding forward exchange contracts that have been recognized at fair value in the statement of financial position.

Ballast Nedam is exposed to the following foreign currency risks in nominal amounts:

x 1 million	31 December 2013			31 December 2012		
	USD	GBP	CAD	USD	GBP	CAD
Receivables	9	3	-	21	4	1
Loans	-	2	-	-	(3)	-
Bank overdrafts	-	-	-	-	-	-
Trade payables	(6)	(2)	-	(4)	(2)	-
Other liabilities	-	(1)	-	(3)	(1)	-
<b>Foreign currency translation risk on balance sheet items</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>14</b>	<b>(2)</b>	<b>1</b>
Expected sales	14	22	-	18	17	-
Expected purchases	(4)	(14)	-	(14)	(11)	-
<b>Future foreign currency translation risks</b>	<b>10</b>	<b>8</b>	<b>-</b>	<b>4</b>	<b>6</b>	<b>-</b>
Hedging on foreign exchange contracts	-	-	-	-	-	-
<b>Net foreign currency translation risk</b>	<b>13</b>	<b>10</b>	<b>-</b>	<b>18</b>	<b>4</b>	<b>1</b>

	2013		2012	
	Average exchange	Exchange 31/12	Average exchange	Exchange 31/12
EUR / foreign currency				
Exchange rates				
USD	1.328	1.377	1.286	1.318
GBP	0.849	0.832	0.811	0.815
CAD	0.000	0.000	1.285	1.312

A 10% increase in the exchange rate of the euro against the USD and GBP would affect equity and the income statement as follows. It is assumed here that all other variables, including interest rates, remain unchanged.

*Sensitivity to foreign currency risk*

x 1 million	Equity	Profit for the period
<b>31 December 2012</b>		
USD	(2)	1
GBP	( 0)	-
CAD		-
<b>31 December 2013</b>		
USD	-	-
GBP	( 0)	-
CAD	-	-

*Interest rate risk*

The aim of Ballast Nedam's interest rate policy is to limit the influence of interest rate changes on the company's profit. To this end Ballast Nedam hedges the exposure to interest rate risk on financing the long-term PPP loans with interest rate swaps. Hedge accounting is applied to the derivative financial instruments where the cash flow hedge relationship is effective. Furthermore, some of the loans have a fixed interest rate.

The interest rate risk is limited to potential movements in the market value of loans taken out and granted, and of positive cash balances. The positive cash positions fluctuate throughout the year, but no impact of these fluctuations is included in the income statement from the sensitivity analysis. Loans are maintained until the maturity date.

*Interest-bearing financial instruments*

The interest rate risk profile of the company's interest-bearing financial instruments at the reporting date was as follows.



## Interest-bearing financial instruments

x € 1 million	31 December 2013	31 December 2012
PPP receivables	15	9
Loans Rabobank	(50)	(50)
Other loans	(6)	(12)
<b>Fixed interest</b>	<b>(41)</b>	<b>(53)</b>
Cash and cash equivalents	58	84
Bank overdrafts	(25)	(8)
Loans	(68)	(63)
<b>Variable interest</b>	<b>(35)</b>	<b>13</b>
<i>Effect of changes in variable interest on the income statement:</i>		
interest rate rise of 100 basis points	( 0)	0
interest rate fall of 100 basis points	0	( 0)

The interest rate risk on the variable interest rate PPP project loans is hedged by means of interest rate swaps. Interest rate swaps expire in accordance with the due date of the hedged loans concerned. The swap interest rate for a subsidiary is 5.08%. A rise or fall of 50 basis points in the derivative future variable interest rate would lead to a positive or negative adjustment of the fair value of the interest rate swaps, respectively, of less than € 1 million. Since cash flow hedge accounting is applied, the change in the values of the interest rate swaps for the effective portion of the hedging transaction is recognized in comprehensive income.

## Credit risk

Ballast Nedam actively pursues a policy designed to minimize credit risks. Credit risks consist of the risk that other parties will be unable to meet contractual obligations relating to a financial instrument. Creditworthiness assessments are performed for all other clients requiring credit. Ballast Nedam employs prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on instalments and trade receivables. At year-end 2013, there was no concentration of credit risks of any substantial amount in trade receivables.

## Credit risk

x € 1 million	31 December 2013	31 December 2012
PPP receivables	15	8
Other fair value investments	2	3
Other receivables	-	-
Receivables	226	239
Cash and cash equivalents	54	84
<b>Total</b>	<b>297</b>	<b>334</b>

## Liquidity risk

### *Situation at the reporting date*

The liquidity risk is the risk that Ballast Nedam will be unable to meet its financial obligations by the due dates. In the course of the year, Ballast Nedam made use of uncommitted cash facilities, which are with various credit institutions and total € 60 million. There is a risk that these credit institutions will not release all or part of these facilities. Ballast Nedam controls the liquidity risk through timely periodic cash flow forecasting followed by adequate corrective measures and monitoring. The statement under 1-5 years includes the repayment of the Rabobank mortgage of € 50 million (2017) and the FGH Bank mortgage of € 33 million (2015).

### Liquidity risk liabilities

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years
Loans	125	(147)	(22)	(116)	(9)
Bank overdrafts	8	(8)	(2)	(6)	-
Trade payables	253	(253)	(253)		
Income tax payables	3	(3)	(3)		
Work in progress under current liabilities	124	(124)	(124)		
Prepayments on inventories	1	(1)	(1)		
Other liabilities	187	(187)	(187)		
Derivatives	1	(1)	-	(1)	-
<b>Liquidity risk liabilities at 31 December 2012</b>	<b>702</b>	<b>(724)</b>	<b>(592)</b>	<b>(123)</b>	<b>(9)</b>

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years
Loans	115	(125)	(8)	(108)	(9)
Bank overdrafts	22	(22)	(18)	(4)	-
Trade payables	237	(237)	(237)		
Income tax payables	1	(1)	(1)		
Work in progress under current liabilities	106	(106)	(106)		
Prepayments on inventories	2	(2)	(2)		
Other liabilities	207	(207)	(207)		
Derivatives	1	(1)	-	(1)	-
<b>Liquidity risk liabilities at 31 December 2013</b>	<b>690</b>	<b>(701)</b>	<b>(578)</b>	<b>(113)</b>	<b>(9)</b>

### *Situation in February 2014*

See for the developments surrounding the refinancing in February 2014 the explanatory notes about continuity and liquidity on page 176.

Ballast Nedam holds derivatives in order to hedge exposure to cash flow risks. Derivatives held for hedging the cash flow risk on variable interest rate PPP loans were obtained from the same financial institutions as the underlying loans. The table below shows the periods in which cash flows that are related to these derivatives are expected to occur.

## Cash flow hedges

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years
Forward exchange contracts					
Market risk instruments					
Interest rate swaps	(1)	(1)	-	(1)	-
<b>Cash flow hedges 31 December 2012</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>

Carrying amount	Contractual cash flows	< 1 year	1 - 5 years	> 5 years	> 5 years
Forward exchange contracts					
Market risk instruments					
Interest rate swaps	(1)	(1)	-	(1)	-
<b>Cash flow hedges 31 December 2013</b>	<b>(1)</b>	<b>(1)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>

For derivative financial instruments that qualify for hedge accounting, changes in the fair value are reported through comprehensive income.

## Financing risk

### Situation at the reporting date

Ballast Nedam's policy is aimed at maximizing the value of the business. This is achieved primarily by selecting and implementing promising projects. Ballast Nedam has set itself a target for the composition of the capital structure to achieve a solvency of 20% within three years (the current solvency being 11%) and a leverage ratio of less than 2.0 in the medium term. Ballast Nedam had no financial covenants in the loan conditions at year-end 2013.

Ballast Nedam's policy is to avoid potential dilution through option rights granted by repurchasing a proportional number of its own shares. No changes were made to Ballast Nedam's capital management policy in the past year. The company and its subsidiaries are not subject to external capital requirements. Ballast Nedam monitors its financing structure by means of including the solvency ratio. Ballast Nedam uses two solvency ratios, one based on proportionately consolidated figures and the other based on non-proportionately consolidated figures. See for the current financing risk the continuity section on page 176 in the explanatory notes on the accounting policies.

