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Creating
enduring
quality

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

This annual report can be read and downloaded on our website www.ballast-nedam.nl. Further information on this annual report can be obtained from the Communications & Investor Relations department of Ballast Nedam by telephoning (030) 285 47 33 or e-mailing pr@ballast-nedam.nl.

Report structure

In this annual report Ballast Nedam's reports comprehensively on its financial performance and its approach to corporate social responsibility.

In Chapter 1 *Profile of Ballast Nedam* on page 14 we set out our vision and mission and describe our core activities. You can read about the market in which we operate and about the structure of our organization. We also explain how we work on the basis of the five pillars underpinning our strategy.

In Chapter 2 *Strategy* on page 26, we explain our corporate strategy and you can read about our differentiated market approach. The SWOT analysis on page 28 was the basis for defining our strategic plan for the years 2015-2017. We provide details of our strategic plan and describe the outlook.

Chapter 3 *Strategic objectives and financial results* on page 34 sets out our strategic objectives for 2015. In this Chapter we give an account of the financial and non-financial results of our efforts to achieve our objectives in the 2014 financial year, explaining the difference between the qualitative and quantitative objectives and the results achieved. We also report in this Chapter on the segments' contributions to the strategic objectives.

In Chapter 4 *Risk and risk management in Ballast Nedam* on page 60 we describe how Ballast Nedam has organized its risk management and the risk control process and the focal points of our risk management in 2015. We also specify the risks which play a role in the environment in which Ballast Nedam operates and identify a number of specific risks to which Ballast Nedam encounters in actual or potential disputes with third parties.

Chapter 5 *Corporate social responsibility* on page 78 describes how we guarantee our CSR policy in the organization and how our increased strategic focus impacts the CSR policy and objectives for 2015. We report on the results we have achieved with regard to our CSR objectives, which form an integral part of our strategic objectives.

In Chapter 6 *Corporate governance* on page 110 we explain how the company is 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 7 *Financial statements* on page 138 presents our financial reporting for 2014.

Chapter 8 *Other information* on page 212 provides additional information on Ballast Nedam and the production of this Annual Report.

Ten-year summary

x € 1 million	2014	2013	2012
Revenue and profit			
Revenue	1 166	1 230	1 296
the Netherlands	949	981	1 153
international	217	248	143
Order book	1 026	1 457	1 761
EBITDA	(42)	(8)	2
Impairment	(7)	(3)	(10)
Depreciation	(15)	(20)	(23)
EBITA	(64)	(31)	(31)
Amortization	(1)	(1)	-
EBIT	(65)	(32)	(31)
Profit before income tax	(69)	(38)	(38)
Profit for the period before amortization	(102)	(40)	(41)
Profit for the period	(103)	(41)	(41)
Investments			
Investments	17	26	70
Disposals	13	9	9
Net investments	4	17	61
Balance sheet data			
Non-current assets	108	204	245
Current assets	546	622	641
Assets	654	826	886
Current liabilities	(578)	(625)	(634)
Capital structure			
Capital employed	(50)	142	176
Shareholders' equity	11	90	131
Interest-bearing non-current liabilities	56	100	108
Net cash	120	29	76
Net financing position	33	(79)	(49)
Ratios			
EBIT / revenue	(6%)	(3%)	(2%)
Profit for the period / revenue	(9%)	(3%)	(3%)
Profit for the period / average shareholders' equity	(204%)	(37%)	(27%)
Shareholders' equity / assets	2%	11%	15%
Average number of employees	2 860	3 399	3 859
Shares			
Number of ordinary shares (x 1000)	19 668	10 000	10 000
Number of ordinary shares issued (x 1000)	19 335	9 668	9 668
Market capitalization at year-end	72	102	95
Dividend paid	-	-	5
Per average share in issue of € 1 nominal value			
Shareholders' equity	0.57	9.65	13.55
Dividend paid	-	-	0.47
Profit for the period	(5.33)	(4.22)	(4.24)

	2011	2010	2009	2008	2007	2006	2005
	1 382	1 359	1 384	1 426	1 270	1 310	1 206
	1 252	1 275	1 272	1 348	1 157	1 206	1 105
	130	84	112	78	113	104	101
	1 950	1 841	1 818	1 667	1 438	1 093	1 064
	47	45	42	67	63	63	58
	(2)	(1)	-	-	-	-	-
	(25)	(25)	(23)	(24)	(20)	(19)	(18)
	20	19	19	43	43	44	40
	(1)	(1)	(2)	(1)	(1)	(2)	(2)
	19	18	17	42	42	42	38
	12	11	8	31	38	38	28
	10	8	8	25	28	46	22
	9	7	6	24	27	44	20
	80	104	102	64	37	67	32
	6	12	6	22	7	12	67
	74	92	96	42	30	55	(35)
	286	420	352	274	242	253	211
	655	664	682	730	656	541	636
	941	1 084	1 034	1 004	898	794	847
	(625)	(598)	(644)	(660)	(590)	(555)	(644)
	229	425	279	252	256	177	74
	171	161	162	168	172	158	124
	121	285	197	126	97	36	54
	87	61	111	92	52	62	129
	(45)	(231)	(92)	(41)	(63)	23	68
	1%	1%	1%	3%	3%	3%	3%
	1%	1%	0%	2%	2%	3%	2%
	5%	4%	4%	14%	16%	31%	18%
	18%	15%	16%	17%	19%	20%	15%
	3 929	3 841	3 947	3 941	3 838	3 701	3 721
	10 000	10 000	10 000	10 000	10 000	10 000	10 000
	9 668	9 700	9 702	9 870	9 900	9 924	9 847
	129	140	147	137	280	328	327
	4	3	12	14	13	10	-
	17.66	16.58	16.62	17.05	17.31	15.98	12.54
	0.36	0.31	1.24	1.38	1.34	1.02	-
	0.93	0.73	0.62	2.46	2.75	4.44	2.05

The share and dividend proposal

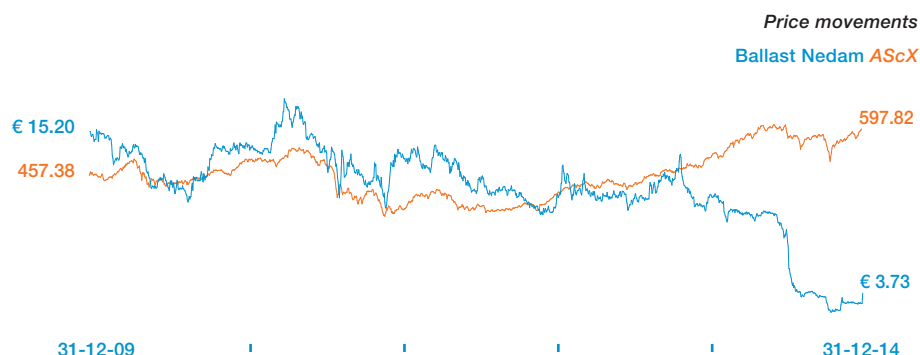
Shares and stock exchange listing

On 31 December 2014, Ballast Nedam had 19,667,500 issued shares and 19,335,000 outstanding shares. This increase of 9,667,500 shares is the result of the shares issued in 2014 (rights issue). At the end of 2014 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 the end of 2014, depositary receipts had been issued for 99.72% of the capital in issue. Ballast Nedam depositary receipts for shares are listed on 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 2013 on Euronext was 10.50 euros (7.57 euros including the effect of the rights issue completed in 2014). The year 2014 ended at a price of 3.73 euros. The highest closing price of 10.78 euros (7.77 euros including the effect of the rights issue completed in 2014) was attained on 15 January 2014. The lowest closing price of 2.37 euros was quoted on 16 October 2014. The AScX, of which the Ballast Nedam share forms part, rose by 16% in 2014.



Trading volume

The liquidity of Ballast Nedam shares increased in 2014. An average of 27,816 shares were traded per trading day in 2014. This represents an increase compared to 2013, when the average was 7,939 shares.

Other information per average share in issue of 1 euro nominal value

	2014	2013	2012	2011	2010	2009	2008
Shareholders' equity	0.57	9.65	13.55	17.66	16.58	16.62	17.05
Dividend paid	0.00	0.00	0.47	0.36	0.31	1.24	1.38
Net profit	(5.33)	(4.22)	(4.24)	0.93	0.73	0.62	2.46

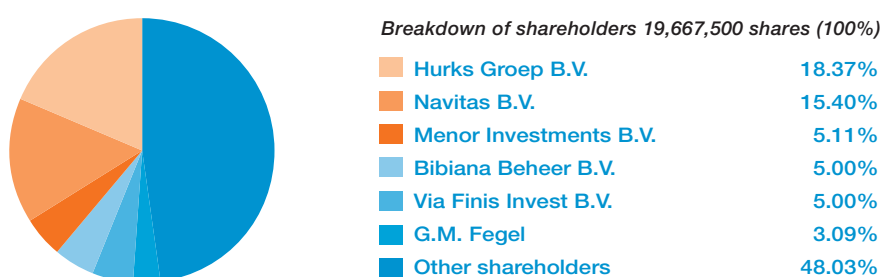
The shareholders' equity per average outstanding share amounted to 0.57 euros. The net profit per average outstanding share declined from (4.22) euros in 2013 to (5.33) euros.

No dividend

The dividend policy is to place 50% of the net profit for the period at the disposal of shareholders for distribution as dividend. It has been agreed with the banks that dividend on shares will be paid only if the leverage ratio is less than 2. A substantial loss was made in 2014, solvency deteriorated, and the leverage ratio was higher than 2. Difficult market conditions were also expected to continue in that year. 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 2014.

Shareholders with an interest of 3% or more

As at 3 April 2015 the following organizations had reported to the Authority for the Financial Markets (AFM) that they held shares or depositary receipts for shares of Ballast Nedam representing an interest of 3% or more, pursuant to the Financial Supervision Act.



General Meeting of Shareholders

The Annual General Meeting of Shareholders of Ballast Nedam will be held on 29 June 2015 at the head office of Ballast Nedam, Ringwade 71 in Nieuwegein. The meeting commences at 2.00 p.m. Prior to the meeting, the Ballast Nedam Administration Office will hold 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 2015

Publication of 2014 annual results	Thursday 30 April 2015
Registration date for 2015 Annual General Meeting of Shareholders	Monday 1 June 2015
First quarterly report 2015	Wednesday 13 May 2015
General Meeting of Shareholders	Monday 29 June 2015
Presentation of 2015 interim results	Wednesday 22 July 2015
Third quarterly report 2015	Friday 30 October 2015

Investor Relations

Investor Relations focuses on the interests of the shareholders and the permanent interest of the financial market in Ballast Nedam. Investor Relations aims to inform the focus groups transparently and with integrity about the Ballast Nedam strategy, Ballast Nedam's business model, our distinctive capabilities and the financial position of the company. We do this by providing all relevant information:

- In the Annual Report;
- In the presentation of annual and half-yearly figures;
- In the first and third quarterly reports and press releases;
- In presentations to existing and potential investors and analysts;
- On the website www.ballast-nedam.nl.

Foreword

The 2014 financial year was characterized by major losses on projects in the Infrastructure division. In particular, substantial additional cost overruns on the A15 Maasvlakte-Vaanplein PPP project and disappointing project results on the A2 Maastricht project had a major impact on the performances of the company as a whole. The Building & Development and Specialized Companies & Supplies divisions nevertheless showed operational improvements.

Having regard to the disappointing results and continuing cost overruns on the A15 Maasvlakte-Vaanplein PPP project, a coherent package of financial, strategic and operational measures was announced at the start of February 2014. In 2014, refinancing was carried out and our equity position was partially improved through a successful rights issue, although this was unfortunately offset by further disappointing results. Furthermore, in the past financial year, we successfully completed our announced disposal programme including the sale of our offshore activities, which represented a significant extension of the programme. Within the strategic focus, a differentiated market approach has been implemented for the three divisions, bringing the organizations of the Infrastructure and Building & Development divisions further into line.

Despite the implemented measures, there was a further fall in solvency at year-end 2014. In April 2015 Ballast Nedam presented the main points of a package of financial and strategic measures aimed at absorbing the consequences of the heavy project losses in the Infrastructure division. The scale of the announced financing is based on a continuation of the Building & Development and Specialized Companies & Supplies divisions and the Infrastructure division, in which Ballast Nedam is actively scaling back its interests in major infrastructure projects. The scale of the infrastructure activities will consequently decrease, making a capacity adjustment necessary in the Infrastructure division.

Ballast Nedam has signed letters of intent with Strukton Groep N.V. and Strabag SE, partners in the A2 Maastricht and A15 Maasvlakte-Vaanplein projects, under which we will reduce our share in these major infrastructure projects. The proposed transactions will be set out in detailed agreements which will be submitted to the stakeholders for approval. The Dutch Ministry of Public Works and Water Management (*Rijkswaterstaat*) has given an undertaking to cooperate.

In the A2 Maastricht project it is intended that Strukton will take over Ballast Nedam's share of the infrastructure activities and that Strukton's share in the property development of the project will be transferred to Ballast Nedam. In the A15 Maasvlakte-Vaanplein project Ballast Nedam will reduce its economic interest in the second half of 2015 from 40% to 10% and Strukton and Strabag will each increase their share to 45%. Once these transactions have been effected, Ballast Nedam's risk exposure to these projects will be reduced.



Ballast Nedam has reached outline agreement on a new financing arrangement and a rights issue of 20 million euros. The financing consists of two subordinated bank loans of 10 million euros and 43 million euros respectively, maturing on 31 March 2017, a revolving credit facility of 10 million euros expiring on 31 December 2015 and a committed guarantee facility. This guarantee facility initially of 265 million euros is being phased out on basis of the scaling back of large-scale infrastructure projects, including the A2 Maastricht and A15 Maasvlakte-Vaanplein projects. The 20 million euros rights issue will be underwritten by Strukton and the banking syndicate. They will each provide a bridge loan of 10 million euros, which will be repaid from the net proceeds of the planned rights issue. Ballast Nedam intends to complete the rights issue in the second half of 2015.

The implementation of these measures will also lead to a substantial improvement in the company's solvency and liquidity. Structurally profitable projects in the years ahead should also lead to a structural improvement in solvency. We are also pursuing cost savings, for which an improvement programme was launched in 2014, more selective tendering and an improvement in project management.

As well as implementing the measures referred to above, intensive work was carried out on the projects and key milestones were achieved, such as the laying of the Botlek Bridge decks. There were also a number of significant achievements during the year, such as the awarding of the contract for Thialf, the A9 Gaasperdammerweg, the N31 Traverse Harlingen and the awarding of the contract for the Zuiderpark Sports Campus. As a proportion to the total number of new home starts, the iQwoning® homes share increased to 28% in 2014. We expect this trend to continue. With the distinctive portfolio of modular products developed by Ballast Nedam, we are particularly well placed for the pick-up in the housing market.

Although much has been initiated, we are not there yet. In the longer term Ballast Nedam must operate in calmer waters. The projects must generate results and costs must be lowered. We are therefore focusing on projects in which we have the necessary capabilities and which match the size of our business. Financial control, cost savings, risk control and process improvements remain the top priorities and will require constant attention and awareness on the part of all of us. On behalf of the Board of Management, I would like to thank all our employees and all collaboration partners for the efforts and commitment they have demonstrated.

Erik van der Noordaa
CEO

MARGARETHA ZELLE AQUEDUCT, LEEUWARDEN

Precision job

On behalf of the Province of Friesland, Ballast Nedam is working on the new aqueduct for the intersection of the western approach road and the Harninxma canal. The new aqueduct comprises a dual carriageway and a cycle path. The project is being carried out by Ballast Nedam Infrastructure and built with struts and slabs supplied by Haitsma Beton. The struts are multifunctional because they operate as a retaining wall and as a substructure for the viaduct over the entrance to the aqueduct. The slabs are unique due to the complex moulding technique; the aqueduct is a diagonal intersection. They have been fitted as vision panels against the shell of the aqueduct. Struts and slabs were produced from high-strength concrete with polypropylene fibres. This addition reduces spattering and they are fire-resistant for 120 minutes. The elements are particularly heavy; the struts weigh between 62 and 70 tons and the slabs approximately 38 tons.



Profile of Ballast Nedam

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1

Profile of Ballast Nedam

1.1 Vision, mission and strategic pillars

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

Ballast Nedam achieves enduring quality in the life cycle of development, construction, management/operation and the recycling of our living environment. By adopting an integrated approach to projects, we create solutions at the lowest possible life-cycle costs. Our solutions are appealing, future-proof and in harmony with the broader picture. We create them by means of collaboration and open innovation with our customers and partners. In that way we enhance people's wellbeing in their living environment.

Mission: creating enduring quality.

Ballast Nedam strives to be distinctive and deliver added value for customers in everything we do. This is manifested in 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 work to ensure the continuity of Ballast Nedam and an increase in value for our shareholders.

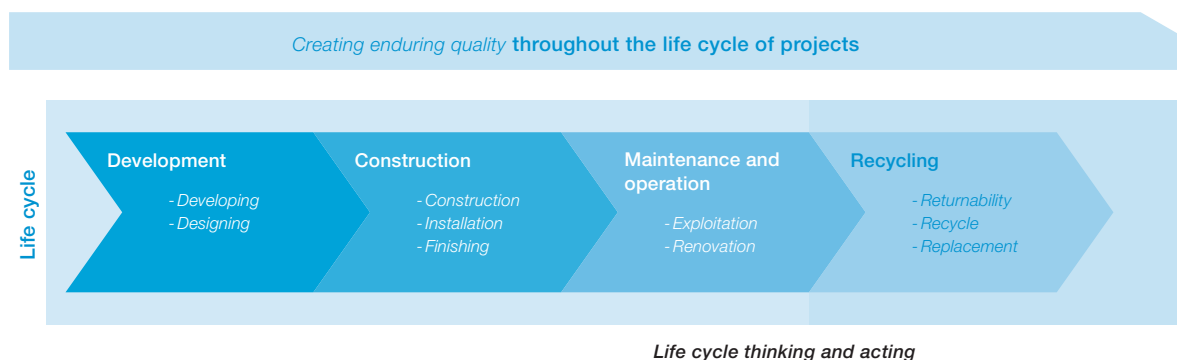
Strategic pillars

Ballast Nedam operates on the basis of five strategic pillars. These are explained in greater detail 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. We develop, construct, manage and recycle.

Modular products and industrialization are important aspects of our business cases. Our supply and specialized companies deliver distinctive capability through innovation, cost leadership and purchasing strength. We create enduring quality throughout the life cycle of projects.



2. Our people, standards and values

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 are set out in our code of conduct and play a central role.

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.

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. Not only do we aim for chain cooperation with our partners, but also enter into dialogue with non-government organizations (NGOs) and knowledge institutions.

4. Innovation

Innovation is deeply embedded 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 stimulate innovation in our employees on all levels and strive 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 are fully aware of the impact of our work on the environment. We control the impact of our projects through community relations management. Our social commitment is reflected in our community investment and social sponsorship.

1.2 Strategic focus

As part of Ballast Nedam's strategic focus, the Infrastructure, Building & Development and Specialized Companies & Supplies divisions maintain a differentiated market approach. Our strategic focus is on acquiring and implementing projects successfully both in the Netherlands and internationally: integrated projects in the areas of work of housing and mobility, and projects where we make a difference for the client with our specialist knowledge and skill. This further industrialization of the building process, involving the use of innovative modular concepts and standardization, enables Ballast Nedam to deliver enduring quality at the lowest possible life-cycle costs, both for its clients and for society as a whole.

Ballast Nedam's profile has consequently evolved in recent years from that of a major player in traditional markets to one of a knowledge-intensive project organization with a differentiated market approach.

Further details of Ballast Nedam's strategy can be found in Chapter 2 on page 26.

1.3 Core activities

Our core activities are in the housing and mobility areas of work. We focus on integrated projects and on innovative, industrial construction.

Areas of work

We fulfil customers' requirements in the *housing* and *mobility* areas of work:

- In our *housing* area of work we create quality of use and preserve value wherever people live, work and spend time. This encompasses the entire life cycle of a wide variety of buildings for the public, for business and for public authorities. We work on district and project development, urban restructuring in large, logistically complex projects and in renovation assignments.
- In the *mobility* area of work we seek to achieve accessibility while respecting livability and safety. We not only cater for maintenance and management, but also develop and implement built objects that facilitate goods and passenger transport by road, rail, air or water. Our efforts are directed towards minimizing environmental and traffic nuisance during the implementation of the works.

In all our activities our efforts are focused on energy-saving measures and we seek to strike the right balance between the conservation and use of natural resources, as an inseparable part of our living environment.

Integrated projects

Ballast Nedam focuses primarily on integrated projects in the Netherlands and, on a selective basis, outside the Netherlands. An integrated project is deemed to be a project in which:

- Ballast Nedam is responsible for at least three of the following activities in the life cycle of a project: conceptualization, development, implementation, maintenance and management/operation; and/or
- As part of a construction team Ballast Nedam oversees a coherent approach by multiple disciplines (such as construction technology, construction and installation technology) in a complex project with external parties.

Industrialization of the building process

By focusing on an innovative, more industrial construction method, Ballast Nedam has developed a distinctive portfolio of modular products. Under controlled conditions, this construction method provides not only increased efficiency and constant quality, but above all leads to gains in terms of sustainability. Ballast Nedam offers modular concepts for residential and non-residential construction, which can be used for new buildings and renovation. We also increasingly use prefabricated elements and a standardized approach in infrastructure projects to raise quality and reduce costs. The industrialization of the building process is an appropriate answer to our clients' life-cycle management approach and the changing social needs and requirements of end-customers.

1.4 Operational organization structure

Since 2014 Ballast Nedam has operated on the basis of three divisions, namely Building & Development, Infrastructure and Specialized Companies & Supplies. The Board of Management and the three Divisional directors jointly formed the Ballast Nedam Concern Council in 2014.

Board of Management			
CEO <i>Erik van der Noordaa</i>		CFO <i>Peter van Zwieten</i>	
Building & Development division <i>Arthur de Backker</i>	Infrastructure division <i>Jan Niks</i>	Specialized Companies & Supplies division <i>Hans van der Meer</i>	
BN Bouw & Ontwikkeling Speciale Projecten	BN Infra Speciale Projecten	Specialized Companies	Supplies
BN Beheer	BN Industriebouw	BN Specialistisch Grondverzet	Concrete Valley (50%)
BN Concessies & Ontwikkeling	BN Beton- en waterbouw	BN Infra Specialiteiten	BN Infra Participatie
BN Bouw & Ontwikkeling North/West	BN Wegenbouw	DIBEC	Ursem Modulaire Bouwsystemen (41%)
BN Bouw & Ontwikkeling South	BN Engineering	BN Milieutechniek	iQwoning®
		BN Asfalt	BN Grondstoffen
		BN IPM	Hoco Beton
		BN Funderingstechniek/ Gebr. Van Leeuwen	Haitsma Beton
		BN Materieel	Rademakers Gieterij
		Feniks Recycling	TBS Soest

In our 2015 annual report we will report on our activities in the aforementioned three divisions. For 2014, however, we continue to report on the basis of the four-segment classification which we used until that time. Building & Development, Infrastructure, Specialized Companies and Supplies. As in the past, the Concessions and Management business units are included in this 2014 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 6.1 *Management and control structure*, on page 110.

1.5 Overview of business brands

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

Building & Development



Bouwborg performs maintenance, renovation, service and restoration work as a national partner for housing associations and institutional investors.
www.bouwborg.nl



F.W. Onrust Vastgoedonderhoud has residential property maintenance, renovation and restoration operations in the greater Amsterdam region.
www.fwonrust.nl



Heddes Bouw & Ontwikkeling operates in the north of the Netherlands throughout the building industry.
www.heddes.nl



LAUDY Bouw & Ontwikkeling is based in the south of the Netherlands, where it serves the entire building industry.
www.laudybouw.nl



Zomers Bouwbedrijf has residential newbuild, renovation and maintenance operations in the north of the Netherlands.
www.zomersbouwbedrijf.nl

Specialized Companies & Supplies



Dibec provides various environmental, safety, dimensioning and materials technology services for large and small building projects alike.
www.dibec.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



Concrete Valley (50% Ballast Nedam) is a production facility for innovation-driven concrete producing businesses: WacoLingen, Microbeton and mBxbeton, whose products include culverts, light-weight balcony elements, and roof and façade elements.
www.concretevalley.nl



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



Großkünkkel Rurkies GmbH in Germany supplies sand and gravel for use in the concrete product and ready-mix industry.

www.grosskunkel.de



Haitsma Beton specializes in the optimum design and production of prefabricated concrete elements, piles and barriers for bridges, viaducts, stadiums and multi-storey car parks.

www.haitsma.nl



Hoco-beton supplies, develops and produces, either alone or with other market participants, advanced prefabricated concrete solutions for the entire spectrum of customers for concrete.

www.hoco-beton.nl



The iQwoning® is manufactured 85% in the iQwoning® plant, resulting in attractive benefits in terms of consistent high-quality, no waste, very short construction time, minimum environmental impact and excellent value for money. The iQwoning® easily meets the new EPC standard and is also suitable for very small-scale development or redevelopment.

www.iqwoning.nl



The Rademakers foundry supplies cast components to all sectors of industry where material economy and light weight are important.

www.rademakersgieterij.nl



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



TBS SOEST supplies the civil engineering industry with drainage, water management and water level control products.

www.tbs.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



GEBR. VAN LEEUWEN HARMELEN BV.

Van Leeuwen Verankeringen en Funderingssystemen specializes in anchorage and foundations.

www.vanleeuwenbv.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

1.6 Stakeholders

As a result of the wide diversity of companies within Ballast Nedam, we also have a wide variety of stakeholders. We distinguish 10 different types of stakeholder:

- 1 clients;
- 2 neighbours;
- 3 suppliers and subcontractors;
- 4 public authorities;
- 5 knowledge and educational institutions;
- 6 industry associations;
- 7 social organizations;
- 8 employees;
- 9 shareholders and investors;
- 10 banks and trade credit insurers.

Ballast Nedam's customer base mainly comprises Dutch public and semi-public clients. The diagram below shows an overview of the four main stakeholders (primary clients) with brief explanatory notes. The other types of stakeholder are shown in the diagram beneath it.

Clients

Important clients and customers		Characteristics	
National	Public clients	Central government	<ul style="list-style-type: none">- Larger role for PPP projects- Government's tight budget policy means companies involved must have strong balance sheets- Focus on sustainability in projects- Laws/regulations and stakeholders are important in projects
		Municipalities	
		Provincial authorities	
		Water authorities	
	Semi-public clients	Housing associations	<ul style="list-style-type: none">- Increasingly focused on renovation and maintenance- Larger role for PPP projects- Increasing importance of life-cycle management- Hospitals/care institutions adapted for other purposes
		Care institutions	
		Utility companies	
		Educational institutions	
	Private clients	Investors	<ul style="list-style-type: none">- Private clients are cautious about investing in projects- Investors are a new type of client in the private sector- Focus on sustainability in transport
		Project developers	
		Power companies	
		Transport operators	
International	Construction and Infrastructure	West Africa	<ul style="list-style-type: none">- Exporting construction and infrastructure knowledge and expertise- Various construction activities in the Caribbean area- Potential growth markets, including Turkey and Middle East
		Middle East	
		Caribbean Area	

Other types of stakeholder	Notes
Consumers	The consumer market for Ballast Nedam is restricted to the buyers of new and redeveloped homes. Customer-oriented development is one of our organization's core values. We routinely use this expertise in the development of newbuild homes and renovation projects.
The neighbours of our projects	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 neighbours with clear information and to minimize disruption.
Suppliers and subcontractors	Working closely in the chain of suppliers and subcontractors enables Ballast Nedam to provide its clients with optimum solutions. 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. Suppliers and subcontractors sign up to our code of conduct for subcontractors and suppliers.
Public authorities	Municipalities, provincial authorities and central government have a powerful influence on how the various Ballast Nedam companies operate. They deal with regulations and the awarding of contracts, set priorities, act as regulators and are important clients in their own right. Central government is also an important driver of more integrated contracts in construction and infrastructure. We pursue constructive dialogue with these stakeholders, both within projects and through industry associations. Ballast Nedam also has representatives on various Dutch standards committees for regulations. The company also participates in various platforms where public and private parties come together.
Knowledge and educational institutions	Students at universities of applied sciences and research universities are potential employment candidates for Ballast Nedam. Our main focus is on the universities of applied sciences in the Netherlands. Various Ballast Nedam staff advise on the main policies of several educational institutions in the Netherlands, including HU University of Applied Sciences Utrecht, TU Delft and the University of Twente.
Industry associations	Ballast Nedam participates in a variety of national and international partnerships and industry associations.
Social organizations	Ballast Nedam engages in dialogue with social and non-governmental organizations (NGOs), such as in our partnerships with the Foundation for Climate Friendly Procurement and Business (CO ₂ performance ladder), the Forest Stewardship Council (FSC-controlled timber) and MVO Nederland (CSR network for the concrete industry and various CSR network meetings).
Our employees	See Section 5.6 <i>Good employment practice</i> from page 86.
Shareholders and investors	Ballast Nedam sets great store by the maintenance of good relations with its shareholders. Investor Relations aims to inform shareholders in a straight-forward, fair and transparent way about the strategy of Ballast Nedam, the financial position and social aspects of the company. The Board of Management provides information for shareholders and investors. In discussions with shareholders, Ballast Nedam conducts an investor relations policy aimed at preventing the dissemination of price-sensitive information. The Board engages in regular dialogue through bilateral talks, roadshows, seminars, presentations of the yearly and half-yearly figures and the Annual General Meeting of Shareholders. Ballast Nedam also organizes a shareholders' excursion each autumn.
Banks and trade credit insurers	Banks and trade credit insurers make an important financial contribution to Ballast Nedam. There was frequent contact with these parties in the past year in connection with the refinancing operation.

1.7 Statement of the Board of Management

The 2014 Financial Statements (which are presented after page 138 below) give a true and fair view of the assets, liabilities, financial position and results of Ballast Nedam and the undertakings included in the consolidation and describes the principal risks facing Ballast Nedam. The Annual Report gives a true and fair view of the performance of the business during the financial year and the year-end position of Ballast Nedam and the undertakings included in the consolidation.



With the exception of a termination agreement concluded between a former member of the Board of Management and the company and the conclusion of agreements with major shareholders of the company in which they gave an unconditional commitment to participate in the rights issue (see also Section 3.1), no transactions took place in 2014 involving a conflict of interest on the part of supervisory directors, managing directors or natural or legal persons holding at least 10% of the Ballast Nedam shares. Best practice provisions II.3.2 to II.3.4 inclusive and III.6.4. of the Dutch Corporate Governance Code were complied with in these transactions. These are transactions which are of material significance for the company or the person in question.

ZUIDHORN BRIDGE HAITSMA BETON

The longest and heaviest beams

The new bridge over the Van Starckenborgh Canal in Zuidhorn has the longest and heaviest concrete beams ever produced. Haitsma Beton produced the enormous box beams (with a length of 68 metres and a weight of 240 tonnes) and also provided transport and assembly. The successful stripping of the formwork of the prefab elements was a promising start. Haitsma Beton supplied 15 HKP beams, 69 PA plates and peripheral elements for the triple-field bridge. The bridge foundations naturally included piles supplied by Haitsma Beton.



A.S.R. HEAD OFFICE, UTRECHT

Renovation while still in use

This renovation is a complex and integrated project, because we are carrying it out while the building remains in use. This requires good collaboration between a.s.r. and the consortium members Ballast Nedam and Kuijpers. By integrating the working processes in the chain, the construction consortium achieves the highest level of coordination for the client. The operating processes are carefully aligned with the operations of a.s.r.. As a result of the New Way of Working, the upgraded office will accommodate 2,800 workstations (for 4,000 FTEs). The first two phases and the underground meeting centre have now been delivered.



Strategy

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2

Strategy

2.1 Review of strategic measures in 2014

In this section we describe the strategic measures taken in 2014. The adjustment to the results made on 18 March 2015 prompted an adjustment to the strategy of the Infrastructure division. This change has been incorporated in the 2015-2017 Strategic Plan on page 29 and in the Outlook on page 31.

At the beginning of February 2014 Ballast Nedam announced a package of financial and operating measures. These included a programme of disposals and a refinancing operation supported by all 5%-plus shareholders and banks. The refinancing comprises a 30 million euros rights issue and new loans of 80 million euros maturing in 2017. The aim of this package of measures is to strengthen the balance sheet in order to create sufficient financial headroom for the accelerated implementation of the strategy focused on major integrated, complex projects.

Developing a differentiated market approach within the strategic focus

A differentiated market approach was developed for the three divisions within Ballast Nedam's aforementioned strategic focus in the 2014 financial year.

This market approach was developed in response to the disappointing results in the first half of the year and the additional cost overruns on the A15 Maasvlakte-Vaanplein PPP project. Disappointing results were also recorded on projects in the Infrastructure division, including the A2 Maastricht project, which is being implemented by the Avenue2 consortium.

Our definition of integrated projects and our pursuit of industrialization of the construction process are cross-divisional elements of our strategy. The specific characteristics of integrated projects differ greatly among the areas of work, however. We therefore define them in greater detail for each division.

In our differentiated market approach we classify these projects in each division on the basis of scale in the case of the Infrastructure division and complexity in the case of the Building & Development division. The complexity translates among other things into city-centre construction, renovation or transformation of property while it is in use

and the renovation of property subject to particular quality demands, such as hospitals. The added value of our knowledge and skill lies precisely in process control in this type of complex project, in multi-disciplinary collaboration with external parties.

See also the 2015-2017 Strategic Plan section on page 29.

Restraint with regard to major contractual risks

In preparing the implementation of its strategy, Ballast Nedam has brought its ambitions closer into line with our capacity and scale. That meant greater restraint when taking on major contractual risks, having regard to our risk profile and the company's more limited financial possibilities.

In the infrastructure market the number of integrated or PPP projects has increased and projects themselves have grown larger. In the construction market the relative share of integrated or PPP projects in real estate is lower; the scale of real estate projects is usually smaller. Ballast Nedam will continue to tender on a highly selective and focused basis. In the Infrastructure division in particular we exercise restraint when taking on major contractual risks. We pay particularly close attention to the risk profile in relation to the margin.

Chapter 4 *Risk and risk management* on page 60 provides further information on the management measures when incurring risky liabilities.

A9 GAASPERDAMMERWEG

Better accessibility

On behalf of Rijkswaterstaat IXAS ZUID-OOST is working on the widening of the A9 between the Holendrecht and Diemen junctions (Gaasperdammerweg). The A9 is being widened to five lanes in each direction plus a reversible lane. The additional lanes will improve the traffic flow, and thereby improve the accessibility of the northern parts of the Randstad region. Approximately 3 km of the A9 Gaasperdammerweg will be in a tunnel. That will make the air cleaner and there will be less noise. The roof of the tunnel will support a large park interconnecting the districts of south-east Amsterdam.

Completion of the disposal programme announced in 2014

During the reporting year we completed the programme of disposals announced in 2014. Various business units were sold, including the activities of Ballast Nedam Offshore. The sale of these offshore activities represented a significant extension of the original programme. The completion of the programme marked Ballast Nedam's departure from three of its four niche markets in 2014, these being in secondary raw materials, alternative fuels and offshore wind turbines. The scale of activities in the fourth niche market, industrial construction, is not sufficiently proportionate to Ballast Nedam's core activities to continue to qualify as a niche market.

Meeting clients' requirements in the housing and mobility areas of work

We have also redefined the areas of work on which Ballast Nedam focuses. Housing and mobility still form part of our core activities. The emerging areas of energy and nature, however, were mainly associated with the niche activities which have now been disposed of, so it is no longer appropriate to consider energy and nature to be areas of work.

Integrated projects nevertheless increasingly involve a wide range of issues related to our energy supply and nature conservation, as an inseparable part of our living environment. These are integrated projects in both the housing and mobility fields. Hence, although energy and natural resources are no longer separate working areas, our work on these projects continues to be focused on energy conservation and the balance between conservation and use of natural resources.

2.2 SWOT analysis 2014

We have used the SWOT analysis below to determine our Strategic Plan for the years 2015-2017.

Strengths	Weaknesses
<ul style="list-style-type: none">- Extensive experience of and expertise in integrated projects- Knowledge, experience and production facilities in modular and industrial concepts- Strong results in large-scale building projects and various companies in the S&S division- Ballast Nedam Engineering, the consulting and engineering firm of Ballast Nedam Infrastructure	<ul style="list-style-type: none">- Low solvency and its impact on areas such as financing, tenders, personnel retention and recruitment and investments- Poor results: insufficient control of operating processes and excessively high costs- Loss of reputation due to compliance violations, cost overruns and financial position
Opportunities	Threats
<ul style="list-style-type: none">- The flow of PPP construction projects remains constant and there is increasing demand for a multidisciplinary approach- Small-scale infrastructure projects are not attractive to foreign operators- The Dutch housing market is picking up; modular concepts can be rolled out rapidly, including in neighbouring countries	<ul style="list-style-type: none">- Growing scale of infrastructure projects is attracting foreign operators- Contract terms in PPP projects: financial risks are disproportionate to the margins on the projects- Fierce competition in regional construction and infrastructure results in very low margins- Delayed or lower-than-expected compensation for ongoing claims

2.3 Strategic Plan for 2015 - 2017

The three components of our 2015-2017 Strategic Plan are set out below. These are the three building blocks of Ballast Nedam's strategy framework. The explanatory note concerning the three building blocks is followed by a schematic representation of this framework.

First building block: strategic focus

Ballast Nedam focuses on the housing and mobility areas of work. Within these areas Ballast Nedam's strategic focus is on acquiring and implementing integrated projects in the Netherlands and abroad. We also work on projects where our specialist knowledge and expertise make a real difference for clients.

Ballast Nedam directs its strategic focus towards:

- a differentiated approach to the market, based on three divisions:
 - in the Netherlands, the Infrastructure division will focus exclusively on smaller, integrated infrastructure projects in concrete construction, road-building, civil engineering, and industrial construction. Tendering will be carried out on a highly selective and targeted basis for both Dutch and international projects, paying close attention in particular to the risk profile in relation to the margin;
 - primarily in the Netherlands, but also abroad, the Building & Development division focuses on the successful acquisition and implementation of complex, integrated projects and projects in which we can make a difference for the client with our specialist knowledge and skills in non-residential construction, modular house-building, renovation, large-scale maintenance and restoration;
 - the Specialized Companies & Supplies division supplies products and services whose distinctive features help deliver a clear competitive edge within Ballast Nedam's strategic focus. This division also operates on a market basis and thereby also contributes to the profitability of the Group through the third-party market. The division has a specific focus on strengthening and expanding modular and industrial concepts;
- expansion of the position in and the development of industrialized construction processes through the use of innovative modular concepts and standardization;
- increased life-cycle thinking and acting by means of an expansion of activities in the field of management, renovation and maintenance.

Second building block: continuous improvement in project management

Ballast Nedam is a knowledge-intensive project organization with a differentiated market approach. At project level we pursue continuous improvement in project management, maintaining quality, flexibility and reliability for the client and/or end-user. Project management and financial control are essential in this regard in order to achieve positive results in projects. We see safe working as an integral part of our activities.

In order to reduce the overall cost level and increase margins, the Infrastructure division in particular devotes additional attention on the one hand to optimization of risk management and project planning and on the other hand to improved contract management. We critically assess the tenders we select and particularly the margins. The right balance must be struck between risks and return. Tighter financial control provides a clearer insight into performances and the effects of our efforts. This makes Ballast Nedam an organization which proactively anticipates developments in the environment and the market and indicates how we can improve our own activities and processes on an ongoing basis.

Third building block: improving the financial position

The new 2015 financing arrangement in particular will enable Ballast Nedam to improve its financial position. The financing consists of two components:

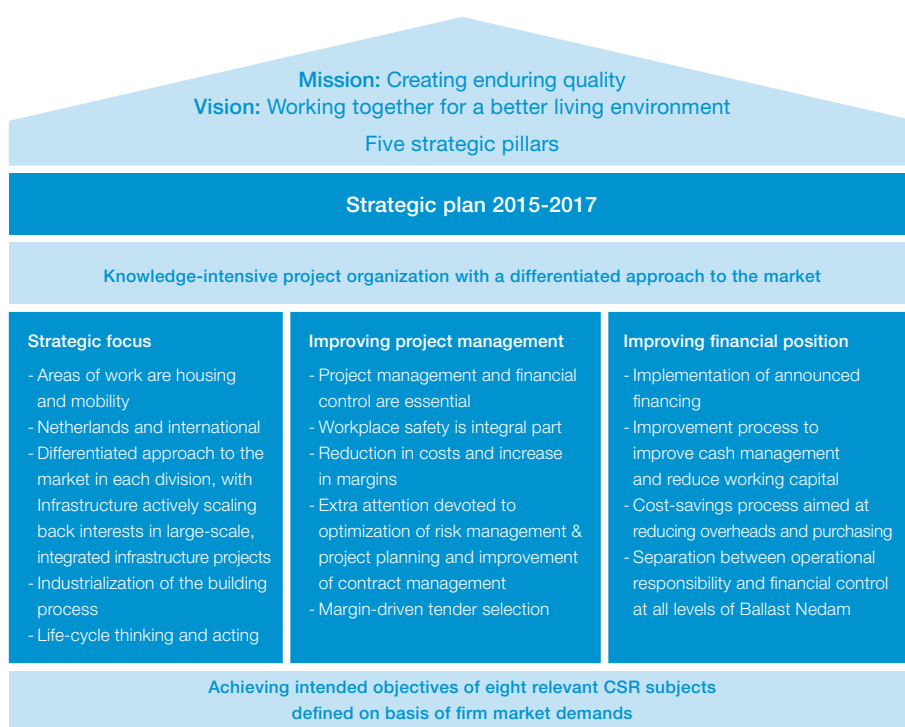
- The granting of financing comprising a subordinated bank loan of 10 million euros maturing on 31 March 2017, a subordinated bank loan of 43 million euros maturing on 31 March 2017, a revolving credit facility of 10 million euros expiring on 31 December 2015 and a committed guarantee facility initially of 265 million euros which will be reduced in line with the scaling back of large-scale infrastructure projects, including the A2 Maastricht and A15 Maasvlakte-Vaanplein projects.
- Outline agreement on a rights issue with existing holders of depositary receipts being offered tradable rights to subscribe for depositary receipts for shares totalling 20 million euros. Strukton has agreed to underwrite 10 million euros of the rights issue and will grant a bridge loan for that amount, which will be repaid from the proceeds of the proposed rights issue. The remaining 10 million euros of the rights issue will be underwritten by the banking syndicate comprising ING Bank, Rabobank, and Royal Bank of Scotland. A bridge loan will also be granted for this purpose and will be repaid from the proceeds of the rights issue.

The *50+25 improvement programme* was launched in the first half of 2014.

The aim of this programme is to improve cash management, limit working capital and save costs on overheads and purchasing. Our aim is to reduce working capital by 50 million euros and save 25 million euros of costs by the end of 2016. We have also separated operational responsibility from financial control at all levels of Ballast Nedam, with a view to further professionalization. We are also intensifying the support and supervision of the financial pillar.

The strategy framework of Ballast Nedam

Here we set out the components of the Ballast Nedam strategy and illustrate their connections within the strategy framework.



2.4 Outlook

Market conditions are still unfavourable and are expected to remain challenging. With the housebuilding sector as the only beacon of light, Ballast Nedam cannot yet see the market staging a recovery in 2015. The focus on the differentiated market approach and selective tendering, coupled with close attention to improvements in project management and cost savings, should result in the longer term in a better earning capacity for our company and reduced exposure to major risks.

Ballast Nedam will actively scale back its interests in large-scale infrastructure projects, including the A15 Maasvlakte-Vaanplein and A2 Maastricht projects. This will reduce Ballast Nedam's risk profile even further. In the Netherlands, the Infrastructure division will focus exclusively on smaller, integrated infrastructure projects in concrete construction, road-building, civil engineering and industrial construction. Tendering will be carried out on a highly selective and targeted basis for both Dutch and international projects, paying close attention in particular to the risk profile in relation to the margin. As a result, the extent of the infrastructure activities will decrease, necessitating an adjustment in capacity for the Infrastructure division.

With the distinctive portfolio of modular products which Ballast Nedam has developed, we are particularly well placed for the upturn in the housing market. Our extensive experience and knowledge of complex, integrated construction projects, in which we occupy a distinctive position through our process control in multidisciplinary collaboration with external operators, is also well aligned with the constant flow of PPP projects.

The direction taken by Specialized Companies & Supplies in 2014 has paid off and will be continued in 2015. The upturn in the housing market is expected to make a positive contribution to this. The implementation of the announced package of financial and strategic measures will also lead to a substantial improvement in solvency.