### Situation in February 2014

In February 2014, Ballast Nedam and the banking syndicate of ING Bank, Rabobank and Royal Bank of Scotland reached agreement on the key conditions for the committed loans to be extended to Ballast Nedam. See the note about continuity and liquidity on page 176. The committed loan facilities of € 110 million comprise a loan of € 80 million that matures in 2017, and a bridging loan of € 30 million that will be repaid in 2014 from the proceeds of the proposed rights issue. The loans under the current uncommitted facility of € 60 million will be repaid with these funds. The normal banking covenants will be determined in the coming weeks. The interest rate for the loan of € 80 million depends on a combination of the amount outstanding under the loans and the leverage ratio, and is initially Euribor +4%. The usual security will be provided in connection with the committed loans.

### Fair value estimates

At year-end 2013, Ballast Nedam had a number of derivatives that are measured at fair value. The carrying amount of cash, receivables, overdrafts and other current liabilities approximates the fair value, in view of the short lives of these instruments.

The fair value of long-term loans with variable interest approximates the amortized costs. The fair value of the Rabobank loan is lower than the carrying amount since the interest rate for loans of this kind was higher at the reporting date.

### Fair value

x € 1 million	31 December 2013		31 December 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
PPP receivables	15	14	9	8
Loans	115	112	125	122
Bank overdrafts	22	22	8	8
Trade payables	237	237	253	253
Income tax payables	1	1	3	3
Work in progress under current liabilities	106	106	124	124
Prepayments on inventories	2	2	1	1
Other liabilities	207	207	187	187
Derivatives	1	1	1	1
	<b>705</b>	<b>702</b>	<b>711</b>	<b>707</b>

The above values are based on the present value of the future cash flows. The fixed interest loans and the PPP receivables are discounted at the relevant interest rate curve at year-end 2013 plus the relevant risk margin.

### Valuation methods

The table below shows the valuation methods used for financial instruments that are recognized at fair value. The levels are defined as follows. Level 1 refers to (unadjusted) market prices in active markets for identical assets or liabilities. Level 2 involves assets measured on the basis of prices or price derivatives that do not meet the definition for Level 1. The assets shown under Level 3 are measured on the basis of cash flow models.

### Valuation methods

x € 1 million	31 December 2013			31 December 2012		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Other investments			-			3
Derivatives		(1)			(1)	
<b>Total</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>3</b>

There were no transfers in 2013 from Level 1 to Level 2 or Level 3, or vice versa (2012: ditto). Impairment of the other fair value investments is recognized in the income statement.

## Off-balance sheet commitments

### Guarantees

x € 1 million	31 December 2013		31 December 2012	
Guarantees		252		260
<b>Total</b>		<b>252</b>		<b>260</b>

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'.

### Lease and rental commitments

x € 1 million	31 December 2013			31 December 2012		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
<b>Lease commitments</b>						
Other operating assets	9	13	-	11	21	-
<b>Rental commitments</b>						
Offices	5	15	10	9	18	4
<b>Purchase commitments</b>						
Land purchases	4	25	15	-	22	17
Other	-	-	-	1	2	-
<b>Capital contributions</b>						
PPPs	-	9	-	-	3	-
<b>Total</b>	<b>18</b>	<b>62</b>	<b>25</b>	<b>21</b>	<b>66</b>	<b>21</b>

Ballast Nedam has provisional obligations to acquire land and for subsequent payments on land positions amounting to € 155 million (2012: € 143 million). It is not yet certain that Ballast Nedam will make these acquisitions or subsequent payments.

Operating lease costs in 2013 amounted to € 12 million (2012: € 15 million).

## Liabilities

Subsidiaries have joint and several liability for projects executed by limited partnerships. Some subsidiaries are joint and severally liable for obligations to a number of banks. On the basis of credit and guarantee facilities, there is an obligation to refrain from issuing any collateral. Subsidiaries are joint and severally liable in respect of the Ballast Nedam fiscal units, of which they are members, for Dutch corporate income tax and value added tax.

### Other

#### Saudi Arabia

Proceedings are ongoing in Saudi Arabia regarding a tax claim on a contract from 1999. In 2013 a court in Saudi Arabia ruled in favour of Ballast Nedam. The Ministry of Finance in Saudi Arabia has lodged an appeal. In Ballast Nedam's opinion, the responsibility for this tax claim resides contractually with the client, and will not therefore lead to a cash outflow, and there is consequently no need to form a provision.



**Anna van Buurenplein Parking (pAnnaB) / Babylon Den Haag BV (Babylon)**

The district court has ruled that the construction consortium pAnnaB is liable for the delay in the adjacent New Babylon project. The client has responded by claiming € 25 million, with no further substantiation of the claim. The damages are to be set in separate proceedings. The lack of substantiation of the claim prevents a reliable estimate of the total liability, and in accordance with IFRS no provision has been formed.

**Related party transactions**

The parties related to Ballast Nedam are the company's key management (Board of Management and Supervisory Board), its subsidiaries, associates, joint ventures, the Stichting Pensioenfondsen Ballast Nedam, and the directors and senior officials of these entities.

The main task of the Ballast Nedam Pension Fund is to implement the pension scheme for Ballast Nedam employees. The Ballast Nedam Pension Fund uses the services of employees of Ballast Nedam companies. The actual costs are charged on.

Ballast Nedam buys and sells goods and services from and to various related parties in which Ballast Nedam holds an interest of 50% or less, or with natural or legal persons holding at least 10% of the Ballast Nedam shares. All these transactions are executed at arm's length, in a comparable manner as for transactions with third parties.

**Interests in joint ventures**

Joint ventures, consisting primarily of construction or development consortia, are proportionately consolidated. For a list of the main joint ventures, see the organization structure given on pages 254 and 255. Ballast Nedam has recognized the following interests in joint ventures in the consolidated statement of financial position.

**Interests in joint ventures**

x € 1 million	31 December 2013	31 December 2012
Non-current assets	47	43
Current assets	156	135
Non-current liabilities	(22)	(18)
Current liabilities	(200)	(164)
<b>Net assets and liabilities</b>	<b>(19)</b>	<b>(4)</b>

The proportionately consolidated revenue and the cost of sales amounted to approximately 30% (2012: 25%) of total revenue and cost of sales. The total liabilities to third parties of companies for which Ballast Nedam has joint and several liability, such as limited partnerships, excluding bank guarantees issued by those companies, amounted to € 709 million at year-end 2013 (2012: € 641 million), of which Ballast Nedam's share of € 222 million (2012: € 182 million) is recognized in the consolidated statement of financial position. The financial statements consist largely of subsidiaries and joint ventures.

## Board of Management and Supervisory Board

x € 1 thousand	2013				2012			
	Gross salary	Bonus	Pension charges & social security costs	Reimbursement	Gross salary	Bonus	Pension charges & social security costs	Reimbursement
<b>Board of Management</b>								
T.A.C.M. Bruijninx	496		109	5	493		153	5
R. Malizia 3)	759		76	4	406		110	5
P. van Zwieten	364		82	5	361		80	5
	<b>1 619</b>		<b>267</b>	<b>14</b>	<b>1 260</b>		<b>343</b>	<b>15</b>
<b>Supervisory Board</b>								
A.N.A.M. Smits	45			2	45			2
R.M.M. Boelen	-			-	35			2
J.C. Huis in 't Veld 1)	29			2	35			2
J. Bout	30			2	30			2
L.W.A.M. van Doorne	31			2	19			1
C.M. Insinger 2)	22			1				
	<b>157</b>			<b>9</b>	<b>164</b>			<b>9</b>
<b>Totaal</b>	<b>1 776</b>		<b>267</b>	<b>23</b>	<b>1 424</b>		<b>343</b>	<b>24</b>

<sup>1</sup> until 31 Oktober 2013

<sup>2</sup> as of 16 May 2013

<sup>3</sup> until 5 March 2013

The bonuses of the directors relate to the years in which the expense was recognized. Members of the Board of Management are entitled to the use of a company car. The remuneration of the members of the Supervisory Board is in proportion to their term of office in the Supervisory Board. No loans were issued to members of the Board of Management or the Supervisory Board. The above amounts exclude € 185 000 of government-imposed crisis levy. The gross salary of R. Malizia for 2013 includes his contractual severance payment (€ 0.4 million).

## Option scheme

Year granted	2013	2012	2011	2010	2009
Value in €	0	589 000	480 900	473 250	619 000
Number	0	100 000	70 000	75 000	100 000
Exercise price in €	-	12.67	15.29	13.43	11.60
Grant date	-	9/03/2012	11/03/2011	12/03/2010	13/03/2009
Share price at grant date in €	-	13.27	15.88	14.10	13.00
Exercise period from	-	9/03/2015	11/03/2014	12/03/2013	13/03/2012
to	-	8/03/2018	10/03/2017	11/03/2016	12/03/2015
Volatility	-	6 years 37%	5 years 36%	4 years 37%	3 years 38%
Risk-free interest rate	0%	4%	4%	4%	4%
Conditions	-	employed when exercising	employed when exercising	employed when exercising	employed when exercising
Minimum holding	0%	5%	5%	5%	5%

The Supervisory Board grants options to members of the Board of Management in accordance with the option scheme that was approved at the Extraordinary General Meeting of Shareholders on 26 October 2006. The purposes of the scheme are to allow managing directors to be granted options as an instrument for long-term loyalty and to ensure that the interests of individual managing directors mirror those of the shareholders. Options are therefore granted on condition that the managing directors themselves hold depositary receipts for shares.

## Dispositary receipts for shares and granted options

	Depository receipts for shares		Options granted in year	
	31 December 2013	31 December 2012	2013	2012
T.A.C.M. Bruijninx	17 000	17 000	-	40 000
R. Malizia	-	20 157	-	30 000
P. van Zwieten	5 282	5 282	-	30 000
<b>Number</b>	<b>22 282</b>	<b>42 439</b>	<b>-</b>	<b>100 000</b>

## Costs of option scheme

x € 1 thousand	2013	2012
T.A.C.M. Bruijninx	82	235
R. Malizia	(1 041)	177
P. van Zwieten	59	48
<b>Total</b>	<b>(900)</b>	<b>460</b>

## Events after the reporting date

A refinancing of Ballast Nedam took place in February 2014. The refinancing comprises a € 30 million rights issue and new loans of € 80 million that mature in 2017. The rights issue strengthens the financial position, and together with the loans it gives the company sufficient scope to concentrate fully on the accelerated implementation of its strategy. See the note about continuity and liquidity on page 176.

CEO Theo Bruijninx (52) will leave the Board of Management of Ballast Nedam on 1 July 2014. This decision was made in joint consultation with the Supervisory Board. The Supervisory Board has started the search for a successor.

## 9.10 Company statement of financial position (before appropriation of result)

x € 1 million	Note	31 December 2013	31 December 2012
<b>Financial assets</b>			
Subsidiaries	21	310	318
Long term receivables from subsidiaries	21	-	-
Deferred tax assets	22	32	32
		<b>342</b>	<b>350</b>
<b>Current assets</b>			
Receivables		3	2
Receivables from subsidiaries		31	44
Cash and cash equivalents		1	6
		35	52
<b>Current liabilities</b>			
Trade payables		(3)	(3)
Other liabilities		(23)	(27)
Debts to subsidiaries		(253)	(232)
		(279)	(262)
<b>Current assets minus current liabilities</b>		<b>(244)</b>	<b>(210)</b>
		<b>98</b>	<b>140</b>
<b>Non-current liabilities</b>			
Provisions	23	8	9
		8	9
<b>Shareholders' equity</b>			
Share capital	24	60	60
Share premium		52	52
Repurchased own shares		(5)	(5)
Currency translation reserve		-	-
Reserves of associates		36	36
Hedging reserve		(3)	(4)
Other reserves		(9)	33
Surplus for the year		(41)	(41)
<b>Shareholders' equity</b>		<b>90</b>	<b>131</b>
		<b>98</b>	<b>140</b>

Note: See the notes to the company financial statements on page 227 to page 232.

## 9.11 Company income statement

x € 1 million	2013	2012
Profit of subsidiaries after tax	(10)	(19)
Other results after tax	(31)	(22)
<b>Profit for the period</b>	<b>(41)</b>	<b>(41)</b>

The profit from subsidiaries after tax represents Ballast Nedam's share of the profit after taxation of its subsidiaries.

## 9.12 Notes to the company financial statements

### Significant accounting policies

The company financial statements of Ballast Nedam N.V. form part of the 2013 consolidated financial statements of Ballast Nedam N.V. and have been prepared in accordance with the option provided in Book 2, Section 362(8) of the Dutch Civil Code. The same accounting policies were used in preparing these company financial statements as were used for the consolidated financial statements. The valuation of assets and liabilities, the translation of foreign currencies and the determination of the profit for the period are in accordance with the accounting policies as set out on pages 176 to 189 of the consolidated financial statements. Group companies are included in the company financial statements in accordance with the equity method. If Ballast Nedam's share in the losses exceeds the value of the interest in an associate, the carrying amount of the investment is written down to nil in Ballast Nedam N.V.'s statement of financial position and only the portion of any further losses for which Ballast Nedam N.V. has a legal or constructive obligation will be recognized.

### 21 Subsidiaries

x € 1 million	Interests in subsidiaries	Long-term receivables from subsidiaries	Total
<b>31 December 2011</b>	<b>161</b>	<b>188</b>	<b>349</b>
Profit for the period	(19)	-	(19)
Investments	-	3	3
Disposals	-	-	-
Acquisition of non-controlling interest	-	-	-
Conversion of capital	167	(167)	-
Repayment	-	(20)	(20)
Dividend received	0	-	0
Net changes in hedging reserve	5	-	5
Foreign currency translation differences	-	-	-
<b>31 December 2012</b>	<b>314</b>	<b>4</b>	<b>318</b>
Profit for the period	(10)	-	(10)
Investments	-	-	-
Disposals	-	-	-
Acquisition of non-controlling interest	-	-	-
Conversion of capital	-	-	-
Repayment	-	-	-
Dividend received	-	-	-
Net changes in hedging reserve	-	-	-
Foreign currency translation differences	2	-	2
<b>31 December 2013</b>	<b>306</b>	<b>4</b>	<b>310</b>
Reclassification of negative shareholders' equity subsidiaries	4	(4)	-
<b>Total</b>	<b>310</b>	<b>-</b>	<b>310</b>
Carrying amount as at 31 December 2012	318	-	318
Carrying amount as at 31 December 2013	310	-	310

The interests in subsidiaries are direct interests, of which the main ones are shown in the organization chart.

A list of interests as referred to in Book 2, Section 379 of the Dutch Civil Code has been filed with the Commercial Register in Utrecht. The Annual Report has a list of the significant group companies and interests.



## 22 Deferred tax asset

x € 1 million	2013	2012
<b>1 January</b>	<b>32</b>	<b>32</b>
Movement through equity	-	-
Movement through income statement	-	-
<b>31 December</b>	<b>32</b>	<b>32</b>

The Dutch fiscal unit has approximately € 100 million (2012: approximately € 50 million) of carry-forward losses in the Netherlands, € 54 million of which are recognized (2012: € 48 million). There is a limitation on the utilization of these tax losses in the Netherlands. The remaining carry-forward period is between two and nine years (2012: average of four years). The utilization of carry-forward losses depends on future taxable profits.

## 23 Provisions

x € 1 million	Reorganization	Other	Total
<b>31 December 2011</b>	<b>1</b>	<b>21</b>	<b>22</b>
Addition	-	-	-
Interest accrual	-	-	-
Reversals	-	(11)	(11)
Utilization	(1)	(1)	(2)
<b>31 December 2012</b>	<b>-</b>	<b>9</b>	<b>9</b>
Addition	1	2	3
Interest accrual	-	-	-
Reversals	-	(1)	(1)
Utilization	-	(3)	(3)
<b>31 December 2013</b>	<b>1</b>	<b>7</b>	<b>8</b>
<b>Current (&lt; 1 year)</b>			
31 December 2012	-	9	9
31 December 2013	1	7	8

Other provisions include € 5 million (2012: € 7 million) for the consequences of infringements of competition rules prior to the end of 2001. The remaining amounts of the provisions and additions were related to other claims against Ballast Nedam. The release of € 1 million (2012: € 11 million) related to several provisions that are no longer needed for potential claims.