ZUIDERPARK SPORTS CAMPUS, THE HAGUE

Carbon-neutral building

The Zuiderpark Sports Campus, an initiative of The Hague city council and the Hague University of Applied Sciences is a meeting place for sport, education and movement. The first pile was driven into the ground on 26 March 2015 by Rabin Baldewsingh, Alderman of Sport for The Hague city council. In the Zuiderpark there will be a new sports complex of over 30,000 m² of floor space, mostly comprising local authority sport halls, the new accommodation for the HALO and sports management courses of the Hague University of Applied Sciences and an annex for sports training courses of the Mondriaan regional training centre. The principle behind the new complex is to create a carbon-neutral building. Ballast Nedam is providing the architectural part and Kuijpers is responsible for the installation work.

A15 MAASVLAKTE-VAANPLEIN, BOTLEK BRIDGE ROTTERDAM

One of the biggest lift bridges in Europe

The new Botlek Bridge is the highest-profile part of the A15 Maasvlakte-Vaanplein widening project. The deck of the bridge is as big as a football pitch. It is therefore a particular feat of logistics and execution. The vertical clearance of the new Botlek Bridge is higher, so it will have to be opened less frequently. Shipping traffic can also pass under the bridge in both directions simultaneously. The number of lanes in each direction is also being increased from one to two. The bridge will therefore help improve the flow of traffic on both road and water. In addition to the new bridge the Botlek Tunnel will remain available for road traffic. The A15 Maasvlakte-Vaanplein project is being built by the A-Lanes consortium, comprising Ballast Nedam, John Laing, Strabag and Strukton.



Strategic objectives and results

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3

Strategic objectives and results

This Chapter details the results achieved by Ballast Nedam in 2014 with regard to the strategic objectives defined in 2013. We then turn attention to the Group's 2014 financial results and the results at division level.

3.1 Results achieved in 2014 on strategic objectives set for 2014

Due to disappointing results and constant cost overruns on the A15 Maasvlakte-Vaanplein PPP project, a coherent package of financial, strategic and operational measures was initiated in the first half of 2014. For the sake of consistency, we report on the progress of these measures and state the connection with the five strategic objectives which we formulated in the 2013 annual report.

Financial measures: improving the liquidity position and solvency

In 2014 we took a number of financial measures aimed at improving the financial structure of Ballast Nedam. A refinancing operation was carried out. Our equity position was partially improved, but the improvement was negated by further disappointing results. The disposal programme was successfully completed. Further details are provided below.

Refinancing in 2014: successfully completed

In February 2014, a refinancing operation was carried out with the support of all 5%-plus shareholders and banks. This 110 million euros refinancing consists of new committed loans totalling 80 million euros maturing in 2017 and a bridging facility of 30 million euros, which was repaid from the proceeds of the 30 million euros rights issue. The loans totalling 80 million euros partly replace the existing, previously uncommitted, facility of 60 million euros. The refinancing agreement specified that income from any disposals of businesses made in the period up to 2017 would be used in part to repay the loans. In June 2014 an agreement in principle was signed with the banks including a 12-month deferment for the repayment of loans from the proceeds of the disposals.

The deferment applied to a maximum of 15 million euros. As a result of the disposal of the offshore activities, this part of the agreement ceased to apply. The covenants relating to the refinancing were determined in the third quarter of 2014.

Improvement in equity position: partially achieved

In July 2014, Ballast Nedam strengthened its balance sheet with a successful rights issue of 30 million euros of depositary receipts for shares with tradable rights. The 5%-plus shareholders, Hurks Group B.V., Navitas B.V., Delta Lloyd Levensverzekering N.V., Delta Lloyd Deelnemingen Fonds N.V., Bibiana Beheer B.V., Via Finis Invest B.V. and Menor Investments B.V., had committed unconditionally to a participation of approximately 69% in the rights issue. The remaining amount of the rights issue is guaranteed by means of a 'volume underwriting commitment' subject to customary conditions by ING and Rabobank, acting as joint global coordinators and joint bookrunners. The net proceeds of the rights issue of 27 million euros were used to reduce the company's debt burden, strengthen our financial position and increase our financial flexibility.

Disposal programme: successfully completed

At the end of 2013 we began the programme of disposals of businesses which did not contribute to the strategic focus. This programme was successfully rolled out in 2014 and extended in December 2014 with the sale of Ballast Nedam Offshore's activities. The disposal programme represents a total book profit of 76 million euros for Ballast Nedam and was completed in 2014.

The programme comprised the following disposals:

- Ballast Phoenix Ltd was sold to H2 Equity Partners (H2) for 38 million euros (100%, including 3.5 million euros earn-out). This generates a book profit of 22 million euros for Ballast Nedam. Ballast Phoenix Ltd is the subsidiary of Recycling Maatschappij Feniks B.V. operating in the UK market.
- Ballast Nedam's 30% interest in Beheermaatschappij Fr. Bontrup B.V. was sold for a sum close to its book value to the owner of the remaining 70% of the shares in the family business F. Bontrup Holding B.V.
- The alternative fuel businesses CNG Net B.V., LNG24 B.V. and CNG Net Realisatie en Onderhoud B.V. were sold to funds managed by Bencis Capital Partners B.V. ('Bencis') for approximately 26.5 million euros, generating a book profit of 3 million euros for Ballast Nedam.
- The sale of Ballast Nedam Offshore's activities to Van Oord represented an expansion of the disposal programme. The transaction consists of the sale of assets of Ballast Nedam Offshore, the staff of the EPCI services (EPCI: Engineering, Procurement, Construction and Installation), the Svanen heavy lift vessel and the Westermeerwind project (which is still in progress). The transaction generated a book profit of approximately 53 million euros.

For *strategic objective 2* in the 2013 annual report, to 'strengthen the financial position through a rights issue and sales of business units', we refer to the above report on progress with regard to financial measures.

With regard to strategic objective 5, to 'achieve a solvency of at least 20 by year-end 2016', our solvency at the end of 2014 fell to approximately 1.7% (compared to 11% at the end of 2013), despite the above measures. This means a structural improvement in solvency is necessary. This requires a strengthening of shareholders' equity and structurally profitable projects in the years ahead. In addition, we are pursuing cost savings, for which the 50+25 improvement programme was initiated in 2014.

The aim of this programme is to reduce our working capital by 50 million euros and save 25 million euros of costs, coupled with more selective tendering and improved project management.

Strategic measures: implementation of the differentiated market approach within the strategic focus

Within Ballast Nedam's strategic focus, a differentiated market approach has been developed for the three divisions.

The characteristics of integrated projects differ widely depending on the area of work; these have therefore been defined in greater detail in each division. In the differentiated market approach we classify these projects in each division on the basis of *scale* in the case of the Infrastructure division and *complexity* in the case of the Building & Development division. The strategy also includes cross-divisional elements. These are the definition of integrated projects and our pursuit of industrialization of the construction process. Further information on the strategy can be found in Chapter 2 *Strategy* on page 26.

Strategic objective 1 in the 2013 annual report stated: '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.'

Integrated projects

Ballast Nedam will be more restrained when taking on major contractual risks, having regard to our risk profile and the company's more limited financial possibilities. We will therefore tender on a very targeted and selective basis for large, integrated projects. Ballast Nedam also won the design & construct contract for the N31 Traverse Harlingen project, worth approximately 84 million euros, in 2014.

The proportion of integrated projects in the order book at the end of 2014 fell slightly to 55%, compared to 68% at the end of 2013. The A9 Gaasperdammerweg PPP project was not included in the order book due to the application of IFRS rules.

Life cycle thinking and acting

Life cycle thinking and acting still has a central place in our strategy. This is reflected both in the activities in the field of maintenance and management, and in the focus on modular construction. The following contracts were added to the ongoing maintenance and management activities in 2014:

- A maintenance contract with Heijmans for the new Meander Medisch Centrum hospital in Amersfoort for preventive and corrective maintenance. The overall framework contract began on 1 February 2014 and has a minimum term of three years.
- A contract for underwater inspections and maintenance of the Butendiek Offshore wind farm from OWP Butendiek GmbH & Co KG. This is a subsidiary of the German developer and wind farm operator wpd AG. The contract began on 1 January 2015 and has an initial term of five years.
- A two-year extension of the contract with the provincial authority of North Brabant for maintenance of the highway network. The contract comprises the maintenance of approximately 550 km of provincial highways and the associated segregated or integrated cycle paths.

Modular building

We maintained full efforts to pursue strategic objective 2 in the 2013 annual report, 'to develop and extend modular products':

- We delivered the third prototype home in the development phase for houses in the Stroomversnelling ('Fast-track') project. This is an innovation deal between six housing associations and four large construction companies for the sustainable renovation of 111,000 rented homes. The purpose of these prototype homes is to enable Ballast Nedam, in collaboration with URSEM Modulaire Bouwsystemen (41% owned by Ballast Nedam), to test this approach.
- URSEM, in collaboration with Heddes Bouw & Ontwikkeling, also built 233 modular student residences on the Uilenstede campus in Amstelveen in a tower of 11 and five storeys. The first residence was installed in January 2014 and the building entered service at the beginning of the 2014-2015 academic year. The building is aesthetically identical to the traditionally built structure on the site, both inside and out. As a result of modular production, however, it was built faster and to a higher technical standard.
- In addition, Ballast Nedam produced a total of 99 iQwoning® homes in 2014; around 27 of these are being delivered in the first months of 2015. The percentage of iQwoning® homes as a proportion of the total number of homes started in 2014 thereby increased to 28% (compared to 13% in 2013). Fewer homes were started in 2014 than in 2013.
- The first project with energy-neutral iQwoning® homes was delivered in Eindhoven and the new 6.30-metre series entered production in 2014.
- It is also notable that the iQwoning® was recently selected as the most economically advantageous tender in an invitation to tender focusing specifically on concept homes for a demolition and rebuilding project. More information on the iQwoning® can be found on the Innovative housing concept theme page on page 48.
- Finally, Haitsma Beton supplied 667 modular 3D prefabricated cells for the Zaanstad Penitentiary. The prefabricated cells are complete units in which the facilities have already been installed. The units are delivered in shell form to the site. 24 cells are being installed per week across the various building streams on the site. The final delivery was due by the end of February 2015. The completion phase of the new penitentiary is now under way. Construction began in May 2014 and the institution will enter service in mid-2016.

Former State Secretary Teeven for Security and Justice visited the Zaanstad Penitentiary construction site on 19 November and installed a prefabricated cell himself. The State Secretary described the Zaanstad Penitentiary as 'an institution being equipped with the latest IT for more efficient operation. The means of tendering and the construction and operating methods make Zaanstad Penitentiary relatively cheap'.



ZAANSTAD PENITENTIARY

Built partly with modular prefab cells

Ballast Nedam is building the Zaanstad Penitentiary in collaboration with Imtech Building Services. The penitentiary is future proof, can be used on a multifunctional basis and is suitable for multi-person cells. The new Zaanstad Penitentiary is being built partly using modular prefabricated cells. This innovative, more industrial building method in clean room conditions meets the requirements of the Judicial Establishments Service for a secure, efficient prison.



Operational measures: running according to plan

The operational measures have run according to plan and mainly comprise the restructuring of the Building & Development division and organizational changes in the Infrastructure division. The aim is to align the divisions with the differentiated market approach within the strategic focus. The Specialized Companies & Supplies clusters were also merged into a single division.

- Restructuring of the Building & Development division: The transition of the Building & Development division was completed in the first half of the year. The division has been reorganized as three nationally operating business units: 1) Special Projects; 2) Concessions & Development; and 3) Management. The regional business has been divided into two areas. These comprise Heddes Bouw & Ontwikkeling (North/West of the Netherlands), LAUDY Bouw & Ontwikkeling (South of the Netherlands) and the nationally operating maintenance and renovation company Bouwborg.
- Organizational change in the Infrastructure division: For the organizational change to an Infrastructure division, the nationally integrated infrastructure business was divided into four market segments: 1) integrated infrastructure projects (NL); 2) smaller (specialist) concrete, water and industrial construction projects (NL); 3) international specialist projects; and 4) roadbuilding. This organizational change was completed in the second half of the year.
- The reorganizations and process improvements carried out in the Specialized Companies & Supplies division in 2013 contributed positively to the operating profit in 2014. The merger of the Specialized Companies & Supplies clusters to form a Specialized Companies & Supplies division was carried out during the year. The operational control was thereby further integrated in accordance with the strategic focus and the policy was aligned accordingly. With effect from the 2015 financial year, the results of the Specialized Companies & Supplies division will also be reported on an integrated basis.

Strategic CSR objectives

The 2013 annual report also includes strategic objective 5 with regard to 'achieving the CSR objectives'. The results for the eight CSR subjects can be found in Chapter 5 *Corporate Social Responsibility* on page 78.

We take a proper approach in our CSR policy, although we believe the number of accidents and injuries is too high. A Safety Core Team has therefore been instructed to implement a new safety policy.

The tighter strategy will also impact the CSR policy for 2015. Ballast Nedam will focus more on firm requirements to be able to perform better in the CSR areas of relevance to our market.

3.2 Financial results

Operating profit

EBIT

x € 1 million	2014	2013
Infrastructure	(59)	4
Building & Development	(7)	(11)
Specialized Companies	5	(19)
Supplies	17	6
	(44)	(20)
Other	(21)	(12)
Total	(65)	(32)

Ballast Nedam had another difficult year, with a dramatic operating loss of 65 million euros. This loss included 28 million euros of restructuring and reorganization costs, impairment charges on land positions, assets and goodwill, and 76 million euros of book profits on disposals. The sharpest deterioration can be seen in the Infrastructure segment. The operating losses were caused by cost overruns on the A15 Maasvlakte-Vaanplein, Avenue2 and Breda public transport terminal projects and a number of infrastructure projects. The Specialized Companies & Supplies division made a positive contribution to the operating profit. Additionally, several large construction projects in the Building & Development division also had a positive effect on the result. The 'Other' result consisted mainly of holding company costs.

The order book at year-end 2014 amounted to 1,026 million euros. This order book does not include the order book totalling 229 million euros for the Zaanstad Penitentiary (Pi2) and SAA A9 Gaasperdammerweg (IXAS) PPP projects. This is due to strict application of the IFRS 11 rule for consolidation. These two projects are therefore recognized in accordance with the equity method. The 2013 figures have been aligned with the change of accounting policy.

The net loss for the period was 103 million euros (compared to a loss of 41 million euros in 2013).

Revenue

x € 1 million	2014	2013
Infrastructure	458	546
Building & Development	611	528
Specialized Companies	190	260
Supplies	151	181
	1 410	1 515
Other	(244)	(285)
Total	1 166	1 230

Revenue decreased by 9% from 1,230 million euros to 1,166 million euros due to the declines in the Infrastructure and Specialized Companies & Supplies segments.

Margin

x € 1 million	2014	2013
Infrastructure	(12.9%)	0.7%
Building & Development	(1.2%)	(2.2%)
Specialized Companies	2.6%	(7.3%)
Supplies	11.3%	3.3%
Total	(5.6%)	(2.6%)

The overall margin decreased from minus 2.6% to minus 5.6%. Disregarding the write-downs and reorganization expenses, the margin declined from minus 1.4% in 2013 to minus 9.7%.

Profit for the period

x € 1 million	2014	2013
EBIT	(65)	(32)
Net finance income and expense	(7)	(7)
Result from associated companies	3	1
Profit before income tax	(69)	(38)
Income tax expense	(34)	(3)
Profit for the period	(103)	(41)

The net finance income and expense amounted to 7 million euros, remaining at the same level as in 2013. Taxes excluding impairments of deferred tax assets fell from 3 million euros in 2013 to 2 million euros due to lower positive results outside the tax group and disposals of foreign activities. In 2014, the deferred tax assets were written down by 32 million euros due to the disappearance of the temporary tax/commercial accounting differences following the sale of the Svanen heavy lift vessel (18 million euros) and the previously recognized unused tax losses (13 million euros) based on adjusted business plans. This results in a net loss for the period of 103 million euros, a deterioration of 62 million euros compared to 2013.

Order book

x € 1 million	2014	2013
Infrastructure	559	596
Building & Development	625	691
Specialized Companies	49	113
Supplies	61	52
	1 294	1 452
Other	(268)	5
Total	1 026	1 457

The order book contracted by 317 million euros to 1,026 million euros, excluding Pi2 and IXAS. The decrease in the Infrastructure division was mainly caused by the disposal of the offshore activities. The completion of large projects in the Infrastructure and Building & Development divisions was another contributing factor. In the Specialized Companies & Supplies division, the decrease was the result of disposals in Supplies and reorganizations in Specialized Companies.

Assets and cash flows

Ballast Nedam's shareholders' equity decreased by 79 million euros to 11 million euros. Despite the 30 million euros rights issue successfully completed in July 2014, shareholders' equity decreased due to the net loss of 103 million euros. The loss led to a fall in solvency from 11% at year-end 2013 to around 1.7% at year-end 2014.

The total cash flow for 2014 was 91 million euros positive, compared to a negative cash flow for 2013 of 47 million euros.

The cash flow from operating activities deteriorated by 45 million euros in 2013 to a negative operating cash flow of 79 million euros for 2014. In spite of an improvement in work in progress, receivables and inventories, the operating cash flow deteriorated due to the rise in PPP receivables for the Zaanstad Penitentiary project and the ending of the reorganization provisions.

The cash flow from investing activities amounted to 111 million euros positive compared to 9 million euros negative for 2013. This consisted of 17 million euros of investments and 111 million euros of disposals. Investments included 12 million euros of property, plant and equipment, 2 million euros of intangible assets and 3 million euros of financial assets. The 12 million euros net investment in property, plant and equipment was lower than the 15 million euros of depreciation.

Most of the positive cash flow from financing activities of 59 million euros consisted of the 48 million euros of drawings under PPP loans, 14 million euros of repaid long-term loans, and a rights issue with net proceeds of 27 million euros.

Assets and liabilities

Total assets declined by 172 million euros to 654 million euros. This was due to lower investments and the disposal of Ballast Phoenix Ltd., Bontrup B.V., CNG Net B.V. and the offshore activities. The working capital requirement improved by 29 million euros as a result of lower current assets. Capital employed improved by 125 million euros to 76 million euros.

The unconditional capital contribution commitments with regard to the PPPs was 21 million euros at the reporting date, compared to 9 million euros at year-end 2013. This increase is due to the acquisition of the A9-Gaasperdammerweg project.

Financing position

x € 1 million	2014	2013
Cash and cash equivalents	123	51
Bank overdrafts	(3)	(22)
Net cash	120	29
Recourse loans	(82)	(90)
Financing position	38	(61)
Non-recourse loans	(5)	(18)
Financing position including non-recourse	33	(79)

Ballast Nedam's financing position improved by 99 million euros, from 61 million euros of debt at year-end 2013 to a positive position of 38 million euros. The financing position including the non-recourse loans declined by 112 million euros, from a debt position of 79 million euros at year-end 2013 to 33 million euros. Net cash rose by 72 million euros to 123 million euros. The cash includes approximately 53 million euros in a blocked account which is not freely available. This is an escrow account. The money entails the proceeds of the sale of the offshore activities and will be used mainly to repay loans, as part of the planned refinancing. We expect to see a further decrease in these prepayments and greater use made of the working capital facilities during the year. At year-end, these facilities were unutilized. The normal pattern is for a larger capital requirement to arise during the year.

Loans

x € 1 million	2014	2013
PPP loans		3
Land bank financing	34	40
Business loans	49	51
Finance leases	2	5
Other loans	2	9
	87	108
Recourse	82	90
Non-recourse	5	18
	87	108
Current loans	31	8
Non-current loans	56	100
Financing position including non-recourse	87	108

Strengthening equity and refinancing

In July 2014, Ballast Nedam strengthened its balance sheet with a successful rights issue of 30 million euros of depositary receipts for shares with tradable rights. The net proceeds of the rights issue of 27 million euros were used to reduce the company's debt burden, strengthen our financial position and enhance our financial flexibility.

In February 2014, a refinancing operation was carried out with the support of all 5%-plus shareholders and banks. This 110 million euros refinancing consists of new committed loans totalling 80 million euros maturing in 2017 and a bridging facility of 30 million euros, which was repaid from the proceeds of the 30 million euros rights issue. The loans totalling 80 million euros partly replace the existing, previously uncommitted, facility of 60 million euros.

The refinancing agreement specified that income from any disposals of businesses made in the period up to 2017 would be used in part to repay the loans. In June 2014 an agreement in principle was signed with the banks including a 12-month deferment for the repayment of loans from the proceeds of the disposals. The deferment applied to a maximum of 15 million euros. As a result of the disposal of the offshore activities, this part of the agreement ceased to apply. The covenants relating to the refinancing were determined in the third quarter of 2014.

The large business loan of 49 million euros matures in April 2017. The fixed interest rate is 5.4% and the loan is secured by mortgages on a number of properties in use by Ballast Nedam. The purpose of the other large loan of 29 million euros is mainly to finance several land positions in a separate company. This loan matures in October 2015 and the interest rate is Euribor plus a margin of 2%. Mortgages have been taken out as security for these land positions. There are no financial covenants in the conditions of the long-term recourse loans.

The other long-term loans of 58 million euros consist of 49 million euros of PPP loans, for which the interest rate is fixed by means of derivatives. There is no possibility of recourse against Ballast Nedam for 54 million euros of the 136 million euros of long-term loans.

3.2.1 Infrastructure division

x € 1 million	2014	2013
Revenue	458	546
EBIT	(59)	4
Margin	(12.9%)	0.7%
Order book	559	596
Assets	116	247

EBIT and revenue

The Infrastructure segment recorded a dramatic loss of 59 million euros compared to a profit of 4 million euros in 2013, on a 16% decrease in revenue. This decrease in revenue was due in particular to lower revenue from industrial construction and road-building. By far the greatest impact on this negative operating profit was caused by the significant additional cost overruns on the A15 Maasvlakte-Vaanplein project, carried out by the A-Lanes A15 consortium, and disappointing project results in the Infrastructure division, including the A2 Maastricht project, carried out by the Avenue2 consortium.

For the A-Lanes A15 consortium, total cost overruns on the design and construction activities were ascertained to be 318 million euros. Ballast Nedam officially has a 33.33% participation in the construction consortium. However, based on the agreed working arrangements, Ballast Nedam's effective share in the project is 40%. This means that of the cumulative amount of 318 million euros in cost overruns, Ballast Nedam has to recognize a loss of 127 million euros at year-end 2014. Disappointing results for the A2 Maastricht project (26 million euros) and a number of infrastructure projects also had negative consequences. The offshore activities and the foreign activities made positive contributions to the 2014 result. The result also includes a book profit of 53 million euros from the sale of the offshore activities.

The total assets of the Infrastructure division decreased compared to 2013. At year-end 2014, they amounted to 116 million euros due to a decrease in working capital and the sale of offshore activities.

Market and order book

Infrastructure projects in the Dutch market are growing in size and thus becoming more limited in number. They are also taking place in more rapid succession. These large-scale projects are characterized by high risk profiles and large capacity utilization. Foreign players are entering this market of increasingly larger infrastructure projects. As far as management and maintenance are concerned, government bodies continue to invest in the existing areas. In 2014, the order book contracted by 37 million euros to 559 million euros due to the sale of the offshore activities and the progress made on a number of major multiyear projects.

Integrated projects

In the second half of 2014, the Infrastructure division won the tenders for the A9 Gaasperdammerweg and the N31 Traverse Harlingen projects.

The A9 Gaasperdammerweg public-private partnership (PPP) project includes the design, construction, management and maintenance, and financing of the existing and new infrastructure of the A9 between Diemen and Holendrecht.

The work commissioned by the Dutch Ministry of Public Works and Water Management (Rijkswaterstaat) has a nominal project scope of approximately 700 million euros in total, including twenty years of management and maintenance once the new infrastructure is made available. Ballast Nedam, Fluor, and Heijmans are jointly participating in the construction and operation phase with a share of one third each.

The design and construction contract for the N31 Traverse Harlingen project involves the dualling of a section of the N31 over a length of approximately 3km, the building of an aqueduct in the Van Harinxma canal and the construction of five viaducts for the intersection with the railway line and the underlying road network. The contract is worth approximately 84 million euros.

International projects

In 2014, Ballast Nedam delivered the Carolina bridge over the Suriname River. The design and construction of this bridge had a contract value of approximately 19 million euros. This work was commissioned by the Ministry of Public Works in Suriname.

A request for arbitration was submitted to the International Court of Arbitration (ICC) by Ballast Nedam against its client, Staatsolie Maatschappij Suriname, regarding a claim of almost US\$50 million. More information on this can be found in Section 4.5 *Specific risks* on page 73.

In the autumn of 2014, work started on the construction of the new Nobo Otrobanda hospital in Curaçao. The contract is worth over 108 million euros (US\$ 135.6 million).

In addition, we are still working on a tender for water purification in Kpong, Ghana, with a contract value of 70 million euros, for which the financial close is expected to be reached in 2015. The contractual construction period is 24 months. Work is expected to



UILENSTEDE CAMPUS, EAST AMSTELVEEN – URSEM MODULAIRE BOUWSYSTEMEN / HAITSMA BETON

Vertical modular construction

The campus provides affordable accommodation for students and work is currently under way on a large scale. A total of around 700 flats are being built. Turnkey, modular student homes are stacked on top of each other to create an 11-storey high-rise building. This has never been seen before in the Netherlands. The use of the Ursem3D® building system allows much faster and cheaper building while maintaining the same quality. Haitsma Beton is supplying the prefabricated concrete floors with various facilities for the project. Although the construction method is different, the new flats look on the inside and out precisely like the other new buildings on the campus.



start during the second half of 2015. The largest component of the work is the delivery and installation of a 54 km-long GRP transport pipe. The remaining activities are the construction (expansion) of a water purification system with a capacity of 30,000 m³ per day and the laying of a 10 km transport pipe to the industrial park in Tema.

Smaller (specialized) concrete, road-building, civil engineering and industrial construction projects

The Katwijk coastal works project was delivered in 2014. This integrated project combines the much-needed strengthening of seaward defences at Katwijk with more underground parking spaces and a dune and recreational area. The engineering and construction (E&C) contract had a value of approximately 38 million euros. The project was carried out by the Ballast Nedam & Rohde Nielsen consortium.

The new energy-neutral Johan Friso navigation lock in Stavoren was delivered and was officially opened by King Willem-Alexander. The lock has been expanded with a new lock chamber that has the appearance of a natural berth. The new lock is part of the Frisian Lakes project.

The Margaretha Zelle aqueduct in the Van Harinxma canal in Leeuwarden was also delivered, and is already being used by traffic. The last weather-sensitive work is being carried out on the aqueduct in the spring of 2015. The aqueduct is part of the construction of the Western Approach Road to keep Leeuwarden accessible in the future.

The renovation of the sheet piling in the Amsterdam-Rhine Canal was carried out in 2014 and is expected to be completed in 2015. This involves renovation of 23 km of sheet piling on the Amsterdam and Wijk bij Duurstede section. The design and construction contract is worth more than 30 million euros. The project is being carried out by the Ballast Nedam & De Klerk consortium.

Schiphol Nederland B.V. and Ballast Nedam signed an agreement on 17 December 2014 for the construction of a new P3 Car Park at Schiphol. This is also a design and construction contract. It was awarded on a MEAT (most economically advantageous tender) basis. The car park will be built at the front near the entrance to the P3 long-term car park. It is part of Schiphol's plan to expand its parking capacity and increase comfort for car park users. There will be an additional 2,600 parking spaces over six floors. Construction will start on 1 July 2015 and the car park is due to enter service in 2016.

Offshore niche market

The installation of the eighty foundations for the Butendiek German offshore wind turbine project made good progress in 2014. This project is scheduled for completion in mid-2015. The financial close of the Westermeerwind contract was achieved in the third quarter of 2014 for the design, delivery and installation in 2015 of the foundations for 48 wind turbines for a wind farm in the Northeast Polder. However, Ballast Nedam moved out of the offshore niche market in December 2014 due to the necessary expansion of the disposal programme. The activities of Ballast Nedam Offshore were sold to Van Oord. The Westermeerwind project is therefore no longer included in the order book.

Action plans for 2014

Financial, strategic and operational measures were announced and implemented in 2014 (see the related reporting in Section 3.3 *Strategic objectives*, page 57). The previously announced action plans at division level for 2014 have been included and the priorities with regard to the action plans have been adjusted.



3.2.2 Building & Development division

x € 1 million	2014	2013
Revenue	611	528
EBIT	(7)	(11)
Margin	(1.2%)	(2.2%)
Order book	625	691
Assets	332	275

EBIT and revenue

The Building & Development division incurred an operating loss of 7 million euros in 2014 on a 16% increase in revenue. The results are in line with the business plan and were negatively affected by one-off restructuring costs, impairment of the land bank, and the book profit on the sale of CNG Net B.V.. Disregarding these one-off cost/income items, the operating loss was 1 million euros, which is an operational improvement of 83%. The result is also affected by a loss of approximately 12 million euros on the Breda public transport terminal. Several large construction projects made positive contributions to the operating profit. In the fourth quarter, the Building & Development division sold CNG Net and LNG24, ending its activities in the niche market for alternative fuels.

The assets of the Building & Development division amounted to 332 million euros and are 57 million euros higher than at year-end 2014.

Market and order book

The housing market is slowly picking up. According to CBS/EIB forecasts (CBS: Statistics Netherlands; EIB: Economic Institute for the Construction Industry), the production of newbuild homes in particular will see a significant increase in 2015 and 2016. In anticipation of this, we have positive expectations regarding demand for the modular iQwoning®, which offers an attractive proposition. There is also a notable increase in demand from housing associations for the renovation of rented housing.

For the next few years, the prospects for the housing market are favourable due to the low production of new housing in recent years and demographic developments. The office market will take longer to recover, in view of the current number of vacant properties and the 'New Way of Working'. Most of the opportunities for non-residential construction can be found in renovations and redesignations. This will benefit companies such as Concrete Valley with its façade systems and URSEM Modulaire Bouwsystemen with modular products such as prefabricated bathrooms. We are noticing a growing trend towards making existing property more energy efficient.

The order book contracted by 10% in 2014 to 625 million euros. In the past year there were fewer projects in the market and no large, complex projects were taken on. In March, however, Ballast Nedam was awarded the contract for renovation work on the Thialf stadium in Heerenveen. Ballast Nedam was also awarded the contract for the renovation of the Grand Hotel Krasnapolsky on Dam Square in Amsterdam in the first quarter of the year. In addition, good progress was made on the complex, integrated projects.

Innovative housing concept

The iQwoning® is available in two series with widths of 5.40 and 6.30 metres and in six different versions: Compact, Rental Rooms, Lifetime, Practical, Space and Semi-Detached. Carefree living comfort is guaranteed thanks to a wide range of options and a maintenance package for 15 years or longer.



5.40 R | Newbuild for extension

Bay windows and side entrances, varied roofs
16 homes | Sale: ≥ € 234,500
Ballast Nedam in Hazerswoude



5.40 R | Newbuild for neighbourhood development

Energy-neutral
74 homes | Rent: around € 680
Woonbedrijf Eindhoven in Eindhoven



5.40 R | Newbuild for extension

Complete, luxury design
48 homes | Rent: € 850 - € 1,000
Syntrus Achmea REF in Barendrecht



5.40 R | Newbuild in
5.40 C | own development

Starter homes

10 homes | Sale: € 189,500 - € 230,000
Ballast Nedam in Beusichem



All versions comfortably meet the requirements of the 2015 Building Code with the new EPC standard and can also be made energy-neutral. The industrial production method delivers attractive benefits: consistent high quality, no waste, very short building time, minimum disruption to the surrounding area and excellent value for money.
www.iqwoning.nl



5.40 R | Collective Private
Commissioning

Individual façades

7 homes | Sale: € 185,000 - € 210,000
Private individuals in Dordrecht



5.40 R | Demolition and newbuild for
6.30 L | neighbourhood improvement

MEAT tender for turnkey concept homes

61 homes | Rent: around € 700
Woningstichting Buitenlust in Oegstgeest

5.40 R | Pilot project on energy-
neutral building and renting

Energy-neutral, performance monitoring

8 homes | Rent: around € 700
Vivare in Rheden



The order book does not yet include the construction of the new Zuiderpark Sports Campus, for which Ballast Nedam and Kuipers were officially awarded the contract by the City of The Hague and The Hague University of Applied Sciences in December 2014. The total value of the contract amounts to approximately 47 million euros. The existing Zuiderpark sports facilities will be expanded with the addition of a sports complex with a gross floor area (GFA) of more than 30,000 m². The complex includes a professional sports hall with stands to accommodate around 3,500 spectators, two recreational sport halls, a hall for beach volleyball and beach soccer, a gymnastics hall, a dance room, a dojo for martial arts, fitness rooms, lecture rooms, and project and research rooms with all the necessary amenities and facilities. The main principle behind the new complex is to create a Carbon-neutral building. Construction of the Zuiderpark Sports Campus will start in April 2015 and is due to be completed in August 2016.

An agreement has been reached with the City of Rotterdam with regard to the Hart van Zuid PPP project. The development of the Hart van Zuid area involves a total investment of approximately 330 million euros over a period of twenty years. The financial close is expected to be reached by the start of 2015. This project has not yet been included in the order book.

In May 2014, a construction and operation agreement was also signed with the City of Amsterdam for the Food Center Amsterdam, signalling the start of the integrated development of this area. This means we have started on the transformation of the current 23-hectare site to a modern Food Center covering approximately 100,000 m² of industrial land, the construction of around 1,600 homes, and the restoration of the Central Market Hall, which is a national heritage site. The new Food Center Amsterdam is a 25-year area concession, in which the VolkerWessels Vastgoed and Ballast Nedam consortium is in charge of the pace and programme. This project has not yet been included in the order book.

Complex, integrated projects

At the beginning of May 2014, the Pi2 consortium started work on the Zaanstad Penitentiary PPP project. The consortium is a partnership between Ballast Nedam (65%) and Royal Imtech (35%). This PPP project comprises design, construction, maintenance, financing and facility management and has a term of 25 years from the date of delivery. The project has a nominal value of approximately 300 million euros. Ballast Nedam is the sole shareholder in this PPP project.

Modular building

The Buitenlust housing foundation in Oegstgeest has awarded Ballast Nedam and the architectural firm VanWilsumVanLoon a contract to demolish seventy homes and build 61 new iQwoning® homes in the Buitenlust district. The invitation to tender specifically focused on prototype housing for a demolition and new build project. The Buitenlust housing foundation is 'renewing' all 211 rented homes in the district during the period from 2011 to 2016. Most will be renovated to retain the special character of this district during the extensive restructuring. The Buitenlust housing foundation has opted for conceptual building in order to limit the duration and impact of disruption on the area and to achieve a high quality result. The demolition of the seventy houses and the construction and completion of the 61 iQwoning® homes are scheduled for 2015.

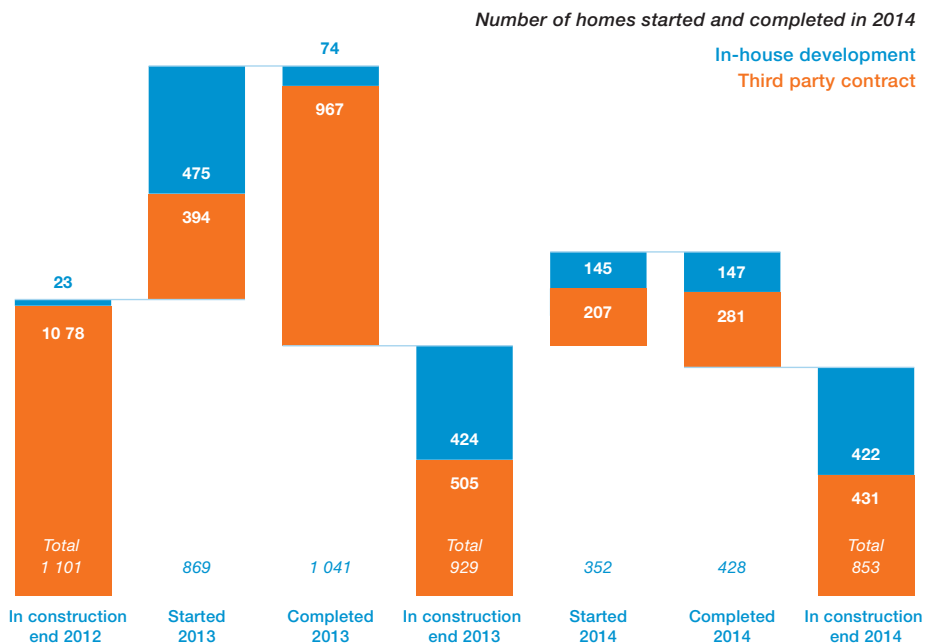


Ballast Nedam and Syntrus Achmea Real Estate & Finance have signed a turnkey agreement for the construction of 48 iQwoning® homes in the Vrouwenpolder-Lagewei district in Barendrecht. The 48 iQwoning® homes are luxuriously furnished and fully equipped, and beautifully designed by the architectural firm VanWilsumVanLoon, which has also been commissioned by the municipality to create the urban development plan. The homes in the project will be ready for occupation in May 2015. In the next phase, Ballast Nedam will also develop 26 owner-occupied houses in the cheaper sector in the district. More information on the iQwoning® can be found on the *Innovative housing concept* theme page on page 48.

The third prototype home has been completed as part of the Stroomversnelling (Fast-track) project. Stroomversnelling is an innovation deal between six housing associations and four large construction companies for the sustainable renovation of 111,000 rented homes. In line with its Strategic Plan, Ballast Nedam is providing innovative modular building methods and systems for the project. The ultimate aim is to renovate a home in one day with minimum disruption for the occupants and their environment. The purpose of these prototype homes is to enable Ballast Nedam, in collaboration with URSEM Modulaire Bouwsystemen (41% owned by Ballast Nedam), to test and develop this approach, which will eventually lead to a profitable business case for the housing associations.

Housebuilding activities: property development exposure and land positions

The number of homes started and under construction decreased in 2014 by 517 to 352. The number of homes delivered decreased in 2014 by 59% to 428. As a result, the number of homes under construction decreased by 76 homes to 853. The homes being developed in-house mainly consist of student homes in Leiden (396 of the 424). Homes under construction for third parties include the following larger-scale housing projects: 104 homes in Loevepark in Oosterhout, 157 homes in Tugelaweg in Amsterdam, and 90 homes in Sassembourg in Sassenheim.



Property development exposure

x € 1 million	2014	2013
Land positions	130	142
Unsold stock under construction	4	5
Unsold stock delivered	7	10
Total on balance	141	157
Liabilities to complete projects under construction	-	3
Liabilities to acquire land positions	35	44
Total liabilities off-balance	35	47
Exposure property development	176	204

The total property development exposure, which consists of investments in land positions, investments in unsold stock, and the related future liabilities, decreased in 2014 by 29 million euros to 175 million euros. The aim is to reduce the amount of capital invested in property in the next few years. This will be difficult to achieve, however, given the current market conditions and the existing purchase commitments totalling 35 million euros. Of these commitments, 20 million euros will fall between 2015 and 2017 and 15 million euros during and after 2018.

In 2014, the total investment in unsold stock, both delivered and under construction, decreased by 8 million euros to 10 million euros. The book value of the delivered and unsold stock amounts to 7 million euros and mainly consists of the Kloosterkwartier project (6.5 million euros). The number of unsold delivered homes at year-end 2014 fell slightly to 15, compared to 27 at year-end 2013.

The unconditional purchase commitments decreased by 12 million euros compared to year-end 2013 as a result of the land purchase due to the start of a housing project.

In 2014, Ballast Nedam was commissioned by the Dutch Province of Jesuit Priests to build the 'Hofgebouw' in the Brakkenstein monastery garden in Nijmegen. The heart of the Brakkenstein monastery garden will be formed by the newly constructed Hofgebouw, which consists of four different types of flats and care apartments (98 in total), shared spaces for community services, and a two-storey underground car park with around 140 parking spaces. The Hofgebouw will have six storeys above ground. The architectural firm Diederendirrix has designed the building so that it fits in with the ambiance of the surrounding area. The project has a contract value of approximately 20 million euros and is due for completion in mid-2016.

Land positions

x € 1 million	2014	2013
1-January	142	152
Net investment	(8)	(9)
Write-down	(4)	(1)
31-December	130	142
Cumulative write-down	43	40

The land positions decreased by 12 million euros to 130 million euros, mainly as a result of the sale of a number of smaller land positions. The write-downs in 2014 amounted to 4 million euros.

Action plans for 2014

Financial, strategic and operational measures were announced and implemented in 2014 (see the related reporting in Section 3.3 *Strategic objectives*, page 57).

The previously announced action plans at division level for 2014 have been included and the priorities with regard to the action plans have been adjusted.

3.2.3 Specialized Companies & Supplies division

The results of the specialized and supply companies were positively affected in 2014 by the well-filled order book at the prefabricated concrete companies and the results of the policy pursued in recent years regarding cost savings and innovations. In addition, several disposals were carried out, and the division discontinued a number of loss-making products and activities such as the closure of the Omnia concrete factory in Coevorden and the loss-making activities of IPM in Leerdam.

P3 CAR PARK AT SCHIPHOL

Predictable and effective

Schiphol Nederland B.V. commissioned Ballast Nedam to build a new P3 Car Park at Schiphol. This design & construct contract was awarded on a MEAT (most economically advantageous tender) basis. This new car park will be on the P3 car park site (Schiphol Noord, alongside the A4). Passengers will be able to park their car quickly (P3 at the front) and under cover for a long stay. The car park will have five levels and space for 2,600 cars. It has been designed by Zwarts & Jansma Architects. The plans are geared towards predictable implementation with effective environmental management. Preparatory work started in December 2014 and the car park is expected to enter service in 2016.



The reorganizations and process improvements have equipped the Specialized Companies & Supplies division to meet the challenges in the market. The level of costs in the businesses has been cut sharply and innovative and commercial capability has been strengthened on various fronts. The management is committed to implementing these improvements on a continuous basis.

In accordance with the Strategic Plan, the Specialized Companies & Supplies division focuses on supplying products and services whose distinctiveness contributes to a demonstrable competitive edge within Ballast Nedam's strategic focus.

Specialized Companies

x € 1 million	2014	2013
Revenue	190	260
EBIT	5	(19)
Margin	2.6%	(7.3%)
Order book	49	113
Assets	69	115

EBIT and revenue

The huge turnaround in the Specialized Companies is starting to be reflected in the figures. Whereas we still had several business units incurring heavy losses in 2013, we can now see the effect of the substantial reorganizations made in five specialized companies as well as the merger of a number of business units. We ended 2014 with a positive result of 5 million euros compared to the negative result of 19 million euros in 2013.

Revenue in 2014 decreased by 70 million euros to 190 million euros as a consequence of a reduction in activities.

The assets of Specialized Companies amounted to 69 million euros, 46 million euros less than in 2013. This is due to a sharp focus on working capital reductions and a decrease in activities.

Market and order book

Low price levels in the markets will continue to pose a challenge in the short term. The indicators for recovery in the medium term generally paint a slightly more positive picture.

In 2014, the order book decreased by 64 million euros to 49 million euros. This is attributable to the capacity reduction in a number of specialized companies and the reduction in market volume driven by the infrastructure and construction markets. In addition to the Ballast Nedam projects, the specialized companies will continue to focus on the development of a third party market.

Action plans for 2014

Financial, strategic and operational measures were announced and implemented in 2014 (see the related reporting in Section 3.3 *Strategic objectives*, page 57).

The previously announced action plans at division level for 2014 have been included and the priorities with regard to the action plans have been adjusted.

Supplies

x € 1 million	2014	2013
Revenue	151	181
EBIT	17	6
Margin	11.3%	3.3%
Order book	61	52
Assets	135	178

EBIT and revenue

The revenue of Supplies decreased by 30 million euros to 151 million euros. This is mainly due to less revenue in primary raw materials due to the closure of the Omnia concrete factory, the disposal of Phoenix Ltd and the disposal of the 30% interest in Bontrup Beheer B.V.. Supplies achieved an operating profit of 17 million euros, compared to 6 million euros in 2013. The book profit of the sale of Phoenix Ltd. amounted to 22 million euros. During the past six months we also sold a minority interest in the Helmond asphalt plant. Disregarding the book profits, asset write-downs and the reorganization costs of Omnia, Supplies recorded a profit of 7 million euros.

With the exception of Omnia, the prefab companies achieved break-even. Production finally ceased at Omnia in June following the announcement made at the start of April of the closure of Omnia Plaatvloer B.V. in Coevorden. The closure was prompted by continued losses and a lack of long-term prospects.