x € 1 million	Issued share capital	Share premium	Repurchased own shares	Currency translation reserve	Reserves of associates	Hedging reserve	Other reserves	Profit for the period	Equity attributable to owners of the company	Non- controlling interest	Total equity
<b>31 December 2011</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>41</b>	<b>(9)</b>	<b>23</b>	<b>9</b>	<b>171</b>	<b>-</b>	<b>171</b>	
Profit for the period							(41)	(41)		(41)	
Foreign currency translation differences				-				-		-	
Effective portion of changing in fair value of hedging instrument						(3)		(3)		(3)	
Effective portion of changes in fair value of hedging instruments, associates						(1)		(1)		(1)	
Net change in fair value of hedging instruments transferred to income statement						9		9		9	
Net change in fair value of hedging instruments associates, transferred to income statement				-		-		-		-	
<b>Comprehensive income</b>						<b>5</b>	<b>(41)</b>	<b>(36)</b>	<b>-</b>	<b>(36)</b>	
Dividend paid						(5)		(5)		(5)	
Option scheme						1		1		1	
Repurchased own shares								-		-	
<b>Transactions with shareholders</b>						<b>(4)</b>		<b>(4)</b>		<b>(4)</b>	
Appropriation of 2012 result						9	(9)		-		
Other					(5)	5		-		-	
<b>31 December 2012</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>36</b>	<b>(4)</b>	<b>33</b>	<b>(41)</b>	<b>131</b>	<b>-</b>	<b>131</b>	
Profit for the period							(41)	(41)		(41)	
Foreign currency translation differences				-				-		-	
Effective portion of changes in fair value of hedging instruments						(1)		(1)		(1)	
Effective portion of changes in fair value of hedging instruments, associates						2		2		2	
Net change in fair value of hedging instruments, transferred to income statement						-		-		-	
Net change in fair value of hedging instruments, associates, transferred to income statement						-		-		-	
<b>Comprehensive income</b>				<b>-</b>		<b>1</b>	<b>(41)</b>	<b>(40)</b>	<b>-</b>	<b>(40)</b>	
Dividend paid						-		-		-	
Option scheme						(1)		(1)		(1)	
Repurchased own shares			-					-		-	
<b>Transactions with shareholders</b>			<b>-</b>			<b>(1)</b>		<b>(1)</b>	<b>-</b>	<b>(1)</b>	
Appropriation of 2013 result					-	(41)	41	-	-	-	
Other					-						
<b>31 December 2013</b>	<b>52</b>	<b>(5)</b>	<b>-</b>	<b>36</b>	<b>(3)</b>	<b>(9)</b>	<b>(41)</b>	<b>90</b>	<b>-</b>	<b>90</b>	

The authorized capital consists of 20 000 000 ordinary shares and amounts to € 120 million. The issued share capital consists of 10 000 000 ordinary shares with a nominal value of € 6.

See for the developments surrounding the rights issue of € 30 million in 2014, the explanatory notes about continuity and liquidity on page 176.

The total number of repurchased shares at year-end 2013 was 332 500 (2012: 332 500) and is stated at acquisition price. None of the company's own shares were repurchased in 2013 (2012: nil). Ballast Nedam's policy is to avoid potential dilution through option rights granted by buying back a proportionate number of its own shares.

The legal reserves comprise the currency translation reserve, the reserves of the associates and the hedging reserve.

Translation differences arise on the conversion of the investments in foreign activities, including semi-permanent financing, and on the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the reporting date.

The reserves of the associates relate to profits and/or reserves of the associates, joint ventures and construction consortia subject to legal restrictions on distribution, or restrictions imposed by the Articles of Association. The change is attributable to an increase in the equity of proportionately consolidated joint ventures and construction consortia where distribution is restricted by influence of the partners.

The hedging reserve comprises the cumulative net movement in the fair value of derivative financial instruments, for which the hedged transaction has yet to take place.

No dividend was paid in 2013. The Board of Management, with the approval of the Supervisory Board, proposes to refrain from distributing a dividend (2012: ditto).

Share-based transactions, the option scheme, related to the addition to the other reserves because of the employee benefits recognized in respect of options granted. The movement in equity in 2013 was € 900 000 negative (2012: € 460 000).

## Off-balance sheet commitments

### Guarantees

x € 1 million	31 December 2013		31 December 2012	
Guarantees		252		260
<b>Total</b>		<b>252</b>		<b>260</b>

### Rental commitments

x € 1 million	31 December 2013			31 December 2012		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
<b>Lease commitments</b>						
Other operating assets	1	1	-	1	1	-
<b>Rental commitments</b>						
Offices	5	15	10	4	9	-
<b>Total</b>	<b>6</b>	<b>16</b>	<b>10</b>	<b>5</b>	<b>10</b>	<b>-</b>

### Liabilities

Ballast Nedam N.V. has filed a declaration of joint and several liability as referred to in Book 2, Section 403 paragraph 1(f) of the Dutch Civil Code with the office of the Commercial Register of the Chamber of Commerce in favour of Ballast Nedam ICT B.V. and Ballast Nedam Beheer B.V. Ballast Nedam N.V. is thereby liable for the obligations of Ballast Nedam ICT B.V. and Ballast Nedam Beheer B.V. to a maximum of € 26 million.

In connection with credit and guarantee facilities, Ballast Nedam N.V. has given undertakings not to furnish any security.

Ballast Nedam N.V. has issued guarantees for a number of subsidiaries' contracts for approximately € 3 billion (2012: less than € 3 billion). This often involves the entire contract sum for long-term projects.

Together with the subsidiaries that form the fiscal unit, Ballast Nedam N.V. bears joint and several liability for corporate income tax and value added tax in the Netherlands.

### Audit fee

The following fees of Ernst & Young Accountants LLP were charged to the company, its subsidiaries and other companies in the consolidation, as set down in Section 382a of Book 2 of the Dutch Civil Code (the auditors in 2012 were KPMG Accountants N.V.).

#### Audit fee

x € 1 million	2013	2012
Control of annual report	1	1
Other control assignments	0	0
Other non-control assignments	0	0
<b>Total</b>	<b>1</b>	<b>1</b>
	-	
Fiscal advice	1	1
<b>Total</b>	<b>2</b>	<b>2</b>

### Employees

At year-end 2013, Ballast Nedam N.V. had 159 employees (2012: 182).

### Managing directors and supervisory directors

For notes on the remuneration of supervisory directors and members of the Board of Management, see the section on transactions with associates in the notes to the consolidated financial statements.

### Events after the reporting date

A refinancing of Ballast Nedam took place in February 2014. The refinancing comprises a € 30 million rights issue and new loans of € 80 million that mature in 2017. The rights issue strengthens the balance sheet, and together with the loans it gives the company sufficient scope to concentrate fully on the accelerated implementation of its strategy. See the note about continuity and liquidity on page 176.

CEO Theo Bruijninx (52) will leave the Board of Management of Ballast Nedam on 1 July 2014. This decision was made in joint consultation with the Supervisory Board. The Supervisory Board has started the search for a successor.

### Signature

The supervisory directors signed the financial statements in accordance with their legal obligation pursuant to Book 2, Section 101 paragraph 2 of the Dutch Civil Code, and the managing directors signed the financial statements in accordance with their legal obligation pursuant to Book 2, Section 101 paragraph 2 of the Dutch Civil Code and Article 5:25c paragraph 2c of the Financial Supervision Act (Wft).

Nieuwegein, 6 March 2014

Board of Management,

T.A.C.M. Bruijninx  
P. van Zwieten

Supervisory Board,

A.N.A.M. Smits  
J. Bout  
L.W.A.M van Doorne  
C.M. Insinger





#### GRAND HOTEL MAINPORT, ROTTERDAM

The luxury 5-star Grand Hotel Mainport is being built on the site of the former IMAX cinema on the river Maas. The hotel will have 220 rooms on ten floors. The hotel's unique site has a splendid view of the river and the harbour. The hotel will have luxury wellness facilities as well as conference rooms and restaurants. The building is an extension to the existing Intel Hotel.







# Other information

---

10.1	Independent auditor's report	236
10.2	Definitions	238
10.3	Profit sharing and dividend policy	239
10.4	Board members of the Ballast Nedam Administration Office	240
10.5	Report of the Ballast Nedam Administration Office	241
10.6	On this report: reporting principles	243
10.7	GRI indicators	246
10.8	Independent assurance report	250
10.9	Management as at March 2014	252
10.10	Organization structure as at March 2014	254

# 10

## Other information

### 10.1 Independent auditor's report

To: the Executive Board and Supervisory Board of Ballast Nedam N.V.

#### *Report on the financial statements*

We have audited the accompanying financial statements 2013 of Ballast Nedam N.V., Nieuwegein, as included on pages 172 to 233 of this report. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion with respect to the consolidated financial statements*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Ballast Nedam N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

#### *Opinion with respect to the company financial statements*

In our opinion, the company financial statements give a true and fair view of the financial position of Ballast Nedam N.V. as at 13 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *Emphasis of developments regarding continuity and liquidity*

We draw attention to the note on continuity and liquidity included in the accounting policies, which describes the developments with respect to the company's continuity as a going concern and liquidity. Our opinion is not qualified in respect of this matter.

#### *Report on other legal and regulatory requirements*

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Utrecht, 6 March 2014

Ernst & Young Accountants LLP

Signed by W.H. Kerst



## 10.2 Definitions

### Assets

Assets are defined to encompass non-current and current assets.

### DBFMO: Design-Build-Finance-Maintain-Operate

A contract form in which a market party or a consortium of market parties takes responsibility not only for financing, designing and constructing a building, but also for maintaining the building and supplying all or some of the technical services for a given period (e.g. 25 or 30 years).

### EBITDA

Earnings Before Interest, Taxation, Depreciation and Amortization.

### EBITA

Earnings Before Interest, Taxation and Amortization.

### EBIT

Earnings Before Interest and Taxation.

### Financial assets

PPP receivables plus other investments and other receivables (long term).

### GRI: Global Reporting Initiative

International guidelines for organizations on how to report on sustainability.

### IFRS: International Financial Reporting Standards

With effect from 1 January 2005 all publicly listed companies in the European Union are required to draw up their consolidated accounts in accordance with these new standards.

### Cost of sales

The costs of raw materials and subcontractors plus personnel expenses and other operating expenses.

### Net financing position

Net cash less the current portion of long-term loans, and the long-term loans.

### Net cash

Cash and cash equivalents plus deposits less bank overdrafts and money market loans.

### PPP receivables

Receivables pursuant to Public Private Partnerships (PPPs).

## Liabilities

Liabilities are defined to encompass non-current and current liabilities.

## Capital employed

Non-current assets plus current assets minus current liabilities excluding net cash.

## 10.3 Profit sharing and dividend policy

### Profit appropriation

Clause 23 of the Ballast Nedam Articles of Association governs profit appropriation.

This text of this clause is as follows.

- The portion of profit available for distribution that the company may distribute to shareholders and other entitled parties is limited to the amount of the distributable reserves.
- Distribution of profit will take place after adoption of the income statement that demonstrates the legitimacy of distribution.
- Subject to approval of the Supervisory Board, the Board of Management determines which portion of the profit presented in the income statement is to be added to the reserves. The remaining portion of the profit is at the disposal of the General Meeting of Shareholders.
- Any shares held by the company in its own capital are not counted when calculating the profit appropriation, except where the shares are encumbered with usufruct, or depositary receipts for shares have been issued with the company's consent.
- Subject to Supervisory Board approval, the Board of Management may decide to distribute an interim dividend in anticipation of the expected dividend, subject to the provisions of the first bullet point above, as demonstrated in an interim statement of assets and liabilities as referred to in Book 2, Section 105 paragraph 4 of the Dutch Civil Code.
- Decisions to distribute dividend and interim dividend may propose distribution in full or in part in the form of cash or of shares in the company.
- The General Meeting of Shareholders may, on the proposal of the Board of Management that has been approved by the Supervisory Board, resolve to make distributions chargeable to the distributable reserves. The provisions of the preceding bullet point then apply mutatis mutandis.
- Dividends and interim dividends are made payable on a date set by the Board of Management within fourteen days of adoption.
- Any dividends and interim dividends that remain unclaimed for five years after becoming payable accrue to the company.

### Dividend policy

The underlying principle of Ballast Nedam's dividend policy is that 50 per cent of the profit for the period is placed at the disposal of shareholders for distribution as dividend, provided the leverage ratio is less than 2.

## 10.4 Board members of the Ballast Nedam Administration Office

### Prof. W. van Voorden (Chairman)

Mr van Voorden was born in 1942. He has served as a Professor of Social Economics in Tilburg and Rotterdam. He has also been Chairman of the Care Insurance Supervisory Board, Chairman of the Supervisory Board of Batenburg Beheer N.V., Vice Chairman of the Supervisory Board of De Telegraaf Media Groep N.V. and Chairman of the Supervisory Board of Panteia in Zoetermeer.

Mr van Voorden was first appointed to the Board of the Administration Office on 10 May 2006. His current term of office ends on 10 May 2014\*. He was appointed Chairman of the Board of the Administration Office on 10 May 2010.

### W.F.C. Baars

Mr Baars was born in 1948. Mr Baars has held various management positions in ABN AMRO Bank, most recently as Director-General. Since then he has been Chairman of NIVE and Chairman of the Supervisory Board of Van der Hoop Bankiers.

In the reporting year Mr Baars was an independent consultant, member of the Financial Service Providers Disputes Committee and board member of the Stichting Waarborgfonds HBO.

Mr Baars was first appointed to the Board of the Administration Office on 1 June 2009. His current term of office expires on 19 May 2015\*.

### Ir. L.H. Keijts

Mr Keijts was born in 1952. He began his career as a public participation officer with the Provincial Council for Spatial Planning in Zuid-Holland. Since 1981 he has held various positions at the Ministry of Transport, Public Works and Water Management. Between 1996 and 1999 he was Deputy Director-General for Spatial Planning at the Ministry of Housing, Spatial Planning and the Environment. He then moved to the same position at the Ministry of Transport, Public Works and Water Management, later being appointed Director-General for Water in 2001.

From 2003 to 1 January 2010 he was Director-General for Public Works and Water Management at the Ministry of Transport, Public Works and Water Management. Mr Keijts has been Chairman of the Board of Management of the housing association Portal since 1 January 2010.

Mr Keijts was first appointed to the Board of the Administration Office on 8 April 2010. His current term of office expires on 8 April 2014\*.

*\* or until the first meeting of holders of depositary receipts for shares has been held after four years have elapsed since his appointment.*

## 10.5 Report of the Ballast Nedam Administration Office

This report complies with the provisions of Article 15 of the Terms of Administration of the Ballast Nedam Administration Office (Stichting Administratiekantoor van aandelen Ballast Nedam, referred to elsewhere as 'the Administration Office') and best practice provisions IV.2.6 and IV.2.7 of the Dutch Corporate Governance Code.

In 2013, the Administration Office arranged for the performance of the customary administrative activities regarding the registered shares in the capital of Ballast Nedam N.V. as referred to below.

SGG Netherlands N.V. (P.O. Box 11063, 1001 GB Amsterdam), as the trust office of the Administration Office, performs the work associated with the administration of the shares. The Administration Office itself is located at the address of Ballast Nedam N.V..

The total costs of the activities of the Administration Office in 2013 were 68 019 euros, including the fees paid to the members of the Board of the Administration Office. Pursuant to Article 9.1 of the Terms of Administration of the Administration Office, these costs were borne by Ballast Nedam N.V..

### 10.5.1 Number of depositary receipts for shares

The nominal value of registered shares held in administration at 31 December 2013 was 59 678 010 euros. In return for these shares, 9 946 335 bearer depositary receipts have been issued with the same nominal value. At year-end 2013, depositary receipts had been issued for 99.46 per cent of the capital in issue of Ballast Nedam N.V..

The number of registered shares in the capital of Ballast Nedam N.V. in the custody of the Administration Office increased in 2013 from 9 946 058 to 9 946 335.

### 10.5.2 Board

In accordance with Article 4 of the articles of association of the Administration Office, the Board of the Administration Office consists of three independent members, and in 2013 the members of the Board of the Administration Office were:

- Prof. W. van Voorden (Chairman)
- W.F.C. Baars
- L.H. Keijts

The functions and other positions held by the members of the Board of the Administration Office are given in Section 10.4 *Board members of the Ballast Nedam Administration Office* on page 240. In 2013 fees for members of the Board were 7 500 euros per year and the fee for the chairman of the Board was 9 000 euros per year, excluding the annual indexation in accordance with the collective agreement for the building industry (CAO Bouwnijverheid).

### 10.5.3 Board meetings

The Board also conducted talks with the Board of Management of Ballast Nedam N.V., in which it received information on the company's performance. There were three meetings of the Board of the Administration Office in 2013, two of which were attended by the Board of Management at the invitation of the Board of the Administration Office. Furthermore, as every year, a meeting of holders of depositary receipts for shares was held prior to the Annual General Meeting of Shareholders of Ballast Nedam N.V..

The first meeting of the Board of the Administration Office was held on 26 April 2013, and was attended by both members of the Board of Management of Ballast Nedam N.V.. At this meeting the Board of the Administration Office discussed the general performance of Ballast Nedam N.V. and Ballast Nedam N.V.'s annual figures for 2012, following their publication on 8 March 2013. The Board of the Administration Office adopted the balance sheet and income statement of the Administration Office for the 2012 financial year and approved the report of the Administration Office for 2012.

The second meeting of the Board of the Administration Office was held on 16 May 2013 in preparation for the General Meeting of Shareholders, and for the meeting of holders of depositary receipts for shares that was held on the same date.

The third meeting of the Board of the Administration Office was held on 1 November 2013. This meeting discussed Ballast Nedam N.V.'s half-yearly figures and trading update for the third quarter of 2013. This meeting was attended by the Board of Management of Ballast Nedam N.V..