The assets of Supplies amounted to 135 million euros and are therefore 43 million euros lower than in 2013.

Market and order book

The margins in the prefab market remain under pressure, particularly for standard products. However, the differentiated approach to the market and the focus on innovative, high-quality products from the prefab factories are contributing to a good quality order intake. The raw materials market for sand and gravel also remained under pressure in 2014. In terms of volume, the markets were reasonable, thanks in part to the mild winter, but prices remained low. Overall, the supply companies are faced with a highly competitive market.

The order book increased in 2014 by 9 million euros to 61 million euros, as several projects were incorporated in the order book for this division, such as the A9 Gaasperdammerweg, the N31 Traverse Harlingen and the Thialf stadium in Heerenveen. In addition to the Ballast Nedam projects, the supply companies will continue to focus on the development of a third-party market, such as in Belgium and Germany.



Niche market for secondary raw materials

On the secondary raw materials niche market, Feniks Recycling achieved a good result. There was considerable demand for waste incineration ash in 2014. Ballast Nedam left the niche market for secondary raw materials in 2014 when it sold Phoenix Ltd.

AMSTEL CAMPUS, AMSTERDAM

Inner-city logistical puzzle

Amsterdam University of Applied Sciences is building a new, unique learning and working environment: the Amstel campus. The whole campus will be completed in mid-2018. The Amstel Campus includes the Wibauthuis, which is next to the Muller-Lulofshuis completed in 2013, and the Wibaut student residence. What makes this project so special is the construction site on Wibautstraat, the main thoroughfare to the heart of Amsterdam. This urban project on a small plot posed a logistical puzzle. All work, the delivery and removal of materials was tightly coordinated to limit nuisance to nearby residents and minimise traffic. The project was delivered on schedule on 27 November 2014.



Action plans for 2014

Financial, strategic and operational measures were announced and implemented in 2014 (see the related reporting in Section 3.3 *Strategic objectives*, page 57). The previously announced action plans at division level for 2014 have been included and the priorities with regard to the action plans have been adjusted.

3.3 Strategic objectives for 2015

On the basis of our 2015-2017 Strategic Plan (see page 29) we have formulated the strategic objectives below.

Strategic focus

- We will strengthen our position in integrated projects:
 - KPI: the share of integrated projects in the order book at the end of 2015 should be equal to or greater than 60% (2014: 55%)
- We will strengthen our position in, and develop, modular building.
 - KPI: the percentage of iQwoning® homes should be increased as a proportion of the total number of homes started in 2015.

Continuous improvement in project management

- We will bring about an improvement in project control:
 - KPI: Improvement in margin to a level of 2-4% in the medium term

Improvement in the financial position

- With the 50+25 improvement programme we will save costs and cut working capital
 - KPI: minimum 12.5 million euros of costs saved in 2015
 - KPI: working capital cut by 25 million euros in 2015

With the programme we aim to reduce the working capital by 50 million euros by the end of 2016 and to have saved 25 million euros of costs.

- Ballast Nedam aims to improve its solvency
 - KPI: improvement in solvency to a level of 15% or more in the medium term

Achievement of CSR objectives

These objectives can be found in Chapter 5 *Corporate social responsibility* on page 78.

A2 MAASTRICHT – EUROPAPLEIN JULY 2014

Structural work on dual tunnel completed

The construction of the A2 tunnel in Maastricht started in the autumn of 2011 at Europaplein, to the south of John F. Kennedysingel. Here we are building the southern entrances and exits of the A2 tunnel. The tunnel excavation pit comprises 30 sections, each with a length of 24 metres. That means the Europaplein excavation pit is 720 metres long. The concrete structure has now been completed and preparatory work has started for the installation of the technical equipment in the tunnel.

The project is being built by Avenue2, a consortium of Ballast Nedam and Strukton.



Risk and risk management

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4

Risk and risk management in Ballast Nedam

To create enduring quality, Ballast Nedam must stay alert to market opportunities and the associated risks. The aim of our risk control is to achieve an acceptable risk level in line with our risk appetite.

In this chapter we explain how risk management and the risk control process are organized within Ballast Nedam, and what are focus is for risk management in 2015. We also detail the specific risks arising in the environment in which Ballast Nedam operates. Finally, we consider a number of specific risks to which Ballast Nedam is exposed as a result of actual or potential disputes with third parties.

4.1 Outline of risk management

4.1.1 Principles

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

- 1 The aim of risk management is to keep the risks which the organization incurs through its activities in line with its risk appetite.
- 2 Risk management is an integral part of all business activities and runs through the entire project life cycle.
- 3 The Ballast Nedam Board of Management has ultimate responsibility for the way in which Ballast Nedam deals with risks. Ballast Nedam manages its operations within a structure comprising three divisions based on products and processes. The divisional directors apply the holding company's risk management policy to the business units in their own division. The divisional directors oversee compliance with the policy within the specified limits.

4.1.2 Risk philosophy

The aim of Ballast Nedam's risk management policy is to ensure that Ballast Nedam only takes responsible business risks and the probability of these risks materializing – and any consequences – must not jeopardize business continuity. For example, we have set a low risk appetite for the Safety, Compliance and Financial risk areas.

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

4.2 Internal control of risks

Below we explain the structure of risk management within Ballast Nedam on the basis of the 'Four Lines of Defence' model.

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

A bottom-up approach to risk control

The project managers are responsible for managing the risks related to projects. They identify, analyse, prioritize and control these risks. The design of the risk management depends greatly on the size and risk profile of the specific project. In complex works, for example, in some cases hundreds of wide-ranging risks are recorded in a relational database and monitored in each phase of the project. The risks in a simple project, by contrast, are controlled with a checklist. Ballast Nedam applies the 'fit for purpose' principle in its project risk management.

The business unit managements periodically identify the risks in their unit. We then discuss these with the divisional directors. The Concern Council, on which the divisional directors and the Board of Management are jointly represented, discusses the results.

The attitude and behaviour of our employees and contractors are very important in the control of risks. We seek to ensure fair behaviour on the part of all those who are involved in our project and fall within our responsibility. We do that through our HR policy and our policy with regard to subcontractors and suppliers (see also Section 5.8 *Compliance and integrity* on page 94).

Ballast Nedam implemented specific improvement initiatives in this area in 2014.

These are:

1. The updated internal code of conduct under the name of BeN wijzer;
2. The updated internal training on project risk management.

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

Use of support instruments

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

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

Involvement of the Contract Committee

Risky liabilities, investments and disposals are always submitted to the Contract Committee for approval. Risky liabilities include tenders for internationally complex and/or extensive contracts. Before the offer is submitted, it is discussed with the Board of Management during the mandatory Contract Committee meeting. Partly as a result of experiences in recent major projects, more time is now devoted to assessing whether the project fits in with the revised strategic focus, and to assess which project-related risks are involved and how they can be mitigated. The Board of Management's assessment covers matters such as the return risk ratio, the capital requirement and political aspects. The Board also considers the advance payment scheme.

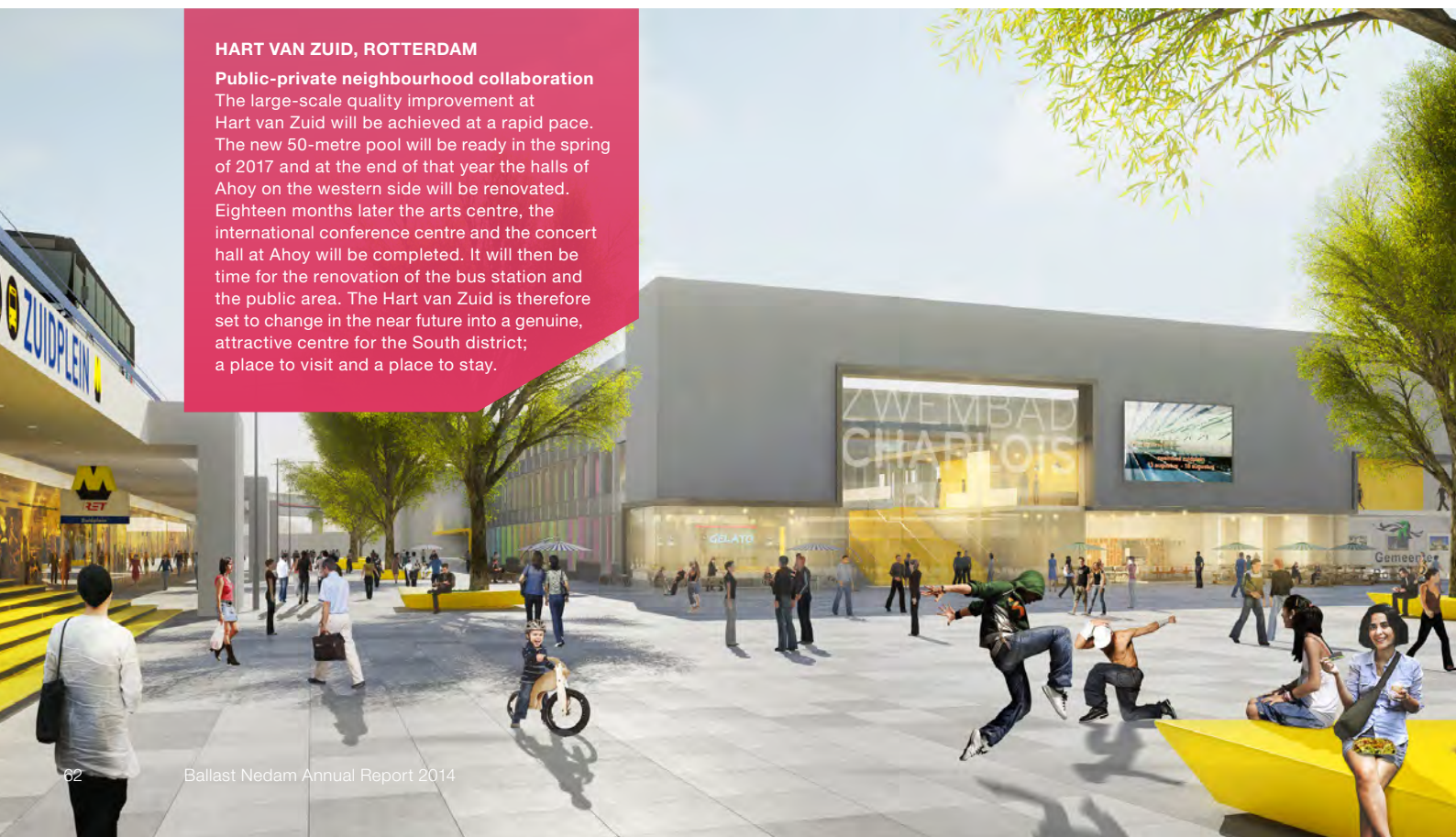
Involvement of the Tender Committee

All risky liabilities are assessed by a Tender Committee in the division. After approval by the Tender Committee, the major risky liabilities are submitted to the Contract Committee for approval. The Tender Committee regulations in the divisions have the same thrust as the Contract Committee regulations, supplemented where necessary with specific information concerning the market in which the division operates.

HART VAN ZUID, ROTTERDAM

Public-private neighbourhood collaboration

The large-scale quality improvement at Hart van Zuid will be achieved at a rapid pace. The new 50-metre pool will be ready in the spring of 2017 and at the end of that year the halls of Ahoy on the western side will be renovated. Eighteen months later the arts centre, the international conference centre and the concert hall at Ahoy will be completed. It will then be time for the renovation of the bus station and the public area. The Hart van Zuid is therefore set to change in the near future into a genuine, attractive centre for the South district; a place to visit and a place to stay.



4.2.2 Second line: supporting functions

Lawyers and contract managers

In order to maintain appropriate control of the contractual risks, specialist contract managers are deployed in the divisions on some of the projects, in both the tender and implementation phases. We also focus specifically on the competences of contract managers and devote attention to knowledge sharing based on lessons drawn from the recent past. The Legal department focuses on matters relating to the holding company.

Insurance

Insurance is responsible for arranging and managing insurance policies for Ballast Nedam and its businesses in line with the insurance policy agreed by the Board of Management. In the first place this involves the arrangement and management of more general insurances which afford financial protection for the company in the event of claims and losses. Second, Insurance promotes the insurance interests of Ballast Nedam in the implementation of projects, in both the tender and implementation phases. Third, Insurance ensures that the arranged insurances offer the intended financial protection. Finally, this department has a responsibility in the field of prevention: within the various divisions it promotes awareness of the benefit and necessity of insurances.

Compliance officer

Ballast Nedam requires its employees, but also its suppliers and subcontractors, to behave with integrity. Ballast Nedam operates a zero tolerance policy for compliance with its code of conduct, in which the compliance officer plays a central role. The compliance officer conducts an enquiry whenever possible violations are reported. If violations are found to have occurred, immediate measures are taken. In order to guarantee the organization's integrity we continually evaluate the compliance policy and tighten it where necessary. Further details can be found in Section 5.8 *Compliance and integrity* on page 94.

Safety

A major risk in the implementation of projects is the safety risk. Ballast Nedam's safety policy is aimed at creating a proactive safety culture. This safety policy is set out in a safety plan. Section 5.7 *Safety* on page 92 sets out the measures which Ballast Nedam takes to achieve and maintain a high level of safety awareness among our employees and subcontractors.

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

ICT risks

Major ICT risks concern the continuity of the ICT infrastructure and ICT information systems. Examples include viruses and attacks with large volumes of data. Disruption of the authorization policy also represents a considerable risk. Ballast Nedam is aware of these risks. All business units make heavy use of ICT infrastructure and ICT information systems built on tried-and-tested technologies, in which we achieve as much uniformity as possible across the business units to prevent disruption. To guarantee continuity of business operations, the information systems accessible through this infrastructure are constantly improved and updated by means of a DTAP (Development, Testing, Acceptance, Production) approach. Our ICT infrastructure is based on a wide range of services, modern communication technology and advanced virtualization techniques for data storage and processing. This enables us to continuously achieve and monitor the required capacity, availability and sustainability.

We have taken various measures to control the ICT risks. For example, we use:

- The Code for Information Security (an international standard for information security in organizations);
- Authentication for access to the network;
- Firewall technology for access from the Internet;
- External audits to identify deficiencies;
- Specific access portals requiring a combination of username and password;
- Management software for mobile hardware to erase devices remotely.

4.2.3 Third line: monitoring

The risk manager

As stated previously, the project manager is responsible for identifying, analysing, prioritizing and controlling the risks in the acquisition phase and in the implementation of the work. In the acquisition phase, the risks are also discussed in the Tender Committee and Contract Committee, depending on the nature and size of the project. To support the project manager in this task, risk managers are appointed within Ballast Nedam's projects; this role is performed on a part- or full-time basis, depending on the complexity of the project. The risk manager facilitates the risk-management process, contributes to risk awareness and monitors the project for changes in the risk profile. This officer is also responsible for updating the risk file and reports on the status of the risks through the project manager in the periodic project reporting. The group of risk managers is referred to as the 'risk community' within Ballast Nedam.

Business control and treasury

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

Ballast Nedam has developed a new format for financial reporting over the past year, which has recently been implemented. The new structure makes it easier to monitor the achievement of strategic and financial objectives. The format also improves the predictability of costs and income. The risks are also covered extensively in the reporting both at project level and across the organization.

The Business Control department compares and evaluates the risks in the quarterly and other reports of the various divisions.

Since this enables us to improve the quality of the information, we can steer a more effective course and make any necessary adjustments. This new reporting method makes Ballast Nedam an organization which more actively anticipates developments in the market in general environment, and provides an insight into how we can improve our work and processes.

4.2.4 Fourth line: assessment by the Board of Management and the Supervisory Board

Board of Management

Ballast Nedam conducts a policy on corporate governance. This policy requires among other things that Ballast Nedam is well equipped to account for the implementation of its policy to all stakeholders, including shareholders, employees, customers, suppliers and society as a whole. A detailed description of the corporate governance policy can be found in Chapter 6 *Corporate Governance* on page 110.

With regard to risk control, the Board of Management has both a control and assessment function. An important information source is the periodic management reporting, which surveys the current risks and opportunities for projects in the divisions and business units, and the status of the control measures. The Board of Management discusses the risks with the division managements. The division managements conduct similar discussions with the management teams of the business units. In addition, complex projects of a particular size or a particular risk level are always discussed with the Board of Management in the Contract Committee before an offer is submitted.

The Supervisory Board and the Audit Committee

Ballast Nedam's risk profile and the internal risk management and control systems are discussed at meetings with the Supervisory Board and the Audit Committee. The Audit Committee meets with the Board of Management and the external auditor at least five times a year. At these meetings they discuss the financial state of affairs and the findings together with the company's internal audits and risk management. The activities are covered in Section 6.2 *Report of the Supervisory Board* on page 118.

4.3 Evaluation

4.3.1 Activities in 2014

The 2013 risk management policy and approach was further developed in 2014. Experiences in the recent past at project level also highlighted points for improvement. The activities carried out included the following:

- The risk management policy was further specified.
- The management reporting in the risk management field was further developed and standardized, with the risks at division level being consolidated.
- The majority of Ballast Nedam's divisions and business units were the subject of a business risk session in which the principal risks were identified and the effectiveness of their control was evaluated. This evaluation has provided the divisions with a basis for further improvements.
- An updated risk management course was introduced and partly rolled out to increase risk awareness among employees.
- The 'risk community' was examined, revealing a need for further qualitative and quantitative reinforcement.
- The lawyers and contract managers were positioned in the divisions so as to increase their involvement in the projects.
- Operational responsibility was clearly separated from financial control at all levels within Ballast Nedam.
- From the project level the divisions and the associated business units monitor the liquidity requirement weekly using a central cash management system.

4.3.2 Focus in 2015

Several large projects progressed with difficulty in 2014, and it is not inconceivable that the financial impact of known risks will turn out differently than is currently assumed. That applies particularly to the A15 Maasvlakte-Vaanplein and A2 Maastricht projects. The possibility of projects generating negative results is an inherent risk in a project organization such as Ballast Nedam. Our objective is to mitigate risks and thereby reduce the number of projects with negative results and limit their impact. Since Ballast Nedam sees risk management as an integral part of its business, we regularly assess potential improvements. The discipline and enforcement of the aforementioned risk measures must be improved on all fronts across all departments. This will in any event lead to a number of additional activities in 2015:

- On the strategic level, the Board of Management will periodically review the risk appetite.
- On the tactical level, risk sessions will be organized again in each division and business unit. The risk-return assessment made in the Contract Committee will also be described more explicitly and reported on in a more structured way.
- On the operational level the risk management will be strengthened and optimised on the basis of recent experience. The level of the 'risk community' will be raised in both qualitative and quantitative terms.

4.3.3 Assessment of risk management and control systems

On the basis of the above, the Board of Management declares that the risk management and control systems have in general worked correctly. Additional efforts having to be made particularly with regard to the control of major infrastructure projects.

With regard to the financial reporting risks, the internal risk management and control systems provide a reasonable degree of assurance that the financial reporting presented in the 2014 financial statements is free of material misstatement.

It should be noted that no 100% guarantee of the proper operation of risk management and control systems can be given. Project assessments are based on estimates and depend, among other things, on the results of negotiations and discussions on the financial settlement of projects (contract variations, penalties and claims, delivery time and quality of the work). It may subsequently emerge that the results of the negotiations do not correspond to the estimates made. Hence Ballast Nedam cannot guarantee that material errors, as well as fraud or violations of legal provisions, will not arise in the future.

The further improvement and supervision of the internal risk management and control systems remains a priority for the Board of Management. This subject is therefore discussed regularly with the Audit Committee and the Supervisory Board.

BÈTA CAMPUS FWN, LEIDEN

Vibration-free and BREEAM Very Good status

Ballast Nedam is building the new Bèta Campus FWN (Faculty of Mathematics and Physics) in Leiden in collaboration with Heijmans. The new building will have approximately 45,000m² of space, including laboratories, lecture halls and offices for scientific research and an underground car park. As a leader in the development of nanotechnology, the faculty sets very high standards for the limiting of vibration in the new building. Part of the laboratory has been designed to a standard never previously achieved in a Dutch university. Reuse of materials, recycling and efficient site organization are central in both the design process and execution. The aim is to deliver a sustainable building with a BREEAM Very Good rating. This certification is unique for a utility building with a laboratory function. The project is expected to be delivered in the second half of 2015.



4.4 Relevant risks

Ballast Nedam identifies risks in the following areas:

- strategic risks;
- financial risks;
- operating risks;
- compliance risks

These four risk categories were examined during the risk sessions in most of the constituent parts of the organization. The results of these sessions were used as input for this section, which summarizes the main risks involved in each category and the way in which Ballast Nedam controls them.

4.4.1 Risks related to our strategy

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

Economic conditions in the market

Ballast Nedam is heavily dependent on the Dutch market and, within that market, particularly on public and semi-public clients.

The annual analysis by the Economic Institute for the Construction Industry (EIB) shows that the budget for highway, water and rail projects is 2% higher in 2015. This increase applies particularly to water projects. The highway budget is lower as a result of the earlier government cuts. In the Infrastructure division revenue shows a decrease in the short term and there is strong competitive pressure as a result of overcapacity in the market. That reduces the probability of winning projects and puts margins under pressure. Opportunities exist partly because foreign operators have a need to collaborate with Dutch players in infrastructure projects.

The EIB also reports strong growth in the housebuilding order book in the recent period. It estimates growth in building output at 4% for the year ahead and at 7% in the case of housebuilding. Its estimate of growth in non-residential construction is 2.5% for the year ahead. We are seeing clients, including in the public sector, increasingly opting for integrated forms of contract in which design, construction, financing, maintenance and management are the responsibility of a single supplier. Projects are also becoming more complex: the quantity and the diversity of knowledge and technologies required for projects are increasing. An example is the use of ICT in projects, stricter sustainability requirements, customized projects at keen prices and building in urban areas with a large number of stakeholders and logistical challenges. Finally, there is more demand for modular products. These developments match our strengths. In order to promote loyalty among our clients, we will distinguish ourselves in terms of our quality and innovative strength.

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



As already stated, the current market is generally characterized by low prices, putting margins under heavy pressure. To control this, each business unit monitors the developments in its market. Business units with larger projects and a specific focus will do this nationwide. Units such as highway construction and housebuilding operate regionally in order to respond effectively to specific customer requirements.

Loss of reputation

Ballast Nedam attracted negative press coverage on a number of occasions in 2014. In many cases the reports concerned the company's financial situation, developments in this area and cost overruns on the A15 Maasvlakte-Vaanplein project. Ballast Nedam also featured in the news with regard to compliance issues on a number of occasions: these concerned a matter which the company dealt with some time ago and ongoing investigations by the Social Affairs and Employment Inspectorate into the Avenue2 and A15 Maasvlakte-Vaanplein projects.

Ballast Nedam applies a zero tolerance policy with regard to integrity and is very active in enforcing this policy in the various divisions. Further information on the way in which we have organized compliance with our code of conduct and related policy documents can be found in Section 5.8 *Compliance and Integrity* on page 94.

The media also devoted a great deal of attention to disposals, including the sale of the alternative fuels and offshore businesses.

There was positive news coverage of the projects which we acquired in 2014, including the A9 Gaasperdammerweg, the N31 Traverse Harlingen and Zuiderpark Sports Campus projects. The iQwoning® modular living concept also received positive news coverage on a number of occasions, including information on the concept itself and on the announcement of its construction in various projects.

4.4.2 Financial risks

This section provides more information on our focal points with regard to the financial situation, particularly the limited solvency and liquidity position, and the financial control of projects.

Ballast Nedam identifies various financial risk factors with regard to currency, credit and liquidity. These risks are not uncommon in the industry. Ballast Nedam uses financial instruments, including derivatives, in its normal business operations. The policy is aimed at creating and maintaining the best possible financial conditions for Ballast Nedam's operating activities.

The objectives and policy with regard to risk management in the use of financial instruments and, to the extent significant, in the assessment of assets, liabilities, financial position and results, are explained in greater detail in Section 7.9 *Notes to the income statement*, from page 185.

Solvency

Having regard to the current solvency rate of approximately 1.7%, shareholders' equity must be strengthened in order to continue business operations. The main risks with such low solvency are: 1) inability to fulfil prequalification requirements in tenders; 2) more difficult financing of projects; 3) failing to obtain cover from credit insurers, which is already happening; 4) lack of confidence on the part of existing and future clients and suppliers, 5) heavy dependence on house banks.

The guaranteed equity will be strengthened in the first place by means of the announced 20 million euros rights issue in 2015 and the granting of two subordinated bank loans of 10 million euros and 43 million euros respectively maturing on 31 March 2017.

Liquidity

The very low solvency and the losses incurred over the past three years have weakened Ballast Nedam's liquidity position. The announced refinancing in 2015 strengthens the liquidity position. Possible risks with regard to liquidity are greater difficulty in obtaining prefinancing, more difficulty in obtaining supplier credit and possible effects of seasonal influences. In order to control these risks, 1.) the divisions and associated business units monitor the liquidity requirement weekly using a central cash management system, 2.) payments by Ballast Nedam are made and monitored centrally, 3.) we are improving working capital by means of the working capital savings programme implemented in 2014.

Financial control of projects

Positive results from projects and cost savings are preconditions for Ballast Nedam's continued existence. Improvements in project management and financial control are therefore top priorities. Many factors affect the quality and project costs in the implementation of complex projects. These factors are assessed in the tendering phase and the resulting costs are included in the tender. Nevertheless, there is a risk that the actual costs of certain projects will differ from the budgeted costs.

To minimize this risk, the division management assesses the composition of the team with regard to its subject knowledge and competences. The Engineering Business Unit or external parties also assess the constituent parts of the tender during the tendering process. Finally, the Contract Committee conducts a critical assessment of the tender, drawing on experience in previous projects.

4.4.3 Operating risks

Ballast Nedam's operating risks are closely related to the implementation of the primary process, i.e. our projects in the tendering phase, the implementation phase and the management phase. Ballast Nedam is focusing its activities for the forthcoming period on projects in which we can distinguish ourselves and which fit in with the size of Ballast Nedam. We see operating risks in three areas: our employees, knowledge management and safety.



CENTRAL SECURITY; OVERLAY OF E & F PIERS AND EF AREA AT SCHIPHOL

Secure, flexible and nuisance-free execution

The construction of the central security filter for transfer passengers is part of the multi-year rebuilding and renovation programme at Schiphol. The project involves an overlay on the E and F piers, the extension of the piers by 16 metres and the extension of the terminal between these piers. The construction work is entirely within the operational part of the airport. The airport is continuing to operate as normal during these works. The emphasis is therefore on secure, flexible and nuisance-free execution, so that operations can continue without disruption. Schiphol's operating process and the construction process is being kept strictly separate. Passengers will be aware of the building work, but nuisance is being kept to a minimum.

Employees

2014 was a turbulent year for Ballast Nedam. That led to voluntary and involuntary departures of employees at all levels, partly as a result of disposals (including the sale of CNG Net and the offshore businesses). There were also a number of departures – in some cases unwelcome – from the wider workforce. In some departments this led to departures of personnel from key positions within Ballast Nedam. More details of the control measures taken in this area can be found in Section 5.6.4 *Outlook and objectives for 2015* on page 91.

Knowledge management

Within Ballast Nedam there is a risk that the new knowledge we acquire in the implementation and management phase will not be incorporated in subsequent, comparable tenders. To remedy this situation we use the performance measurement system in the realization and management phases; this is used to transfer the knowledge gained in these phases to the tendering phase. As part of this initiative a programme is currently operating to record deviations in complex projects in a uniform way.

Safety

Safety is a risk category which receives a great deal of attention within Ballast Nedam, including at Board of Management level. Our people are our capital and an asset we conserve with great care. Ballast Nedam has therefore taken many measures to ensure appropriate control of safety risks. One of the possible side-effects is that employees may place too much trust in the inspection procedures, for example, and are less alert to possible risks that can still arise. To counter this effect, safety training is provided to maintain a high level of safety awareness. Managers are also trained specifically on how to deal with their example-setting role. Further details of the control measures for safety in the chain can be found in Section 5.7 *Safety* on page 92.

Compliance

Ballast Nedam integrates compliance into all aspects of its business activities. Fair, compliant behaviour is guaranteed as far as possible by giving employees clear guidelines, by providing an accessible compliance organization with supporting process and reporting systems and appointing a Chief Compliance Officer, who focuses among other things on the control of possible compliance risks. Ballast Nedam demands integrity and compliance on the part of its employees, but also on the part of its suppliers and subcontractors. Ballast Nedam identifies compliance risks in the following three areas: chain responsibility, working in consortia and doing business abroad.

Chain responsibility

Existing and forthcoming legislation points to an increase in liability and chain responsibility. This development could cause Ballast Nedam, through its own actions or otherwise, to be confronted with claims and/or violations, possibly harming the reputation of our company. In 2015 we will therefore endeavour to prevent and control these risks. One of the control measures will be the commissioning of an external party to audit projects, possibly on a random basis, to investigate whether our subcontractors and suppliers are complying with legislation and regulations. By means of these periodic audits, Ballast Nedam aims to gain input for specific control measures. We are fully aware of the limited extent to which this risk can be controlled.

Working in consortia

Major integrated projects are often implemented on a consortium basis, with the result that different operating systems and cultures come together in the same workplace. It is important to note that this is a complicating factor in the maintenance and implementation of the compliance policy which Ballast Nedam applies and that further harmonization is required in the partnerships. Attention was devoted to this aspect in 2015.

Doing business abroad

Like the Netherlands, each country has its own culture, standards, values and manners. Every country has its own opportunities and risks. When we are considering starting activities abroad, we consider the compliance risks pertaining to that country. On the basis of that assessment, we can equip employees appropriately with training and additional support from the compliance organization. Another outcome of the assessment may be that we decide not to start these activities.

4.5 Specific risks

Ballast Nedam has become involved in various discussions and proceedings, including with regard to payment for additional work, errors in execution or delays in projects. In this section we provide brief details of some of the main proceedings and the associated risks in each division.

Building & Development division

Blauwestad

The Groningen provincial authority brought legal action in 2012 against Ballast Nedam and its partner for damages of 17 million euros in respect of the Blauwestad development project in Groningen. In December 2014 the district court in Groningen dismissed the provincial authority's claim for damages. The Groningen provincial authority is not appealing the judgement.

Breda public transport terminal

A number of disputes arose between Bouwcombinatie OV-Terminal Breda v.o.f. and its client ProRail concerning matters such as work delays, design responsibility and the interpretation of the contract and some of its provisions. A total of seven files were involved. At the beginning of April 2015 the parties reached an agreement – contingent on approval by the ministry – whereby ProRail would pay the construction consortium 12.5 million euros (including the interim sum of 5.9 million euros already paid). The parties are now waiting for this approval, after which the terms will be set out in a settlement agreement.

Infrastructure division

Anna van Buerenplein Car Park (pAnnaB) / Babylon Den Haag BV (Babylon)

The construction consortium pAnnaB received a judgement from the district court in The Hague at the end of 2013 according to which it is liable for damage amounting to around 13 million euros set in separate damage assessment proceedings. In parallel with these proceedings pAnnaB appealed against this judgement. pAnnaB has notified its professional indemnity insurer of the Babylon claims.

N329

The construction consortium Pro N329 v.o.f. has lodged a claim for over 8 million euros against its client the municipality of Oss regarding settlement. Ballast Nedam has notified its professional indemnity insurer of the claim.

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. The appeal court found in favour of Ballast Nedam and ordered Max Bögl to pay this sum to Ballast Nedam. Max Bögl has lodged an appeal in cassation at the Supreme Court.



NOBO OTROBANDA HOSPITAL

Exporting acquired knowledge and experience

Ballast Nedam is building the Nobo Otrobanda Hospital in Curaçao. The new hospital will replace the current hospital. After an international tender, Ballast Nedam was selected in mid-2012 on the basis of the most economically advantageous tender. In the project Ballast Nedam is working with its local partner in Curaçao, OeverZaaijer-Lyongo architects, EGM architects and the technical installations consultant Valstar Simonis. The hospital will have 300 beds and approximately 40,000 m² of space. There will also be an underground car park for 535 cars.

Suriname refinery expansion project

A request for arbitration was submitted to the International Court of Arbitration (ICC) by Ballast Nedam against its client, Staatsolie Maatschappij Suriname, regarding a claim of almost US\$50 million. The claim arose in 2012 following delays and disruption to the refinery expansion project, for which Ballast Nedam is holding the client liable. The work comprise the delivery and installation of steel piles and civil engineering for the expansion of the Tout Lui Faut oil refinery in Paramaribo and was successfully completed in November 2013. The parties have entered into discussions with a view to an amicable settlement, but no agreement has yet been forthcoming. For this reason Ballast Nedam has decided to submit a formal request for ICC arbitration in accordance with the contract.

A15 Maasvlakte-Vaanplein (MaVa)

Ballast Nedam has a 40% interest in the A-Lanes Consortium for the A15 Maasvlakte-Vaanplein project. Ballast Nedam has taken a total loss of approximately 127 million euros on this project and is having to prefinance this loss pending the outcome of the contractually agreed dispute resolution procedure. As long as the situation remains unclear with regard to the settlement of the claims submitted by A-Lanes A15, Ballast Nedam cannot make any statements about the precise level of the loss after the settlement of the claims.

If Ballast Nedam's economic interest decreases from 40% to 10% as a result of the letters of intent signed with Strukton and Stabag, the risk profile will decrease. The risks of cost overruns and the possible share of lower-than-expected proceeds from the claims have thus decreased considerably for Ballast Nedam.

Bridge at Ewijk

The Versterken Bruggen consortium (Ballast Nedam/Strukton) is collaborating on the renovation of the bridge at Ewijk. The consortium has become involved in various disputes with Rijkswaterstaat. The major points concern the extent of the design responsibility and the claim for an extension to the term and associated time-related costs resulting from additional works on the saddle beams and on the replacement of guys.

Butendiek

In the Butendiek project there is an ongoing dispute with the steel supplier EEW concerning various claims. Ballast Nedam is claiming damages for delays due to the late delivery of monopiles and transition pieces and is therefore withholding part of the payments. EEW is claiming additional work and exercising its right of retention in respect of as-built documents. Ballast Nedam disputes the legitimacy of the additional work. The parties have reached an interim agreement on the release of the as-built documents and the resolution of the remaining points. However, with regard to a final settlement the parties' positions remain far apart and arbitration will be necessary.

Specialized Companies & Supplies

Nedereindse Plas

The Court of Arbitration for the Building Industry ruled against Ballast Nedam in 2012 in a dispute with the municipality of Utrecht regarding the Nedereindse Plas project. Ballast Nedam designed and implemented a foil construction for this project. Ballast Nedam has endeavoured to comply with the judgement of the court of arbitration. The municipality has not given its approval and in August 2013 instituted execution proceedings at the Court of Arbitration. Consultations then began, with the parties investigating the possibility of arriving at a practical solution with guidance from an independent firm of engineers.

Cattenbroek sand excavation lake

A difference of view has emerged between the municipality of Woerden and Ballast Van Oord regarding the completion of work on the banks of the former Cattenbroek sand excavation lake. Ballast Van Oord contends that its work is completed. The municipality believes it has incurred losses, but has failed to substantiate the scale of such losses. The municipality suspended the consultations and summoned Ballast Van Oord for damages arising from encroaching beyond the shoreline of the sand extraction lake. The court dismissed the municipality's claim. The municipality has now appealed the judgement.

**UILENSTEDE CAMPUS, EAST AMSTELVEEN – URSEM MODULAIRE
BOUWSYSTEMEN / HAITSMA BETON**

Vertical modular construction

The campus provides affordable accommodation for students and work is currently under way on a large scale. A total of around 700 flats are being built. Turnkey, modular student homes are stacked on top of each other to create an 11-storey high-rise building. This has never been seen before in the Netherlands. The use of the Ursem3D® building system allows much faster and cheaper building while maintaining the same quality. Huitsma Beton is supplying the prefabricated concrete floors with various facilities for the project. Although the construction method is different, the new flats look on the inside and out precisely like the other new buildings on the campus.



Corporate social responsibility

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Corporate social responsibility

5.1 Position of CSR in the organization

Ballast Nedam's sharper strategic focus is reflected in the CSR policy for 2015. Ballast Nedam will focus more on the firm requirements to improve its performance in CSR matters of relevance to our market. We will bring the various CSR objectives closer to the business and associate them more with the projects. The urgency of these market demands will then be recognized more fully and ultimately conveyed to the place at which they are most relevant.

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

This means among other things:

- The directors, including divisional directors, are responsible for all CSR issues within their business unit.
- The policy of eight key performance indicators (KPIs) and six formulated objectives has been implemented throughout the organization. Section 5.3 *CSR objectives and results* on page 80 provides an overview of the KPIs and objectives.
- The CSR results are taken into consideration in the remuneration of the directors, including divisional directors. The target letter to management states that KPIs for non-financial matters must account for one-third.
- Core teams have been appointed for various CSR subjects to support the organization/directors in achieving the objectives.
- The chairman of a core team submits proposals to the Board of Management/ Concern Council, for example with regard to policy amendments, KPIs, objectives, tools, actions and analyses. The various core team members have been appointed from the three divisions, thereby assigning the commitment and decisiveness to the right place.

- The assurance results are measured at division and company level and consolidated at holding company level. The eight KPIs and the six objectives form an integral part of the quarterly reporting, making CSR more firmly embedded in our operations.

Assessment framework

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

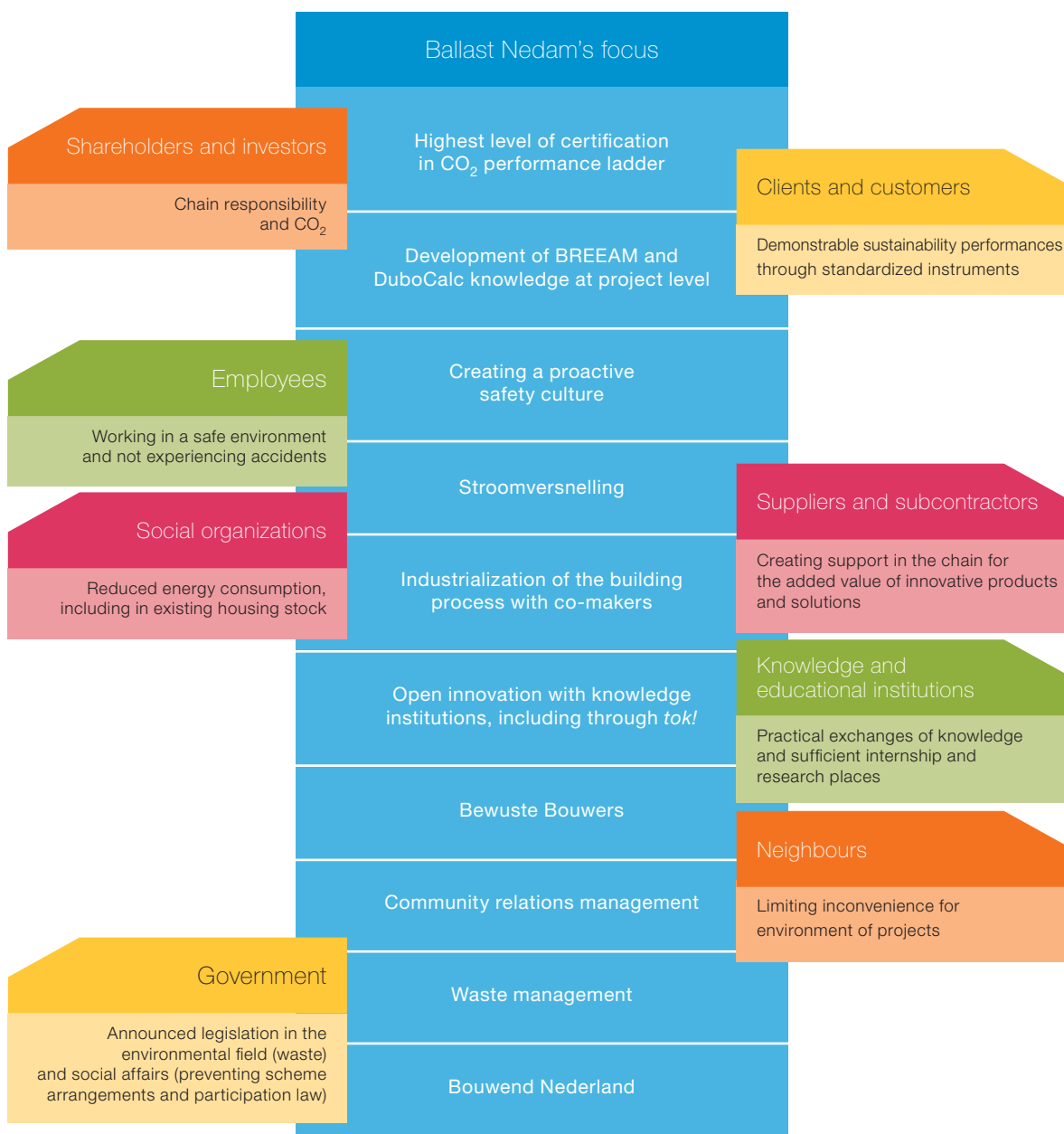
- Guiding Principles in the Construction Industry (Bouwend Nederland, the Dutch Construction and Infrastructure Federation): promoting professional collaboration and chain responsibility in the construction sector;
- Bewuste Bouwers: helps builders to be good neighbours and professionalize the management of the environment;
- FSC Construction and Timber covenant: focused on the use of sustainably certified timber in the chain timber and combating imports of illegal timber (European Timber Regulation). Ballast Nedam has an FSC certificate.
- Structural Safety Code of Conduct (NEPROM, the Netherlands Association of Property Developers and Investors); obligations and recommendations relating to the organization of the right processes for structural safety;
- NEPROM code of conduct: values, standards and rules which NEPROM members must comply with in their operations;
- Flora & Fauna code of conduct (NEPROM / Bouwend Nederland): fulfils the general duty of care under Section 2 of the Flora and Fauna Act and rules governing the handling of varieties that are subject to a tighter protection regime;
- Green Deal for Sustainable Concrete (MVO Nederland): working for a 100% sustainable concrete chain in 2050;
- 'Safety in Construction' governance code: clients and contractors work together to improve the safety culture in their own organizations;
- The CO₂ performance ladder (SKAO, the Foundation for Climate Friendly Procurement and Business) certifies the reduction of CO₂ and is used in civil engineering tenders to determine a notional discount on the tender price;
- GRI G3.1 (Global Reporting Initiative): Ballast Nedam applies this reporting system for integrated sustainability reporting, but focuses primarily on the requirements that are relevant to our activities. It has therefore decided to dispense with certification. The CO₂ footprint has been verified by the external auditor EY;
- ISO 14001: standard applied for the establishment and certification of environmental management systems.

Ballast Nedam is represented in the covenants, exchanges information with the administrators of the certificates and conducts dialogue in the following structured contexts:

- Stroomversnelling;
- The sounding board group of the SKAO foundation;
- The Policy Advisory Committee on Sustainability (BAC) and the Study Group on Work involving Bitumen (VBW) of Bouwend Nederland.

5.2 Materiality

In line with the company's amended focus, the stakeholder dialogue took place with the range of available instruments in 2014. We distinguish trends and benchmarks, consultation in structured contexts, obligations under covenants and certificates, and new legal obligations. The results play a part in setting our CSR priorities for 2015 and are shown in the table below.



5.3 CSR objectives and results

Below is a summary of the CSR objectives we set in 2013, the results achieved with these in 2014 and the objectives for 2015.

CSR subject	Intended goal	KPI 2015	Objective for 2014	Result in 2014	Objective for 2015
Energy, CO ₂ and air quality	Energy efficiency and use of sustainable energy	CO ₂ (scope 1&2) Dutch revenue	18% reduction compared to 2008	18% reduction	20% reduction compared to 2008
Waste & recycling and Materials	Reducing material consumption and increasing separation percentage	Number of ongoing projects and/or plants with waste management plan	40	34	40
Good employment practice	A healthy, safe and motivating working environment for all employees	Percentage of sickness absence	4.5%	4.35%	4.5%
Safety	We aspire to an injury-free Ballast Nedam	Injury frequency	6.5	7.1	6.5
Integrity	We comply with all applicable rules, legislation and ethical standards and operate a zero tolerance policy	Compliance reports dealt with within 48 hours. Appropriate measures may be taken after investigation (2014: number of violations)	No objective	5	100%
Innovation	Offering customer added value as result of improved processes, products and business models	Number of innovations, including in sustainability	3	5	3
Community relations management	In projects we must provide comfort and clarity and not cause nuisance	Number of ongoing projects reported to Bewuste Bouwers at year-end	40	41	40
Community investment	In our activities we contribute to the training and employment of young and socially disadvantaged people	Number of Social Return projects	No objective	38	No objective

5.4 Energy and CO₂

We carefully examine the energy requirement in the entire life cycle in the development of any new products, buildings or areas: from development and construction to management and maintenance.