#### 10.5.4 Meeting of Holders of Depositary Receipts of the Administration Office held on 16 May 2013

The following items were on the agenda of the meeting of holders of depositary receipts:

- explanation from the board regarding the report for 2012;
- announcement of the proposed votes of the Board of the Administration Office at the Annual General Meeting of Shareholders of Ballast Nedam N.V..

The Board reported on its activities in 2012 and explained its proposed voting behaviour at the Annual General Meeting of Shareholders of Ballast Nedam N.V.. The above agenda items were discussed at the meeting of holders of depositary receipts.

#### 10.5.5 Participation of the Board of the Administration Office in the General Meeting of Shareholders

The Board of the Administration Office took part in discussions on the matters raised at the General Meeting of Shareholders held on 16 May 2013. The Board of the Administration Office posed a number of critical questions at the meeting. On behalf of the Administration Office, the Board voted on the agenda items and, in accordance with the objects set out in the articles of association of the Administration Office, based its voting behaviour primarily on the interests of holders of depositary receipts for shares, bearing in mind the interests of Ballast Nedam N.V. and its affiliated entities. After careful consideration, the Board of the Administration Office resolved to support all the proposals made at the General Meeting of Shareholders.

Holders of depositary receipts for shares that can be traded on the stock exchange granted proxies or gave binding voting instructions for a total of 7 067 972 depositary receipts for shares. This represented 73.11 per cent of the issued share capital. Consequently, the Board of the Administration Office represented 26.33 per cent of the issued share capital at the General Meeting of Shareholders held on 16 May 2013.

Nieuwegein, March 2014

*The Board*  
*W. van Voorden*  
*W.F.C. Baars*  
*L.H. Keijts*



## 10.6 On this report: reporting principles

We report on financial and operational matters with reference to a business plan, of which the CSR issues form an integral part. We observe a phasing with thirteen periods for the current year. The reports are:

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

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

We do not yet have a comprehensive information system for capturing sustainability information comparable with Ballast Nedam's financial reporting systems. However, we have integrated the reporting of energy and CO<sub>2</sub> into the financial reporting system in 2013. We use the GHG (Greenhouse Gas) protocol for the calculations. We will gradually integrate the reporting of the other sustainability issues into the financial reporting system in the coming years. Ultimately we aim to achieve external assurance for the entire report in order to improve our standards and further increase the report's impact.

### **Boundary of the report and scope**

This report presents qualitative and quantitative data relating to the 2013 calendar year. This publication is a translation of the official annual report, which was published in the Dutch language. In the event of discrepancies, the version in Dutch will prevail. In preparing the report, we take into account all activities Ballast Nedam performs worldwide, including foreign operations, projects and consortiums. We apply the proportionate method of consolidation for Ballast Nedam's operations. The same method is used for consortiums and projects. For the environment theme, we limit our reporting to Dutch operations. We fully include only our own employees in topics such as safety and integrity.

### **Report structure**

This Annual Report presents Ballast Nedam's financial performance and its approach to corporate social responsibility. The report of the board of management tells the story, identifies the dilemmas, discusses the competitive position and clarifies the day-to-day management activities. The detailed layout of the report is given in the *Report structure* on page 5.

## **Reporting principles and verification**

### *GRI: Global Reporting Initiative*

The 2013 Annual Report is the fourth Ballast Nedam integrated annual report to have been drawn up in accordance with Global Reporting Initiative (GRI G3.1) guidelines and IFRS (International Financial Reporting Standards). We report on Level B, and the assurance of the external auditors on our CO<sub>2</sub> footprint brings the reporting to GRI Level B+, which is subject to a GRI application level check.

This implies that we do not restrict ourselves in this Annual Report to mandatory financial and strategic information about Ballast Nedam as a company, but also include data about at least twenty GRI performance indicators. Section 10.7 *GRI indicators* on page 246 gives the quantitative and qualitative performance indicators that the report refers to. In 2013 the external auditors, Ernst & Young, performed an assurance on our CO<sub>2</sub> footprint. The Assurance Report is presented in Section 10.8 on page 250.

### *Dutch Corporate Governance Code*

The Dutch Corporate Governance Code (hereinafter referred to as 'the Code') was drawn up in 2003 by a committee chaired by Morris Tabaksblat, and refined in December 2008 by a committee chaired by Jean Frijns. The updated Code came into effect on 1 January 2009. Ballast Nedam endorses the 139 principles of the Code and, with a few specific exceptions, applies its best practice provisions. A statement of compliance with the Code is posted on [www.ballast-nedam.com](http://www.ballast-nedam.com).

### *IFRS: International Financial Reporting Standards*

The Ballast Nedam consolidated accounts are drawn up in accordance with International Financial Reporting Standards, which have been compulsory for all publicly listed companies in the European Union since 1 January 2005.

































































































































#### **NIEUWVLIETBAD BEACH RESORT**




Ballast Nedam's achievements in the Nieuwvlietbad beach resort area development go far beyond building homes. We succeeded in making this project a real experience. People will enjoy their stay here immensely. Every home is unique, combining the spirit of Zeeland on the outside with a warm rustic interior. The enthusiasm for the homes is also evident in the sales figures. The rental yield on the park is above expectation.



## 10.7 GRI indicator list

Performance Indicator		Reported			
	Definition	2013	2012	2011	Page
1	Strategy and analysis				
1.1	Statement from the most senior decision-maker of the organization.				15
1.2	Description of key impacts, risks, and opportunities.				28-30
2	Organizational profile				
2.1	Name of the organization.				8
2.2	Primary brands, products, and/or services.				17-21
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.				25-27
2.4	Location of organization's headquarters.				256
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.				22-35
2.6	Nature of ownership and legal form.				147
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).				22
2.8	Scale of the reporting organization.				6-7
2.9	Significant changes during the reporting period regarding size, structure, or ownership.				26-27, 145
2.10	Awards received in the reporting period.				
3	Report parameters				
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.				calendar year2013
3.2	Date of most recent previous report (if any).				6 March 2014
3.3	Reporting cycle (annual, biennial, etc.)				annually
3.4	Contact point for questions regarding the report or its contents.				256
3.5	Process for defining report content.				243
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.				243
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).				243
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.				243
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols.				243
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).				26-27
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.				
3.12	Table identifying the location of the Standard Disclosures in the report.				246-249
3.13	Policy and current practice with regard to seeking external assurance for the report.				243

Performance Indicator		Reported			
	Definition	2013	2012	2011	Page
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.				26, 145
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.				145
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.				no unitary board structure
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.				108, 150, 163-164
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).				9.4 163-164
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.				153
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.				153
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.				122
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.				77-79
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.				147, 157
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.				the precautionary approach has not been addressed
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.				118, 143-144
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.				118, 143-144
4.14	List of stakeholder groups engaged by the organization.				22-25, 108
4.15	Basis for identification and selection of stakeholders with whom to engage.				22-25, 108
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.				135-140
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.				93, 136

 = Fully  
 = Partially  
 = None



Performance Indicator		Reported			
	Definition	2013	2012	2011	Page
Economic performance indicators					
DMA EC	Disclosure on Management Approach Economy				
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.				173
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.				80-81
EC3	Coverage of the organization's defined benefit plan obligations.				209
EC4	Significant financial assistance received from government.				no significant assistance from government received
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.				129-133
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.				129-133
Environmental performance indicators					
DMA EN	Disclosure on Management Approach Environment				100-101
EN3	Direct energy consumption by primary energy source.				100-101
EN4	Indirect energy consumption by primary source.				100-102
EN5	Energy saved due to conservation and efficiency improvements.				100-102
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.				100-102
EN7	Initiatives to reduce indirect energy consumption and reductions achieved.				100-102
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.				73, 103, 138
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.				102-103
EN16	Total direct and indirect greenhouse gas emissions by weight.				101-102
EN17	Other relevant indirect greenhouse gas emissions by weight.				101-102
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.				101-102
EN22	Total weight of waste by type and disposal method.				105
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.				18, 102
EN27	Percentage of products sold and their packaging materials that are reclaimed by category.				no sale of packed up products
Social performance indicators: Labor Practices and Decent Work					
DMA LA	Disclosure on Management Approach Labor Practices and Decent Work				
LA1	Total workforce by employment type, employment contract, and region.				109
LA2	Total number and rate of employee turnover by age group, gender, and region.				110, 112
LA4	Percentage of employees covered by collective bargaining agreements.				108
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.				113-114
LA9	Health and safety topics covered in formal agreements with trade unions.				112, 115

Performance Indicator		Reported			Page
	Definition	2013	2012	2011	
LA10	Percentage of employees receiving regular performance and career development reviews.				111
LA11	Ratio of basic salary of men to women by employee category.				111
LA12	Percentage of employees receiving regular performance and career development reviews.				111
LA14	Ratio of basic salary of men to women by employee category.				109
Social performance indicators: Human Rights					
DMA	Disclosure on Management Approach Human Rights				
HR					
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.				119-122
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.				119-122
HR4	Total number of incidents of discrimination and actions taken.				122
Social performance indicators: Society					
DMA	Disclosure on Management Approach Society				
SO					
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.				129-133
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.				117-122
SO4	Actions taken in response to incidents of corruption.				117-122
SO5	Public policy positions and participation in public policy development and lobbying.				23
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.				119
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.				89-91
Social performance indicators: Product Responsibility					
DMA	Disclosure on Management Approach Product Responsibility				
PR					
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.				141
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.				90

= Fully  
 = Partially  
 = None



## 10.8 Independent assurance report

### Assurance report with limited assurance of the independent auditor

To: the management of Ballast Nedam N.V.