Policy

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

Our objective for 2020 is a CO₂ reduction of at least 30% relative to the reference year 2008, as a proportion of revenues from our Dutch businesses.

Objectives and results

In 2014 Ballast Nedam achieved an 18% reduction in CO₂ relative to the reference year 2008.

Overview of CO ₂ emission reduction (*)	2008	2013	2014
CO ₂ footprint (Dutch activities in tonnes)	70,901	39,908	40,908 (**)
Revenue from Dutch activities (millions of euros)	1,349	1,020	949
CO ₂ emissions (tonnes) per million of revenue in euros	52.57	39.13	43.11
Percentage relative to reference year	100%	74%	82%
Reduction relative to reference year		25.6%	18.0%

(*) Adjusted for comparison purposes. From 1 January 2014 the consolidation method changed in accordance with IFRS 11. Companies less than 50% owned are not included in the CO₂ footprint. The CO₂ figures for 2008 and 2013 are also shown for comparison purposes under IFRS 11. The effect for 2013 is that 10,335 tonnes from minority interests are no longer included.

(**) Included in the EY assurance.

CO₂ footprint measurement system

In its footprint Ballast Nedam reports the emissions in Scope 1 (natural gas, petrol, CNG, cokes, diesel, LPG, kerosene, propane and business travel) and Scope 2 (electricity, terrestrial heat and business use of private cars) of the Dutch operations. We use the IFRS demarcation criteria, with participating interests of 50% or over and consortia being proportionally included in the footprint. If any monthly consumption figures are not known, estimates are made at the year-end based on the revenue trend. We calculate the CO₂ emissions on the basis of the conversion factors in SKAO performance ladder 2.2. This performance ladder does not give any conversion factors for CNG and green gas for mobility. We have therefore determined these factors by calculating the average of the CO₂ emissions according to a natural gas calculation made by SKAO and a natural gas calculation made by DEFRA in the UK. During the year assurance services were provided for the CO₂ footprint for the fourth time with regard to this matter. The independent assurance report of EY can be found in Section 8.6 on page 230.

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

- 1 We implemented energy-saving measures;
- 2 Energy-intensive projects and/or businesses had lower production.

Ballast Nedam's main consumption of energy occurs in commuting, transport, the use of construction plant and equipment, factory production and on construction sites. 37% of our energy consumption is in the form of diesel and petrol, 43% natural gas and the remaining 20% electricity. We have promoted the consumption of green electricity by means of guarantee-of-origin certificates for wind power from the Netherlands. Ballast Nedam has also introduced green gas certificates for road vehicles.

BREDA PUBLIC TRANSPORT TERMINAL BUS STATION

Inner-city complexity

Breda station is being completely rebuilt by Ballast Nedam and Hurks to provide an entirely new transport hub for rail, bus, car, cycle and pedestrians, while the station and railway service continue to operate. It is the point that connects the north and south of the city. It is also an important hub for rail traffic. The dynamics in an urban location like this mean a solution-oriented approach. All supplies and removal of equipment and materials take place by rail, for example.



Ballast Nedam's CO₂ footprint contains the CO₂ emissions generated by energy consumption. This is therefore shown here under Energy. This CO₂ footprint comprised the following components in 2014.

	Office	Building-site	Factory	Mobility	Total
Scope 1	1,260	8,400	10,185	11,450	31,296
Natural gas	1,260	182	2,694		4,136
Diesel		8,139	1,892	5,892	15,923
Petrol				2,074	2,074
Cokes			5,483		5,483
CNG				3,485	3,484
Other fossil fuels		79	116		196
Scope 2	1,617	2,143	3,988	1,864	9,612
Electricity	1,602	2,143	3,988		7,733
District heating	15				15
Business use of private cars				1,864	1,864
Scope 1 and 2	2,877	10,544	14,173	13,314	40,908

In 2014, Ballast Nedam achieved the 18% CO₂ reduction objective relative to 2008, as a proportion of revenue from Dutch operations.

We have taken the following measures to reduce energy consumption:

- Mobility: the principle that as many cars as possible run on CNG is basically maintained. According to the Lowest Life Cycle Costing (LLCC) principles other fuels may also be chosen. Currently more than half of the vehicle fleet comprises CNG cars.
- In order to reduce the diesel consumption in projects, we introduced two new pallet burners in 2013. A generating set with a battery pack was used for the first time in the A15 Maasvlakte-Vaanplein project. Around 1,400 litres of diesel was saved over approximately 1,200 hours of operation. Compared to a traditional generating set, that represents a CO₂ reduction of approximately 75%. On the basis of this considerable saving, two battery packs were built in 2014 and will be deployed in 2015.
- Ballast Nedam Bouw & Ontwikkeling Speciale Projecten uses construction heat plans to save energy. These plans lead to measures to increase the efficiency of heat-drying of buildings to limit weather impacts during construction where possible.

CO₂ in the chain

Ballast Nedam uses the CO₂ performance ladder, an instrument which helps companies to reduce CO₂ emissions. We accordingly encourage our trading partners to take measures to demonstrably reduce their relative CO₂ emissions. We are aware that this ambition represents a major challenge in view of the current overriding importance of the most economical price. Each year we ask our suppliers to provide a CO₂ footprint. We thereby fulfil the objective set down in the standards of the CO₂ performance ladder.

5.5 Waste, recycling and materials

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

Policy

Our policy is directed towards eliminating waste and limiting material consumption. In that way we also avoid unnecessary environmental and other costs

We adopt a dual approach:

- Quantitative: we reduce the quantity of waste structurally at the source by improving material productivity; we prevent waste by improving processes and innovating.
- Qualitative: we reduce the adverse effects of waste. This means we avoid resource depletion by using renewable and/or secondary materials. We combat pollution by using degradable and/or reusable materials and optimizing waste management procedures where possible.

Objectives and results

At the beginning of 2013 we introduced Ballast Nedam waste management plans. On the basis of a fixed format, the project team can draw up a detailed waste management plan for the implementation phase of a project. The format comprises seven stages, in which the whole chain is closely involved and the contribution of suppliers, subcontractors and waste processors is included at an early stage. That leads to the creation of a joint waste management plan that is tailored to the project. At the end of 2013 there were 26 in use; in 2014, waste management plans were in use at 35 ongoing projects.

Projects awarded on the most economically advantageous tender criterion, based on the CO₂ performance ladder

The Ballast Nedam & De Klerk consortium is renovating approximately 23 kilometres of sheet piling in the Amsterdam-Rhine Canal on behalf of Rijkswaterstaat. The project is currently being implemented, with the bulk of work being carried out from water. We are using a number of diesel-powered vessels. We achieve the most effective saving of CO₂ by means of well-conceived planning of the sections of work. That enables us to limit diesel consumption by vessels as far as possible.

The N31 Traverse Harlingen project involves the dualling of a section of the N31 over a length of approximately 3km, the building of an aqueduct in the Van Harinxma canal and the construction of five viaducts for the intersection with the railway line and the underlying road network. Ballast Nedam has adopted an integrated approach to this project, with the disciplines involved in the chain working closely together to limit the consumption of materials and hence CO₂ emissions as far as possible. The design includes high-quality prefabricated concrete elements. This choice of industrial production also contributes to rapid construction and helps limit the environmental impact. The ground transport has been optimized to reduce gas oil consumption and CO₂ emissions. A sustainability coach has also been appointed to the project to increase awareness.



We collected 26,327 tonnes of waste through waste and recycling companies in 2014 and recycled it as follows:

Waste material	Weight x 1,000 kg	Used as
Hardcore	9,157	Crushed demolition waste
Construction and demolition waste	6,725	New materials/energy
Asphalt	2,763	New asphalt
Timber	1,566	Timber products/energy
Industrial waste	739	Energy
Paper and board	229	Paper/board
Household chemicals	61	Sundry products
Roofing waste	61	Mineral products
Other non-hazardous waste*	5,026	Sundry products
Total for 2014	26,327	

* This category mainly comprises core sand and furnace slag from our iron foundry and green waste from management activities. All waste flows in this category are collected and recycled separately.

Waste and materials in the chain

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

With regard to materials, we focus on increased sustainability in the use of timber, concrete and asphalt, due to the relatively high environmental impact which these materials have. We collaborate within the chain by participating in the FSC Construction and Timber covenant, the Green Deal for Sustainable Concrete and the Study Group on Work involving Bitumen.

5.6 Good employment practice

2014 was an eventful and uncertain year. We implemented a package of measures on the strategic, operational and financial level and initiated various improvement programmes. These measures and programmes had far-reaching personal consequences for particular groups of employees: the disposals of various supply and specialist companies also meant the departure of the associated personnel. Another change was the restructuring of regional construction companies to form an integrated construction business; this involved compulsory redundancies.

A consequence was that the work had to be done with fewer people and often in a different way than previously. We also integrated the operational management in 2014, replacing six clusters with three divisions: Infrastructure, Building & Development, and Specialized Companies & Supplies. For employees this led to changes of department, location and/or duties. The circumstances in 2014 required constant commitment, flexibility and determination on the part of our employees, who also had to contend with a rationalization of fringe benefits.

5.6.1 Focal points of human resources (HR)

As a result of the major changes in the organization referred to above, the focus was on the contribution of the P&O department in two areas:

- ensuring optimum maintenance of all employment rights and duties of employees in sold business units, on which we worked with the purchaser;
- our efforts to implement the necessary reorganizations carefully and effectively, with respect for the employees who were directly or indirectly affected.

The redundancy scheme came into force for employees who were to be made redundant. The aim of the redundancy scheme was to help employees find a new job as quickly as possible. In combination with support and guidance from our mobility office, we can conclude that in 2014, as in 2013, this arrangement was successful. The majority have returned to work within a reasonable time.

Number of employees based abroad and in the Netherlands

As at 31 December 2013	Male	Female	Total
Abroad	107	7	114
The Netherlands	2,620	359	2,979
Total	2,727	366	3,093

As at 31 December 2014

Abroad	18	6	24
The Netherlands	2,185	286	2,471
Total	2,203	292	2,495

Number of departing employees in 2014 by age group, divided on basis of reason for departure, as at 31 December 2014

Age	Male natural turnover	Female natural turnover	Male own request	Female own request	Male employer's request	Female employer's request	Total departures
< 20							0
20-24	7			1			8
25-29	7	3	16	6	16		48
30-34	7		28		23	12	72
35-39	8	2	37	2	30	8	87
40-44	13	3	20	5	45	11	95
45-49	5	2	17	3	43	12	83
50-54	3		7	2	43	3	56
55-59	4		7	1	51	3	66
=> 60	32	2	1		51		89
Total	86	12	133	20	304	49	604

5.6.2 Employee representation

Ballast Nedam has various works councils: the central works council, group works councils and company works councils. Each of these groups has been presented with one or more opinion requests as a result of the many reorganizations.

The principal responsibility of the works councils was to weigh up carefully the business interests and the consequences for the personnel and ensure that the opinion process went smoothly. Good communication proved possible in 2014 and there was trust between the management and members of the works council, which is essential to ensure a positive outcome. The proposed changes in employment conditions, mostly aimed at savings, required wisdom on the part of the works councils in order to produce a well-founded decision.

5.6.3 Employees are central

Our people are the most important factor in our success, in order to achieve greater stability and improved project results. The top priorities such as cost savings, risk control and process improvements must be driven by our employees. The success of this depends on their commitment, expertise and enthusiasm in the work they perform. Our organization as a whole has the task of deploying the strengths of our people in an optimum way to achieve the organization's results.

New employees

The intake of new personnel appears at first sight to be at odds with the outflow of personnel in 2014. However, due to the wide diversity of business units and the different markets in which Ballast Nedam operates, vacancies arose in various areas. These were filled internally as far as possible.

In particular we devoted time and energy to job market communication and recruitment of interns and first-time employees. Ballast Nedam prefers to source external personnel at the bottom of the career ladder, in order to create subsequent upward pressure: training and development programmes are available for first-time employees, enabling them to gain the necessary skills and core values. This principle means that we must continue to recruit interns (our potential future employees) and first-time employees in economically less favourable times. Our intention is to retain them for the organization over the long term, so they can occupy key positions in the organization in the future. That also enables us to anticipate the inevitable time when the demand for personnel greatly exceed supply. By drawing as fully as possible from the career progress of our own personnel, we can avoid recruitment problems in the longer term.

Number of trainees/interns/apprentices on an annual basis in 2014

	Male	Female	BN total
(Technical) trainees (higher vocational/university)	40	1	41
Financial trainees (higher vocational/university)	9	0	9
Interns	192	26	218
Apprenticeship system (internship/day release)	30	1	31

Further reduction in sickness absence

In 2014 absenteeism decreased for the third successive year, to 4.35%.

This positive result led to a substantial reduction in the costs of sickness absence. However, Ballast Nedam still exceeds the average rate of sickness absence in the Netherlands (3.9% in 2013) and in the construction industry (3.8% in 2013).

We introduced the internal management model in 2013. This model is intended to contribute to a lower rate of absenteeism. In the internal management model responsibility for supervising sick employees passes to the manager, who is supported by the absence coordinator or the physician from the occupational health and safety service. This approach reflects our conviction that the manager shares responsibility with the employees for their deployment, development and well-being. For this we must create a working environment that equips them to do so as well as possible. The new DAX Fourvision personnel information system provides support in this regard because it is equipped with Employee Self Service (ESS) functionality which fits in well with this objective. Managers can process sickness and recovery reports themselves and manage and implement measures aimed at the reintegration of employees absent due to long-term sickness.

We wish to reduce absenteeism further in 2015. The objective for 2015 is an absenteeism rate not exceeding 4.25%. Our main strategy is one of prevention.

Absenteeism trends

2007	2008	2009	2010	2011	2012	2013	2014
5.70%	5.00%	5.00%	4.78%	5.01%	4.81%	4.48%	4.35%

Career and development possibilities

Employees were offered career possibilities on a limited and selective basis in 2014. This led to promotions in all parts of the organization. To the extent that the limited training budgets allowed, we also provided training and development for employees.

Number of unique participants in one or more training courses on annual basis in 2014

Number of participants	Average number of employees	Percentage receiving training
1,303	2,495	52%

Flexibilization of the workforce

The current trend is towards the flexibilization of the workforce. Ballast Nedam is investigating the extent to which the permanent core of employees can be reduced and supplemented with personnel employed on the basis of more flexible relationships (freelancers, seconded and agency personnel). The boundary between permanent and flexible personnel is fading steadily. The increasing strategic importance of temporary personnel requires sound HR management of our flexible workforce. By focusing our HR policy additionally on this category of employees, we can aim for appropriate intake, advancement and outflow of personnel, both quantitatively and qualitatively. Our desire to manage the flexible workforce better is also due in part to the internationalization of the labour market. In the near future we will increasingly recruit foreign talent on a flexible basis. Key reasons for this are the shortage of personnel in the domestic labour market and the employment motivation of foreign talent. The first steps have now been taken to introduce and manage the flexible workforce in our DAX Fourvision personnel information system.

Number of employees by contract type

As at 31 December 2013	Male	Female	Total
Fixed-term	128	25	153
Permanent	2,492	334	2,826
BN total	2,620	359	2,979
% employees with permanent contract	95%	93%	95%

As at 31 December 2014	Male	Female	Total
Fixed-term	98	15	113
Permanent	2,087	271	2,358
BN total	2,185	286	2,471
<i>% employees with permanent contract</i>	<i>96%</i>	<i>95%</i>	<i>95%</i>

5.6.4 Outlook and objectives for 2015

Investing in our people

Our people are the most important factor in our success, and with this in mind Ballast Nedam aims to provide a healthy, safe and motivating working environment for all employees. We will continuously invest in our people and support them in their changing role in a dynamic environment. After all the organizational changes and updated business objectives, our people need clarity with regard to their (often new) role in the organization and the way in which they can make the best possible contribution to the recovery of Ballast Nedam.

Particular attention will be focused on our key positions. With a view to business success and continuity, we must continuously offer key officers an attractive working environment. A sound succession plan must be in place to support career progress among this group and deal with any outflow of personnel, including undesirable departures.

Developments in the labour market

We anticipate various labour market developments which will impact us directly. The ageing of the population is causing structural tightness in the labour market, which means technical talent in particular is becoming scarcer. The labour market will also change as a result of flexibilization. Finally, another development is that older employees will continue to work longer because of a rise in the state pension age and the retirement age. It is necessary to ensure that this category of employees also remains readily employable in the organization.

Updated HR policy

With our HR policy we aim to chart a course for our managers and employees, so that everyone can make the best possible contribution. In view of the changes inside and outside our organization, we have refocused on our HR policy and formulated an updated HR policy for the next three to five years. This has been tailored to our enhanced business objectives and is expressed in five key themes:

- strategic personnel planning;
- leadership development;
- intake;
- career management and development;
- vitality.



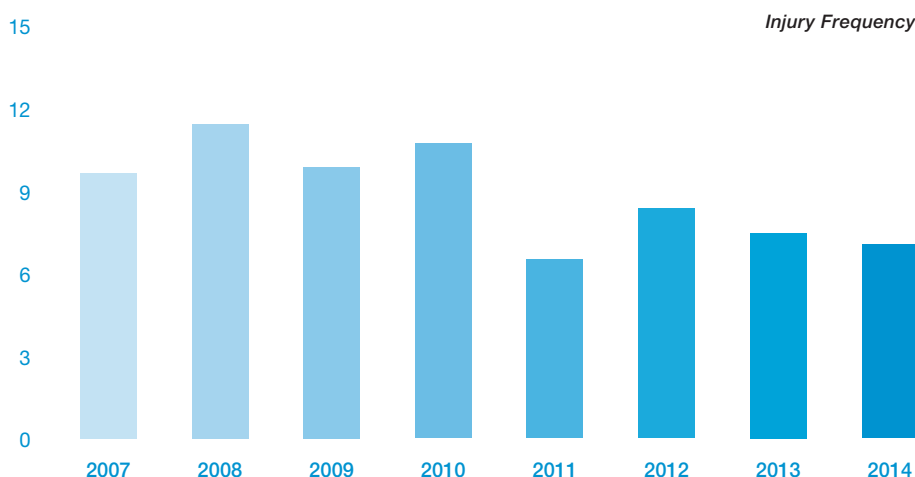
5.7 Safety

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

Policy

Safety is one of Ballast Nedam's core values and we devote a great deal of attention to it. Nevertheless we encounter too many unsafe situations, accidents and injuries each year. That is not acceptable. Ballast Nedam's safety policy for 2015-2017 is to create a *proactive safety culture* with increased attention paid to the role of the management.

Injury frequency (IF) per million hours worked



Objectives and results in 2014

The injury frequency (IF) for 2014 is 7.1, which represents a slight decrease from 7.4 in 2013. The IF figure is based on the number of accidents leading to absence among employees and hired staff in relation to the number of hours worked.

The underlying figures show an increase in the duration of injury. That means accidents occurring cause serious injury with fundamental consequences for the victims, their family and colleagues on the construction site. That is also reflected in an increase in the number of safety alerts concerning serious accidents. Moreover, we have seen a disproportionate increase in the number of accidents among subcontractors relative to the number of hours worked.

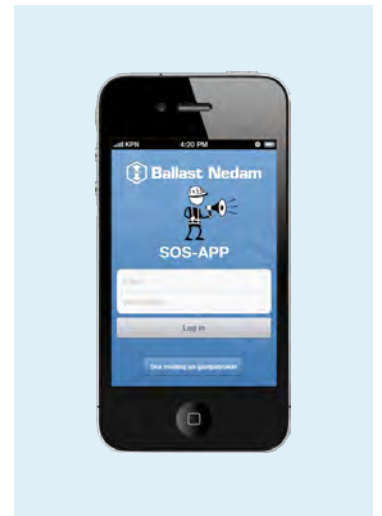
In October, a subcontractor's employee was fatally injured whilst working on one of our projects. When the concrete for a column was being poured, the scaffolding collapsed, causing two employees to fall. One of the victims suffered two broken ankles. The other was taken in critical condition to hospital, where he died.

In 2015, we will focus particularly on continuous dialogue regarding safety, while maintaining the objective of an IF of less than 6.5.

SOS app: easily accessible alerts

Ballast Nedam has developed the SOS (Signaleren Onveilige Situaties) app, which enables users to report unsafe situations in construction projects. When sending reports, they can refer to a specific project, a GPS location or a Ballast Nedam office. The app can also be used to take a photograph of the unsafe situation. A particular feature of the app is that the person sending the report can track its progress through to resolution. The reporting of unsafe situations enables accidents to be avoided and gives us greater visibility and knowledge of improvement points at Ballast Nedam's sites. In that way we can develop structural solutions and make workplaces safer.

The SOS app has now been downloaded 524 times and was used to file 78 reports in the fourth quarter of 2014. That is in addition to the possibility of reporting to managers in writing or orally or during Toolbox meetings. Agency personnel and subcontractors can also use the SOS app.



Safety alerts: learning from incidents

We investigate all accidents. We must guarantee the consistency and quality of this research into causes. It is therefore carried out by qualified HSSE staff or by the in-house safety consulting firm Dibec. We then share the causes of the accident with the entire organization by means of safety alerts.

Management commitment: walk the talk

One of the main thrusts of the policy is to stimulate awareness and desirable behaviour in the organization. The management fulfils an important exemplary role in that regard by seeking to maintain safety and creating a climate in which we discuss safety matters with each other. That is done partly through the conduct of regular inspection rounds, by devoting attention to safety during Toolbox meetings and in discussions on management reports. The motto is 'walk the talk'. In order to promote the policy, the Safety core team reports directly to the CEO of Ballast Nedam.



Safety in the chain

Ballast Nedam draws no distinction between its own employees and subcontractors with regard to safe working. On our construction sites you work safely or not at all. We encourage our subcontractors to work safely by applying the policy in full to our projects. That means that we engage in a dialogue with subcontractors and at the same time supervise compliance with the agreements entered into. In 2015 we are also commissioning the Dibec safety consulting firm to conduct random project audits proactively among subcontractors in the field of safety and are pursuing these more rigorously. These audits will reveal whether additional measures are necessary or whether the existing policy needs to be tightened.

5.8 Compliance and integrity

We have applied an enhanced and consistent compliance policy since 2012. Our principles and ambitions remained unchanged and clear during the year under review.

Policy

Our ambition in this field is evidenced in the way in which we organize compliance internally. The key principle, of course, is that we comply with all applicable laws, regulations and ethical and social standards. We also operate a zero tolerance policy, which means we do not permit any breaches of integrity, whether our own employees or by third parties. Every report of major or small-scale potential breach is investigated. To qualify the zero tolerance policy, we have included a new KPI for integrity (see Section 5.3 *CSR objectives and results* on page 80).

Through this policy we aim to make the actions of our company and the actions in our company transparent. We also want to make our employees more aware of the importance of fair and ethical behaviour. We see compliance as part of our culture and of our dealings with each other. This applies to all parts of the company and this approach is promoted actively by all layers of our management.

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

We also have digital tools available: we offer e-learning modules and web tools to record and approve reports of incidents, donations and gifts. We have a Corporate Compliance Charter and a code of conduct. The Corporate Compliance Charter contains the basic principles of compliance management and the way in which this is set up within Ballast Nedam. The code of conduct has been developed into various subcodes.

The new code of conduct was introduced and offered to our employees in combination with a short e-learning module in 2014. Due to Ballast Nedam's financial situation in 2014, however, we switched priority to the more primary business activities.

In this connection we decided to postpone the further development and rollout of the planned e-learning modules to next year.

In addition, as part of a larger restructuring of our internal organization, we decided to place the risk management unit in the Corporate Control department. Finally, a personnel change took place during the reporting year: the post of Chief Compliance Officer became vacant and was filled in November. The new Chief Compliance Officer is focusing on the further development and expansion of compliance and incorporating the previously planned actions.

Code of conduct

An example of our compliance policy is that we ask all new executive, technical and administrative personnel to read our code of conduct. This takes place immediately after they enter employment. We subsequently draw their attention again to the content of this code of conduct by means of an e-learning module. Both occasions are monitored and if necessary we draw it to their attention again.

At the end of the year we provide all employees with a refreshed version of our code of conduct (or make it available to them digitally). We say the code has been 'refreshed', because the core message has remained the same, but attention has been paid to the way in which it is offered and to the formulation. By taking these measures we promote alertness and awareness of compliance. At the same time we also make clear that – independently of information and training courses – each employee is responsible for his or her own behaviour and compliance with laws and regulations. He or she must be accountable on these matters at all times.

2014 reports

The outstanding reports from 2012 and 2013 are dealt with and 26 new reports were recorded in 2014. Of the new reports 13 cases were reported directly to the Chief Compliance Officer or to one of the compliance officers; the other 13 reports were filed using the reporting tool. The hotline anonymous reporting facility was not used but will remain available.

HILTON AMSTERDAM AIRPORT HOTEL

The new Hilton Hotel will have 433 guest rooms, 23 meeting rooms, a restaurant and bar, executive lounge, spa and fitness centre, a large atrium with a lobby and an underground car park with 138 spaces. A covered walkway will connect the hotel directly to the terminal of the international airport. The new Hilton Schiphol will occupy a prominent site along the access road to the terminal, next to the existing Hilton hotel. The hotel is a real icon for the airport. Client and investor: Schiphol Hotel Property Company, a Schiphol Real Estate company.

HILTON AMSTERDAM AIRPORT HOTEL

Iconic symbol

The new Hilton Amsterdam Airport Hotel has a construction period of 2.5 years and is being built right in front of the current Hilton Hotel, which will be demolished after the new hotel is completed.



The aforementioned 26 reports concerned a wide range of issues, such as theft, fraud, sexual intimidation and a number of requests for advice on what action to take. All reports were investigated and dealt with, with 11 remaining under investigation. Other reports were dealt with and led to specific advice or corrective measures. Five reports concerned breaches of the code of conduct. These were dealt with by means of measures ranging from dismissal (one case) to a reprimand.

Our Chief Compliance Officer also launched an investigation into the Avenue2 project (construction of a tunnel on the A2 in Maastricht). This followed a hearing of employees by the Inspectorate of Social Affairs and Employment as part of an investigation into working hours. We wish to establish whether the legislation in this area has been correctly complied with. This investigation is being conducted by an independent third party and on behalf of the two partners in this project (Ballast Nedam and Strukton).

In accordance with the GRI guidelines we record reports of corruption, discrimination and competition separately. No reports of this nature were received in 2014.

Offering and accepting donations and gifts

During the reporting year it was clear that our employees remain aware of what they can or cannot offer or accept by way of donations and gifts. The subject is discussed within the company. Employees direct questions on the subject to the compliance officers working in the various business units. Where necessary employees ask their managers for consent.

Compliance in screening of suppliers and subcontractors

We operate a Central Suppliers Database containing the bulk of our suppliers and subcontractors. The supplier or subcontractor is screened before being entered in the database. For this purpose we use an external research firm, among others, and repeat the screening periodically. We pay particular attention to the integrity policy of the company concerned. The screening can also be repeated on an interim basis if we deem it desirable.

If the result is negative, we stop doing business with the party concerned. We can repeat the screening at the request of the supplier or subcontractor. A specific assessment is then made of whether the previously identified compliance problems have been sufficiently tackled. During the reporting year we received a number of requests and removed one party from the blacklist.

Focal points in 2015

Under the leadership of the Chief Compliance Officer we are continuing to develop and expand our compliance policy. This involves actively propagating our framework of standards and values, as set out in the code of conduct. After all, alertness requires regular attention. For this purpose the compliance officers will give presentations to employees in their units. By discussing cases and dilemmas with each other we ensure that compliance remains a live subject and one that is more tangible for all employees. We will also continue to encourage the use of web tools to report compliance and integrity breaches and submit notifications of gifts. We are also using these tools this year for evaluation and monitoring. With this analysis we can work on the further prevention of compliance risks (see also Section 4.4.3 *Operating risks* on page 70).

Furthermore, the new Anticorruption and Fraud e-learning modules are being produced this year. We are also updating the subcodes of the general code of conduct and compliance protocols in 2015. We aim to improve the readability of our subcodes in response to signals from the shop floor. After all, practical applicability promotes an effective compliance policy.

During the forthcoming year we will also work on the compliance check at the start of our tendering and purchasing process. We are refining the screening of our suppliers and subcontractors in the Netherlands and abroad, so that the up-to-date state of affairs is automatically incorporated our Central Suppliers Database each quarter.

Finally, we remain alert to current and future laws and regulations that affect us in our role as both contractor and client. In these capacities companies are increasingly responsible for remitting contributions, working conditions, etc. We must define this responsibility properly with our partners in the chain. We believe this is very important from the perspective of compliance.

5.9 Innovation

Innovation is deeply ingrained in our organization. We aim to offer our customers added value through practical innovations. We focus not only on renewing and improving our products and techniques, but also on optimizing our processes by means of improvements. Our approach to innovation sets us apart from others and strengthens our position in the integrated projects market. Our conviction is that innovation leads to opportunities for sustainability.

5.9.1 Innovation

Policy and innovation strategy 2.0

Ballast Nedam has operated the *tok! Open* virtual innovation network since 2010. This enables Ballast Nedam's employees and stakeholders to jointly develop and implement new innovations in an open innovation environment.

Ballast Nedam's innovation performance was analysed and assessed in 2014. The innovation performance has declined in recent years, according to an organization-wide survey, interviews with employees, personal observations and an analysis of data from the *tok!* IT platform. This decline may be partly due to the difficult economic situation faced by Ballast Nedam (resulting among other things in a short-term focus and high pressure of work on employees). Internally we can also see that there is insufficient transparency and clarity about what is necessary for innovation and the innovation process.



JOHAN FRISO LOCK, STAVOREN

A great experience for visitors and sailors alike

The new lock basin looks like a natural mooring place, a modest marina, green and hospitable. The control building also includes a reception area, which is freely accessible during the lock's operating hours. From the reception area visitors will have splendid views of the lock area. The town side of the lock has undergone a metamorphosis. This area has been transformed into a large square with space for traffic and a pavement café. Ballast Nedam built the lock on behalf of the Province of Friesland. The expansion of the Johan Friso Lock is part of the Frisian Lakes project.

Partly on the basis of the internal investigation into the innovation performance, an improvement plan was drawn up in 2014 with the aim of raising the innovation performance to a higher level. The main points of this improvement plan are:

- A clearly link between Ballast Nedam's strategy and the vision of innovation;
- Drawing up an 'innovation business roadmap' which broadly reflects the innovation strategy for the years ahead;
- Taking appropriate decisions with regard to ideas and innovation projects;
- Greater focus on innovations within individual divisions and companies;
- Appointing an Innovation liaison officer in each division. This officer will be responsible for innovation-related matters in each division;
- Managing idea teams and allocating resources in consultation with the liaison officer concerned in order to implement projects more effectively.

We are implementing this new innovation strategy in 2015.

Objectives and results in 2014

The fact that the innovation performance has declined (as described above) does not mean that innovation is stagnant. It does mean, however, that a great deal of innovation potential remains unexploited. The specific innovations achieved in 2014 are set out individually below.

Specific themes in which we innovate are energy, modular concepts and industrialization of the construction process. The energy and modular concepts themes have been combined into three prototypes which were delivered in 2014 for a modular renovation product aimed at renovating post-war housing to create zero net energy homes. These are homes in which the energy meter stands at zero at the end of the year: they consume no more energy than they generate. We developed this product as part of the *Stroomversnelling* project. We also launched an energy-neutral version of the modular *iQwoning*® on the market. Another example is the energy-neutral Johan Friso Lock which Ballast Nedam built in Stavoren and which was opened by King Willem-Alexander in May.

The above concepts fit in with our focus on energy and sustainability. Industrialization and modular construction are also central features of the *iQwoning*® and *Stroomversnelling*. The pursuit of modular construction and industrialization is also reflected in the Haitsma 3D cell developed for the Zaanstad Penitentiary project and in the prefabricated roof elements used in the Arnhem public transport terminal project.

We are not only working on the above product and business model innovations. We also work continuously on gradual improvements that are reflected particularly in process innovations. For example, the SOS app was introduced in 2014 (see also Section 5.7 *Safety* on page 92). We also developed the radiator transport brace, which won the Gouden *tok!* trophy. The WIL app was also developed. WIL is a direct result of the winning entry in the public competition for the Ballast Nedam Innovation Prize 2012: Ton Totaal Tool, for a digital system for renovations and alterations.

Stroomversnelling

The *Stroomversnelling* innovation project started in June 2013. It involves collaboration between housing associations and builders to renovate 111,000 post-war social housing units into zero net energy homes. Ballast Nedam is one of the participating builders and is developing a modular renovation product as part of this project. The customer is central to this product and we provide an answer to the problems faced by housing associations and residents.

In 2014 we developed the product for houses and three prototypes were launched: two in Maarssen and one in Tilburg. By developing different prototypes we were able to deliver a product that is more energy-efficient, achieves a higher quality, has a faster turnaround time and a lower cost than the initial concept at the end of 2013. The product will be scaled up in 2015, with the first large-scale house projects being launched. We are also developing a product for apartments and high-rise buildings.

Energy-neutral lock

The energy-neutral Johan Friso Lock was officially opened in 2014. The lock generates its own energy. Solar panels on the roof of the control building and lock gates which store the energy released during braking (as also happens in a hybrid car) enable the lock to operate independently of the electricity grid.



WIL app

For Bouwborg we developed the WIL app which gives the user access to the work order system from any location, obviating the need for worksheets and notes. The information which the user enters goes straight into Bouwborg's systems. That allows direct management of subcontractors, more specific time recording and more accurate presentation of material flows. It is a practical example of lean management. The app is being tested by Bouwborg at its s-Hertogenbosch site before being rolled out to the other regions.

Energy-neutral living in an iQwoning®

In 2014 we successfully launched an energy-neutral iQwoning® in the market. In the home we use a combination of different sustainable technologies, such as thermal energy storage units, triple glazing, heat recovery in the shower and the use of solar panels. Energy-neutral means in this case that the home has an EPC (Energy Performance Coefficient) of zero. More information on the iQwoning® can be found on the *Innovative housing concept* theme page on page 48.



Haitsma 3D cell

In housing and non-residential construction, modular construction using prefabricated elements is steadily gaining ground. That leads to shorter construction times, allows conditioned implementation and is suitable for meeting specific requirements in construction. Haitsma Beton started production of 667 3D prefabricated building units for the new Zaanstad Penitentiary during the year.



The prefabricated cells are complete units in which the facilities have already been installed. The units are delivered to the site as a carcass. A total of 24 cells are being installed per week across the various building streams on the site. The cells are produced in the factory, leading to advantages in terms of quality due to the clean room conditions. The repetitive nature of the work reduces the building time. The certainty of production (no weather impacts) also increases planning reliability. The combination of these factors leads to an increase in the price quality ratio.

Concrete Valley Roof of Arnhem public transport terminal

mbX® specializes in the production of special, geometric concrete elements. mbX® supplied the (double) curved roof and façade elements for the roof of the public transport terminal in Arnhem in 2014. The roof elements are prefabricated in a project-specific production environment. The clean room conditions are one of the factors allowing smart, efficient production.

The power of the product lies particularly in the special mould used for the elements. In the case of concrete elements it is the mould that largely determines the possible design and cost. By using smart mould design methods we achieve a high degree of efficiency. Among other things that generates less waste, because we do not use traditional timber formwork. We also save time as a result of the innovative moulding technique, even if we have to produce unique roof elements on each occasion.

Innovation in the chain

In 2013 we also encouraged innovation in the chain. This particularly involved initiatives for trans-sector collaboration, which led to three innovative collaboration projects in 2014 with Open House, Utrecht Inc. and CargoBeamer.

Open House

Ballast Nedam and events organizer ID&T signed a letter of intent in 2013 to cooperate on open innovations in the construction and events sector. This letter of intent that was confirmed in 2014 by the partnership in Open House, an initiative of ID&T, supported by the Ministry of Economic Affairs.

In mid-2014 the Ministry of Economic Affairs made available a budget of 0.5 million euros for the two-year Open House research project with the aim of giving a 'flying start to the promotion of innovation and entrepreneurship through the Dutch EDM (electronic dance music) sector'.

Radiator transport brace

The radiator transport brace developed by Ballast Nedam makes it easier to move radiators in renovation projects and prevents damage to existing floor coverings. The innovation lies primarily in process optimization, which delivers time savings and higher quality. The existing floor can be left in place rather than having to be partly replaced.

Ballast Nedam and ID&T see major similarities between the challenges in major urban projects and events in the Event, Dance and Music industry. Both types of project are of a temporary, complex nature. That makes Open House an excellent platform for cross-sector innovation. In 2015 Ballast Nedam is launching a number of challenges in the form of concrete requirements.

Utrecht Inc.

In the second half of 2014 Ballast Nedam started working with Utrecht Inc, an incubator which focuses on scalable and innovative start-ups. Utrecht Inc. devotes specific attention to climate, health and education. Ballast Nedam sees added value in the collaboration; the fields in which the start-ups operate have features in common with the strategy and working area of Ballast Nedam. Ballast Nedam can act as a launch customer in this collaboration.

Intermodal transport of semi-trailers

Ballast Nedam works with CargoBeamer, a German company which has developed an innovative modular terminal concept. This allows all types of truck trailers and semi-trailers to be transported safely and cost-effectively by rail. The shared starting point is a modular approach and the view that intermodal transport (transporting goods by different means of transport) allows better and more efficient use of the existing infrastructure.

The terminal technology requires no technical adjustments to be made to the semi-trailers and no container cranes are required. The terminal is modular in design and can grow in line with capacity demand. This combination of factors opens the doors to rail transport for a very large category of freight traffic which currently has to rely on the road network. That means we can make better use of European rail infrastructure for goods transport. Transporting goods over long distances by rail is faster and generates around 70% less CO₂ emissions than road transport. Energy consumption is reduced by 60%.

In 2014 CargoBeamer and Ballast Nedam tested the feasibility of loading and unloading of the wagons at two conventional terminal locations in the Port of Rotterdam. Partly on the strength of the promising results, the collaboration has been extended.



CargoBeamer and Ballast Nedam recently signed a letter of intent with Cluster Agrologistiek Westland to jointly investigate the possibility of setting up a CargoBeamer terminal for the Westland region. Speed and energy-efficient transportation are important considerations when distributing fresh produce from the Westland region. A CargoBeamer terminal could reduce the daily flow of international freight traffic to and from Westland and alleviate congestion on roads in the Rotterdam region. Cluster Agrologistiek Westland comprises around 300 service companies working together to promote sustainable and innovative development of the agro-logistics chain in Westland.

5.10 Community

This section explains how Ballast Nedam aims to make a positive impact on the local communities in which we work. We achieve this on the one hand through community relations management and on the other through community investment and social sponsorship.

5.10.1 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 general duty of care under Section 2 of the Flora and Fauna Act has a significant ecological impact.

Policy

Ballast Nedam interprets community relations management as all activities that help us get to know and involve all community parties, with the aim of identifying shared goals as well as our own, and to ensure that we achieve our project objectives. We focus on communication, safety, careful work and an environmentally aware and 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.

Hart van Zuid: public-private neighbourhood collaboration

The plans for the integrated development of the Hart van Zuid area in Rotterdam were further developed in 2014, in close consultation with residents, businesses and future users. Around 220 people from immediate area took part in the public-private neighbourhood collaboration in which the approach to the Zuidplein area was discussed. The meetings yielded more than 175 ideas, which we jointly developed into eight detailed proposals for traffic, livability and shopping. These proposals are currently being worked out in greater detail and, if they prove feasible, integrated in the environmental impact report, the land use plan and the structure vision.

This successful public-private neighbourhood collaboration approach is being continued in 2015. We have agreed with the parties concerned that a number of collaboration sessions will take place before the draft land use plan is presented for inspection in May 2015, so that we can involve the community more fully in the development of the plans. This will cover substantive themes, such as air and traffic, and the designs of various subprojects, such as the new swimming pool.

Activities within this project in 2015:

- The Ballast Nedam project team is moving into the former city district office.
- Website www.hethartvanzuid.nl goes live.
- Structure vision, land use plan and environmental impact report are further developed.
- Stakeholders can take part in all procedures at once.



Hart van Zuid: a place to stay

An attractive and lively centre is being created for Rotterdam Zuid. A coherent development plan connects and improves all heavily used facilities, such as Ahoy, the covered shopping centre, Zuiderpark, the bus station, swimming pool and theatre. The public can mingle in a new, traffic-calmed Gooilandsingel and Plein op Zuid. Ahoy is expanding to include a conference centre and cinema. A 50-metre swimming pool, theatre, library and homes are also being built. More than 300 million euros is being invested in facilities, shops, homes, traffic, parking, accessibility, transport and public space. The young population of the Zuid district is being given opportunities for employment and internships.

Ballast Nedam is developing and implementing the integrated project in an innovative partnership with the municipality and in close consultation with all the residents and involved parties in the Zuid district.

ARNHEM PUBLIC TRANSPORT TERMINAL

Unique design

Ballast Nedam is building the new public transport terminal in Arnhem with BAM on behalf of ProRail. The project includes the construction of a concourse, which is linked directly to the bike park and the passenger tunnel, and also interconnects the car park, taxi rank and the two bus stations. The terminal is the final element of the works in the station area and is being built on and adjacent to a number of buildings that have already been completed. The organic shapes used in the architecture make construction a complex process. No two corners are the same. A unique feature is the use of shipbuilding techniques. These were chosen because they offer logistical and technical advantages. For example, they minimize the risks of concrete settlement.

Objectives and results

The aim of community relations management is to reduce nuisance in projects and provide comfort and clarity. The Bewuste Bouwers (considerate builders) code of conduct (www.bewustebouwers.nl) fits in with this. In 2014 we reported 36 new projects to Bewuste Bouwers and 31 Bewuste Bouwers projects were delivered. Together with the 36 ongoing projects reported earlier, this takes the total of number of Bewuste Bouwers projects at the end of 2014 to 41. In 18 projects an audit was conducted on the basis of the Bewuste Bouwers code of conduct: 22 projects received an anonymous visit from Bewuste Bouwers to assess the site.

Bewuste Bouwers uses detailed indicators to assess the performance of a project against five standards: Conscious, proactive communication (Bewust), Safe working (Veilig), Environment (Milieu), Careful work (Verzorgd) and Social attitude (Sociaal).

In the case of infrastructure projects, Ballast Nedam appoints a specific community relations manager, focused on the extent to which the four areas below (quadrants) influence the course of the project.

- 1 Stakeholder management: controlling requirements and wishes;
- 2 Nuisance management: nuisance caused by physical construction and traffic; perceptions of nuisance;
- 3 Communication: public, construction and corporate communication;
- 4 Conditioning: permits, cables and pipelines, ecology, soil quality and archaeology.

The conditioning and nuisance management quadrants were fully developed in 2014 and recorded in the company manual. The other quadrants are being included in the manual in 2015. The approach to community relations management will thus form part of existing business processes in the tendering, implementation and management phases of projects.



'Everyone diverted in one go'

'Everyone diverted in one go'. That is the motto of the nuisance reduction plan for the N31 Traverse Harlingen project. During the work we are keeping the traffic flow at the same level as in 2013. To achieve this, we are completing the project in various phases, aiming for a minimum number of changes in traffic situations for road users. That means every existing traffic situation is turned into the end-situation in a maximum of one interim stage. The project involves the dualling of a section of the N31 over a length of approximately 3km, the construction of an aqueduct in the Van Harinxma canal and the construction of five viaducts for the intersection with the railway line and the underlying road network.

Renovation of the head office of a.s.r. insurance company in Utrecht: high score

The high score in the Bewuste Bouwers audit in the renovation of the a.s.r. head office came as no surprise, but the performance was no less impressive: this renovation is completely transforming one of the largest office buildings in the Netherlands from a dark, enclosed 1970s building into a light and particularly sustainable building, while it remains in use. With a BREEAM Excellent rating and an A energy label, the building also attains a high standard in terms of sustainability.

5.10.2 Community investment

Policy

Ballast Nedam's community policy is directly related to our vision and core activities. This means we support those local communities with the greatest need with a combination of time, knowledge, money or expertise. We firmly believe that these communities benefit most from a targeted, long-term involvement. Society as a whole also gains from this. We therefore focus on:

- Education;
- Employment, including the social return on investment (SROI);
- Entrepreneurship.

We not only focus on the above subjects, but also carry out social sponsorship.

Actions in 2014

In 2013 we gave priority to assisting implementation teams in current projects based on the SROI obligation. That involved analysing and processing the lessons learned in this area, which led to the production of the Social Return Manual at the end of 2013. This manual contains specific guidance to help employees successfully create and implement a 'social return' both in the tendering phase and in implementation. Implementation of the manual continued in 2014. The intention was to update the manual on the basis of the lessons learned in the implementation, but it was found to be perfectly satisfactory, as it offers practical, detailed guidance and Ballast Nedam employees appreciate it. No update was therefore deemed necessary in 2014.

In view of the circumstances and market conditions which Ballast Nedam currently faces, SROI was not defined as a high priority in the CSR policy during the year. Consequently no budget was allocated to community investment in 2014. Nor has any separate budget been allocated to this area at holding company level in 2015.



Education: IMC Weekend School

In 2014 Ballast Nedam worked with the IMC Weekend School Utrecht, which helps motivated young people between the ages of 10 and 14 from socio-economically deprived areas to learn about 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, jointly with the staff of the IMC Weekend School. This year, 28 third-year students were awarded their diploma.

Social return projects

Ballast Nedam has 38 ongoing social return projects. These are set out in the table below; Ballast Nedam's four voluntary in-house initiatives are shown in italics.

	Business unit	Project
Building & Development division	BN Bouw & Ontwikkeling Speciale Projecten	<i>Erasmus MC, Rotterdam</i> CNSN, Schiphol <i>PI2, Zaanstad</i>
	Heddes Bouw & Ontwikkeling	Thialf Ice Stadium, Heerenveen 52 homes in Havenbuurt, Zaandam Tugelaweg, Amsterdam
	Laudy Bouw & Ontwikkeling	Arcus College, Heerlen St. Jansbolwerk, 's-Hertogenbosch Marsana Sports Hall, Meerssen AZM KNO, Maastricht BMV Molenberg, Heerlen New municipal office, Venlo City park, Sittard
	BN Bouw & Ontwikkeling North/West	Municipal disposal site, Heemskerk
	BN Bouw & Ontwikkeling South	Drents village, Eindhoven Bouwborg, Arnhem Loevepark, Oosterhout Sound screens, Bergen op Zoom Renovation of homes Barten Zuid, 's-Hertogenbosch Bouwborg, 's-Hertogenbosch Avans Hogeschool, Breda Bouwborg, Eindhoven Canisius College, Nijmegen Renovation of 363 homes, Oosterhout
	BN Beheer	Green maintenance at Johan Friso Lock, Stavoren
	BN Infra Speciale Projecten	<i>A15 Maasvlakte-Vaanplein (A-Lanes A15)</i> <i>A2-School, Maastricht (Avenue2)</i>
Infrastructure division	BN Infra	Coastal works, Katwijk Arnhem Centraal Midden Aqueduct western approach road, Leeuwarden Hartel II, Rotterdam Stena Line, Rotterdam N31 Traverse, Harlingen
Specialized Companies & Supplies division	BN Specialiteiten	Green space maintenance, Leerdam Maintenance of provincial highways, North Brabant Green space maintenance, Meerzicht, Zoetermeer
	BN Specialiteiten / BN Beheer	Integrated management and maintenance of provincial highways, North Brabant
	TBS Soest	City of Rotterdam



**A2 MAASTRICHT-EUROPALEIN
JULY 2014**

Structural work on dual tunnel completed

The construction of the A2 tunnel in Maastricht started in the autumn of 2011 at Europaplein, to the south of John F. Kennedysingel. Here we are building the southern entrances and exits of the A2 tunnel. The tunnel excavation pit comprises 30 sections, each with a length of 24 metres. That means the Europaplein excavation pit is 720 metres long. The concrete structure has now been completed and preparatory work has started for the installation of the technical equipment in the tunnel. The project is being built by Avenue2, a consortium of Ballast Nedam and Strukton.



Employment, social return: A2 school

The A2 School is a 'one-stop shop' partnership between 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 distant from the labour market to find work. In 2014 the A2 School and Avenue2 (Ballast Nedam and Strukton) created more than 102 FTEs for the completion of the A2 Maastricht project. Besides the building trades, there are also opportunities in office work and technical services.

Entrepreneurship: Together for Nieuwegein

Ballast Nedam was one of the partners in Samen voor Nieuwegein (Together for Nieuwegein) in 2014. The annual Beursvloer event brings local businesses, community organizations and the municipality together to match supply and demand, leading to social transactions in which no money changes hands. On Thursday 20 November 2014 we hosted this event for the fifth time. On this occasion the event produced 93 matches, with a total community value of over 151,800 euros. Ballast Nedam promised to assist the 4 and 5 May Nieuwegein Committee.

Social sponsorship: Alpe d'HuZes

In June 2014 eight Ballast Nedam employees cycled to the top of Alpe d'Huez to raise money for cancer research. The result was around 13,000 euros. In total Alpe d'HuZes has generated around 13.5 million euros for the cancer charity KWF Kankerbestrijding. Ballast Nedam sponsored the Alpe d'HuZes teams with equipment and finance.

N261 TILBURG WAALWIJK – HAITSMA BETON

Robust and reliable

For the reconstruction of the N261 (substructure) Tilburg-Waalwijk highway, Haitsma Beton supplied and erected pillars and cross beams for BAM N26 NonStop. There were 53 pillars/columns and 29 cross beams, incorporating a fire-resistant mixture.



Corporate governance

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6

Corporate governance

6.1 Management and control structure

The previously announced integration of the operational management from six clusters to the three divisions: Infrastructure, Building & Development and Specialized Companies & Supplies was put into effect in 2014. The three divisions are formed around their related products and processes. For 2014 we are continuing to report our activities based on four segments: Building & Development, Infrastructure, Specialized Companies, and Supplies. With effect from the 2015 financial year, the results of the Specialized Companies & Supplies division will be reported on an integrated basis. A full overview of the companies in the various divisions can be found at www.ballast-nedam.nl.

The Board of Management of Ballast Nedam comprises Mr E. van der Noordaa as Chief Executive Officer and Mr P. van Zwieten as Chief Financial Officer. In 2014 there were three divisional directors, each of whom controlled one division. Each divisional director was supported by a financial director. In order to guarantee the independence of the financial function, the financial managers of the business units report to the corporate financial director, who reports to the CFO. This separation between operational responsibility and financial control has been implemented on all levels. The Board of Management and the divisional directors constitute the Ballast Nedam Concern Council.

6.1.1 Dutch Corporate Governance Code

Ballast Nedam endorses the principles of the Dutch Corporate Governance Code ('the Code') and, with a few specific exceptions, applies the best practice provisions of the Code. The best practice provisions were applied as fully as possible in the 2014 financial year.

The General Meeting of Shareholders of 10 May 2006 approved Ballast Nedam's corporate governance policy and structure. Neither the company's corporate governance structure nor compliance with the Code have changed substantially in the meantime. The corporate governance structure and policy are included in the agenda for the shareholders' meeting every year.

Ballast Nedam adheres to the Code, with the exception of the following best practice provisions:

1. Best practice principle III.4 and best practice provision III.4.3.

The role of the chairman of the Supervisory Board and the company secretary

In 2014 Ballast Nedam amended its articles of association, as a result of which the Supervisory Board can appoint a secretary, who may be part of the existing workforce. The separation of the role of company secretary and secretary of the Supervisory Board prevents any possible appearance of undesirable exchange of information and emphasizes the different roles of the Board of Management on the one hand and the Supervisory Board on the other. Workload was also a consideration in the separation of these roles.

2. Best practice provision IV.3.1: viewing presentations by means of webcasting

Shareholders cannot follow analyst meetings, analyst presentations, presentations to institutional and other investors and press conferences live by webcasting, telephone or other means. Ballast Nedam has no plans to introduce these facilities in the near future, believing that the costs would outweigh the benefits.

For a detailed overview of the way in which we comply with the Code and the aforementioned and other best practice provisions, see the compliance overview at www.ballast-nedam.nl.

6.1.2 Corporate governance statement

Ballast Nedam N.V. has included in this Annual Report all statements and announcements described in the Code, the Netherlands Civil Code and 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 concerning the content of the Annual Report.

6.1.3 Legal structure

Ballast Nedam N.V. is a public limited liability company under Dutch law, subject in full to the statutory two-tier rules. The issued share capital consists of 19,667,500 registered ordinary shares. Depositary receipts for Ballast Nedam shares are listed on Euronext Amsterdam. The Ballast Nedam Administration Office issues depositary receipts for shares and holds the underlying shares. As at 31 December 2014, the Administration Office had issued depositary receipts for 99.99% of the capital in issue. Ballast Nedam has no anti-trust constructions. Ballast Nedam informed the shareholders' meeting of November 2014 of its intention to dissolve the Board of the Ballast Nedam Administration Office. In the preceding period holders of depositary receipts clearly expressed their wish, both in the shareholders' meeting and in the

meeting of holders of depositary receipts, for the Administration Office to be dissolved. This would return the economic and legal interests to the same hands and the current holders of depositary receipts would become direct shareholders in the company.

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 moves a resolution to amend the articles of association and the Supervisory Board approves, the General Meeting of Shareholders will adopt the resolution by a simple 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% of the capital in issue.

6.1.4 Supervisory Board

The Supervisory Board supervises the policy of the Board of Management and the affairs of the company and its business, and supports the Board of Management with advice. The Supervisory Board performs its tasks mindful of the interests of Ballast Nedam N.V. and the associated business, taking into consideration the relevant interests of the stakeholders who play a part or are affiliated. The Supervisory Board also takes into consideration in its duties the social aspects of business conduct that are relevant to the company.

During the Extraordinary General Meeting of Shareholders on 14 November 2014, Mr J.S.T. Tiemstra was appointed as a member of the Supervisory Board and Mr A.N.A.M. Smits stepped down as a member of the Supervisory Board. The Supervisory Board currently has four members. All supervisory directors are independent within the meaning of the Code.

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 a simple 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 can recommend persons for nomination as supervisory directors to 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 made.

The General Meeting of Shareholders may adopt a vote of no confidence in the Supervisory Board by a simple 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 sets the remuneration of the supervisory directors. The current remuneration of the Supervisory Board was set at the Annual General Meeting of Shareholders in 2005. The remuneration of the Audit Committee was set at the Annual General Meeting of Shareholders in 2008.

Duties and regulations

The Supervisory Board has established an Audit Committee, a Remuneration Committee and a Selection and Appointments Committee. Each within its 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 which can be found at www.ballast-nedam.com.

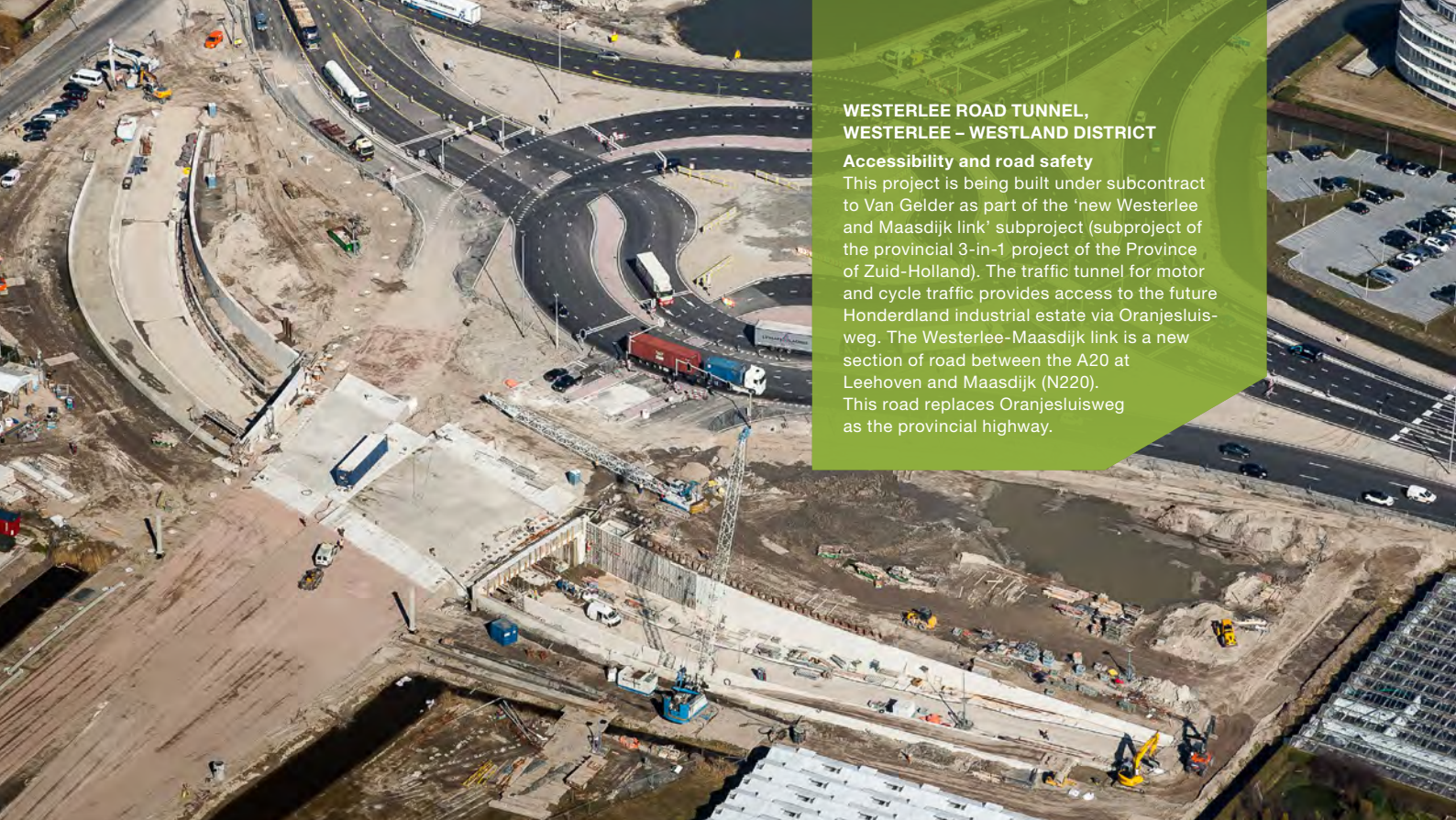
The Supervisory Board Regulations contain additional rules on the allocation of tasks and working methods of the Supervisory Board, and on its dealings with the Board of Management, the General Meeting of Shareholders and the Central Works Council. These rules can also be found on our website. The composition of the Supervisory Board can be found in Section 6.3 on page 126 of this Annual Report.

No conflict of interest

With the exception of a termination agreement between a former member of the Board of Management and the company and the conclusion of agreements with major shareholders of the company in which they unconditionally undertake to participate in the rights issue (see also Section 3.1), no transactions took place in 2014 involving a conflict of interest on the part of supervisory directors, managing directors or natural or legal persons holding at least 10% of the Ballast Nedam shares. Corporate Governance Code best practice provisions II.3.2 to II.3.4, inclusive and III.6.4 have been complied with. This concerns transactions which are of material significance to the company or the person in question.

Balanced allocation of seats

The company does not (yet) comply with Section 166 of Book 2 of the Netherlands Civil Code. The seats on the Board of Management and the Supervisory Board are not currently allocated in a balanced way as referred to in the aforementioned section. The company is striving for a balanced allocation of seats on the Supervisory Board and the Board of Management, but it is not easy to achieve this allocation in view of the small composition of both bodies. The interests of Ballast Nedam and its subsidiaries and the evident suitability and experience of the candidates for the seats on these bodies were paramount considerations in the selection of candidates. In future Ballast Nedam will again strive for a balanced allocation, but other important criteria referred to above will again be considered.



WESTERLEE ROAD TUNNEL, WESTERLEE – WESTLAND DISTRICT

Accessibility and road safety

This project is being built under subcontract to Van Gelder as part of the 'new Westerlee and Maasdijk link' subproject (subproject of the provincial 3-in-1 project of the Province of Zuid-Holland). The traffic tunnel for motor and cycle traffic provides access to the future Honderland industrial estate via Oranjesluisweg. The Westerlee-Maasdijk link is a new section of road between the A20 at Leehoven and Maasdijk (N220). This road replaces Oranjesluisweg as the provincial highway.

6.1.5 Board of Management

The Board of Management manages the company and is responsible for the company's objectives, strategy and policy and the consequent results. 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 set at the Annual General Meeting of Shareholders in 2005. The General Meeting of Shareholders of 13 May 2015 approved the 2014 remuneration policy as a separate agenda item. That is in accordance with the legislative amendment regarding the authority to adjust excessive bonuses of directors (the 'Clawback' Act) which came into force on 1 January 2014.

Regulations

The Board of Management Regulations contain further rules on the allocation of tasks and working methods of the Board of Management, and on its dealings with the Supervisory Board, the General Meeting of Shareholders, the Central Works Council and the external auditors. These regulations can be found at www.ballast-nedam.com. The composition of the Board of Management can be found in Section 6.5 on page 135 of this Annual Report.

6.1.6 Management of the divisions and business units

The Board of Management supervises the division management, which in turn supervises the management of the business units. The managements of the divisions 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 division level for projects of the business units with a certain value and a certain risk profile. Approval from the division management is required for all major and high-risk projects, which must ultimately also be submitted for approval by the Contract Committee, which in addition to the Board of Management also comprises the secretary of the Board of Management / Legal Director. Additional information on this subject can be found in Chapter 4 *Risk and risk management in Ballast Nedam* on page 60.

6.1.7 General Meeting of Shareholders

The Annual General Meeting of Shareholders must be convened no later than six months after 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% of the capital in issue may also convene a meeting of shareholders.

Agenda of the Annual General Meeting

The agenda of the Annual General Meeting of Shareholders will include the following items:

- discussion of the Annual Report;
- adoption of the Financial Statements;
- discussion of the conducted remuneration policy;
- motion to grant discharge to the Board of Management and the Supervisory Board;
- appointment of the external auditors;

Shareholders and/or holders of depositary receipts for shares solely or jointly representing at least 3% 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.

In 2014 both a General Meeting of Shareholders and an Extraordinary General Meeting of Shareholders were held. The resolutions adopted at these meetings included the following.

The Annual General Meeting of Shareholders gave the Board of Management authority to amend the articles of association of Ballast Nedam as follows:

- To include in the description of the objects of the company the furnishing of collateral in connection with loans entered into for the refinancing;
- A capital reduction to enable a rights issue to take place, and to state more explicitly that the General Meeting of Shareholders has and retains the possibility to resolve to issue new shares.

The Annual General Meeting of Shareholders gave the Board of Management authority until 1 December 2014 to resolve to:

- Issue such a number of ordinary shares, including the granting of rights, as is required to raise 30 million euros of capital by means of a rights issue;
- Limit or exclude the legal preferential right in respect of the ordinary shares and rights.

The Board of Management requires approval from the Supervisory Board for these acts.

The Annual General Meeting of Shareholders gave the Board of Management authority until 25 October 2015 to:

- buy back shares, or depositary receipts for shares in the company, to a maximum of 10% of the capital in issue;
- issue shares and/or grant rights to acquire these shares, to a maximum of 10% of the capital in issue, plus an additional 10% of the capital in issue if the issue is linked to an acquisition or merger;
- To restrict or exclude preferential rights to shares to be issued.

The Board of Management requires approval from the Supervisory Board for these acts.

In November 2014 the shareholders gave the Board of Management authority at an Extraordinary Meeting of Shareholders to:

- Amend the articles of association of Ballast Nedam to separate the roles of company secretary and secretary of the Supervisory Board.

Voting right and decision procedure

Each shareholder and holder of depositary receipts for shares has the right to attend and address the General Meeting of Shareholders, and to exercise voting rights at that meeting. In order to exercise such meeting rights, shareholders and holders of depositary receipts for shares must comply with the conditions stated in the announcement of the meeting. In convening a meeting of shareholders, the Board of Management uses 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 are carried by a simple 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 is posted on the company's website www.ballast-nedam.com no later than fifteen days after the meeting. No later than three months after a General Meeting of Shareholders, the draft Minutes are posted on Ballast Nedam's website. Shareholders and holders of depositary receipts for shares may respond to the draft Minutes in the following three months. The Chairman and Secretary of the General Meeting of Shareholders will then adopt the Minutes.



6.1.8 Depositary receipts for shares

If the Board of the Ballast Nedam Administration Office exercises its voting rights for the shares, the Board focuses primarily on the interests of the holders of depositary receipts for shares, and takes account of the interests of the company and its associated business. The Board of the Administration Office consists of three independent members, and appoints the members. The Meeting of Holders of Depositary Receipts may recommend persons for appointment to the Board.

The Board of the Ballast Nedam Administration Office endeavours to arrange a timely succession. In 2014 Mr P.C. van der Linden was appointed as chairman and board member of the Administration Office and Mr L.H. Keijts was reappointed as a board member. Mr W. van Voorden stepped down as Chairman and board member of the Administration Office in 2014.

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 shareholders, including minor shareholders, to be represented by an independent board in the exercise of their voting rights.

Section 8.4 on page 223 of this Annual Report presents the report of the Board of the Ballast Nedam Administration Office explaining its activities in 2014. The report also gives personal details of the Board members. As stated in Section 6.1.3 *Legal structure* on page 111, Ballast Nedam informed the shareholders' meeting of November 2014 of its intention to dissolve the Ballast Nedam Administration Office.

6.1.9 Auditors

The external auditors audit the financial statements. They are appointed by the General Meeting of Shareholders. In 2014 it engaged Ernst & Young Accountants LLP (EY) to audit the 2014 financial statements. The external auditors attend the Annual General Meeting of Shareholders 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 the Supervisory Board at which the annual and interim figures 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.

6.2 Report of the Supervisory Board

2014 was another troubled year for Ballast Nedam. The Supervisory Board oversaw the measures, which to large extent had already been implemented in 2013, 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 detailed quarterly management 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 requiring the Supervisory Board's approval. The Supervisory Board further intensified its supervision in the second half of 2014. The frequency of meetings with the Board of Management was increased during the year.

In May the Annual Meeting of Shareholders was prepared and evaluated.

The Supervisory Board also consulted regularly with the Board of Management about the measures necessitated by the economic crisis. A great deal of time and attention was devoted to Ballast Nedam's financial health. At the start of 2014 this resulted in the Board of Management reaching agreement, with the approval of the Supervisory Board, on a refinancing arrangement up to 2017. In February 2014 the Board of Management, with the approval of the Supervisory Board, announced a programme of disposals, which led among other things to the sale of Ballast Phoenix Ltd and CNG Net. This disposal programme was expanded and completed at the end of the year with the sale of Ballast Nedam Offshore's activities. Ballast Nedam also launched a fully underwritten 30 million euros rights issue in July 2014.



SHEET PILING AMSTERDAM-RHINE CANAL

Modular approach on water

The Ballast Nedam and De Klerk consortium is renovating around 25 km of sheet piling in the section between Amsterdam and Wijk bij Duurstede. 25 km of the 120 km of sheet piling has reached the end of its technical life. The current sheet piling along the Amsterdam-Rhine Canal is 30 to 70 years old. The project is currently under way, with the bulk of the work being carried out from the water. The execution of the project is aimed at providing an efficient, minimalist and low-maintenance solution to guarantee safe navigation along the Amsterdam-Rhine Canal. The work will be completed at the end of 2015.

The annual figures were discussed at the meeting in March. The external auditors attended the discussions of these agenda items in order to present their findings on the financial reporting. The half-yearly figures were discussed with the external auditor in the July meeting. Partly in connection with the rights issue EY was commissioned in 2014 to conduct an assessment of the half-yearly figures included in Ballast Nedam's half-yearly report. On the basis of this assessment, EY issued an unqualified assessment report, including a section emphasizing developments concerning continuity and liquidity. No audit was conducted and no assessment assignment was carried out in respect of the half-year accounts for the period from 1 January 2013 to 16 June 2013. The Supervisory Board discussed with the external auditors and the Board of Management the findings of the external auditors, the management letter for 2014 and the follow-up to the findings. The Supervisory Board furthermore evaluated the relationship with the external auditors and, partly on that basis, recommended that the General Meeting of Shareholders instruct EY to audit the financial statements for the 2014 financial year. The Supervisory Board must unfortunately state that 2015 will be another difficult year for Ballast Nedam, particularly due to the poor market conditions, such as price pressure and structural overcapacity in the Netherlands. The further optimization of the organization is therefore receiving a great deal of attention from the Supervisory Board.

At the end of December 2014 Ballast Nedam announced that several Dutch and foreign parties had approached the company to explore the possibilities of a merger or acquisition. Ballast Nedam is investigating possible strategic options with a number of interested parties. The Supervisory Board is closely involved in this. No further discussions are currently taking place about a possible merger or acquisition with these parties, although discussions are continuing with one of these parties concerning an acquisition of part of the infrastructure activities. The outcome of these discussions is uncertain. Ballast Nedam will continue to explore strategic options in the interest of the company.

The Supervisory Board is aware that the difficult market conditions and the further fundamental changes made in the organization have required a great effort on the part of all Ballast Nedam employees. The Supervisory Board is extremely grateful to them.

6.2.1 Report on supervision by the Supervisory Board

As part of its supervisory duties, the Supervisory Board has given consideration to the achievement of the corporate objectives, the strategy and risks, the purpose and performance of internal risk control, financial reporting, compliance with legislation and regulations, investor relations and corporate social responsibility (CSR). Commentaries on each of these matters are provided below.

Report on supervisory duties: achievement of corporate objectives

Looking back on 2014, the Supervisory Board notes that the Board of Management has operated under difficult economic conditions. The Board of Management has also been obliged to devote much time and energy to financial matters and the disposal programme. The Board of Management has also worked with the divisional directors in devoting a great deal of attention to the improvement of the operational performance and to efforts to reach agreement on major claims, including with regard to Rijkswaterstaat. The Infrastructure division and the holding company were further restructured in 2014.

The Supervisory Board notes that Ballast Nedam recorded an operating loss of 65 million euros for 2014.

As explained in Chapter 3, *Strategic objectives and results* on page 34 of this annual report, the other strategic objectives for 2014 were achieved in part.

The Supervisory Board discussed the performance of the Board of Management both collectively and with regard to individual members. The remuneration of Board of Management members was also considered.

In June 2014, Mr Smits stepped down as Chairman of the Supervisory Board for health reasons and was succeeded by Mr van Doorne. In November 2014 Mr Tiemstra was appointed as a member of the Supervisory Board and Mr Smits stepped down as a supervisory director. The Supervisory Board is grateful to Mr Smits for his work as chairman and a member of the Supervisory Board.

In February 2014 Mr Bruijninx and the Supervisory Board decided in close consultation that Mr would retire as Chief Executive Officer with effect from 1 July 2014. With effect from 27 June 2014, after the General Meeting of Shareholders had been notified, Mr E. van der Noordaa was appointed as Chairman of Ballast Nedam's Board of Management.

Report on supervisory duties: strategy and risks

The Supervisory Board deliberated at length on Ballast Nedam's strategy. Within the financial possibilities of the company, the Supervisory Board supports the Board of Management in the strategy that is set out in Section 2.3 *2015-2017 Strategic Plan* on page 29 of this Annual Report.

The Supervisory Board and the Audit Committee also frequently discussed the various risks set out in Chapter 4 *Risk and risk management in Ballast Nedam* on page 60 of the Annual Report.

Report on supervisory duties: purpose and performance of internal risk control

The Board of Management informed the Supervisory Board regularly about the risk profile, the course of events, the financial situation and market developments. The Supervisory Board also discussed with the Board of Management the most important risks for Ballast Nedam, the internal risk management and control systems, and how the risks could be further limited and controlled. The Supervisory Board further discussed with the Board of Management methods of limiting the risks in the operational process. The external auditor attended these discussions.

Report on supervisory duties: financial reporting

Financial reporting is discussed at each Audit Committee meeting. Developments related to IFRS and changes in legislation applying to auditors were also discussed at length. The Audit Committee also discussed taxation matters. Finally the Supervisory Board extensively discussed the half-yearly figures, the annual figures, the trading updates and the business plan.

Report on supervisory duties: compliance with legislation and regulations

The issue of compliance was discussed at each meeting of the Audit Committee and several meetings of the full Supervisory Board. All important ongoing legal proceedings were also discussed in the presence of the external auditors.

Report on supervisory duties: 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 drawn up an investor relations policy, which can be found on the Ballast Nedam website.

In view of Ballast Nedam's financial position, the Supervisory Board has had contact with the major shareholders on several occasions. The Board of Management has also had discussions with major shareholders, resulting in the shareholders expressing confidence in the company and committing to participate in the rights issue completed in 2014. The Supervisory Board greatly appreciates this confidence in the company and the offers of support.

Report on supervisory duties: corporate social responsibility

Corporate social responsibility (CSR) is an important theme that is discussed by the Supervisory Board several times each year. Each Ballast Nedam business unit reports on non-financial CSR objectives in the quarterly report to shed light on the progress being made and how it can be managed. Details of the CSR policy and the objectives are provided in Chapter 5 *Corporate social responsibility* on page 78.

6.2.2 Report of the Audit Committee

The Audit Committee has two members. In addition to Ms C.M. Insinger as chairman of the Audit Committee, Mr J.S.T. Tiemstra was appointed as a member of the Audit Committee. Both members have acquired relevant knowledge and experience of financial matters. Mr Tiemstra has taken over the role of Mr J. Bout, who joined the Audit Committee as a member when Mr Van Doorne took over the chairmanship of the Supervisory Board and thus had to step down from the Audit Committee. The Committee met on five occasions in 2014 in the presence of the CEO and the CFO of the Board of Management. The external auditors and the secretary of the Supervisory Board also took part in these meetings.

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

- the quarterly, half-yearly and annual figures;
- the Annual Report;
- the reports of the external auditors;
- the company's liquidity position;
- developments in International Financial Reporting Standards (IFRS);
- valuation methods
- compliance;
- the risk profile;
- risk management;
- the ICT policy and its implementation;
- the company's tax position;
- developments in major projects, such as the A15 Maasvlakte-Vaanplein;
- corporate social responsibility;
- the refinancing.

In addition the Audit Committee specifically addressed the general financial strategy and financial procedures, the internal risk management and control systems and the risk management of projects.

The Audit Committee held separate discussions with the external auditors and the Chief Financial Officer (CFO) on one occasion.

The Supervisory Board discussed the findings of the external auditor, the management letter for 2014 and the follow-up to the findings with the external auditor.

6.2.3 Report of the Remuneration Committee

The remuneration committee met on two occasions in 2014. Messrs J. Bout (Chairman) and L.W.A.M. van Doorne are the members of this Committee.

The following matters 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 on these matters. Section 6.4 *Remuneration report* on pages 127 to 134 provides further details of the remuneration policy.

6.2.4 Report of the Selection and Appointments Committee

The Selection and Appointments Committee met on two occasions in 2014. Messrs J. Bout (Chairman) and L.W.A.M. van Doorne are the members of this Committee.

The following matters were discussed at the meetings:

- 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 of vacancy on the Supervisory Board;
- filling of vacancy for CEO;
 - review of the performance of individual members of the Supervisory Board collectively;
 - review of the performance of individual members of the Board of Management and of the Board of Management collectively;

The Selection and Appointments Committee then advised the Supervisory Board on these matters.

CAROLINA BRIDGE SURINAME

Spectacular sliding operation

Construction work started immediately after the signing of the final contract in December 2013. The bridge is 240 metres long and 12 metres wide and was designed with only a central pillar and a collision protection guard. On the substructure there is a steel main span.

Last June a spectacular sliding operation began, with the lattice structure being slid continually 10 metres further across the river, without impeding navigation on the river.

Thanks to the new Carolina bridge, local communities will no longer be dependent on the ferry.



6.2.5 Composition of the Supervisory Board

At the Extraordinary General Meeting of Shareholders of Ballast Nedam held on 14 November 2014, Mr A.N.A.M. Smits stepped down as a member of the Supervisory Board for health reasons and Mr J. Tiemstra (1952) was appointed as a new member of the Supervisory Board.

Each member of the Supervisory Board must be capable of assessing the salient features of the overall 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.

6.2.6 Supervision quality assurance

The Supervisory Board reports in this section on the activities carried out to monitor the quality of the management and its supervision.

Supervision quality assurance: evaluation

The Supervisory Board also met frequently independently of the Board of Management. At one of these meetings the Supervisory Board discussed the performance of the Board of Management both collectively and in terms of the individual members. The remuneration of Board of Management members was also discussed.

The Supervisory Board also evaluated its own performance, with the members discussing 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.

Supervision quality assurance: succession planning

The Selection and Appointments Committee deliberated on Ballast Nedam's management development policy. The Supervisory Board also interviewed the divisional directors, financial directors and a number of staff directors to gain a clearer picture of the management level below the Board of Management and of these directors' insights concerning Ballast Nedam, having regard to the fact that this management level largely determines the continuity of the business.

Supervision quality assurance: induction programme

Partly within the context of the induction programme, Mr J.S.T. Tiemstra held introductory meetings shortly after his appointment and obtained extensive information on Ballast Nedam's financing position and on financial control within Ballast Nedam.

Supervision quality assurance: independence

The Supervisory Board complies with the independence criterion laid down in the Dutch Corporate Governance Code.

Supervision quality assurance: soliciting information

The Supervisory Board pays regular visits to construction projects and subsidiaries. The Board also invites Ballast Nedam employees to attend part of the Supervisory Board meeting. The purpose of these visits and invitations is to maintain affinity with the company and to gather information about the business other than through the Board of Management. In this framework the Chairman of the Supervisory Board also had talks with the full Central Works Council. The Supervisory Board also solicits external advice on a regular basis.

Supervision quality assurance: internal auditor

Each year the Audit Committee evaluates the desirability of appointing an internal auditor. The Audit Committee concluded in 2014 that an internal auditor would at this time be unlikely to add any worthwhile value for Ballast Nedam. Ballast Nedam further tightened its financial and business control in 2014. The separation between operational responsibility and financial control was also applied at all levels within Ballast Nedam and annual assignments are being given to the external auditor to conduct additional audits, resulting in periodic examinations of each business unit.

6.2.7 Internal affairs

This section describes changes in the composition of the Supervisory Board, attendance at meetings and the appointment of a new secretary.

Internal affairs: departure

In mid-2014 Mr A.N.A.M. Smits announced that he was stepping down as Chairman of the Supervisory Board for health reasons. Mr Smits stepped down as a supervisory director in November 2014. The Supervisory Board thanks Mr Smits for his work as a member of the Supervisory Board of Ballast Nedam. Mr L.W.A.M. van Doorne succeeded Mr Smits as Chairman of the Supervisory Board. Mr J.S.T. Tiemstra was appointed as a member of the Supervisory Board.

Internal affairs: attendance

In 2014 there were 34 meetings of the Supervisory Board, five meetings of the Audit Committee, two meetings of the Remuneration Committee and two meetings of the Selection and Appointments Committee. Part of the meetings of the Supervisory Board took place by telephone. On eight occasions a member of the Supervisory Board was unable to attend these meetings. The members concerned nevertheless participated in the deliberations by telephone. Attendance thus amounts to 96.4%

Internal affairs: secretary

Pursuant to the amendment of the articles of association referred to in Section 6.1.7, the Supervisory Board appointed Ms Y.E. Bosland as secretary of the Supervisory Board.

6.2.8 Dividends

The basic principle of Ballast Nedam's dividend policy is that 50% of the net profit is distributed as dividend if the leverage ratio is less than 2. In view of the loss incurred, the poor market outlook and the fact that the leverage ratio is higher than 2, the Supervisory Board has approved the Board of Management proposal to pay no dividend in respect of 2014.

6.2.9 Financial statements and discharge

The Supervisory Board hereby submits the Annual Report for the 2014 financial year, including the consolidated and company financial statements of Ballast Nedam N.V., as prepared by the Board of Management and approved by the Supervisory Board. The financial statements have been audited by Ernst & Young Accountants LLP. The independent auditor's report appears in Section 8.1 on page 212. The Supervisory Board recommends that you adopt the financial statements and requests you to grant discharge to the members of the Board of Management and the Supervisory Board in respect of their management and supervision respectively in 2014.

Nieuwegein, 30 April 2015

Supervisory Board

L.W.A.M. van Doorne

J. Bout

C.M. Insinger

J.S.T. Tiemstra

6.3 Composition of the Supervisory Board

The Supervisory Board members are Mr L.W.A.M. van Doorne, Mr J. Bout, Ms C.M. Insinger and Mr J.S.T. Tiemstra. Further details of these members are provided in this section.

L.W.A.M. van Doorne (Chairman)

Mr Van Doorne was born in 1959 and is a Dutch national. He is the CEO and a major shareholder of Optics Innovation Group B.V. and Managing Director of Pallieter RENEFF B.V.. Mr Van Doorne also serves on the supervisory boards of Pallieter Group B.V. (Chairman), Diana Capital SGEER SA, CityFibre Infrastructure Holdings plc., Shanxi Guangyu LED Lighting Co. Ltd. and Global BSN LLC (The Business Sustainability Network). He is also a member of the Board of Muziekgebouw Eindhoven Fonds and Stichting Thomas van Villanova and a member of the Supervisory Boards of Verder International B.V., Stichting Eindhoven Marketing and Stichting 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.



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 supervisory director of Brunel N.V., Delta N.V. and Koninklijke Haskoning DHV Group B.V.. Mr Bout was first appointed to the Supervisory Board of Ballast Nedam in 2011. His current term of office expires on 19 May 2015.



C.M. Insinger MBA

Ms Insinger was born in 1965 and is a Dutch national. She works as an independent interim director and consultant. Ms Insinger is a member of the Supervisory Board of SNS Reaal N.V., a member of the Supervisory Board of Luchtverkeersleiding Nederland and a member of the Supervisory Board of Filmfonds. Ms Insinger is also a member of the Strategic Audit Committee of the Ministry of Foreign Affairs. At the end of 2014 she was appointed as Chairman of the Supervisory Board of Stichting Worldexpo Rotterdam 2025. Ms Insinger was first appointed to the Supervisory Board of Ballast Nedam in 2013. Her current term of office expires on 16 May 2017.



J.S.T. Tiemstra

Mr Tiemstra was born in 1952 and is a Dutch national. He is a director and major shareholder of TMS Management Services B.V., a company specializing in consultancy, executive coaching and interim management. Mr Tiemstra is also a member of the Supervisory Board of Bruynzeel Holding B.V., Batenburg Techniek N.V., Reinier de Graaf Gasthuis / HAGA and Koninklijke Haskoning DHV Groep B.V.. Mr Tiemstra was first appointed to the Supervisory Board of Ballast Nedam in 2014. His current term of office expires on 14 November 2018.



6.4 Remuneration report

The Supervisory Board hereby presents the remuneration report, containing a summary account of Ballast Nedam's remuneration policy. Mr Bout is Chairman and Mr Van Doorne is a member of the Remuneration Committee.

6.4.1 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 adopted at the Annual General Meeting of Shareholders in 2005.

The aim of the remuneration policy for Board of Management members is to motivate and retain competent board members. The members of the Board of Management must be capable of leading a major Dutch construction group with international operations.

KATWIJK COASTAL WORKS

Innovative and unique

The Ballast Nedam – Rohde Nielsen consortium started work in 2013 on the construction of a dyke-in-the-dune, with a restructuring of the dune area and the construction of an underground car park between the dyke and the Boulevard. The design and incorporation of the car park structure was a major challenge. The project was successful thanks to close and constructive cooperation between the designer Royal Haskoning and the construction consortium. Katwijk is now pleased to have a safe hinterland. The project has given a welcome boost to the economy, tourism and accessibility. The integrated Katwijk Coastal Works project was formally completed on 19 February 2015.



The benchmark 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 these 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, increments to their fixed annual salary are limited in principle in line with increments under the collective labour agreement for the building industry (CAO Bouwnijverheid).

Short-term variable remuneration: bonus

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 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 in the financial year following the reporting year. For competition reasons, the financial targets included in the business plan are not publicly disclosed in advance.

At the Annual General Meeting of Shareholders, the Supervisory Board reports on the financial and nonfinancial targets that were set for the reporting year, and the extent to which they were achieved.

Long-term variable remuneration: 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 aim of the management option scheme is twofold, namely (i) to secure 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 purchase depositary receipts for shares (or shares following cancellation of depositary receipts), equivalent to a minimum of 5% of the number of options granted, and hold such shares or depositary receipts for three years after the options are granted.



**LECTURE HALL,
AMSTEL COLLEGE, AMSTERDAM**

Inner-city logistical puzzle

Amsterdam University of Applied Sciences is building a new, unique learning and working environment: the Amstel campus. The whole campus will be completed in mid-2018. The Amstel Campus includes the Wibauthuis, which is next to the Muller-Lulofshuis completed in 2013, and the Wibaut student residence. What makes this project so special is the construction site on Wibautstraat, the main thoroughfare to the heart of Amsterdam. This urban project on a small plot posed a logistical puzzle. All work, the delivery and removal of materials was tightly coordinated to limit nuisance to nearby residents and minimise traffic. The project was delivered on schedule on 27 November 2014.

The Supervisory Board is authorized annually 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 accounts. 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 continuity of the business;
- 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 maximum option rights that the Supervisory Board may grant to the Board of Management in any one year is 2% 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 on which the options were granted.

The exercise price of the options is equal to the average closing price of Ballast Nedam N.V. shares on Euronext Amsterdam for five trading days prior to the grant of the options, including the grant date. The option exercise price and other conditions for the granted options remain unchanged throughout the term of the options.

6.4.2 Remuneration policy in 2014

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 2014. In accordance with the Dutch Corporate Governance Code the Supervisory Board drew up and discussed scenario analyses in 2014 regarding the amount and structure of the remuneration of the members of the Board of Management.

Relationship between performance criteria and strategy objectives

The most important indicators of the financial targets derive from Ballast Nedam N.V.'s strategy objectives (see Chapter 3 *Strategic objectives and results* on page 34) and are reflected in the financial performance criteria (i.e. the profit for the period and average capital employed, as stated in the business plan). The achievement or otherwise of the financial 'profit for the period' and 'average capital employed' performance criteria is assessed largely with reference to Ballast Nedam's strategic objectives.

The Supervisory Board refers to the achievement or otherwise of the financial and non-financial 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 objectives and long-term variable remuneration, in that the achievement or otherwise of strategic objectives is a determinant of Ballast Nedam N.V.'s share price.

Relationship between remuneration and performance, both ex-ante and ex-post

In the opinion of the Supervisory Board, the performance of the Board of Management in 2014 is in line with the remuneration they receive. The Supervisory Board has reached this judgement in part because the non-financial performance criteria were largely achieved. The Board of Management also implemented the necessary and fundamental organizational changes under difficult market conditions. The Supervisory Board has also compared the remuneration level of members of the Board of Management with that of other listed Dutch construction groups, taking into consideration the complexity, size, risk profile and management model of the reference companies.

6.4.3 Remuneration and employment conditions of the Board of Management

The remuneration for the members of the Board of Management consists of the fixed annual salary, bonus payments, options, pension and other remuneration.

Fixed annual salary

The fixed annual salaries, including holiday pay, of the members of the Board of Management are as follows:

	1 January 2015	1 January 2014
Mr E. van der Noordaa	500,000 euros	not applicable
Mr 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 pay. These fixed annual salaries are based on 52 weeks. See also the table with a schematic overview of remuneration in Section 6.4.5, also for the salary received by Mr Van der Noordaa, who was appointed in 2014.

Bonus

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 strategic route of the company. In the opinion of the Supervisory Board, the members of the Board of Management have satisfied the non-financial criteria. The Board of Management members have not met the financial performance criteria set for them. They are consequently ineligible for a bonus.

Options

No options were granted to Board of Management members in 2014 in respect of the 2013 financial year. The Supervisory Board agreed with Mr Van der Noordaa upon the conclusion of his engagement agreement that he is entitled to a grant of 50,000 options. This grant has not yet taken place.

Pension

Mr Van Zwieten is participating in the Ballast Nedam company pension fund on the same terms as other Ballast Nedam employees. Ballast Nedam bears part of the pension financing costs, and Mr Van Zwieten bears the remaining portion. There is no early retirement scheme for the members of the Board of Management. It was agreed with Mr Van der Noordaa at the time of his appointment that he would receive a pension contribution of 17% of his salary. Mr Van Zwieten receives a gross pension contribution of 17% in respect of the salary above 100,000 euros up to the salary earned by Mr Van Zwieten on 1 January 2015. This contribution is not indexed.

Redundancy scheme

Mr T.A.C.M. Bruijninx retired in 2014 and received the contractually agreed severance pay (0.7 million euros).