#### Introduction

Ballast Nedam N.V. has engaged us for the verification of their Carbon Footprint 2013 of the Scope 1 and 2 from the Carbon Footprint 2013 of the Dutch activities of Ballast Nedam N.V. for the period from the 1st of January until the 31st of December 2013 (hereinafter: Carbon Footprint). This Carbon footprint is reported in the 'Life-cycle thinking and acting (environment)' section in the Annual Report 2013 of Ballast Nedam N.V. We have assessed the above identified Carbon Footprint with a limited level of assurance.

The Carbon Footprint contains an amount of emissions from Scope 1 en 2 of 50 kilo tones CO<sub>2</sub>-equivalents for the year 2013.

No assurance engagement was performed on the information of the Carbon footprint for 2009-2010 that is given in the Annual Report. We therefore do not provide assurance on the comparative Carbon footprint information for 2009-2010.

#### Criteria

Ballast Nedam N.V. has defined criteria to establish its Carbon Footprint. These criteria are a part of the Carbon Footprint in section 'CO<sub>2</sub> footprint measurement system' in Section 6.3.1 of the 2013 Annual Report. The criteria have been established in accordance with the ISO 14064-1, the GreenhouseGas Protocol and 'Handboek CO<sub>2</sub>-prestatieladder'. We deem these reporting criteria suitable for our assurance engagement.

#### Management's responsibilities

The management of Ballast Nedam N.V. is responsible for the preparation of the Carbon Footprint in accordance with the criteria of Ballast Nedam N.V., as disclosed in section 'CO<sub>2</sub> footprint measurement system' in Section 6.3.1 of the Annual Report 2013.

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of a Carbon Footprint in accordance with ISO 14064-1 and the GreenhouseGas Protocol that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the CO<sub>2</sub> emissions from Scope 1 and 2 based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with Dutch Auditing Standard 3000. This law and standard require, among other things, that we comply with ethical requirements, including requirements relating to independence, issued by our professional institute. That standard requires that we plan and perform this engagement to obtain limited assurance about whether the CO<sub>2</sub> emissions from Scope 1 and Scope 2 as presented in the Carbon Footprint are free from material misstatement.

### *Procedures*

A limited assurance engagement undertaken in accordance with Dutch Auditing Standard 3000 involves collecting assurance-information for the quantified emissions and related information disclosed in the Carbon Footprint 2013.

The main procedures we performed were:

- ▷ Evaluation whether the reporting criteria of Ballast Nedam N.V. as disclosed in the Carbon Footprint in section 'CO<sub>2</sub> footprint measurement system' in Section 6.3 of the Annual Report 2013 are suitable for the preparation of the Carbon Footprint;
- ▷ Evaluation whether Ballast Nedam N.V.'s methods for developing estimates are appropriate and had been consistently applied;
- ▷ Obtained an understanding of Ballast Nedam N.V.'s control environment and information systems relevant to emissions quantification and reporting, including design of particular control activities such as consolidating data at Corporate level;
- ▷ Evaluating the plausibility of the CO<sub>2</sub> emission data, mainly by performing analytical reviews and the gathering of data on a test basis to agree the underlying evidence with the Carbon Footprint;
- ▷ Undertook site visits to assess data collection methods, source data and relevant assumptions applicable to the sites by holding interviews with employees responsible for gathering data to be reported in the Carbon Footprint.
- ▷ Evaluating the overall presentation of the Carbon Footprint.

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

### *Limitations of our assurance engagement*

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance whether the Carbon Footprint has been prepared, in all material aspects, in accordance with the criteria of Ballast Nedam N.V.

The quantification of CO<sub>2</sub> emissions is subject to inherent uncertainty due to the designed capability of measurement instrumentation and testing methodologies and incomplete scientific knowledge used in the determination of emissions factors and global warming potentials.

### *Conclusion*

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the CO<sub>2</sub> emissions from Scope 1 and 2 as presented in the Carbon Footprint 2013 of the Dutch activities of Ballast Nedam N.V. for the period from the 1st of January until the 31st of December 2013 is not prepared, in all material respects, in accordance with the criteria of Ballast Nedam N.V. as disclosed in section 'CO<sub>2</sub> footprint measurement system' in Section 6.3.1 of the Annual Report 2013.

Rotterdam, 6 March 2014

Ernst & Young Accountants LLP

Signed by H. Hollander

## 10.9 Management as at March 2014

### Ballast Nedam

#### - Board of Management

Corporate secretary

Personnel & Organization

Finance, Investor relations

Communication & Investor relations

ICT

Legal

Assurance

Compliance & risk management

Innovation management

T.A.C.M. Bruijninx, P. van Zwieten

O.P. Padberg

R.M.A. van Dinther

P. van Zwieten

I. van der Meijden

R.J. Kathmann

O.P. Padberg

A.C.M. van Haastrecht

S.C. Bleker-van Eyk

M.F. de Jonge

### Ballast Nedam Infra Speciale Projecten

R. van Schravendijk

D. Wabeke

- Ballast Nedam Infra Projecten
- Ballast Nedam International Projects
- Ballast Nedam Offshore
- Ballast Nedam Industriebouw

R.P. de Keijser, S. van der Linden, H. Helmink

R. van Schravendijk

J.P.C. Blokland, S.D. Dekker

P.J. Slot

### Ballast Nedam Infra

R. van Schravendijk

D. Wabeke

- Ballast Nedam Infra
- Ballast Nedam Infra North
- Ballast Nedam Infra South
- Ballast Nedam Infra Industriebouw
- Ballast Nedam Parking
- Ballast Nedam Geluidwering

A.R. Groot

F.A.J. Louter

F.A.J. Louter

R.M. Franken

T.E. Hienekamp

J.J.M. Dekker

### Ballast Nedam Bouw & Ontwikkeling Speciale Projecten

A.M. de Backker

R.J. Suhlmann

- Ballast Nedam Beheer
- Ballast Nedam Concessies

W.A.G.M. van Gurp

M. Klinkhamer

### Ballast Nedam Bouw & Ontwikkeling

A.M. de Backker

R.J. Suhlmann

- Ballast Nedam Ontwikkelingsmaatschappij
- Ballast Nedam Bouw & Ontwikkeling North
- Ballast Nedam Bouw & Ontwikkeling West
- Ballast Nedam Bouw & Ontwikkeling South

D. van Hoogstraten

N.P.A. Doodeman

M.G.M. Pfaff

O.J.M. Senden





#### Ballast Nedam Specialismen

H.P. van der Meer  
L.B. van Rietschoten

- |                                                  |                        |
|--------------------------------------------------|------------------------|
| - Ballast Nedam Engineering                      | W.M. 't Hart           |
| - Ballast Nedam Funderingstechnieken             | J.K. Verhoeve          |
| - Gebr. van Leeuwen                              | J.K. Verhoeve          |
| - Ballast Nedam Specialistisch Grondverzet       | W.E.R. Huntjens        |
| - Ballast Nedam Milieutechniek                   | W.E.R. Huntjens        |
| - Dibec                                          | P.G.M. Ballast         |
| - Ballast Nedam Infra Specialiteiten             | H. Veerman             |
| - Spanstaal                                      | H. Veerman             |
| - Ballast Nedam Asfalt                           | C.A.J. van Steenbergen |
| - Ballast Nedam International Product Management | H. Veerman             |
| - Ballast Nedam Materieel                        | J. Hoffmann            |



#### Ballast Nedam Toelevering

H.P. van der Meer  
L.B. van Rietschoten

- |                                 |                     |
|---------------------------------|---------------------|
| - Ballast Nedam Grondstoffen    | W.J.M. Duijnste     |
| - Recycling Maatschappij Feniks | A.C.G. van Beurden  |
| - Ballast Nedam Participatie    | P.S. van der Bijl   |
| - Haitsma Beton                 | W.H. Comello        |
| - Hoco Beton                    | J.J.G. Holtackers   |
| - Omnia Plaatvloer              | J. Buurman          |
| - TBS Soest                     | J.I. Vas            |
| - Rademakers Gieterij           | H.J. Kerkhoven      |
| - iQwoning®                     | J.L.S.M. Pijnenburg |

## 10.10 Organization structure as at March 2014

This list below shows the important group companies and associates. A list of associates as referred to Sections 379 and 414 of Book 2 of the Dutch Civil Code has been filed at the office of the Commercial Register in Utrecht.

### Ballast Nedam N.V.

#### Ballast Nedam Infra B.V.

##### Infrastructure

Ballast Nedam Infra B.V., Speciale Projecten  
Ballast Nedam International Projects B.V.

- *Ballast Nedam Infra Suriname B.V.*
- *Ballast Nedam Africa B.V.*
- *Ballast Nedam Ghana B.V.*
- *Ballast Nedam Curaçao B.V.*
- *Ballast Nedam Emirates B.V.*
- *Ballast Nedam Oman B.V.*
- *Ballast Nedam Offshore B.V.*

Ballast Nedam Infra Noord West B.V.  
Ballast Nedam Infra Noord Oost B.V.  
Ballast Nedam Infra Midden Zuid B.V.  
Ballast Nedam Infra Zuid West B.V.  
Ballast Nedam Infra Zuid Oost B.V.

Ballast Nedam Parking B.V.

- *ModuPark V.O.F. (66.66 %)*

Ballast Nedam Gebiedsontwikkeling B.V.

Ballast Nedam Infra Business Development B.V.

- *Bouwcombinatie Pro N329 V.o.f. (50%)*
- *Combinatie Versterken Bruggen V.O.F. (50%)*

- *A-Lanes A15 Mobility V.o.f. (33.3%)*

- *A-Lanes Civil v.o.f. (33.3%)*

- *A-Lanes Roads V.O.F. (33.3%)*

- *Avenue2 Infra v.o.f. (50%)*

Ballast Nedam Equipment Services B.V.

##### Specialized Companies

Ballast Nedam Asfalt B.V.

Ballast Nedam Engineering B.V.

Ballast Nedam Environmental Engineering B.V.

Ballast Nedam Funderingstechnieken B.V.

Ballast Nedam Infra Specialiteiten B.V.

Ballast Nedam International Product Management B.V.

- *B.V. Adviesburo Installatietechniek T&H*

- *BN Solar B.V.*

Ballast Nedam Materieel B.V.

Ballast Nedam Milieutechniek B.V.

Ballast Nedam Specialistisch Grondverzet B.V.

Dibec B.V.

Gebr. Van Leeuwen Harmelen B.V.

Spanstaal B.V.

##### Supplies

Ballast Nedam Grondstoffen B.V.

- *Beheersmaatschappij Fr. Bontrup B.V. (30%)*

- *Bremanger Quarry S.A. (23.1%) (Norway)*

- *Antwerp Stone Terminal S.A. (17.3%) (Belgium)*

- *Graniet Import Benelux B.V. (19.5%)*

- *Zand- en Grindhandel Verkaik V.O.F.*

- *N.V. Immobiliën en Grindexploitatie maatschappij Bichterweerd (Belgium)*

- *N.V. Algri (Belgium)*

- *N.V. Lugo (Belgium)*

- *Großkübel Rurkies GmbH (Germany)*

Ballast Van Oord Grondstoffen v.o.f. (50%)

Concrete Valley B.V. (50%)

- *microbeton B.V.*

- *Waco Lingen Beton B.V.*

Ballast Nedam Participatie B.V.

- *Asfaltcentrales*

- *Graniet Import Benelux B.V. (9%)*

- *Nederlandse Frees Maatschappij B.V. (17%)*

- *Traffic Service Nederland B.V. (25.2%)*

Haitsma Beton B.V.

Rademakers Gieterij B.V.

Recycling Maatschappij "Feniks" B.V.

- *Ballast Phoenix Ltd. (92.5%)*

TBS Soest B.V.

Ursem Modulaire Bouwsystemen B.V. (41%)

---

## Ballast Nedam Bouw & Ontwikkeling Holding B.V.

---

### Building & Development

#### Ballast Nedam Ontwikkelingsmaatschappij B.V.

- *Ballast Nedam Vleuterweide B.V.*
- *Gebiedsontwikkeling Oud Beijerland Oost C.V. (49%)*
- *Gebiedsontwikkeling Oud Beijerland Zuid C.V. (49%)*
- *Coberco Kwartier Beheer B.V. (50%)*
- *Ballast Nedam Langedijk B.V.*
- *V.o.f. de Groene Loper*
- *Ballast Nedam Sigma B.V.*
- *V.O.F. De Leidse Schans (50%)*

#### Ballast Nedam Bouw & Ontwikkeling B.V.

- *Bouwcombinatie IJsseloord 2 v.o.f. (50%)*
- *Bouwcombinatie voor de nieuwbouw Erasmus MC v.o.f. (50%)*
- *Groote Dok Oost v.o.f. (50%)*
- *JuBi B.V. (25%)*
- *Meander Combinatie v.o.f. (33%)*
- *OVT-Breda VOF (50%)*
- *Bouwcombinatie OV-Terminal Arnhem v.o.f. (50%)*
- *Bouwcombinatie Jubi v.o.f. (50%)*
- *Dijkzone v.o.f. (33%)*

#### Heddes Bouw & Ontwikkeling B.V.

#### Hollestelle Vastgoed Ontwikkeling B.V.

#### Laudy Bouw & Ontwikkeling B.V.

#### Zomers Bouwbedrijf B.V.

### Supplies

#### Hoco Beton B.V.

#### IQ Woning B.V.

#### Omnia Plaatvloer B.V.

---

## Internal joint ventures (Infrastructure / Building & Development)

---

#### Abl2 B.V.

#### Avenue2 V.O.F. (50%)

#### Ballast Nedam Beheer B.V.

#### Ballast Nedam Concessies B.V.

- *CNG Net B.V.*
- *Vastgoed Energie Exploitatiemaatschappij B.V.*
- *LNG24 B.V.*
- *Biomethaan B.V.*
- *Wind24 B.V.*
  - *Wind Invest (50%)*

#### Public-Private Partnerships (PPP)

#### Wâldwei.com B.V. (33.33%)

#### A-lanes A-15 Holding B.V. (4.8%)

#### Benelux Secondary PPP Fund I B.V. (20%)

#### Pi2 B.V.

---

### Other

---

#### Ballast Nedam ICT B.V.

## Credits

### **Production supervision**

Ballast Nedam N.V.

Communication & Investor relations

### **Design and production**

Boomvanmourik ([www.boomvanmourik.nl](http://www.boomvanmourik.nl))

Ballast Nedam ICT

### **Translation**

Taalcentrum VU ([www.taalcentrum-vu.nl](http://www.taalcentrum-vu.nl))

### **Photography**

Ingrid Bertens

Fotografie Hans Banus vof

De Jong Luchtfotografie

Joop van Houdt / Rijkswaterstaat

Jørgen Koopmanschap

Jan van Oevelen / Jevo Fotografie

Eran Oppenheimer

RSO Rotterdam / Peter Schmidt

Fred Tigelaar

Astrid Timmers

Ben Vulkers

Peter Wijnands photography

### **Contact**

For additional information,  
please contact one of the following:

#### ***Investor relations***

I. van der Meijden

+31 (0)30 285 47 02

[i.vd.meijden@ballast-nedam.nl](mailto:i.vd.meijden@ballast-nedam.nl)

#### ***Media relations***

A.C. van Kessel

+31 (0)30 285 41 61

[a.van.kessel@ballast-nedam.nl](mailto:a.van.kessel@ballast-nedam.nl)

Ballast Nedam N.V.

Ringwade 71

3439 LM Nieuwegein

P.O. Box 1339

3430 BH Nieuwegein

The Netherlands

+31 (0)30 285 33 33

[www.ballast-nedam.com](http://www.ballast-nedam.com)

[pr@ballast-nedam.nl](mailto:pr@ballast-nedam.nl)