Other matters

Board of Management members receive a fixed expense allowance. Mr Van der Noordaa receives a mileage allowance for the use of his private car and Mr Van Zwieten has been given the use of a 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, severance pay and clawback

Mr Van der Noordaa was appointed to the Board of Management for a four-year term on 27 June 2014. Mr Van Zwieten was appointed to the Board of Management for a four-year term on 19 May 2011. The notice period for Board of Management members is three months and for Ballast Nedam six months. However, in the first two years after the appointment of Mr Van der Noordaa the notice period for Ballast Nedam is twelve (12) months and the notice period for the Director is six (6) months.

In the event of termination of the engagement agreement by Ballast Nedam for reasons not attributable to Mr Van der Noordaa, Mr Van der Noordaa is entitled to gross

severance pay equivalent to one year's fixed annual salary, unless this is plainly unreasonable, in which case Mr Van der Noordaa is eligible, but only in the case of termination during the first term of appointment, for termination pay equivalent up to twice the fixed annual salary. Mr Van Zwieten's severance pay in the event of dismissal is one year's fixed annual salary.

The Supervisory Board is authorized to claw back any variable remuneration if it was or is based on incorrect financial or other information.

6.4.4 Remuneration policy for 2015

The Supervisory Board takes the view that the current scale of, and criteria for, the remuneration package properly reflect the management priorities. The Board supports limited variable remuneration linked to feasible targets that provide the appropriate emphasis. As stated above, the Supervisory Board has drawn up scenario analyses in 2014 for the possible outcomes of variable remuneration. Partly on this basis the Supervisory Board intends to continue the current remuneration policy in 2015, on the understanding that it will request the annual general meeting of shareholders to adjust the management option scheme. See Section 6.4.1 under long-term variable remuneration: options on page 128.

The Supervisory Board expects the remuneration of the Board of Management in 2015 to be in line with the performance of 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 (see *Fixed annual salary* in Section 6.4.3 on page 130) and the direct connection, also in 2015, between the established performance criteria and the strategic objectives for 2015.

6.4.5 Remuneration of Supervisory Board members

Supervisory Board members receive a fixed fee that is not dependent on the results of the company. The General Meeting of Shareholders set the remuneration of the Supervisory Board in 2005. As of 1 January 2015, the annual fees for members of the Supervisory Board were as follows:

Mr L.W.A.M. van Doorne	45,000 euros
Mr J. Bout	30,000 euros
Ms C.M. Insinger	30,000 euros
Mr J.S.T. Tiemstra	30,000 euros

The members of the Supervisory Board also receive an allowance for expenses incurred in performing their duties.

An Audit Committee has been formed of members of the Supervisory Board. The General Meeting of Shareholders set the remuneration of the Audit Committee in 2008. As of 1 January 2015, the annual fees for members of the Audit Committee were as follows:

Ms C.M. Insinger	5,000 euros
Mr J.S.T. Tiemstra	5,000 euros

Remuneration chart

Board of Management and Supervisory Board

x € 1 thousand	2014					2013				
	Gross salary	Bonus	Pension charges & social security costs	Reimbursement	Total	Gross salary	Bonus	Pension charges & social security costs	Reimbursement	Total
Board of Management										
E. van der Noordaa ⁽¹⁾	268		60	3	331					
P. van Zwieten	394		83	4	481	364		82	5	451
T.A.C.M. Bruijninx ⁽²⁾	1 185		110	3	1 298	496		109	5	610
R. Malizia						759		76	4	839
	1 847		253	10	2 110	1 619		267	14	1 900
Supervisory Board										
A.N.A.M. Smits ⁽³⁾	33			2	35	45			2	47
J. Bout	32			2	34	30			2	32
L.W.A.M. van Doorne	41			2	43	31			2	33
C.M. Insinger	35			2	37	22			1	23
J.S.T. Tiemstra ⁽⁴⁾	4				4					
J.C. Huis in 't Veld ⁽⁵⁾						29			2	31
	145			8	153	157			9	166
Total	1 992		253	18	2 263	1 776		267	23	2 066

⁽¹⁾ as of June 1, 2014 – ⁽²⁾ until January 1, 2015 – ⁽³⁾ until November 14, 2014 – ⁽⁴⁾ as of November 14, 2014 – ⁽⁵⁾ until October 31, 2013

6.4.6 Options

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.

Determination of cost of options

When granting 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 even though the current share price is lower than the exercise price.

Option scheme

Year granted	2014	2013	2012	2011	2010
E. van der Noordaa					
Total costs in the financial year in €					
Number	0				
Exercise price in €	-				
Share price at grant date in €	-				
Benefit obtained at grant date in €	-				
Theoretical value at grant date in €	-				
Status per 31/12/2014	n/a				
End of vesting period	n/a				
Expiry date	n/a				
Expected value at end of vesting period in €	n/a				
P. van Zwieten					
Total costs in the financial year in €	58 900	58 900	47 927		
Number	0	0	30 000		
Exercise price in €	-	-	12.67		
Share price at grant date in €	-	-	13.27		
Benefit obtained at grant date in €	-	-	-		
Theoretical value at grant date in €	-	-	176 700		
Status per 31/12/2014	n/a	n/a	conditional		
End of vesting period	n/a	n/a	9/03/2015		
Expiry date	n/a	n/a	8/03/2018		
Expected value at end of vesting period in €	n/a	n/a	194 000		
T.A.C.M. Bruijninx					
Total costs in the financial year in €	(1 470 967)	82 295	235 376	243 226	278 000
Number	0	0	40 000	40 000	30 000
Exercise price in €	-	-	12.67	15.29	13.43
Share price at grant date in €	-	-	13.27	15.88	14.10
Benefit obtained at grant date in €	-	-	-	-	-
Theoretical value at grant date in €	-	-	235 600	274 800	189 300
Status per 31/12/2014	n/a	n/a	conditional	conditional	conditional
End of vesting period	n/a	n/a	9/03/2015	12/3/2014	12/03/2013
Expiry date	n/a	n/a	8/03/2018	11/3/2017	11/03/2016
Expected value at end of vesting period in €	n/a	n/a	259 000	242 000	180 000

6.5 Composition of the Board of Management

E. van der Noordaa (Chairman)

Mr Erik van der Noordaa was born in 1961 and is a Dutch national.

Mr Van der Noordaa holds the position of Chief Executive Officer (CEO). He joined the company on 1 June 2014 and was appointed as Chief Executive Officer on 27 June 2014, after the Extraordinary General Meeting of Shareholders (EGM) was informed of the intended appointment. Mr Van der Noordaa began his career in 1986 at Damen Shipyards Group, a global shipbuilding group headquartered in Gorinchem, the Netherlands. He occupied a number of positions at Damen in the field of engineering, production, marketing and sales, as well as various management functions.

In 2004 Mr Van der Noordaa joined the Board of Management of Damen Shipyards Group, where he was appointed as Chief Operating Officer in 2006. He served in this position up to the time of his departure in 2010. From 2010 to 2013 he served as Chairman of the Board of Management of the Germanischer Lloyd Group (GL Group). In September 2013, the GL Group was merged with the Norwegian company DNV, since when it has operated under the name of DNV GL Group. Mr Van der Noordaa was appointed as Chief Executive Officer 27 May 2014 for a term of four years.

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 range of financial positions in various business units, including Ballast Nedam Beton en Waterbouw, Ballast Nedam Groep in Saudi Arabia and for Ballast Nedam International in various European countries as well as in Taiwan. He served as financial director of Ballast Nedam Ontwikkelingsmaatschappij and became financial director of the Ballast Nedam Infrastructure division in 2002.

Mr Van Zwieten was first appointed to the Board of Management on 19 May 2011 for a four-year term. His current term of office expires on 19 May 2015.



SURINAME OIL REFINERY

Chain integration in industrial construction.

On behalf of Staatsolie Maatschappij Suriname NV, the national oil company of Suriname, Ballast Nedam carried out foundation work for the Refinery Expansion Project. The aim of the project is to double the processing capacity of the Tout Lui Faut refinery to 15,000 barrels a day. The work involved the supply and installation of steel piles and civil engineering for the expansion of the Tout Lui Faut oil refinery in Paramaribo and has now been completed.



Financial statements 2014

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7.1 Consolidated statement of financial position

x € 1 million	Note	31 December 2014	31 December 2013
Non-current assets			
Intangible assets	2	16	21
Property, plant and equipment	3	78	130
Financial assets	4	5	9
Investments in associates	5	9	12
Deferred tax assets	6	-	32
		108	204
Current assets			
Inventories	7	148	174
Work in progress	8	52	135
Receivables	9	171	214
Cash and cash equivalents	10	70	51
Escrow account	10	53	-
Assets held for sale	16	52	48
		546	622
Current liabilities			
Bank overdrafts	10	(3)	(22)
Current portion of long-term loans	12	(31)	(8)
Prepayments on inventories	7	(2)	(2)
Work in progress	8	(88)	(105)
Trade payables		(191)	(231)
Income tax expense	6	-	(1)
Other liabilities	11	(195)	(203)
Provisions	14	(17)	(26)
Liabilities held for sale	16	(51)	(27)
		(578)	(625)
Current assets minus current liabilities		(32)	(3)
Capital employed		76	201
Non-current liabilities			
Loans	12	56	100
Derivatives		-	-
Deferred tax liability	6	1	-
Employee benefits	13	4	5
Provisions	14	4	6
		65	111
Total equity			
Equity attributable to the owners of the company	15	11	90
Non-controlling interest	15		
		11	90
Finance		76	201

Note: See Notes to the consolidated financial statements on pages 142-162, which are an integral part of these consolidated financial statements. The comparative figures for 2013 have been adjusted as a result of the change of accounting policy under IFRS 11 (see notes on pages 147 to 149).

7.2 Consolidated income statement

x € 1 million	Note	31 December 2014	31 December 2013
Revenue	17	1 166	1 230
Other operating income	18.1	76	3
Costs of raw materials and subcontractors	18.2	(984)	(918)
Personnel expenses	18.3	(229)	(267)
Other operating expenses		(71)	(57)
		(1 284)	(1 242)
Earnings before interest, taxes, depreciation and amortization (EBITDA)		(42)	(9)
Depreciation and amortization of property, plant and equipment and intangible assets	2.3	(16)	(20)
Impairment of tangible and intangible assets	2.3	(7)	(3)
Earnings before interest and taxes (EBIT)		(65)	(32)
Finance income	19	-	-
Finance expense	19	(7)	(7)
Net finance income and expense		(7)	(7)
Profits of consolidated entities	5	3	1
Profit before income tax		(69)	(38)
Income tax expense	20	(34)	(3)
Profit for the period		(103)	(41)
Attributable to:			
Owners of the company		(103)	(41)
Non-controlling interest			
Profit for the period		(103)	(41)
Attributable to owners of the company:			
Basic earnings per share (€)	21	(5,33)	(4,22)
Diluted earnings per share (€)	21	(5,33)	(4,22)

Consolidated statement of comprehensive income

x € 1 million	2014	2013
Profit for the period	(103)	(41)
Non-realised results to be allocated to the P&L after the first withdrawal		
Foreign currency translation differences		
Net changes in hedging reserve, associates	2	2
Net changes in hedging reserve	(4)	(1)
Net changes in hedging reserve through income statement	-	-
Net changes in hedging reserve, associates through income statement	-	-
Non-realised results (after tax)	(2)	1
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	(2)	1
Total comprehensive income for the period	(105)	(40)
Attributable to:		
Owners of the company	(105)	(40)
Non-controlling interest	-	-
Total comprehensive income for the period	(105)	(40)

Note: See notes to the consolidated financial statements on pages 142-162, which are an integral part of these consolidated financial statements.

The other comprehensive income includes €0 million of tax (2013: €2 million).

7.3 Consolidated statement of changes in shareholders' 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
31 December 2012	60	52	(5)		36	(4)	33	(41)	131		131
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						-			-		-
Comprehensive income						1		(41)	(40)		(40)
Dividend paid							-		-		-
Option scheme							(1)		(1)		(1)
Repurchased own shares			-						-		-
Transactions with shareholders			-				(1)		(1)		(1)
Appropriation of 2012 result					-		(41)	41	-		-
Other	-				-		-		-		-
31 December 2013	60	52	(5)		36	(3)	(9)	(41)	90		90
Profit for the period								(103)	(103)		(103)
Foreign currency translation differences											
Effective portion of changes in fair value of hedging instruments						(4)			(4)		(4)
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						-			-		-
Comprehensive income						(2)		(103)	(105)		(105)
Dividend paid							-		-		-
Option scheme							(1)		(1)		(1)
Repurchased own shares			-						-		-
Comprehensive income			-				(1)		(1)		(1)
Dividend paid					-		(41)	41	-		-
Option scheme	9	18			(3)		3		27		27
Repurchased own shares	(49)	49							-		-
31 December 2014	20	119	(5)		33	(5)	(48)	(103)	11		11

Note: See notes to the consolidated financial statements on pages 142-162, which are an integral part of these consolidated financial statements.

The hedging reserve in the equity includes a negative amount of €1.4 million associated with the assets held for sale. This concerns the Zaanstad Penitentiary PPP project.

7.4 Consolidated cash flow statement

x € 1 million	Note	31 December 2014	31 December 2013
Net cash - opening balance	10	29	76
Profit for the period		(103)	(41)
Adjustments:			
Depreciation	3	15	20
Amortization	2	1	-
Impairment (in) tangible assets	2,3	7	3
Finance expense	19	7	7
Finance income	19	-	-
Share-based payments	15	-	-
Gain from disposal of fixed assets and subsidiaries		(76)	(3)
Income tax expense	20	34	3
Share in profits of associates	5	(3)	(1)
Gains and losses from fixed assets		-	-
Movements:			
Movement in inventories	7	26	27
Movement in work in progress	8	66	(41)
Movement in fair value investments	4.2	-	-
Movement in other receivables		53	5
Movement in provisions and employee benefits	13,14	(23)	(7)
Movement in other current liabilities		(31)	10
Interest paid	19	(7)	(7)
Interest paid on hedging instruments	19	-	-
Interest received	19	-	-
Income taxes paid	6	(2)	(2)
PPP receivables	4.1	(43)	(7)
Repayment PPP receivables		-	-
Net cash from operating activities		(79)	(34)
Intangible assets			
investments	2	(2)	(6)
income from disposals	2	1	2
Property, plant and equipment			
investments	3	(12)	(19)
acquisitions		-	-
income from disposals	3	13	7
Financial assets			
investments	4.3	(3)	(1)
income from disposals	4.1	-	1
other fair value investments	4.2	-	1
income from other receivables	4.3	-	-
Disposals of associates	5	3	(2)
Gain from disposal of subsidiaries		-	-
Sale of subsidiaries after deduction of disposed cash and cash equivalents	1	111	8
Net cash used in investing activities		111	(9)
Income from long-term loans drawn	12	48	14
Repayment of long-term loans	12	(14)	(15)
Disposal of long-term loans	12	-	-
Handling charges paid on new loans	12	-	-
Finance lease instalments paid	12	(2)	(3)
Acquisition of non-controlling interest		-	-
Dividend paid	15	-	-
Proceeds from rights issue	15	27	-
Net cash from financing activities		59	(4)
Effect of exchange rate fluctuations on cash held		-	-
Net cash on balance		91	(47)
Net cash - closing balance	10	120	29

Note: See notes to the consolidated financial statements on pages 142 to 162, which are an integral part of these consolidated financial statements.

The net cash consists of the balance of cash and bank loans that cannot be offset against each other. Net cash includes €52.8 million of non-freely available assets (2013: €2 million). For further details see note 10 Net cash.

7.5 Notes to the consolidated financial statements

Significant accounting policies

Ballast Nedam N.V. is established in Nieuwegein in the Netherlands. The consolidated financial statements of Ballast Nedam N.V. for the 2014 financial year comprise the parent company Ballast Nedam N.V. and its subsidiaries (jointly referred to as Ballast Nedam) and Ballast Nedam's interest in associates and entities over which there is joint control. With respect to the company income statement of Ballast Nedam N.V., use has been made of the exemption under Section 402 of Book 2 of the Netherlands Civil Code.

The financial statements were prepared by the Board of Management on 30 April 2015 and approved by the Supervisory Board on 30 April 2015. The financial statements will be submitted for approval to the General Meeting of Shareholders to be held on 29 June 2015.

Continuity and liquidity of the business

Developments and figures

Over the past year Ballast Nedam recorded a net loss of €103 million for the period (2013: €41 million). The deterioration of the result arose particularly as a result of further cost overruns on the A15 Maasvlakte-Vaanplein and A2 Maastricht projects. The solvency rate at the end of 2014 consequently fell to 2%. As a result of this negative result and an additional financing requirement, Ballast Nedam began discussions with its main financiers on the consequences of this, an adjustment to the financing for the short and long term and the consequences for the bank covenants at the end of 2014.

Main basis of continuity: a financed business plan

The financing requirement is based on the 2015-2016 business plan, which assumes a continuation of the current basis of the Building & Development and Specialized Companies & Supplies divisions. With regard to the Infrastructure division, Ballast Nedam has decided to actively scale back its interests in existing large-scale infrastructure projects, as currently announced with the letters of intent for the A15 Maasvlakte-Vaanplein and A2 Maastricht projects. This will further reduce the risk profile of Ballast Nedam.

- *A15 Maasvlakte-Vaanplein project: economic interest reduced from 40% to 10%*

A letter of intent has been signed with Strukton Groep N.V. and Strabag SE, partners in the A15 Maasvlakte- Vaanplein project, under which Ballast Nedam will reduce its economic share of the project on the implementation of the agreement from 40% to 10%. Strukton Groep N.V. and Strabag SE are each increasing their share to 45%. This change will be effective in the second half of 2015. The legal participation remains unchanged: the three parties will each take a 33.33% share of the A-Lanes A15 consortium.

- *A2 Maastricht project: infrastructure part to Strukton Groep N.V.; Real estate development to Ballast Nedam*

A letter of intent has been signed with Strukton Groep N.V., our partner in the A2 Maastricht project, for the takeover of Ballast Nedam's share in the infrastructure activities in the project. The share of Strukton Groep N.V. in the property development of the A2 Maastricht project will be transferred to Ballast Nedam.

The two planned transactions will be developed during the forthcoming period into final agreements which will be submitted to the stakeholders for consent. Rijkswaterstaat has agreed to lend its cooperation.

The Infrastructure division will focus exclusively on smaller, integrated infrastructure projects in concrete and civil engineering, and industrial construction. Tendering will be carried out on a highly selective and targeted basis for both Dutch and international projects, with close attention being paid, in particular, to the risk profile in relation to the margin. As a result, the extent of the infrastructure activities will become smaller, necessitating an adjustment to capacity for the Infrastructure division.

Although the refinancing is not yet formally completed, Ballast Nedam believes that the outline agreement with the banks and the letters of intent received from various other partners provide sufficient financial headroom to focus on the implementation of its 2015-2017 business plan.

Nature of refinancing

The banking syndicate, comprising ING bank, Rabobank and Royal Bank of Scotland, expressed its support in April 2015 and defined the details of a refinancing agreement jointly with Ballast Nedam and other interested parties.

This refinancing has the following components:

- Two bridge loans granted by Strukton Groep N.V. and the banking syndicate totalling €20 million until completion of the planned rights issue in the second half of 2015 (see section on rights issue)
- A subordinated bank loan of €10 million maturing on 31 March 2017;
- A subordinated bank loan of €43 million maturing on 31 March 2017;
- A revolving credit facility of €10 million expiring on 31 December 2015; and
- A committed guarantee facility of initially €265 million being phased out on basis of scaling back of large-scale infrastructure projects, including A2 Maastricht and A15 Maasvlakte-Vaanplein projects.

In addition to the refinancing by the banking syndicate, the following existing loans have been adjusted:

- An FGH mortgage loan of €28.6 million expiring on 31 December 2016 (extension)
- A Rabobank loan of €50 million expiring on 31 December 2016 (extension).

The financing has been promised under the usual reservations and subject to the transfer of the A2 Maastricht and A15 Maasvlakte-Vaanplein projects and consent of the meeting of shareholders for the rights issue. The documentation will be further detailed by 31 May 2015 in final documents, including the drafting of the covenants.

Up to 31 May 2015, or earlier if the refinancing becomes effective, Ballast Nedam will have access to the existing bank facility. Part of this is the escrow account on which the proceeds of the sale of Ballast Nedam offshore at the end of 2014 amount to €53 million. The monies on this account will be available under certain conditions up to 31 May 2015 for Ballast Nedam for the ongoing payments. Thereafter, €28 million of the money will be used to repay the existing credit facility, with the remainder being placed in a blocked account as collateral for the guarantee facility.

Rights issue of €20 million in second half of 2015

Ballast Nedam has reached outline agreement on a rights issue in which tradable rights will be offered to existing holders of depositary receipts to subscribe for depositary receipts for shares totalling €20 million. Agreement has been reached with Strukton Groep N.V. that an amount of €10 of the rights issue will be underwritten. Strukton Groep N.V. will grant a bridge loan for that amount.

This bridge loan will be repaid from the net proceeds of the proposed rights issue. The remaining €10 million of the rights issue will be underwritten by the banking syndicate comprising ING Bank, Rabobank and Royal Bank of Scotland. A bridge loan will also be granted for this purpose, to be repaid from the net proceeds of the rights issue. The rights issue must be accompanied by a prospectus approved by the Netherlands Authority for the Financial Markets (AFM). The rights issue and the amendment to the articles of association reducing the nominal value of the shares to €0.01 will be presented for approval to the general meeting of shareholders. The reduction of the nominal value from €1.00 to €0.01 is necessary in order to achieve maximum flexibility for the success of the rights issue. Ballast Nedam aims to complete the rights issue in the second half of 2015.

The rights issue and the subordinated loans influence the guarantee capital of Ballast Nedam in a positive way. The solvency rate based on the guarantee capital is thus expected to be around 12% at the end of 2015.

Additional measures and options

1. Change in legal structure

As a risk management measure for the future, the company's legal structure will be changed in line with the management and reporting structure of the divisions.

This will create increased flexibility for disposals and prepare Ballast Nedam better for any setbacks.

- a. The companies in the Specialized Companies & Supplies division will be legally removed from the Infrastructure division, the regional companies in the Building & Development division will be legally separated from the nationally operating company, and Ballast Nedam ICT will be brought under the Building & Development division.
- b. These changes will be implemented in the coming period and will entail changes to issued statements of joint and several liability (403 verklaringen) and the employment contracts of employees working for the business units concerned.

2. Ballast Nedam is investigating several scenarios with which it will be able to deal with possible setbacks. Several Dutch and foreign parties have approached Ballast Nedam with a view to exploring the possibilities of a merger or acquisition. Ballast Nedam always takes serious strategic options into consideration in the interest of its shareholders and other interested parties. One possible scenario could be a merger or acquisition of the Infrastructure division only.

Criteria and uncertainties

Although implementation of our business plan and envisaged refinancing is essential to the continuity of the company, it is subject to a range of uncertainties. On the one hand, these relate to operational sensitivities such as i) the inherent uncertainty concerning the scope and time of project execution, including the time when new projects are contracted, ii) the forecast results and margins from operational activities, and iii) the results of negotiations related to additional work and claims. These uncertainties will be explained in further detail in the following section and in Chapter 4.

On the other hand, uncertainties exist with regard to implementation of the envisaged refinancing and the attitude of our key financiers in the event of setbacks. There are also inherent uncertainties with regard to obtaining approval from relevant parties as a condition for the transfer of the contracts for the A2 Maastricht and A15 Maasvlakte-Vaanplein works. Should these uncertainties lead to negative consequences, there is a risk that any liquidity deficits occurring at that time may not be financed or that loans may still become payable.

Conclusion

Ballast Nedam believes that on the basis of the measures taken, the letters of intent for the refinancing and the transfer of the A2 Maastricht and A15 Maasvlakte-Vaanplein projects and the 2015-2017 business plan the company will have sufficient resources available to meet its obligations at least until the end of 2016, while it is fully aware of the sensitivities and uncertainties set out above and the provisional nature of the agreements and the consequences should they turn out negatively. On the basis of the above actions, plans and expectations, the 2014 financial statements have been prepared in accordance with the continuity assumption.

Estimates and judgements by management

When preparing the financial statements, management makes estimates and assumptions which affect the amounts and results presented in the financial statements.

This affects the amounts recognized for assets, liabilities, revenue, costs and the related notes on contingent and off-statement of financial position commitments. Estimates and judgements are evaluated on a regular basis.

The actual results may differ from these estimates and assumptions. Management judgements regarding the application of EU-IFRS which have significant consequences for the financial statements and estimates involving an appreciable risk of material change in the following year are disclosed in the notes.

Project results

'Work in progress' comprises, besides the recognized costs and invoiced instalments for each project, also the recognized interim gain or the affected loss provision. The gain and loss are both based on an estimate of the ultimate profit for each project and the end-of-work forecast.

The uncertainty in this profit estimate increases in line with factors such as:

- an agreed contract form that entails more risks for the contractor, such as the design risk that contractors accept in design & construct contracts, plus, for a DBMO contract, the responsibility for maintenance and operation;
- a project that is in an early design or implementation stage. When detailing a preliminary or final design, substantial deviations from the preliminary design may arise. This may be because an initial solution turns out with hindsight to be unfeasible, or because the underlying conditions are better or worse than expected, or because the dialogue with stakeholders is far more complicated, and therefore more expensive, than foreseen. Countless risks may also arise in the implementation phase that are for the account of the contractor. These deviations may be positive or negative.
- The term of the contract is longer and hence the forecast for the ending of the work involves inherently more estimation uncertainties.
- Projects are liable to more additional work and claim situations.

See also note 8, work in progress and note 18.2, costs of raw materials and subcontractors.

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 of these budgets are partly based on historical profits and external information sources. Cash flows after three years are extrapolated with expected growth rates. For additional information concerning goodwill, see note 2.

Land positions

Landholdings are acquired and held for future development purposes, and are recognized at the lower of historical cost and realizable value. The realizable value is the higher of the current market value and the present value of the estimated future cash flows. The future cash flows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 9%. See further explanation in note 7 Inventories.

Recognition of income tax

At the close of the financial year, Ballast Nedam makes an assessment of the income tax position of all fiscal entities. This involves estimating the actual short-term tax charges and income, and the temporary differences between the accounting carrying amounts and tax base of assets and liabilities. A decision is taken on the reporting date as to whether unused tax losses and deferred tax assets due to temporary differences may be recognized.

Ballast Nedam recognizes deferred tax assets if these are likely to be realized. If the actual taxable profits differ from the estimates, and depending on the tax strategies which Ballast Nedam may introduce, deferred tax assets which have been recognized may not be realized, thus affecting the financial position and results of Ballast Nedam. For multi-year losses convincing evidence is required for loss valuation (IAS 12). For additional information concerning taxes, see note 6.

Provisions

Provisions relating to actual liabilities are based on estimates and judgements as to whether the criteria for treatment as a liability have been met, including an estimate of the size of the actual liability. Actual liabilities are disclosed if it is likely that a liability will arise and its size can be reasonably estimated. Provisions for warranties are recognized for the expected expenses necessary to resolve complaints. If the actual outcome differs from the assumptions as to anticipated costs, the estimated provisions will be revised, and this could have an effect on the financial position and results of Ballast Nedam. For additional information concerning provisions, see note 14.

Statement of compliance

The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards as adopted by the European Union (hereinafter: 'EU-IFRS') and Part 9, Book 2 of the Netherlands Civil Code.

Basis of preparation

The consolidated financial statements are presented in millions of euros. Amounts of less than €0.5 million are represented by a dash. The financial statements have been drawn up 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 which 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 pages 145-146.

Management judgements regarding the application of EU-IFRS which have significant consequences for the financial statements and estimates involving an appreciable risk of material change in the following year are disclosed in the notes. The accounting policies set out below have been consistently applied for all entities and periods presented in these consolidated financial statements, subject to the following changes.

Changes in accounting policies

A number of new standards, and changes to, and interpretations of, existing standards came into effect in 2014. Ballast Nedam has applied the following new guidelines, including possible resulting changes to other guidelines, with the first date of application being 1 January 2014:

- 1) IFRS 10 Consolidated financial statements (see Change of accounting policy for consolidated financial statements of subsidiaries);
- 2) IFRS 11 Joint arrangements (see Change of accounting policy for IFRS 11);
- 3) IFRS 12 disclosures concerning interests in other entities (see effect of application of guideline on disclosure of information on interests in other entities);

1) Change of accounting policy in respect of consolidated financial statements (subsidiaries)

IFRS 10 introduces a new participation model that applies to all entities in which Ballast Nedam invests and is based on whether Ballast Nedam:

- a) is exposed to, or has rights to, variable revenues due to its involvement in the entity; and
- b) has the possibility of using its power over the entity to influence the size of these revenues.

Each of these criteria must be fulfilled in order to state that Ballast Nedam has control of the company in which it has an interest. Previously there was control if Ballast Nedam had the possibility, directly or indirectly, to determine the financial and operational policy of an entity.

The change in the definition of control in IFRS 10 has no effect on the composition of Ballast Nedam.

2) Change of accounting policy in respect of IFRS 11 Joint arrangements

IFRS 11 specifies how agreements in which Ballast Nedam exercises control with third parties must be accounted for. IFRS 11 distinguishes two types of partnership depending on whether the parties are actually exposed to the advantages and disadvantages of the individual assets and liabilities (joint operation), or are exposed only to the advantages and disadvantages of the net assets (joint venture). The essential feature distinguishing a joint venture from a joint operation is that in principle the participant in a joint operation has unlimited liability for its share in the liabilities and the rights to the assets of the collaboration, whereas the liability of a participant in a joint venture is limited in principle to that party's contribution to the entity in which the collaboration takes place. A 'joint operator' must account for its share of the assets, liabilities, revenues and costs. Ballast Nedam has drawn up criteria for the application of IFRS 11 against which the joint arrangements are tested. This basis has been used to determine which partnerships are joint operations and which are joint ventures.

Up to the end of 2013, most entities in which Ballast Nedam exercised control with third parties were proportionally consolidated.

In accordance with the regulations, Ballast Nedam has applied the change of accounting policy retrospectively. The impact of this on the statement of financial position and income statement is set out in the table below. The impact on cash flows, order book and segmentation has been assessed by the management and is limited. The transition has had no effect on the other comprehensive income of the Group or the ordinary and diluted earnings per share, the result and shareholders' equity. It has therefore been decided not to include a 'third statement of financial position' in the main statement but to include the following explanatory note:

x € 1 million	31 December 2013 Before revision	31 December 2013 After revision	1 January 2013 After revision
Non-current assets			
Intangible assets	21	21	31
Property, plant and equipment	137	130	164
Financial assets	17	9	8
Investments in associates	4	12	2
Deferred tax assets	32	32	33
	211	204	238
Current assets			
Inventories	175	174	203
Work in progress	135	135	110
Receivables	226	214	235
Cash and cash equivalents	54	51	82
Assets held for sale	48	48	4
	638	622	634
Current liabilities			
Bank overdrafts	(22)	(22)	(8)
Current portion of long-term loans	(9)	(8)	(17)
Prepayments on inventories	(2)	(2)	(1)
Work in progress	(106)	(105)	(123)
Trade payables	(237)	(231)	(249)
Income tax expense	(1)	(1)	(2)
Other liabilities	(207)	(203)	(186)
Provisions	(28)	(26)	(39)
Liabilities held for sale	(27)	(27)	(2)
	(639)	(625)	(627)
Current assets minus current liabilities	(1)	(3)	7
Capital employed	210	201	245
Non-current liabilities			
Loans	106	100	101
Derivatives	1	-	1
Deferred tax liability	1	-	4
Employee benefits	5	5	4
Provisions	7	6	4
	120	111	114
Total equity			
Equity attributable to the owners of the company	90	90	131
Non-controlling interest	-	-	-
	90	90	131
Finance	210	201	245

x € 1 million	31 December 2013 Before revision	31 December 2013 After revision
Revenue	1 268	1 230
Other operating income	-	3
Costs of raw materials and subcontractors	(949)	(918)
Personnel expenses	(268)	(267)
Other operating expenses	(57)	(57)
	(1 274)	(1 242)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(6)	(9)
Depreciation and amortization of property, plant and equipment and intangible assets	(21)	(20)
Impairment of tangible and intangible assets	(3)	(3)
Earnings before interest and taxes (EBIT)	(30)	(32)
Finance income	-	-
Finance expense	(7)	(7)
Net finance income and expense	(7)	(7)
Profits of consolidated entities		1
Profit before income tax	(37)	(38)
Income tax expense	(4)	(3)
Profit for the period	(41)	(41)

The IFRS 11 change of accounting policy has had a limited effect on the cash flow statement of Ballast Nedam (approximately €3 million).

3) IFRS 12 Disclosure of interests in other entities (see effect of application of guideline on disclosure of interests in other entities)

IFRS 12 is a new standard for information requirements and applies to entities with subsidiaries, joint arrangements, associated companies and/or nonconsolidated entities. As a result of IFRS 12, Ballast Nedam has expanded its disclosures of interests in investments accounted for according to the equity method (see explanation in note 5).

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 minority interests, where applicable, are separately disclosed. These entities are included in the consolidated financial statements from the date on which control commences until the date on which the control ceases.

Associates and joint ventures (equity method)

Associates are those entities in which Ballast Nedam exercises significant influence on the financial and operational policy, but over which it does not have control.

The consolidated financial statements include Ballast Nedam's share of the comprehensive income 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 written down to nil in Ballast Nedam's statement of financial position and no further losses are provided for, except insofar as Ballast Nedam has a legal or constructive obligation.

Joint ventures are collaboration arrangements in which Ballast Nedam exercises control jointly with other parties and has a right to the net assets of the joint venture. The parties concerned have contractually agreed that control will be shared and decisions on relevant activities require unanimous consent of the parties which jointly have control of the joint venture. The consolidated financial statements include Ballast Nedam's share of the comprehensive income of the joint venture, 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 written down to nil in Ballast Nedam's statement of financial position and no further losses are provided for, except insofar as Ballast Nedam has a legal or constructive obligation.

Joint operations

Joint operations are agreements in which Ballast Nedam exercises control jointly with third parties. A 'joint operator' must state its share of the assets, liabilities, revenues and costs.

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 on the reporting date, with income statement items being translated at the rates approximating the rate of exchange on the transaction date (average rate for the reporting year). Translation differences resulting from the conversion of investments in these foreign activities, including semi-permanent financing, and the differences between results translated at the average exchange rate during the year and the exchange rate prevailing on the reporting date, are 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 on the reporting date. Transactions in foreign currencies are translated to the functional currency at the exchange rate applying on the transaction date. The resulting exchange differences are recognized as part of EBIT.

Intangible assets

Goodwill

Goodwill arises as a result of the acquisition of subsidiaries, associates and joint ventures. All 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;
- the recognized amount of any non-controlling interests in the acquired entity;
- in a business combination achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree; less
- the recognized net amount (generally the fair value) of the identifiable assets acquired and liabilities assumed.

Negative goodwill arising on acquisition is taken directly to the income statement. The transaction costs incurred by the Group in connection with a business combination, other than those concerned with the issue of shares or bonds, are recognized when they are incurred. A contingent consideration is recognized at fair value at the acquisition date. A contingent consideration that is classified as shareholders' equity is not reassessed and the settlement is recognized in shareholders' equity. Other changes are recognized in the income statement after initial recognition.

Goodwill is not amortized. Instead, an impairment test is performed annually, or earlier if there are indications of impairment. In the case of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Other intangible assets

Software is stated at cost less accumulated amortization and impairment. Concessions for the extraction of raw materials are stated 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 extracted on the basis of an estimate of the raw materials remaining to be extracted. The residual value, amortization methods and estimated useful lives are assessed annually. The expected useful lives are for concessions 5-40 years and for software three years.

Goodwill and intangible assets with an indefinite life are systematically assessed for impairment at least at each year-end, or sooner if there are indications of impairment

Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated 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 and depreciated as separate assets.

Where they can be estimated reliably, the costs of dismantling and disposing of assets, to the extent that they arise from a contractual or legal obligation, and the cost of restoring sites where assets are located are capitalized at the net present value. The net present value of this liability is stated as a provision. The borrowing costs for qualifying assets, which necessarily take a substantial period of time to prepare 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 non-current assets in the carrying amount of the asset concerned when those costs are incurred. All other costs are taken to the income statement as a charge when they are incurred.

Depreciation

Depreciation is generally calculated on a straight-line basis over the expected useful life of each item of property, plant and equipment (or part thereof). Land is not depreciated. The expected useful life is 10-30 years for buildings, 5-20 years for plant and equipment and 2-10 years for other operating assets.

The residual value, depreciation methods and estimated useful lives are assessed annually. Some assets are depreciated using the units of production method.

Financial assets

PPP receivables

Receivables in respect of Public-Private Partnership (PPP) agreements relate to concession fees from 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 comprehensive income. If the investment is classified as available for sale, the value of the movements in other investments, which are not classified as held for sale, are recognized in the income statement. Only in the exceptional case that the fair value cannot be reliably determined is valuation at cost minus impairment applied.

Assets and liabilities held for sale

Immediately prior to classification as held for sale, the carrying amounts of 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, items of property, plant and equipment and groups of assets intended for disposal are stated at the lower of the carrying amount and fair value less selling expenses.

A discontinued operation is part of the Group's activities which represents a separate major line of business or geographic area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs on disposal or, if earlier, when the operation meets the criteria for classification as an asset held for sale. A disposal group which ceases to be classified as such can also meet these criteria.

Derivative financial instruments

Ballast Nedam uses derivative financial instruments to hedge exposure to currency, interest rate and market risks arising from operating, financing and investing activities. In conformity with its treasury policy Ballast Nedam does not hold any derivatives for trading purposes, nor does it issue such derivatives.

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

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 may 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 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 landholdings.

Land and buildings for sale are also included in inventories. The buildings concerned have yet to be sold to third parties and are either under construction or have reached structural completion. The stocks of land and buildings available for sale are carried at the lower of cost, including directly attributable indirect costs, and market value less selling costs. Interest is capitalized subject to meeting the conditions for capitalizing finance expense.

Sold residential building projects in which the client has no option to specify structural elements in the design, and where there is continuous transfer of the significant risks and 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 stated at the lower of cost and net selling price.

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 estimate can be made of the result of work in progress 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 projects are recognized immediately in the income statement.

Preparatory expenses and design and construction costs on large projects (i.e. tendering costs) are included in the cost of 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 in which they arise 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.

Bank balances form part of a cash pool together with the cash credit facilities which form an integral part of Ballast Nedam's resource management.

Impairments

Except for inventories of finished product, raw materials and semi-finished goods, Ballast Nedam's work in progress and deferred tax assets, the carrying amount of assets is reviewed at the reporting date 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 each reporting date.

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.

Dividends

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

Share-based remuneration

The share option plan 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 awarded 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 grant 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 carried 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 19 this pension scheme is accounted for as a defined contribution scheme.

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 carried 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. No income is recognized if there are significant uncertainties concerning the collection of the amounts due and the related costs.

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. In the case of 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 ownership, revenues and income are recognized on a pro rata basis as construction progresses.

No income is recognized if there are significant uncertainties concerning the collection of the amounts due, the related costs or any returns of goods, and also if there is any question of continuing management involvement in the goods.

Services

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

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

PPP projects

During the construction phase of the asset, PPP projects are 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 at the time of delivery of the services to which it relates.

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.

Expenses

Costs are allocated to the period to which they relate.

Lease instalments on operating leases

Lease instalments on operating leases are recognized in the income statement on a straight-line basis over the period of the lease.

Lease instalments on financial leases

The minimum lease instalments are recognized partly as financing costs and partly as repayment of the outstanding liability. The financing costs are allocated to each period of the total lease period in such a way as to result in a constant periodic rate of interest over the remaining balance of the liability.

Net finance expense

The net financing expense comprises the interest income and expense 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 expenses.

Income tax expense

Tax is calculated on the result from ordinary operations, allowing for tax-exempt items and based on the applicable tax rates. Tax is recognized in the income statement except in relation to items recognized directly in the consolidated statement of comprehensive income. Deferred tax is recognized using the statement of financial position method for temporary differences between the reported carrying amounts and tax bases of assets and liabilities, and for future carry-forward losses, and is accounted for on the basis of the applicable tax rates for the periods when the temporary differences are expected to be reversed. Deferred tax assets are 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 Ballast Nedam has control of the settlement.

Cash flow statement

Cash flows from operating activities are presented on the basis of 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. Overdrafts repayable on demand are included in the balance of cash and overdrafts with banks in preparing the consolidated statement of cash flows.

Earnings per share

The basic earnings per share are calculated by dividing the net result attributable to holders of shares by the average number of shares in issue over the period in question. The diluted earnings per share are calculated by dividing the profit by the average number of issued shares, including the number of shares in issue that would have been issued if the outstanding share options had been exercised, if this would lead to dilution.

Segment information

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 on 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 geographic segment. In presenting information on a geographic basis, income is based on the geographic location of the customers. The criterion for assets is their geographic 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 2014 and are therefore not applied in the consolidated financial statements. The most important of these for Ballast Nedam are:

New standards issued by the IASB, but not yet endorsed by the European Union

IFRS 9 'Financial Instruments' deals with the classification, measurement and initial recognition of financial assets and financial liabilities. The full version of IFRS 9 was published in July 2014. This version replaces the accounting standards in IAS 39 which relate to the classification and measurement of financial instruments. IFRS 9 maintains but simplifies the mixed valuation model and defines the three main measurement criteria for financial assets: amortized cost, fair value with changes recognized through other comprehensive income and fair value with changes recognized through the income statement.

The classification basis depends on the business model of an entity and contractual cash flow characteristics of the financial assets. Investments in equity instruments must be measured at fair value with changes recognized in the income statement with the irrevocable option at inception to present the changes in fair value in other comprehensive income which are not reclassified to the income statement. IFRS 9 introduces flexible requirements for the hedge effectiveness by replacing the rigid hedge effectiveness tests. IFRS 9 requires an economic dependence between the hedged position and the hedging instrument, in which the hedged ratio must be equal to that used by the management in its risk control. Ballast Nedam is currently assessing the impact of IFRS 9.

IFRS 15 'Revenue from Contracts with Customers' deals with the recognition of revenues and defines the principles for reporting of useful information for users of the financial statements with regard to the nature, amount, timing and uncertainty of the revenues and cash flows resulting from contracts of an entity with its customers. Revenues are recognized when a customer gains control of the product or service enabling him to determine the use and obtain the economic benefits of the product or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and the associated interpretations. This standard applies to financial years commencing on or after 1 January 2017. Earlier application of the standard is permitted.

Ballast Nedam is currently assessing the impact of IFRS 15. There are no other IFRS or IFRIC interpretations not yet in force which are expected to have a material impact on Ballast Nedam.

IAS 16 'Property, plant and equipment' and *IAS 38 'Intangible assets'*. The changes clarify the principle that income reflects a pattern of economic benefits which are generated from the operation of a business (of which the assets form part) instead of the economic benefits being consumed by the use of the asset. As a result, the ratio of income to total expected revenues cannot be used to depreciate tangible fixed assets.

This can only be applied in very limited circumstances to amortize intangible assets.

The changes come into force for financial years commencing on or after 1 January 2016.

The changes have not yet been approved by the EU.

IAS 19 'Employee Benefits: employee contributions' requires that an entity considers contributions from employees or third parties if that is beneficial for defined benefit pension schemes. IAS 19 requires that contributions linked to services are allocated to the periods to which the services relate as negative income. The changes clarify that, if the level of the contributions depends on the number of years of service, the entity is permitted to recognize such contributions as a reduction in the pension costs for the period in which the service is rendered, rather than allocating the contributions to the periods of service. Examples of such contributions include a fixed percentage of the employee's salary, a fixed amount of the contributions during the period, or contributions which depend on the age of the employee. These changes lead to a practical means of simplifying the recognition of the contributions of employees of third parties in certain situations.

The changes must be applied with retroactive effect. Early application is permitted and must be announced. The changes were approved by the EU on 17 December 2014. For entities which apply EU-IFRS, the changes apply to financial years commencing on or after 1 February 2015. For entities which apply full IFRS, the changes apply to financial years commencing on or after 1 July 2014.

IFRIC 21 'Interpretation for Levies' offers a guide to the administrative processing of levies by the government on entities operating in specific markets, such as a specific country, a specific region or a specific sector in a particular country. IFRIC 21 applies to all levies provided they do not fall within the scope of application of other standards (e.g. IAS 12 'Income taxes') and penalties or other sanctions for violations of the law. Levies are defined as an outflow of resources in which economic advantages can be imposed by governments on entities in accordance with the legislation. The scope of application of this interpretation is very broad and includes various obligations which are imposed by governments in accordance with legislation and not always described as levies. Therefore entities making payments to governments must determine carefully whether the payment falls within the scope of IFRIC 21.

The interpretation must be applied with retroactive effect. Early application is permitted and must be announced. The interpretation was approved by the EU on 13 June 2014. For entities which apply EU-IFRS, this applies to financial years commencing on or after 17 June 2014. For entities which apply full IFRS, the interpretation applies to financial years commencing on or after 1 January 2014.

Improvements in IFRS 2010-2012 Cycle (published in December 2013)

The IASB has published 2010-2012 cycle improvements to its standards and interpretations with a view to eliminating inconsistencies and clarifying formulations.

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations – Administration contingent considerations in a business combination: This improvement is gradually being applied and makes clear that all contingent consideration schemes are classified as liabilities (or assets) which result from a business combination.
- IFRS 8 Operating Segments: These improvements have been applied retroactively and make clear that:
 - Combination of operating segments: An entity must state the judgements of the management in the application of the aggregation criteria, including a brief description of the operating segments which have been combined and the economic characteristics (e.g. sale and gross margins, used in order to assess whether the segments are of a similar type.
 - Reconciliation of the total assets of the segments to be reported and the assets of the entity: The reconciliation of segment assets with total assets only has to be disclosed if this change is reported to the Chief Operating Decision Maker, as in the requirement to disclose segment liabilities.
- IFRS 13 Fair Value Measurement - short-term receivables and liabilities:

It has been made clear in the basis for conclusions that short-term receivables and liabilities without fixed interest can be measured on invoice amounts when the effect of discounting is unimportant.
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - Revaluation method:

Proportional adjustment of the accumulated depreciation/amortization: This improvement is applied retroactively force and makes clear that the assets can be revalued on the basis of perceptible data on both the gross or net carrying amount. In addition, the accumulated depreciation is the difference between the gross value and the carrying amount of the asset.
- IAS 24 Related Party Disclosures – Managers in key positions:

This improvement is applied retroactively and makes clear that a management entity – an entity which provides key management services – is a related party subject to the related parties. In addition, an entity which uses management body is obliged to disclose the costs for the management of those services.

The improvements were approved by the EU on 17 December 2014. For entities which apply EU-IFRS, the improvements apply to financial years commencing on or after 1 February 2015. For entities which apply full IFRS, the improvements apply to financial years commencing on or after 1 July 2014.

Improvements to IFRS 2011-2013 Cycle (published in December 2013)

The IASB has published the 2011-2013 cycle improvements to its standards and interpretations. These improvements relate to the following standards and subjects.

IFRS 3 business combinations – scope of exceptions for joint ventures:

- Joint agreements, and not only joint ventures, fall outside the scope of IFRS 3.
- This scope of exemption applies only to the bookkeeping in the financial statements of the joint arrangement itself.

- IFRS 13 Fair Value Measurement

- IAS 40 Investment Property - connection between IFRS 3 and IAS 40: The description of the supporting services in IAS 40 draws a distinction between property investments and property for own use (i.e. tangible fixed assets).

The improvements were approved by the EU on 18 December 2014. For entities which apply EU-IFRS, the improvements apply to financial years commencing on or after 1 February 2015. For entities which apply full IFRS, the improvements apply to financial years commencing on or after 1 July 2014.

Improvements to IFRS 2012-2014 Cycle (published September 2014)

The IASB has published the 2012-2014 cycle improvements to its standards and interpretations.

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- Changes in the removal methods

- IFRS 7 Financial Instruments: Disclosures - Maintenance contracts

- IFRS 7 financial Instruments: Disclosures - Applicability of the changes in IFRS 7 to condensed interim financial statements

- IAS 19 Employee Benefits: Employee contributions - Regional market issue

- IAS 34 Interim Financial Reporting - Disclosure of information elsewhere in the interim financial report.

The improvements come into force for annual periods commencing on or after 1 January 2016 and have not been approved by the EU.

Although these new requirements are currently being analysed and their impact is not yet known, Ballast Nedam does not expect the introduction of these changed standards to have a significant effect on the shareholders equity of Ballast Nedam.

7.6 Operating segments

Operating segments 2014

x € 1 million	Infrastructure	Building & Development	Specialized Companies	Supplies	Subtotal operating segments	Reconciliation 1)	Total
Revenue	458	611	190	151	1 410	(244)	1 166
Other operating income	53	3	-	20	76	-	76
Total operating expenses	(570)	(619)	(179)	(143)	(1 511)	227	(1 284)
Share in profits of associates	-	-	-	-	-	-	-
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(59)	(5)	11	28	(25)	(17)	(42)
Impairment	-	-	(1)	(5)	(6)	(1)	(7)
Depreciation	-	(2)	(5)	(5)	(12)	(3)	(15)
Earnings before interest, taxes and amortization (EBITA)	(59)	(7)	5	18	(43)	(21)	(64)
Amortization	-	-	-	(1)	(1)	-	(1)
Earnings before interest and taxes (EBIT)	(59)	(7)	5	17	(44)	(21)	(65)
Net finance income and expense							(7)
Share in profits of associates							3
Income tax expense							(34)
Profit for the period							(103)
Margin	(12,9%)	(1,2%)	2,6%	11,3%			(5,6%)
Order book	559	625	49	61	1 294	(268)	1 026
Capital employed (2)	(227)	81	10	81	(55)	5	(50)
Assets (3)	116	332	69	135	652	2	654
Investments in property, plant and equipment	1	47	3	6	57	-	57
Associates	-	2	-	-	2	-	2
Liabilities (4)	244	292	42	32	610	53	663
Impairment of Intangible assets and property, plant and equipment							
impairment	-	-	(1)	(5)	(6)	(1)	(7)
reversal of impairments	-	-	-	-	-	-	-
Average number of employees							
temporary employment	35	46	20	11	112	18	130
permanent employment	520	981	523	512	2 536	194	2 730
Total employees	555	1 027	543	523	2 648	212	2 860

(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

Infrastructure segment:

Infrastructure recorded a negative result of €59 million due to losses on the A15 Maasvlakte-Vaanplein project (€79.1 million), Avenue 2 (€26.1 million) and other losses on regional projects. The Offshore operations made a positive contribution to the result. The loss also includes a book profit of approximately €53 million on the sale of the offshore activities.

Building & Development segment:

Building & Development incurred an operating loss of €7 million. This includes impairments of the land bank of €4 million and restructuring costs of €5 million. The result was also affected by a book profit of €3 million as a result of the sale of CNG net B.V. and LNG net 24 B.V.. The revenue of Building & Development rose by 16% to €611 million as a result of higher sales in the Northern region. Building & Development's assets increased by €57 million to €332 million. This is largely due to an increase in the PPP receivables. The land positions decreased by €12 million to €130 million, consisting of sales of €8 million and a write-down of €4 million.

Specialized Companies segment:

Specialized Companies achieved a positive result of €5 million. The improvement results from the reorganizations implemented in 2013, which led to lower operating costs in 2014. Total assets decreased by €46 million to €69 million as a result of the lower investments.

Supplies segment:

The revenue of Supplies decreased by €30 million to €151 million. The sale of a 30% interest in the subsidiary Bontrup Beheer B.V. and the 92.5% subsidiary Ballast Phoenix Ltd., supported the result with a book profit of approximately €20 million. The result is also affected by an impairment of €3.8 million on the Grosskunkel concession. The assets of Supplies therefore declined by €43 million to €135 million.

Other Activities segment

This segment comprises the non-recharged overhead costs of the holding company. In addition, the result in 2014 was negatively impacted by restructuring costs of €17 million and an impairment of €31.7 million of deferred tax assets. The finance expense of €7 million is mainly in the Other Activities segment.

The number of employees employed abroad was 24 (2013: 115).

Segmentatie 2013

x € 1 million	Infrastructure	Building & Development	Specialized Companies	Supplies	Subtotal operating segments	Reconciliation 1)	Total
Revenue	546	528	260	181	1 515	(285)	1 230
Other operating income	-	-	-	3	3	-	3
Total operating expenses	(542)	(533)	(273)	(170)	(1 518)	277	(1 241)
Share in profits of associates	-	-	-	-	-	-	-
Earnings before interest, taxes, depreciation and amortization (EBITDA)	4	(5)	(13)	14	-	(8)	(8)
Impairment	-	(3)	-	1	(2)	(1)	(3)
Depreciation	-	(3)	(6)	(9)	(18)	(2)	(20)
Earnings before interest, taxes and amortization (EBITA)	4	(11)	(19)	6	(20)	(11)	(31)
Amortization	-	-	-	-	-	(1)	(1)
Earnings before interest and taxes (EBIT)	4	(11)	(19)	6	(20)	(12)	(32)
Net finance income and expense							(7)
Share in profits of associates							1
Income tax expense							(3)
Profit for the period							(41)
Margin	0,7%	(2,2%)	(7,3%)	3,3%			(2,6%)
Order book	596	691	113	52	1 452	5	1 457
Capital employed (2)	(21)	35	33	117	164	(22)	142
Assets (3)	247	275	115	178	815	11	826
Investments in property, plant and equipment	6	1	4	12	23	8	31
Associates	-	2	-	-	2	-	2
Liabilities (4)	277	260	74	65	676	60	736
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
Total employees	550	1 169	829	595	3 143	256	3 399

(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.

Infrastructure segment

Infrastructure achieved a positive result of €4 million. Good results on a number of large-scale projects exceeded the loss on the major A15 Maasvlakte-Vaanplein project and the losses on a number of old regional projects dating from before the 2012 restructuring.

Building & Development segment:

Building & Development recorded an operating loss of €11 million due to impairment losses (€6 million) and reorganization expenses (€5 million). The revenue of Building & Development decreased by 8% to €528 million due to the decline in regional building companies. Building & Development's assets decreased by €39 million to €275 million as a result of a decrease in inventories of unsold property and lower land positions. The land positions recorded a decrease of €10 million to €142 million, comprising sales of €9 million and a write-down of €1 million.

Specialized Companies segment:

Specialized Companies recorded a disappointing €19 million loss. This includes a reorganization expense of €5 million. The successes recorded in the well-performing businesses were overshadowed by losses in two specialist businesses. The total assets decreased by €16 million to €115 million as a result of the lower investments.

Supplies segment

The revenue of Supplies decreased by €35 million to €181 million. Improved results in the prefab businesses and the sale of Yvoir and of a minority interest in an asphalt plant supported the result. Supplies' assets decreased by €27 million to €178 million, particularly due to the sale of Yvoir and an interest in an asphalt plant.

The number of employees employed abroad was 115 (2012: 159).

Operating segments (continued)

Geographical segments

x € 1 million	Revenue		Activa		Other fair value investments	
	2014	2013	2014	2013	2014	2013
The Netherlands	949	981	89	135	(1)	5
Other Europe	187	204	5	16	1	(1)
Africa	3	1				
Asia	-	8				
South America	21	30				
Other	6	6				
Total	1 166	1 230	94	151	-	4

81% of revenues (2013: 80%) were generated in the Netherlands. The assets reported under the geographic segments comprise the non-current assets, excluding financial instruments and deferred tax assets.

7.7 Disposals

1 Disposals

On 16 June 2014 Ballast Nedam reached agreement on the sale of the UK activities of the subsidiary Recycling Maatschappij Feniks B.V. (Feniks Recycling) to H2 Equity Partners (H2). The UK activities were conducted by Ballast Phoenix Ltd, the market leader in recycling of waste incineration ash in the United Kingdom.

The sale of the minority interest (7.5%) of the co-founder of Ballast Phoenix Ltd., David York, to H2 formed part of the same transaction. Feniks Recycling will continue its activities outside the United Kingdom as part of Ballast Nedam. Ballast Phoenix Ltd was sold for €38 million (100%, including €3.5 million earn-out) and generated a book profit of approximately €22 million for Ballast Nedam. The sum of €3.5 million has not been stated in the 2014 figures.

On 26 July 2014 Ballast Nedam concluded an agreement with Bencis Capital Partners B.V. ('Bencis') on the sale of CNG Net B.V., LNG24 B.V. and CNG Net Realisatie en Onderhoud B.V.. This package of disposals represents a total selling price of approximately €26.5 million, and generates a book profit of €3 million for Ballast Nedam.

On 3 July 2014 Ballast Nedam sold the 30% interest in the management company Fr. Bontrup B.V. to the owner of the remaining 70% of the shares in this family business Fr. Bontrup Holding B.V.. The interest was sold at book value.

On 28 November 2014 Ballast Nedam reached agreement on the sale of Ballast Nedam Offshore's activities to Van Oord B.V.. This transaction comprises the sale of Ballast Nedam Offshore assets, the staff of the EPCI services (EPCI: engineering design, procurement, construction and installation), the Heavy Lift Vessel Svanen, and the Westermeerwind project, which is in progress. The book value on this transaction amounted to approximately €53 million. In accordance with the contractual agreements, the negative or positive difference in results from the Westermeerwind project will be offset at the time of delivery.

Summary of disposals

x € 1 million	
Financial assets	-
Intangible assets	10
Deferred tax asset	2
Property, plant and equipment	57
Inventories	5
Receivables	15
Trade payables	(30)
Deferred tax liability	(4)
Provisions	-
Loans	(22)
Net assets and liabilities	33

x € 1 million

Considerations received in cash	122
Disposed cash and cash equivalents	(11)
Net cash - inflow	111

7.8 Notes to the consolidated statement of financial position

2 Intangible assets

x € 1 million	Note	Goodwill	Concessions	Other	Total
Cost					
31 December 2012		16	31	6	53
Investments		-	5	1	6
Acquisitions					
Disposals		-	(2)	-	(2)
Sale of subsidiary					
Assets held for sale	16	(3)	(8)	-	(11)
31 December 2013		13	26	7	46
Investments		-	1	1	2
Acquisitions					
Disposals		(1)	-	-	(1)
Sale of subsidiary		-	1	-	1
Assets held for sale					
31 December 2014		12	28	8	48
Amortization and accumulated impairment					
31 December 2012		5	13	4	22
Acquisitions					
Amortization					
Impairment		3	-	1	4
Disposals					
Sale of subsidiary					
Assets held for sale	16	(1)	-	-	(1)
31 December 2013		7	13	5	25
Acquisitions					
Amortization		-	1	-	1
Impairment		1	4	1	6
Disposals					
Sale of subsidiary					
Assets held for sale					
31 December 2014		8	18	6	32
Carrying amount					
31 December 2013		6	13	2	21
31 December 2014		4	10	2	16

Goodwill

An impairment test is performed at least annually, or earlier if there are indications of impairment. Estimated future cash flows are discounted using a pre-tax discount rate of 9%.

The business plan was followed for the projections for 2015 to 2017, inclusive. The residual value was calculated for the infinite cash flow assuming a growth rate of between 1.5%.

As a result of the disposal of the interest in Bontrup Beheer B.V. the related goodwill of €1 million has been written off. With regard to the other goodwill impairment tests, a 1% increase in the pre-tax discount rate or a 1% decrease in the growth rate would not lead to an impairment.

Goodwill

x € 1 million	31 December 2014	31 December 2013
Bontrup Beheer B.V.		1
Verkaik B.V.	2	2
Bouw Noord B.V.		
Concrete Valley B.V.	2	2
Other	-	1
Total	4	6

Concessions

Ballast Nedam holds concessions for high-grade primary raw materials in Belgium, Germany and the Netherlands. Amortization is proportionate to extraction. The remaining weighted average amortization period for concessions at the year-end was 14 years (2013: 33 years). The changes are due to the disposal of the Bontrup Beheer B.V. holding. Ballast Nedam incurred no significant raw material and minerals exploration costs in 2014 for raw materials with unproven technical or commercial extraction potential. In 2014 and impairment was recognized on the concession of Grosskunkel Rurkies GmbH of €4 million as a result of changing market conditions.

Procurement obligations

As at the end of the reporting period, Ballast Nedam had no material outstanding purchase commitments relating to intangible assets.

Research & development expenses

In 2014 expenses of €6 million were recognized in the income statement for product development and other innovations (2013: €13 million). No material development expenses were capitalized.

3 Property, plant and equipment

x € 1 million	Note	Land and buildings	Plant and equipment	Other operating assets	Total
Cost					
31 December 2012		87	269	33	389
Investments		3	16	-	19
Acquisitions					
Disposals		(5)	(23)	(8)	(36)
Sale of subsidiary		-	(13)	-	(13)
Foreign currency translation differences		-	-	-	-
Assets held for sale	16	(5)	(35)	-	(40)
31 December 2013		80	214	25	319
Investments		1	9	2	12
Acquisitions					
Disposals		-	(21)	1	(20)
Sale of subsidiary		(9)	(45)	(6)	(60)
Foreign currency translation differences		-	1	-	1
Assets held for sale	16	-	(1)	-	(1)
31 December 2014		72	157	22	251
Depreciation and accumulated impairment					
31 December 2012		33	169	25	227
Impairment		(1)	-	-	(1)
Depreciation		4	14	2	20
Disposals		(2)	(20)	(7)	(29)
Sale of subsidiary		-	(10)	-	(10)
Foreign currency translation differences		-	-	-	-
Assets held for sale	16	(1)	(17)	-	(18)
31 December 2013		33	136	20	189
Impairment		-	1	-	1
Depreciation		2	11	2	15
Disposals		-	(5)	(2)	(7)
Sale of subsidiary		(4)	(21)	-	(25)
Foreign currency translation differences		-	-	-	-
Assets held for sale		-	-	-	-
31 December 2014		31	122	20	173
Carrying amount					
31 December 2013		47	78	5	130
31 December 2014		41	35	2	78

The investments in land and buildings and in equipment and inventories in both 2014 and 2013 were mainly for the Supplies segment. The subsidiary CNG Net B.V. also invested over €3.5 million in fuel filling stations (2013: €6 million). The investments in other operating assets in both 2013 and 2012 were mainly in ICT hardware. In 2014 the 'sale of subsidiaries' item related to the sale of Bontrup Beheer, Ballast Phoenix Ltd, CNG net B.V. and LNG24 B.V.. The disposals in 2014 took place in the Building & Development and Supplies segments (2013: in the Specialized Companies and Supplies segment).

Security

Property, plant and equipment with a carrying amount of €37 million (2013: €32 million) have been provided as mortgage collateral.

Financial lease

Ballast Nedam leases various items of property, plant and equipment through financial lease contracts. Ballast Nedam has the option to buy the assets at the end of several of the lease contracts. The leased assets serve as security for the lease obligations. At the end of the reporting period, the carrying amount of leased assets was €2 million (2013: €6 million).

4 Financial assets

x € 1 million	Note	31 December 2014	31 December 2013
PPP receivables	4.1	-	7
Other fair value investments	4.2	2	2
Other receivables	4.3	3	-
Total		5	9

4.1 PPP-receivables

x € 1 million	Note	2014	2013
1 January		7	-
Recognized receivables		43	7
Sales of subsidiaries		-	-
Capitalized interest		-	-
Assets held for sale	16	(50)	-
31 December		-	7
of which:			
Non-current		-	7
Current		-	-

Receivables in respect of Public-Private Partnership (PPP) agreements relate to concession fees from public authorities receivable in connection with the building and operation of the Zaanstad detention centre. Given the intention to reduce the share by 75%, this has been placed under assets held for sale. No PPP projects were sold in 2014 or 2013.

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 pledged as security for the associated loans.

4.2 Other investments

x € 1 million	Proportion owned	Land	31 December 2014	31 December 2013
Name				
CV GEM Vleuterweide	13.4%	The Netherlands	2	2
Other			-	-
Fair value			2	2

The fair value of the interest in the CV GEM Vleuterweide has been measured on the basis of the present value of the expected cash flows.

4.3 Other receivables

Other receivables include receivables from third parties falling due more than one year after the end of the reporting period. At year-end 2014 these amounted to €3 million (2013: zero).

5 Investments in associates and joint ventures

Associates are those entities in which Ballast Nedam exercises significant influence on the financial and operating policy, but over which it does not have control.

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

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

The relevant financial details of the principal associates are shown in the summary below. The total value of these associates on the reporting date was €9 million (2013: €12 million). In general, the payment of dividend and/or depositing of temporary liquidity surpluses from joint ventures and associates depends on the authorizations of other shareholders.

x € 1 million	31 December 2014						2014		
	Type	Location	Assets	Liabilities	Equity	Revenues	Results	Share of Ballast Nedam in %	Share of Ballast Nedam in € mln
Name									
Benelux Secondary PPP Fund 1	AS	Nieuwegein	28	28	-	-	-	20%	-
Waldwei.com B.V.	AS	Garijp	27	22	5	-	2	33%	2
Traffic Service van Strien	AS	Oss	15	9	6	32	2	25%	2
Nederlandse Freesmaatschappij B.V.*	AS	Mijdrecht	17	10	7	29	2	17%	1
Asfalt Productie Rotterdam B.V.	AS	Rotterdam	13	7	6	27	1	25%	2
Ursem modulaire Bouwsystemen	JV	Wognum	3	1	2	8	-	41%	1
Pi2 DBMO B.V.*	JV	Nieuwegein	15	15	-	46	-	65%	-
Expl. Maatschappij Komfort B.V.	JV	Nieuwegein	8	8	-	15	-	50%	-
Expl. Maatschappij DC16 B.V.	JV	Utrecht	1	3	(2)	2	-	50%	(1)
Expl. maatschappij A15 B.V.	JV	Nieuwegein	2	2	-	-	-	33%	-
Windinvest	JV	Nieuwegein	3	2	1	-	1	50%	1
Asfalt Productie Amsterdam B.V.	AS	Amsterdam	8	4	4	17	2	25%	1
COBETON B.V.	AS	Utrecht	1	-	1	2	2	25%	-
Other	AS	Various							
Total			141	111	30	178	12		9

* The degree of significant influence is determined through participation in the management of the respective associates. The extent of control relationships determines the working method for the joint ventures.

x € 1 million	31 December 2013						2013		
	Type	Location	Assets	Liabilities	Equity	Revenues	Results	Share of Ballast Nedam in %	Share of Ballast Nedam in € mln
Naam									
Benelux Secondary PPP Fund 1	AS	Nieuwegein	25	14	11	-	1	20%	2
Waldwei.com B.V.	AS	Garijp	28	24	4	-	1	33%	1
Traffic Service van Strien	AS	Oss	15	9	6	33	1	25%	2
Nederlandse Freesmaatschappij B.V.	AS	Mijdrecht	17	10	7	30	2	17%	1
Asfalt Productie Rotterdam B.V.	AS	Rotterdam	18	12	6	30	1	25%	2
Ursem modulaire Bouwsystemen	JV	Wognum	6	4	2	3	(1)	41%	1
Pi2 DBMO B.V.	JV	Nieuwegein	1	1	-	-	-	65%	-
Expl. Maatschappij Komfort B.V.	JV	Nieuwegein	4	4	-	13	-	50%	-
Expl. Maatschappij DC16 B.V.	JV	Utrecht	1	2	(1)	3	-	50%	(1)
Expl. maatschappij A15 B.V.	JV	Nieuwegein	1	1	-	-	-	33%	-
Windinvest	JV	Nieuwegein	2	2	-	-	-	50%	-
Asfalt Productie Amsterdam B.V.	AS	Amsterdam	10	6	4	-	-	25%	1
COBETON B.V.	AS	Utrecht	1	1	-	5	-	25%	-
Other	AS	Various							3
Total			129	90	39	117	5		12

6 Deferred tax

Deferred tax assets arise from the recognition of carry-forward tax losses, from temporary differences between the accounting carrying amounts and tax base of assets and liabilities, and from deferred taxation of the revaluation of derivatives to fair value.

6.1 Deferred tax assets

x € 1 million	2014	2013
1 January	32	32
Movement through comprehensive income		2
Derecognition of carry-forward losses	(13)	
Use of temporary differences	(18)	(2)
Loss measurement		
Changes in estimates related to prior years		
Movement through income statement		
Asset held for sale	(1)	
31 December	-	32

The Dutch tax group has approximately €261 million of carry-forward losses (2013: approximately €100 million) in the Netherlands, which have not been recognized (2013: €54 million). These tax losses have limited carry forward in the Netherlands. The remaining carry-forward period is between two and nine years (2013: average six years). In 2014 €18 million was written off with regard to temporary differences as a result of the disposal of the lifting vessel Svanen. €13 million of recognized tax losses were also written off in 2014. This was in connection with the realized losses over the past three years, the business plans for the forthcoming three years and associated inherent uncertainties in the company plan (see page 142 to 145 continuity and liquidity). It is expected that the carry-forward losses can be utilized in the future. Besides carry-forward losses, Ballast Nedam's Dutch tax group has unrecognized pre-incorporation profit of foreign permanent establishments that is eligible for set-off to prevent double taxation.

At the end of the reporting period Ballast Nedam had approximately €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 settlement of losses is considered improbable in the countries concerned.

The deferred tax asset in respect of fair value changes of derivatives where the hedge relationship was effective was less than €1 million (2013: 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 reliably estimated.

6.2 Deferred tax liabilities

x € 1 million	2014	2013
Intangible assets	-	2
Property, plant and equipment	-	2
Liabilities held for sale	-	(4)
1 January	-	-
Movement through comprehensive income	1	-
Movement through income statement	-	-
31 December	1	-

Deferred tax liabilities arises from temporary differences between the accounting carrying amounts and tax base of assets and liabilities. These temporary differences were attributable to the items shown in the above table.

6.3 Current liabilities, income tax payable

The income tax payable consists of income tax due outside the tax group, and amounted to zero (2013: €1 million).

7 Inventories

x € 1 million	31 December 2014	31 December 2013
Land positions	130	142
Unsold stock under construction	4	5
Unsold stock delivered	7	10
Residential building projects	-	-
Finished product	8	12
Raw material & semi-finished goods	(1)	5
Inventories held for sale		
Total	148	174

The accumulated impairment losses for land positions amounted to €44 million (2013: €40 million). The adjustment of a number of land positions to lower net realizable value amounted to €4 million (2013: €1 million). Land positions were sold for a net amount of €7 million in 2014. 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%. The €130 million carrying value of the land positions includes €50 million of pledged positions for the FGH loan of €29 million at the end of 2014 (see also note 12).

Prepayments on inventories

Prepayments on inventories amounted to €2 million (2013: €2 million) and were related to housebuilding projects in which the value of the work performed was lower than the amount of the instalments invoiced.

8 Work in progress

x € 1 million	31 December 2014	31 December 2013
Work in progress under current assets	52	135
Work in progress under current liabilities	(88)	(105)
Total	(36)	30
Project costs including recognized results	1 595	614
Instalments	(1 631)	(584)
Total	(36)	30
Instalments received	1 524	436
Outstanding instalments	107	148
Retained from instalments	-	-
Total	1 631	584

The valuation of work in progress is assessed periodically for each project by the project manager and the management. This assessment is made on the basis of records in project files, cost monitoring, including estimates of financial settlements of projects such as contract variations and claims. Substantial fluctuations may arise in 'work in progress' in the course of the year in view of its project-related nature.

The net gain on work in progress consists of all construction contracts on behalf of third parties where the expenses incurred plus the deferred profit, minus the recognized losses, exceed the instalments invoiced. This net gain decreased by €83 million relative to 2013.

The net loss on work in progress consists of all construction contracts on behalf of third parties where the expenses incurred plus the deferred profit, minus the recognized losses, are less than the instalments invoiced.

This net gain decreased by €17 million relative to 2013.

The total work in progress thus decreased by €66 million because of lower prepayments for projects and additional project on the A15 Maasvlakte-Vaanplein and A2 Maastricht projects.

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

9 Receivable

x € 1 million	31 December 2014	31 December 2013
Instalments	107	148
Trade receivables	62	64
Prepaid expenses	2	2
Receivables held for sale		
Total	171	214

As at 31 December 2014, instalments included zero (2013: zero) retentions related to work in progress. Retentions are stated at the present value.

Aging analysis of instalment and trade receivables

x € 1 million	31 December 2000	31 December 2013
0 - 30 days	106	145
31 - 60 days	24	37
61 - 90 days	11	12
91 - 365 days	19	13
Older than 1 year	16	12
	176	219
Write-down on bad debtors	(7)	(7)
Total	169	212

Ballast Nedam employs prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on the above categories of instalments and trade receivables. The average payment period is 45 days (2013: 45 days). The total of outstanding instalments after the due date of the invoice amounts to approximately €52 million.

The provision for bad debtors amounted to €7 million (2013: €7 million) and has been deducted from trade receivables. €2 million of this is attributable to debtors in the category 91-365 days and €5 million is attributable to the category older than 1 year. The movements in the provision were as follows.

Voorziening dubieuze vorderingen

x € 1 million	31 December 2014	31 December 2013
1 January	7	6
Addition	3	3
Reversals	(2)	(2)
Utilization	(1)	-
31 December	7	7

At the end of the reporting period, as in the previous year, there were no known attachmentsof receivables.

10 Net cash

x € 1 million	31 December 2014	31 December 2013
Cash and cash equivalents	70	51
Escrow account	53	
Bank overdrafts	(3)	(22)
Total	120	29
Fully consolidated	87	(3)
Share in joint operations	33	32
Total	120	29

Position as at reporting date

The net cash consists of the balance of cash and bank loans that cannot be offset against one another, but which are treated together for cash management purposes. €52.8 million of the net cash is held on an escrow account as a result of the disposal of offshore activities and is not freely available due to the arrangements with respect to the refinancing agreement (€2 million in 2013).

Ballast Nedam has committed credit facilities with three banks for a total of €43 million.

Ballast Nedam made use of these facilities in the course of the year under review. None of the facility was utilized as at year-end 2014 (as at 31 December 2013 this figure was €17 million).

Position in April 2015

The banking syndicate, comprising ING bank, Rabobank and Royal Bank of Scotland, expressed its support in April 2015 and defined the details of a refinancing agreement jointly with Ballast Nedam and other interested parties. The existing combined committed facility of guarantees and credit for three years was converted into a combined committed two-year facility of guarantees, cash and subordinated loans, in which the subordinated loans have a three-year term. See the notes concerning continuity and liquidity on pages 142 to 145.

11 Other liabilities

x € 1 million	31 December 2014	31 December 2013
VAT, payroll tax and social security contributions	17	23
Pension premiums	-	-
Charges relating to work in progress	93	108
Other	85	72
Total	195	203

The other items amounting to €85 million (2013: €72 million) included liabilities for holiday pay/owed holiday (€14 million) (2013: €15 million), accruals, amounts owed to joint venture partners and various other liabilities that cannot be allocated to the other liability categories.

12 Loans

x € 1 million	2014	2013
1 January	108	118
Loans drawn	48	14
Repayments	(14)	(15)
Sales of subsidiaries	(6)	-
Liabilities held for sale	(49)	(9)
31 December	87	108
Non-current	56	100
Current	31	8
31 December	87	108
Recourse loans	82	90
Non-recourse loans	5	18
31 December	87	108
Non-current		
Business loans	49	50
Land bank financing	4	36
PPP loan	-	2
Finance leases	2	3
Other loans	1	9
31 December	56	100
Current		
Business loans		1
Land bank financing	30	4
PPP loan		1
Finance leases		2
Other loans	1	
31 December	31	8

12.1 Loans per bank

x € 1 million	Currency	Maturity date	Interest	Facility	31 December 2014	31 December 2013
Rabobank	EUR	2017	5.40%	50	49	50
FGH Bank	EUR	2015	Euribor 3-month + margin	36	29	33
NIBC Bank	EUR	2016	Euribor 3-month + margin	7	3	5
NIBC Bank	EUR	2015	Euribor 3-month + margin	10		10
Bank Dutch municipalities (PPP)	EUR	2034	Euribor 3-month + margin	8		5
NIBC Bank (PPP)	EUR	2016	Euribor 1-month + margin	53		2
ING Bank (PPP)	EUR	2016	Euribor 1-month + margin	65		1
Institutional investors (pps)	EUR	2040	Constant	72		
Other	EUR			9	6	2
Total				310	87	108

Position as at the reporting date

Rabobank

The €49 million loan matures on 1 April 2017. The loan has an unchanged 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 €36million with FGH Bank for a number of land positions, which have been placed in a separate company. The relevant land positions serve as security for the loan. The interest rate is three-month Euribor plus a margin of 200 basis points. The loan does not contain any financial covenants. The loan will be repaid in full or in part on the sale of the land positions. At year-end 2014, €29 million of this facility was being utilized.

FGH Bank also provided financing for various company buildings. At year-end 2014, approximately €1 million of this amount remained outstanding (2013: €1 million).

NIBC Bank

IJsseloord beheer B.V., in which Ballast Nedam has a 50% interest, has an overdraft facility of €14 million for the IJsseloord 2 project in Arnhem. The loan was extended in 2013 and now expires on 31 December 2016. The interest rate is three-month euribor plus a margin of 325 basis points. At year-end 2014, €6 million of this facility was being utilized. Ballast Nedam N.V. does not guarantee this loan.

Position as at April 2015

The banking syndicate, comprising ING bank, Rabobank and Royal Bank of Scotland, expressed its support in April 2015 and defined the details of a refinancing agreement jointly with Ballast Nedam and other interested parties. The existing combined committed facility of guarantees and credit for three years was converted into a combined committed two-year facility of guarantees, cash and subordinated loans, in which the subordinated loans have a three-year term. See the notes concerning continuity and liquidity on pages 142 to 145.

12.2 PPP loans per project

x € 1 million	2014	2013
Non-current		
PI2 BV		3
31 december		3

The loans represent Ballast Nedam's proportional share of 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.

Alongside its 20% participation in the Benelux Secondary PPP Fund 1 and its 4.8% participation in the A15 Maasvlakte-Vaanplein PPP project, Ballast Nedam is involved in the following PPP projects.

1) Waldwei. This project provides availability of 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. 2) Zaanstad detention centre. This project consists of the building and provision of a detention centre for the Ministry of Security and Justice. The term is 28 years. Ballast Nedam has a 100% interest.

3) IXAS A9 Gaasperdammerweg. This project includes the design, construction, financing, maintenance and operations of the existing and new infrastructure of the A9 between Diemen and Holendrecht. Ballast Nedam has a 25% interest and will remain involved in the maintenance and operations for a further 20 years after the completion of the infrastructure.

At the end of the term the concession rights to the aforementioned PPP projects will transfer to the client. The PPP loans are zero due to the intended Zaanstad Penitentiary PPP project. This has been classified as an asset held for sale.

Capital contributions

At year-end 2014 the accumulated capital contributions amounted to €3 million (2013: €3 million). At the end of the reporting period, Ballast Nedam had unconditional capital contribution commitments of €21 million (2013: €9 million) in relation to the Zaanstad Detention Centre PPP project. The increase in the liabilities is due to the acquisition of the 25% interest in the IXAS A9 Gaasperdammerweg PPP project.

12.3 Finance leases

x € 1 million	2014	2013
Less than 1 year		2
1 - 5 years	2	1
More than 5 years		
Future lease instalments	2	3
Future finance expense		
Less than 1 year		2
1 - 5 years	2	2
More than 5 years		
Present value of finance leases	2	4

The finance expense attributable to financial leases was, as in the previous year, less than €1 million in 2014. The financial leases involve no constraints on financing or dividend policy.

x € 1 million	Long-term illness	Long-service bonuses	Other remuneration	Total employee benefits	
				2014	2013
1 January	1	4		5	4
Addition					1
Interest accrual					
Utilization		(1)		(1)	
31 December 2014	1	3		4	5
of which recognized under current liabilities					
				4	5

Long-term illness and long-service bonuses

The discount rate of the provision for long-term illness and long-service bonuses was 1.5% (2013: 5%).

Other employee benefits

Other employee benefits concern pension contributions payable to various pension funds. Most pension liabilities have been placed with Stichting Pensioenfonds Ballast Nedam. Apart from a small number of very limited defined benefit schemes, Ballast Nedam now has no such schemes. Ballast Nedam has a number of defined contribution pension schemes, under which employees' rights are based on the number of years service and salary level. The obligations under these pension schemes are systematically covered by means of payments into funds or to insurance companies. Under IAS 19 these are recognized as defined contribution schemes. Ballast Nedam is obliged to pay the prescribed contribution for these schemes. Ballast Nedam cannot be compelled to make up any deficits other than through future premium adjustments and cannot claim any surpluses in the pension funds. The coverage ratio of the industry pension scheme for the building industry (bpfBouw) that is accounted for as a defined contribution pension scheme was estimated as 114.5% at the end of 2014.

x € 1 million	Reorganisatie	Garantie verplichtingen	Overig	Totaal
31 December 2012	17	9	17	43
Addition	11	4	3	18
Unwinding of discount	-	-	-	-
Reversals	(2)	(2)	(3)	(7)
Utilization	(9)	(6)	(7)	(22)
31 December 2013	17	5	10	32
Addition	10	4	2	16
Unwinding of discount	-	-	-	-
Reversals	(1)	(2)	(1)	(4)
Utilization	(13)	(3)	(7)	(23)
31 December 2014	13	4	4	21
Current (< 1 year)				
31 December 2013	15	5	6	26
31 December 2014	10	4	3	17

The €10 million addition to the reorganization provision relates to the ongoing reorganization at the Building & Development segment, several specialized companies and restructuring costs of Ballast Nedam Holding. In the next three years the provision will generate a cash outflow of €13 million, most of which will occur in 2015. A large part of the amounts released from the reorganization provision comprised payments for severance arrangements and the settlement of a rental guarantee (2013: €9 million).

The provision for warranties relates to work which has been delivered. Of the addition to the provision, €4 million (2013: €4 million) was charged to income. Guarantee provisions no longer required amounting to €2 million (2013: €2 million) were released to income and €3 million (2013: €6 million) in guarantee liabilities was released for the settlement of guarantee claims.

The remaining provisions related to other claims against Ballast Nedam. The release of €1 million (2013: €3 million) relates to several provisions no longer needed for potential claims. The release of €7 million (2013: €7 million) partly related to the settlement of claims.

The finance expenses related to unwinding of discount on long-term provisions are 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 3% (2013: 5%). In 2014 the unwinding of discount amounted to less than €1 million (2013: idem).

The authorized capital consists of 45,000,000 ordinary shares and amounts to €45 million. The issued share capital consists of 19,667,500 ordinary shares each of a par value of €1.

In July 2014 a €30 million rights issue took place to strengthen the financial position of Ballast Nedam. This involved the issue of 9,667,500 new depositary receipts for ordinary shares with a par value of €1 at an issue price of €3.10 per new depositary receipt. This led to an increase of €18 million in the share premium reserve. The net proceeds of this rights issue amounted to €27 million.

At the shareholders' meeting of May 2014 it was decided to amend the articles of association, with the authorized share capital being changed from €120 million to €45 million divided into 45 million shares each of a par value of €1.

The total number of repurchased shares at year-end 2014 was 332,500 (2013: 332,500) and is stated at acquisition price. None of the company's own shares were repurchased in 2014 (2013: zero) and none were sold (2013: idem). Ballast Nedam's policy is to avoid potential dilution through option rights granted by repurchasing a proportional number of its own shares.

Share capital

Share capital	31 December 2014	31 December 2013
Shares in issue at 1 January	9 667 500	9 667 500
Issued shares	9 667 500	
Net change in repurchased shares		
Shares in issue at 31 December	19 335 000	9 667 500

Translation differences arise on the conversion of the investments in foreign activities, including semi-permanent financing, and on the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the end of the reporting period.

The statutory reserves of the associate relate to profits and/or reserves of the associates and joint ventures which are subject to legal restrictions on distribution or restrictions imposed by the articles of association.

The movement is explained by an increase in the shareholders' equity of associates and joint ventures for which the equity method is used and where payment is restricted through the influence of 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 2014. The Board of Management, with the approval of the Supervisory Board, proposes to refrain from distributing a dividend (2013: zero).

Share-based transactions, the option scheme, relates to the addition to the other reserves because of the employee benefits recognized in respect of options granted. In 2014, the movement in shareholders' equity amounted to €1,400,000 negative (2013: €900,000).

16 Assets and liabilities held for sale

Ballast Nedam measures assets held for sale at the lower of carrying amount and fair value less costs to sell. On 31 December 2014, Ballast Nedam identified its 20% interest in Benelux Secondary PPP Fund 1 and its 75% interest in the PI2 B.V. and Vastgoed Energie Explotatiemaatschappij B.V. PPP project as a group which is directly available for sale and which fits in with the strategy to strengthen the asset position of Ballast Nedam. The aforementioned companies are part of the Building & Development segment. The impact on the consolidated statement of financial position of Ballast Nedam is shown in the table below. It is expected that this sale will take place in the course of 2015. In 2013 Feniks Recycling Maatschappij B.V. and the 30% interest in Bontrup B.V. were identified as assets held for sale. In 2014 this led to the sale of the 30% interest in Bontrup B.V. and Ballast Phoenix Ltd, the British subsidiary of Feniks Recycling Maatschappij B.V.. Feniks Recycling Maatschappij B.V. itself is no longer identified as held for sale.

Compressed overview assets held for sale

x € 1 million	
Intangible assets	-
Property, plant and equipment	1
Financial assets	50
Deferred tax assets	1
	52
Current liabilities	-
Non-current liabilities	(51)
	(51)

7.9 Notes to the income statement

17 Total revenue

x € 1 million	2014	2013
Sale of goods	191	184
Services	85	73
Construction contract revenue	890	1 011
Other	-	(38)
Total	1 166	1 230

18.1 Other operating income

The other operating income amounted to €76 million in 2014. This relates principally to book profits on disposals in 2014 (2013: €3 million).

18.2 Costs of raw materials and subcontractors

The costs of raw materials and subcontractors comprise an expense of €4 million due to the impairment of a number of land positions to lower market value. In 2013 this expense amounted to €1 million. These costs also include project losses on the Mava /A15 (€66 million) and Avenue 2 (€20 million) projects, other infrastructure project losses and the Breda public transport terminal. For the Mava/A15, Avenue A2 and Breda public transport terminal projects there are wide variations in the forecasts of both revenues and costs.

18.3 Employee benefits

x € 1 million	2014	2013
Wages and salaries	181	213
Social security costs	28	30
Pension charges	20	24
Total	229	267
Pension charges, defined contribution plan	20	24
Pension charges	20	24

19 Finance income and expense

x € 1 million	31 December 2014	31 December 2013
Interest on bank deposits	-	-
Interest on hedging instruments	-	-
Capitalized interest on PPP receivables	-	-
Capitalized interest on other assets	-	-
Finance income	-	-
Unwind of discount on provisions	-	-
Interest charge on hedging instruments	-	-
Interest expenses	(7)	(7)
Finance expense	(7)	(7)

The tax charge was €34 million (2013: €3 million), most of which relates to the write-off of the deferred tax asset. A current charge of €2 million falls entirely outside the Dutch tax group. The Dutch tax group has approximately €261 million (2013: approximately €100 million) of carry-forward losses in the Netherlands, €0 million of which have been recognized (2013: €54 million). In 2014 €72 million of temporary differences were written off as a result of the disposal of the offshore activities and €54 million of recognized carry-forward losses.

Reconciliation with the effective tax rate

x € 1 million	2014		2013	
Profit before income tax		(69)		(37)
Nominal taxes (25%)	25.0%	17	25.0%	7
Additional tax-deductible losses	0.0%		5.4%	2
Deferred results not included in the fiscal unity	(57.4%)	(40)	(29.7%)	(11)
Deferred results not included outside the fiscal unity	0.0%		0.0%	3
Effect of tax rates of foreign jurisdictions	(2.9%)	(2)	0.0%	
Tax-exempt results	6.0%	6	0.0%	
Derecognition of carry-forward losses	(19.2%)	(14)	(5.4%)	(2)
Non-deductible expenses	(1.5%)	(1)	(5.4%)	(2)
Effective tax expense	(50.0%)	(34)	(10.1%)	(3)

Income tax due recognized in income statement

x € 1 million	2014		2013	
Current income tax				
Tax outside the fiscal unity		(2)		3
		(2)		3
Deferred taxation				
Tax-deductible losses				2
Derecognition of carry-forward losses		(13)		(2)
Recognized temporary differences		(18)		
Changes in estimates related to prior years				
Movement in provision for deferred taxation		(1)		
Total income tax expense		(34)		(3)

Deferred taxes recognized directly in comprehensive income

x € 1 million	2014	2013
Derivatives in net changes in hedging reserve	-	-
Total	-	-

The utilization of carry-forward losses was realized outside Ballast Nedam's Dutch tax group.

21 Earnings per share

	2014	2013
Shares issued at 1 January	10 000 000	10 000 000
Issued this year	9 667 500	
Repurchased own shares	(332 500)	(332 500)
Shares in issue at 31 December	19 335 000	9 667 500
Maximum shares issued on options		
Number shares diluted	19 335 000	9 667 500
Average number of issued shares	14 501 250	9 667 500
Average number of issued shares (diluted)	14 501 250	9 672 643
Profit for the period	(103)	(41)
Basic earnings per share (€)	(5.33)	(4.22)
Diluted earnings per share (€)	(5.33)	(4.22)

Based on the average share price the option scheme did not have a dilutive effect on the earnings per share in 2014.

Financial risk management

General

Ballast Nedam identifies various categories of financial risk factors with respect to currency, credit and liquidity. The risks concerned are not uncommon in the industry. Ballast Nedam also makes use of financial instruments, including derivatives, in its normal business operations. These are financial instruments entered into in order to hedge future transactions and cash flows and are recognized in the statement of financial position. Ballast Nedam does not trade these financial derivatives.

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 hedged variable and the contracted price at a risk-free interest rate.

Treasury is a central responsibility at Ballast Nedam, and is organized as such. The treasury policy is aimed at creating and maintaining the best possible financial conditions for Ballast Nedam's operating activities, to which end the operating companies' bank accounts are held in a bank in two cash pools. Surplus cash is transferred to the money market on a daily basis, by contracting call funds and short-term deposits.

Financial risk factors

Market risks

Exchange risk

Ballast Nedam is exposed to foreign currency translation risk on revenue, project operating costs, loans and investments in associates, held in currencies other than the Group's functional currency. Most transactions of this kind are in USD. Forward exchange contracts with first-class banks may be contracted to hedge the transaction risk on cash flows generated by ordinary business activities. At year-end 2014, Ballast Nedam had no outstanding forward exchange contracts recognized at fair value in the statement of financial position.

Ballast Nedam is exposed to the following foreign currency translation risks in nominal amounts:

Foreign currency translation risk

x 1 million	31 December 2014		31 December 2013	
	USD	GBP	USD	GBP
Receivables	9		9	3
Loans				2
Bank overdrafts				
Trade payables	(6)		(6)	(2)
Other liabilities				(1)
Foreign currency translation risk on balance sheet items	3		3	2
Expected sales	13		14	22
Expected purchases	1		(4)	(14)
Future foreign currency translation risks	14		10	8
Hedging on foreign exchange contracts				
Net foreign currency translation risk	17		13	10

	2014		2013	
	Average exchange rate	Exchange rate on 31/12	Average exchange rate	Exchange rate on 31/12
EUR / foreign currency				
Exchange rates				
USD	1.330	1.215	1.328	1.377
GBP	0.806	0.780	0.849	0.832

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

Sensitivity to foreign currency risk

x 1 million	Equity	Profit for the period
31 December 2013		
USD	(2)	1
GBP		
31 December 2014		
USD	(1)	
GBP		

Interest risk

The aim of Ballast Nedam's interest policy is to limit the impact of interest rate changes on the company's profit. To this end Ballast Nedam hedges the exposure to interest risk on financing the long-term PPP loans with interest rate swaps. Cash flow hedge accounting is applied to the derivative financial instruments where the hedge relationship is effective. Furthermore, some of the loans have a fixed interest rate.

The interest risk is limited to potential movements in the market value of the loans taken up and issued, and of positive cash balances. The positive cash positions fluctuate throughout the year, but no impact of these fluctuations is included in the income statement from the sensitivity analysis. Loans are maintained until the maturity date. Since cash flow hedge accounting is used, the change in the values of the interest rate swaps for the effective portion of the hedging transaction up to the time of settlement is recognized in comprehensive income.

Interest-bearing financial instruments

The interest risk profile of the company's interest-bearing financial instruments as at the end of the reporting period was as follows:

Interest-bearing financial instruments

x € 1 million	Note	31 December 2014	31 December 2013
PPP receivables	16		7
Loans Rabobank		(49)	(50)
Other loans		(2)	(9)
Fixed interest		(51)	(52)
Cash and cash equivalents		123	51
Bank overdrafts		(3)	(22)
Loans		(36)	(49)
Variable interest		84	(20)
Effect of changes in variable interest on the income statement:			
interest rate rise of 100 basis points		1	-
interest rate fall of 100 basis points		(1)	-

The interest risk on the variable interest rate PPP project loans is hedged by means of interest rate swaps. Interest rate swaps expire in accordance with the due date of the hedged loans concerned. The swap interest rate for a subsidiary is 5.08%.

A rise or fall of 50 basis points in the derivative future variable interest rate would lead to a positive or negative adjustment of the fair value of the interest rate swaps of less than €1 million. Since cash flow hedge accounting is used, 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 counterparties will not be able to meet contractual obligations relating to a financial instrument. Creditworthiness assessments are performed for all other clients requiring credit. Ballast Nedam employs prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on instalments and trade receivables. At year-end 2014, there was no concentration of credit risks among debtors for substantial amounts.

Credit risk

x € 1 million	Note	31 december 2014	31 december 2013
PPP receivables	16		7
Other fair value investments		2	2
Other receivables		3	
Receivables		171	214
Cash and cash equivalents		70	51
Escrow account		53	
Total		299	274

Liquidity risk

Position as 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 committed cash facilities granted by various credit institutions and totalling €43 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 for < 1 year and 1-5 years includes the repayments of the Rabobank mortgage loan of €49 million (2017) and the FGH bank loan of €29 million (2015).

Liquidity risk liabilities

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1-5 years	> 5 years
Loans	108	(118)	(8)	(102)	(8)
Bank overdrafts	22	(22)	(19)	(4)	1
Trade payables	231	(231)	(231)		
Work in progress under current liabilities	105	(105)	(105)		
Prepayments on inventories	2	(2)	(2)		
Other liabilities	203	(203)	(203)		
Derivatives	-	-	-	-	-
Liquidity risk liabilities at 31 December 2013	671	(681)	(568)	(106)	(7)

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1-5 years	> 5 years
Loans	87	(94)	(35)	(56)	(3)
Bank overdrafts	3	(4)	-	(4)	-
Trade payables	191	(191)	(191)		
Work in progress under current liabilities	88	(88)	(88)		
Prepayments on inventories	2	(2)	(2)		
Other liabilities	195	(195)	(195)		
Derivatives	-	-	-	-	-
Liquidity risk liabilities at 31 December 2014	566	(574)	(511)	(60)	(3)

The immediately due amount of €35 million of loans includes an amount of €29 million of the FGH loan which is due in full on 1 August 2015. The other €6 million represents various loans which will be repaid within one year. Of the remaining liabilities €476 million is due within approximately three months (2013: €541 million).

Position in April 2015

Details of the developments relating to the refinancing in April 2015 can be found in the explanatory notes concerning continuity and liquidity on pages 142 to 145.

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	-	-	-	-	-
Cash flow hedges 31 December 2013	-	-	-	-	-

x € 1 million	Carrying amount	Contractual cash flows	< 1 year	1-5 years	> 5 years
Forward exchange contracts					
Market risk instruments					
Interest rate swaps	-	-	-	-	-
Cash flow hedges 31 December 2014	-	-	-	-	-

For derivative financial instruments that qualify for hedge accounting, changes in the fair value are recognized through comprehensive income. The cash flow hedging is zero in connection with the intended sale of the Zaanstad Penitentiary PPP project. This has been classified as an asset held for sale.

Financing risk

Position on 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 an objective with regard to the composition of the asset structure and within three years is aiming for a solvency of 15% (current solvency is 1.7%) and a leverage ratio of less than 2.0x in the medium term. At the end of 2014 Ballast Nedam had financial covenants in loan conditions, with which it was in compliance.

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 among others by means of the solvency ratio. Details of the current financing risks can be found in the continuity section on pages 142 to 145 in the notes concerning the significant accounting policies.

Position in April 2015

The banking syndicate, comprising ING bank, Rabobank and Royal Bank of Scotland, expressed its support in April 2015 and defined the details of a refinancing agreement jointly with Ballast Nedam and other interested parties. The existing combined committed facility of guarantees and cash facility for three years was converted into a combined committed two-year facility of guarantees, cash and subordinated loans, in which the subordinated loans have a three-year term. See the notes concerning continuity and liquidity on pages 142 to 145.

Fair value estimates

As at 31 December 2014, Ballast Nedam had a number of derivatives recognized at fair value. The carrying amount of cash, receivables, current loans and other current liabilities approximates the fair value, due to the short term of these instruments.

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

The fair value of the Rabobank loan is higher than the carrying amount since the interest rate for loans of this kind was lower at the end of the reporting period.

Fair value

x € 1 million	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
PPP receivables			7	7
Loans	87	87	108	107
Bank overdrafts	3	3	22	22
Trade payables	191	191	231	231
Income tax payables				
Work in progress under current liabilities	88	88	105	105
Prepayments on inventories	2	2	2	2
Other liabilities	195	195	203	203
Derivatives	-	-	-	-
	566	566	678	677

The above values are based on level 2 of the valuation methods described in the following section. The loans with fixed interest rates and the PPP receivables are discounted at the relevant interest rate curve as at 31 December 2014 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 2014			31 December 2013		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Other investments						-
Derivatives		-			-	
Total		-			-	-

There were no transfers from Level 1 to Level 2 or 3, or vice versa, in 2014 (2013: idem). Changes in the value of other fair value investments are recognized in the income statement. The valuation methods are zero in connection with the intended sale of the Zaanstad Penitentiary PPP project. This has been classified as an asset held for sale.

Off-statement of financial position commitments

Guarantees

x € 1 million	31 December 2014	31 December 2013
Guarantees	277	252
Total	277	252

Letters of intent and guarantees issued on Ballast Nedam's behalf by financial institutions in connection with the execution of projects and for prepayments received are included in 'Guarantees'.

In 2014 €277 million of guarantees were outstanding (2013: €252) of which €62 million related to joint ventures.

Lease and rental commitments

x € 1 million	31 December 2014			31 December 2013		
	< 1 year	1-5 years	> 5 years	< 1 year	1-5 years	> 5 years
Lease commitments						
Other operating assets	5	9	-	9	13	-
Rental commitments						
Offices	5	12	8	5	15	10
Purchase commitments						
Land purchases	10	22	7	4	25	15
Other	-	-	-	-	-	-
Capital contributions						
PPPs	-	-	-	-	9	-
Total	20	43	15	18	62	25

Ballast Nedam has contingent liabilities concerning the acquisition of land and subsequent payments on land positions amounting to €144 million (2013: €155 million). It is not yet certain that Ballast Nedam will make the acquisition or subsequent payments. Operating lease costs in 2014 amounted to €11 million (2013: €12 million).

Liabilities

Subsidiaries hold joint and several liability for projects executed by partnership firms. Some subsidiaries are joint and severally liable for liabilities to a number of banks. On the basis of credit and guarantee facilities, there is an obligation to refrain from issuing any collateral. Subsidiaries forming part of the Ballast Nedam tax group for Dutch corporation and value added tax purposes hold joint and several liability for this.

Other matters

Anna van Buerenplein Car Park (pAnnaB) / Babylon Den Haag BV (Babylon)

The construction consortium pAnnaB received a judgement from the district court in The Hague at the end of 2013 according to which it is liable for damage amounting to around €13 million set in separate damage assessment proceedings. In parallel with these proceedings pAnnaB appealed against this judgement. pAnnaB has notified its professional indemnity insurer of the Babylon claims.

Related party transactions

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

The main task of Stichting Pensioenfonds Ballast Nedam is to implement the pension scheme for the employees of Ballast Nedam. Stichting Pensioenfonds Ballast Nedam uses the services of employees of Ballast Nedam companies. The actual expenses are passed 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. The shareholder Hurks and Ballast Nedam make up the Breda public transport terminal construction consortium and Ballast Nedam has insurance contracts with the shareholder Delta Lloyd. All these transactions are executed at arm's length, in a comparable manner as for transactions with third parties.

Interests in joint business activities

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

x € 1 million	31 December 2014	31 December 2013
Non-current assets	12	47
Current assets	92	178
Non-current liabilities	(5)	(22)
Current liabilities	(145)	(235)
Net assets and liabilities	(46)	(32)

The revenue and the cost of sales relating to the share in joint business activities amounted to around 25% (2013: 30%) of total revenue and cost of sales. The total liabilities to third parties of companies for which Ballast Nedam holds joint and several liability, such as partnerships, excluding bank guarantees issued by those companies, amounted to €607 million at the end of 2014 (2013: €709 million), of which the €150 million portion of Ballast Nedam (2013: €257 million) is included in the consolidated statement of financial position. The entities below were included in the consolidation of the statement of financial position and income statement of Ballast Nedam in 2014. Entities with a participation rate of 100% are subsidiaries. The other entities relate to joint business activities. Only the principal entities are included for practical reasons. A full list of the subsidiaries included in the consolidation has been filed at the commercial register, at the offices of the Chamber of Commerce in Utrecht. Details of the material joint venture and associated interests in which Ballast Nedam has participating interests can be found in note 5.

In general, the payment of dividend and/or depositing of temporary liquidity surpluses from joint ventures and associates depends on the authorizations of other shareholders.

The main subsidiaries and joint business activities are determined on the basis of their revenue contribution, risk profile, strategic importance and contribution to results.

Overview main subsidiaries and joint operation

Name	Location	Share
Ballast Nedam Infra B.V.	Nieuwegein	100%
Ballast Nedam International Projects B.V.	Nieuwegein	100%
Ballast Nedam International Product Management B.V.	Leerdam	100%
Ballast Nedam Specialistisch Grondverzet B.V.	Maarssen	100%
Ballast Nedam Specialiteiten B.V.	Leerdam	100%
Ballast Nedam Grondstoffen B.V.	Nieuwegein	100%
Ballast Van Oord Grondstoffen V.O.F.	Nieuwegein	50%
Bouwcombinatie Pro N329 V.O.F.	Nieuwegein	50%
Combinatie Versterken Bruggen V.O.F.	Nieuwegein	50%
A-Lanes A15 Mobility V.o.f.	Rotterdam	33,3%
A-Lanes Civil V.O.F.	Nieuwegein	33,3%
A-Lanes Roads V.O.F.	Nieuwegein	33,3%
Avenue2 Infra V.O.F.	Maastricht	50%
Ballast Nedam Engineering B.V.	Nieuwegein	100%
Haitsma Beton B.V.	Kootstertille	100%
Rademakers Gieterij B.V.	Klazienaveen	100%
Recycling Maatschappij "Feniks" B.V.	Amsterdam	100%
TBS Soest B.V.	Soest	100%
Ballast Nedam Bouw & Ontwikkeling Holding B.V.	Nieuwegein	100%
Ballast Nedam Ontwikkelingsmaatschappij B.V.	Nieuwegein	100%
Ballast Nedam Vleuterweide B.V.	Nieuwegein	100%
Gebiedsontwikkeling Oud Beijerland Oost C.V.	Nieuwegein	49%
Gebiedsontwikkeling Oud Beijerland Zuid C.V.	Nieuwegein	49%
Ballast Nedam Langedijk B.V.	Nieuwegein	100%
V.O.F. de Groene Loper	Nieuwegein	50%
Ballast Nedam Sigma B.V.	Nieuwegein	100%
V.O.F. De Leidse Schans	Capelle a/d IJssel	50%
Ballast Nedam Bouw & Ontwikkeling B.V.	Nieuwegein	100%
Bouwcombinatie IJsseloord 2 V.O.F.	Arnhem	50%
Bouwcombinatie voor de nieuwbouw Erasmus MC V.O.F.	Nieuwegein	50%
Groote Dok Oost V.O.F.	Nieuwegein	50%
OVT-Breda V.O.F.	Eindhoven	50%
Bouwcombinatie OVTerminal Arnhem V.O.F.	Nieuwegein	50%
Bouwcombinatie Archimedes Bouw V.O.F.	Nieuwegein	50%
Heddes Bouw & Ontwikkeling B.V.	Hoorn	100%
Laudy Bouw & Ontwikkeling B.V.	Sittard	100%
Avenue2 V.O.F.	Nieuwegein	50%
Ballast Nedam Beheer B.V.	Nieuwegein	100%
Ballast Nedam Concessies B.V.	Nieuwegein	100%

Board of Management and Supervisory Board

x € 1 thousand	2014					2013				
	Gross salary	Bonus	Pension charges & social security costs	Reimbursement	Total	Gross salary	Bonus	Pension charges & social security costs	Reimbursement	Total
Board of Management										
E. van der Noordaa ⁽¹⁾	268		60	3	331					
P. van Zwieten	394		83	4	481	364		82	5	451
T.A.C.M. Bruijninx ⁽²⁾	1 185		110	3	1 298	496		109	5	610
R. Malizia						759		76	4	839
	1 847		253	10	2 110	1 619		267	14	1 900
Supervisory Board										
A.N.A.M. Smits ⁽³⁾	33			2	35	45			2	47
J. Bout	32			2	34	30			2	32
L.W.A.M. van Doorne	41			2	43	31			2	33
C.M. Insinger	35			2	37	22			1	23
J.S.T. Tiemstra ⁽⁴⁾	4				4					
J.C. Huis in 't Veld ⁽⁵⁾						29			2	31
	145			8	153	157			9	166
Total	1 992		253	18	2 263	1 776		267	23	2 066

⁽¹⁾ as of June 1, 2014 – ⁽²⁾ until January 1, 2015 – ⁽³⁾ until November 14, 2014 – ⁽⁴⁾ as of November 14, 2014 – ⁽⁵⁾ until October 31, 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 granted to members of the Board of Management or the Supervisory Board. The gross salary of P. van Zwieten includes a payment of one gross month's salary net as a result of 25 years' employment. The gross salary of T.A.C.M. Bruijninx includes the contractual severance payment (€0.7 million).

Year granted	2014	2013	2012	2011	2010
Value in €			589 000	480 900	473 250
Number			100 000	70 000	75 000
Exercise price in €			12.67	15.29	13.43
Grant date			09/03/2012	11/03/2011	12/03/2010
Share price at grant date in €			13.27	15.88	14.10
Exercise period from			09/03/2015	11/03/2014	12/03/2013
to			08/03/2018	10/03/2017	11/03/2016
Volatility			6-years 37%	5-years 36%	4-years 37%
Risk-free interest rate			4%	4%	4%
Conditions			Employed by Ballast Nedam during exercise	Employed by Ballast Nedam during exercise	Employed by Ballast Nedam during exercise
Minimum holding			5%	5%	5%

The Supervisory Board granted 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	
	2014	2013	2014	2013
E. van der Noordaa				
T.A.C.M. Bruijninx		17 000		
P. van Zwieten	5 282	5 282		
Amount	5 282	22 282		

Costs of option scheme

x € 1 thousand	2014	2013
T.A.C.M. Bruijninx	(1 471)	82
P. van Zwieten	59	59
R. Malizia		(1 041)
Total	(1 412)	(900)

Events after the reporting date

The banking syndicate, comprising ING bank, Rabobank and Royal Bank of Scotland, expressed its support in April 2015 and defined the details of a refinancing agreement jointly with Ballast Nedam and other interested parties. The existing combined committed facility of guarantees and cash facility for three years was converted into a combined committed two-year facility of guarantees, cash and subordinated loans, in which the subordinated loans have a three-year term. See the notes concerning continuity and liquidity on pages 142 to 145.

In addition to the refinancing a €20 million rights issue will take place in the second half of 2015. This rights issue is 50% underwritten by Strukton Groep N.V. and 50% by the banking syndicate. A letter of intent was signed in April 2015 with Strukton Groep N.V. and Strabag SE, partners in the A15 Maasvlakte-Vaanplein project, under which Ballast Nedam will reduce its economic share of the project from 40% to 10%. Strukton Groep N.V. and Strabag SE are each increasing their share to 45%. This change will be effective in the second half of 2015. The legal participation remains unchanged: the three parties will each take a 33.33% share of the A-Lanes A15 consortium.

A letter of intent was signed in April 2015 with Strukton Groep N.V., our partner in the A2 Maastricht project, for the takeover of Ballast Nedam's share in the infrastructure activities in the project. The share of Strukton Groep N.V. in the property development of the A2 Maastricht project will be transferred to Ballast Nedam.

These two planned transactions will be developed during the forthcoming period into final agreements which will be submitted to the stakeholders for consent. Rijkswaterstaat has undertaken to lend its cooperation.

The two planned transactions are not expected to have any significant impact on the liquidity as compared to the situation prior to the transactions, other than as stated below. The transactions result in an expected additional outgoing cash flow of approximately €10 million in 2016 and of approximately €21 million in 2017 due to the additional investment in real estate. On the basis of the current project forecasts, the expected effect on assets and results in 2015 is approximately €10 million positive. It should be noted that as a result of the reduction of its economic share to 10%, Ballast Nedam proportionately waives any future claim proceeds which were not recognized on the reporting date.

The following disposals took place in the first quarter of 2015.

On 1 April Ballast Nedam sold 75% of its interest in SPC from the Zaanstad Penitentiary PPP project to a subsidiary of HICL Infrastructure Company Limited for €11.5 million.

On 27 March 2015 Ballast Nedam sold its 20% share in the Benelux Secondary PPP Fund 1 for approximately €4.5 million to its joint venture partner DG Infra Yield.

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

x € 1 million	Note	31 December 2014	31 December 2013
Financial assets			
Subsidiaries	22	279	310
Long term receivables from Subsidiaries	22		
Deferred tax assets	23		32
		279	342
Current assets			
Receivables		1	3
Receivables from subsidiaries		44	31
Cash and cash equivalents		1	1
		46	35
Current liabilities			
Trade payables		(4)	(3)
Other liabilities		(11)	(23)
Debts to subsidiaries		(296)	(253)
		(311)	(279)
Current assets minus current liabilities		(265)	(244)
		14	98
Non-current liabilities			
Provisions	24	3	8
		3	8
Shareholders' equity			
Share capital	25	79	60
Share premium		60	52
Repurchased own shares		(5)	(5)
Currency translation reserve			
Reserves of associates		33	36
Hedging reserve		(5)	(3)
Other reserves		(48)	(9)
Surplus for the year		(103)	(41)
Shareholders' equity		11	90
		14	98

Note: See notes to the company financial statements on pages 142 to 162.

7.11 Company income statement

x € 1 million	2014	2013
Profit of subsidiaries after tax	(29)	(10)
Other results after tax	(74)	(31)
Profit for the period	(103)	(41)

The profit from subsidiaries after taxation represents Ballast Nedam's share of the profit after taxation of its subsidiaries.

7.12 Notes to the company statement of financial position and income statement

Significant accounting policies

The company financial statements of Ballast Nedam N.V. form part of the 2014 financial statements of Ballast Nedam N.V. and have been prepared in accordance with the option provided in Section 362, paragraph 8, of Book 2 of the Netherlands Civil Code. The same accounting policies have been 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 net result are in accordance with the financial reporting policies as set out on pages 11 to 20 of the consolidated financial statements. Subsidiaries 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.

x € 1 million	Interests in subsidiaries	Long-term receivables from subsidiaries	Total
31 December 2012	314	4	318
Profit for the period	(10)		(10)
Investments			
Disposals			
Acquisition of non-controlling interest			
Conversion of capital	4	(4)	
Repayment			
Dividend received			
Net changes in hedging reserve			
Foreign currency translation differences	2		2
31 December 2013	310		310
Profit for the period	(29)		(29)
Investments			
Disposals			
Acquisition of non-controlling interest			
Conversion of capital			
Repayment			
Dividend received			
Net changes in hedging reserve	(4)		(4)
Foreign currency translation differences	2		2
31 December 2014	279		279
Reclassification of negative shareholders' equity Subsidiaries			
Total	279		279
Carrying amount as at 31 December 2013	310		310
Carrying amount as at 31 December 2014	279		279

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 Section 379 of Book 2 of the Netherlands Civil Code has been filed at the Commercial Register in Utrecht. The Annual Report has a list of the significant group companies and interests.

23 Deferred tax asset

x € 1 million	2014	2013
1 January	32	32
Movement through equity	-	-
Movement through income statement	(32)	-
31 December	-	32

The Dutch tax group has approximately €261 million of carry-forward losses (2013: approximately €100 million) in the Netherlands, none of which have been recognized (2013: €54 million). These tax losses have limited carry forward in the Netherlands. The remaining carry-forward period is between two and nine years (2013: average six years). The utilization of carry-forward losses depends on future taxable profits.

24 Provisions

x € 1 million	Reorganization	Other	Total
31 December 2012		9	9
Addition	1	2	3
Interest accrual	-	-	-
Reversals	-	(1)	(1)
Utilization	-	(3)	(3)
31 December 2013	1	7	8
Addition	-	1	1
Interest accrual	-	-	-
Reversals	-	-	-
Utilization	(1)	(5)	(6)
31 December 2014		3	3
Current (< 1 year)			
31 December 2013	1	7	8
31 December 2014		3	3

The remaining amounts of the provisions and additions related to other claims against Ballast Nedam. The release of €6 million (2013: €3 million) related to the consequences of the infringements of the competition regulations up to and including 2001.

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
31 December 2012	60	52	(5)		36	(4)	33	(41)	131		131
Profit for the period								(41)	(41)		(41)
Foreign currency translation differences									-		-
Effective portion of change 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						-			-		-
Comprehensive income						1		(41)	(40)		(40)
Dividend paid							-		-		-
Option scheme							(1)		(1)		(1)
Repurchased own shares			-						-		-
Transactions with shareholders			-				(1)		(1)		(1)
Appropriation of 2012 result					-		(41)	41	-		-
Other											
31 December 2013	60	52	(5)		36	(3)	(9)	(41)	90		90
Profit for the period								(103)	(103)		(103)
Foreign currency translation differences									-		-
Effective portion of change in fair value of hedging instruments						(4)			(4)		(4)
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						-			-		-
Comprehensive income						(2)		(103)	(105)		(105)
Dividend paid							-		-		-
Option scheme							(1)		(1)		(1)
Repurchased own shares			-						-		-
Transactions with shareholders			-				(1)		(1)		(1)
Appropriation of 2013 result					-		(41)	41	-		-
Rights issue / other	9	18			(3)		3		27		27
Change in nominal value	(49)	49							-		-
31 December 2014	20	119	(5)		33	(5)	(48)	(103)	11		11

The authorized capital consists of 45,000,000 ordinary shares and amounts to €45 million. The issued share capital consists of 19,667,500 ordinary shares each of a par value of €1.

At the shareholders' meeting of May 2014 it was decided to amend the articles of association, with the authorized share capital being changed from €120 million to €45 million divided into 45 million shares each of a par value of €1.

The total number of repurchased shares at year-end 2014 was 332,500 (2013: 332,500) and is stated at acquisition price. None of the company's own shares were repurchased in 2014 (2013: zero) and none were sold (2013: idem). Ballast Nedam's policy is to avoid potential dilution through option rights granted by repurchasing a proportional number of its own shares.

The legal reserves comprise the currency translation reserve, the reserves of the associates and the hedging reserve.

Translation differences arise on the conversion of the investments in foreign activities, including semi-permanent financing, and on the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the end of the reporting period.

The statutory reserves of the associates relate to profits and/or reserves of the associates, joint ventures and construction consortia which are subject to legal restrictions on distribution or restrictions imposed by the articles of association. The movement is explained by an increase in the shareholders' equity of joint ventures and construction consortia where payment is restricted through the influence of 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 2014. The Board of Management, with the approval of the Supervisory Board, proposes to refrain from distributing a dividend (2013: idem).

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. In 2014, the movement in shareholders' equity amounted to €1,400,000 negative (2013: €900,000).

Off-balance-sheet commitments

Guarantees

x € 1 million	31 December 2014	31 December 2013
Guarantees	277	252
Total	277	252

Letters of intent and guarantees issued on Ballast Nedam's behalf by financial institutions in connection with the execution of projects and for prepayments received are included in 'Guarantees'.

In 2014 €277 million of guarantees were outstanding (2013: €252), of which €62 million related to joint ventures.

Rental commitments

x € 1 million	31 December 2014			31 December 2013		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
Lease commitments						
Other operating assets	1	1	-	1	1	-
Rental commitments						
Offices	2	8	8	5	15	10
Total	3	9	8	6	16	10

Liabilities

Ballast Nedam N.V. has filed a declaration of joint and several liability as referred to in Section 403, paragraph 1(f), of Book 2 of the Netherlands 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 €25 million.

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

Ballast Nedam N.V. has issued guarantees for a number of subsidiaries' contracts, totalling approximately €3 billion (2013: less than €3 billion). This often involves the entire contract sum for long-term projects.

Together with the subsidiaries which form the tax group, Ballast Nedam N.V. bears joint and several liability for corporation tax and value added tax liabilities 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 Netherlands Civil Code (in 2013 this was Ernst & Young Accountants LLP).

Audit fee

x € 1 million	2014	2013
Control of annual report	2	1
Other control assignments		
Other non-control assignments		
Total	2	1
Fiscal advice KPMG Meijburg	1	1
Total	3	2

Employees

At year-end 2014, Ballast Nedam N.V. had 193 employees (2013: 159) employees.

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 related parties in the notes to the consolidated financial statements.

Events after the reporting date

The banking syndicate, comprising ING Bank, Rabobank and Royal Bank of Scotland, expressed its support in April 2015 and defined the details of a refinancing agreement jointly with Ballast Nedam and other interested parties. The existing combined committed facility of guarantees and cash facility for three years was converted into a combined committed two-year facility of guarantees, cash and subordinated loans, in which the subordinated loans have a three-year term. See the explanatory notes on continuity and liquidity on pages 142-145.

After the refinancing a rights issue of €20 million will take place in the second half of 2015. This rights issue will be 50% underwritten by Strukton Groep N.V. and 50% by the banking syndicate.

A letter of intent has been signed with Strukton Groep N.V. and Strabag SE, partners in the A15 Maasvlakte- Vaanplein project, under which Ballast Nedam will reduce its economic share of the project on the implementation of the agreement from 40% to 10%. Strukton Groep N.V. and Strabag SE are each increasing their share to 45%. This change will be effective in the second half of 2015. The legal participation remains unchanged: the three parties will each take a 33.33% share of the A-Lanes A15 consortium.

A letter of intent was signed in April 2015 with Strukton Groep N.V. and Strabag SE, partners in the A15 Maasvlakte-Vaanplein project, under which Ballast Nedam will reduce its economic share of the project on the implementation of the agreement from 40% to 10%. Strukton Groep N.V. and Strabag SE are each increasing their share to 45%. This change will be effective in the second half of 2015. The legal participation remains unchanged: the three parties will each take a 33.33% share of the A-Lanes A15 consortium.

A letter of intent was signed in April 2015 with Strukton Groep N.V., our partner in the A2 Maastricht project, for the takeover of Ballast Nedam's share in the infrastructure activities in the project. The share of Strukton Groep N.V. in the property development of the A2 Maastricht project will be transferred to Ballast Nedam.

These two planned transactions will be developed during the forthcoming period into final agreements which will be submitted to the stakeholders for consent. Rijkswaterstaat has undertaken to lend its cooperation.

The two planned transactions are not expected to have any significant impact on the liquidity as compared to the situation prior to the transactions, other than as stated below. The transactions result in an expected additional outgoing cash flow of approximately €10 million in 2016 and of approximately €21 million in 2017 due to the additional investment in real estate. On the basis of the current project forecasts, the expected effect on assets and results in 2015 is approximately €10 million positive. It should be noted that as a result of the reduction of its economic share to 10%, Ballast Nedam proportionately waives any future claim proceeds which were not recognized on the reporting date.

The following disposals took place in the first quarter of 2015. On 1 April Ballast Nedam sold 75% of its interest in SPC from the Zaanstad Penitentiary PPP project to a subsidiary of HICL Infrastructure Company Limited for €11.5 million. On 27 March 2015 Ballast Nedam sold its 20% share in the Benelux Secondary PPP Fund 1 for approximately €4.5 million.

Signature

The supervisory directors have signed the financial statements in fulfilment of their legal obligation pursuant to Section 101, paragraph 2, of Book 2 of the Netherlands Civil Code and the managing directors have signed the financial statements in fulfilment of their legal obligation pursuant to Section 101, paragraph 2, of Book 2 of the Netherlands Civil Code and Section 5:25c, paragraph 2c, of the Financial Supervision Act.

Nieuwegein, 30 April 2015

Board of Management,
E. van der Noordaa
P. van Zwieten

Supervisory Board,
L.W.A.M van Doorne
C. Insinger
J. Bout
J.S.T. Tiemstra

CAMPUS (Y)OURS LEIDEN, LEIDEN

Masterpiece of quality and sustainability

Between mid-February and the end of April 2015, VOF De Leidse Schans, a partnership between VORM and Ballast Nedam, delivered no fewer than 700 flats on the (Y)OURS Leiden campus. That brings the construction of phase 1 of the campus close to completion. (Y)OURS Leiden is a real eye-catcher. It is clearly visible from Lammenschansweg with its colourful façades and unusual brick-work. The internal heat generation facility makes the campus one of the most sustainable in Europe. The flats in blocks B, C and D are connected to this installation, which obtains its heat from the earth and from solar energy. The parties are proud of the quality delivered; the use of prefabricated bathrooms produced in the Ursem Modulaire Bouwsystemen plant contributed to the success. The flats are in great demand. Many students have already moved in, making the campus a lively place.



Other information

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Other information

8.1 Independent auditor's report

To: the shareholders and supervisory board of Ballast Nedam N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of Ballast Nedam N.V. (the Company), based in Nieuwegein. The financial statements include the consolidated financial statements and the company 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 2014, and of its result and its cash flows for 2014 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.
- The company financial statements give a true and fair view of the financial position of Ballast Nedam N.V. as at 31 December 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2014.
- The following statements for 2014: consolidated statements of profit and loss, consolidated statements of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows.
- The 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 2014.
- The company profit and loss account for 2014.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

Material uncertainty regarding continuity

We would draw your attention to the notes concerning continuity and liquidity included in the accounting policies which explain the developments and uncertainties relating to business continuity. Those conditions indicate the existence of material uncertainty on the basis of which serious doubt could arise regarding Ballast Nedam N.V.' going-concern assumption. That situation does not affect our opinion.

The availability of sufficient funds and tests to establish whether it will be possible to continue to comply with financing agreements are significant to our audit. That test is largely based on the management board's expectations and estimates. The assumptions are influenced by subjective elements such as the estimated expected future cash flows, forecast results and margins from operating activities. The assumptions applied are liable to uncertainties. On the one hand they have to do with expectations regarding future economic and market developments, order book development, the outcomes of additional work and claim negotiations and the settlement of current legal proceedings. On the other hand, there are uncertainties in relation to the elaboration of the outline agreement on financing and refinancing, rights issue and other planned transactions, and the attitude of Ballast Nedam N.V.'s key financial backers, should it turn out that the financial covenants (yet to be determined) cannot be obtained owing to unfavourable developments.

We used our own internal expects when evaluating the assumptions applied and the forecasts prepared by the management board in the 2015-2017 business plan which is to be funded. We discussed the realisation of the forecasts with managing directors and controllers at divisional and holding level, paying specific attention to the assumptions applied in relation to future turnover and orders on hand, the scale and timing of the expected significant incoming and outgoing cash flows, as well as the key uncertainties in that area. We also scrutinised communications to the banks and evaluated the adequacy and conditions of the available and proposed outline agreement.

Basis for our opinion

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

We are independent of Ballast Nedam N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Materiality

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

Based on our professional judgment we determined the materiality for the financial statements as a whole at € 5.8 million. The materiality is based on 0.5 % of revenue in financial year 2014. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 0.3, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

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

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

Our group audit was directed in particular towards the Infrastructure, Building and Development, and Specialized companies and Supplies operating segments. Owing to the size and/or risk profile of the activities of those segments, we carried out most of the audit procedures in respect of the financial reporting of those segments ourselves. With respect to some partnerships we used the work of component auditors, both within the EY network and other, non-EY auditors, all of whom are familiar with the applicable legislation for conducting audit procedures. Where audit procedures were carried out by component auditors, we guarantee that we were involved in those procedures so as to obtain sufficient and appropriate audit information to be used as the basis of our assessment for the group as a whole.

The auditor responsible for the group and the other senior members of the group's audit team visited component auditors who are responsible for significant partnerships, such as the A15 Maasvlakte-Vaanplein project and the Avenue A2 project, to assess relevant parts of the audit documentation and the component auditor's report.

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

Our key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter(s) described in the 'Material uncertainty regarding continuity' paragraph, we selected the aspects described below as key points of the audit.

Valuation of work in progress

The valuation of work in progress is influenced by subjective elements such as the estimate of the costs to be incurred and expected revenue (including from additional work), technical progress and actual or potential claims. This is prompted in part by the nature of the activities, which may be influenced by the complexity of projects, the extent to which estimates were involved in the tender process and developments during the realization of a project. Revenue recognition and correct and complete recognition of the profits or losses of projects, the assessment of receivables and actual or potential claims, as well as the completeness of liabilities and provisions related to the projects are therefore significant to our audit.

The revenue recognition and profit or loss recognition process, including appropriate cut-off of revenues, requires the management board to make important estimates. We tested the internal control measures in relation to project management and the estimation process in respect of project results, and also carried out other audit procedures. They included, among others, audit procedures relating to contractual conditions, actual costs, revenue and additional work and actual or potential claims and disputes. We also carried out procedures relating to project calculations and profit forecasts and their assessment by the management board. In the process, we discussed various financial and other risks and current claims and the associated estimation uncertainties with a number of project officers and the management board of the segments, and assessed whether sufficient account is taken of them in the financial overviews. We also carried out procedures relating to the assessment of receivables, anticipated additional work and actual or potential claims and the completeness of the liabilities arising from projects and the required information concerning work in progress and related estimates.

We used the work of component auditors, both within the EY network and other, non-EY audit firms, with respect to major projects such as A15 Maasvlakte-Vaanplein, Avenue A2 and OV-Terminal Breda, which are being implemented in partnerships. In view of the importance of those projects to Ballast Nedam N.V., we were involved in the audit concerned in our role of group auditor throughout the audit process. We visited the other auditors to assess the relevant parts of the audit documentation and the other auditor's report.

Information concerning work in progress and estimates is set out in note 8 to the financial statements.

Valuation of strategic land positions

The valuation of land positions is heavily influenced by market developments and the housing market in the Netherlands, as well as by other subjective factors. Strategic land positions are generally not developed until after a lengthy period, partly because of changes within provinces and municipalities in the area of land-use planning.

Ballast Nedam N.V. tests the valuation of land positions for impairments several times a year. That test is significant to our audit in view of the nature of the procedures, the complexity of the estimation process, the assumptions applied to any such estimate, and the degree of subjectivity thereof. The net realisable value is based on the present value of future cash flows, which depends on the estimate of, among other things, the chance of a project being realised, the time realisation is expected to take, the discount rate applied and the estimate of sales prices and construction costs. The valuation process requires the management board to make important estimates. The valuation is substantiated internally with qualitative descriptions and key indicators. Additionally, the calculation models for strategic land positions are updated annually.

We tested the internal control measures relating to the estimation process as regards valuation, and also carried out other audit procedures, including audit procedures to establish whether the correct source data were used for the valuation and to gain an understanding of the calculation models used for determining the net realisable value. We discussed the source data, risks of the land positions and the associated estimation uncertainties with various project officers and the management board and assessed whether sufficient account is taken of them in the net realisable value. We used our own real estate valuation specialists to help us with the assessment of the assumptions applied as the basis for determining the net realisable value.

We also examined the notes provided by Ballast Nedam N.V. regarding the assumptions which have the greatest influence on the determination of the net realisable value, such as the details and impact of development plans and the anticipated development of land and house prices. We carried out tests to establish whether those notes are adequate and provide sufficient information regarding the selection of assumptions for the valuation.

Information concerning strategic land positions is set out in note 7 to the financial statements.

Restructuring provision

Ballast Nedam N.V. has formed restructuring provisions in connection with current restructuring and disposals. There is a degree of estimation uncertainty associated with the provisions, with the risk that the recognition criteria are not being met. This is why the restructuring provision is a significant area of our audit. The valuation of the restructuring provision is based on the restructuring plan and the announced concomitant phasing out of activities and sale of divisions of Ballast Nedam N.V.

We tested the internal control measures relating to the estimation process as regards the valuation of the restructuring provision, and also carried out other audit procedures aimed at testing the provision to ensure it meets the recognition criteria prescribed in the applicable accounting standards.

Information concerning the restructuring provision is set out in note 14 to the financial statements.

Disposal programme

As part of the 2014-2016 business plan Ballast Nedam N.V. disposed of a number of supply and specialist companies. As a further extension of the disposal programme, the activities of Ballast Nedam Equipment Services and Ballast Nedam Offshore were sold at the end of 2014. Correct and complete revenue recognition and recognition of the profits or losses of disposals as well as the timing of their recognition are significant to our audit.

We carried out specific audit procedures concerning disposals. They included audit procedures relating to contractual conditions, conditions regarding the transfer of control and economic risks, revenue, transaction-related costs and recognition in the financial statements. We also carried out procedures relating to the information prepared by the management board regarding those disposals as set out in the financial statements. We paid particular attention to the complete and accurate representation of the disposals which took place during the financial year. Information concerning the disposals is set out in note 1 to the financial statements.

Assessment of deferred tax assets

A deferred tax asset is recognised for deductible tax losses insofar as it is probable that there will be sufficient future taxable profit with which tax losses can be offset. Its assessment is significant to our audit because the estimation process is complex and the assumptions are influenced by subjective elements such as expected margins from operating activities and profit for tax purposes. Those estimates are based on assumptions, including expectations of future economic and market developments.

We concentrated on the assumptions in the forecasts which have the greatest effect on the profit for tax purposes, such as the EBIT margin, foreign pre-incorporation profits and losses and non-deductible or deferred items. The underlying forecasts also provide a basis for the 2015-2017 business plan. We engaged our own internal tax experts when carrying out our procedures.

The information provided by the company on tax on profits and deferred taxes is set out in note 6 to the financial statements.

Compliance, Integrity and Fraud

Incidents relating to compliance, integrity and fraud can lead to financial and operational risks and reputational damage. Risks in the area of bribes, corrupt influencing and purchase fraud play a key role here. Establishing that Ballast Nedam N.V.'s controls in this area are effective is therefore significant to our audit.

We engaged an internal forensic expert when carrying out our procedures. We examined the compliance framework implemented within Ballast Nedam N.V. in 2014. During the discussions with the Chief Compliance Officer ('CCO'), we reviewed the new compliance reports registered in 2014 and discussed the CCO's handling of reports already registered. We also tested the internal control measures in the area of project acceptance, project management, payments and purchases. The possible impact of registered compliance reports on the audit of the financial statements was evaluated and, if considered necessary, additional audit measures were initiated within the divisions in order to mitigate the possible risks for the audit of the financial statements.

Responsibilities of management and the supervisory board for the financial statements

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

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

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

Report on other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- 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 the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the supervisory board as auditor of Ballast Nedam N.V. on 16 May 2013, as of the audit for year 2013 and have operated as statutory auditor ever since that date.

Utrecht, 30 April 2015

Ernst & Young Accountants LLP

Signed by W.H. Kerst

8.2 Profit appropriation and dividend policy

Sections concerning profit appropriation

Clause 23 of the Ballast Nedam Articles of association governs profit appropriation. The 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 financial statements 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 financial statements 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.
- To the extent that profit is available in the company, the Board of Management may resolve, with the approval of the Supervisory Board, 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 Section 105, paragraph 4, of Book 2 of the Netherlands Civil Code.
- Resolutions to distribute interim or final dividends 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 and with the approval of the Supervisory Board, resolve to make distributions chargeable to the distributable reserves. The provisions of the previous 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 of the dividend or interim dividend.
- Any dividends and interim dividends which remain unclaimed for five years after becoming payable accrue to the company.

Dividend policy

The basic principle of Ballast Nedam's dividend policy is that 50% of the net profit is distributed as dividend, provided that the leverage ratio is less than 2, in accordance with the agreements with the banks.

8.3 Board members of the Ballast Nedam Administration Office

P.C. van der Linden (Chairman)

Mr Van der Linden was born in 1953. He served as chief executive officer (CEO) of the listed company Batenburg Techniek N.V. until April 2014. For some years he chaired the metal and technology industry pension fund on behalf of the employers. He also held a number of supervisory directorships.

Mr Van der Linden is now a supervisory director at the HW Wonen housing association and chairman of the Supervisory Board of Stichting Pensioenfonds voor Personeelsdiensten (StiPP).

Mr Van der Linden was appointed as a member and chairman of the board on 25 April 2014. His current term of office ends on 25 April 2018*.

W.F.C. Baars

Mr Baars was born in 1948. He has held various management positions at ABN AMRO Bank, most recently as Director-General. His subsequent posts included chairmanship of NIVE and of the Supervisory Board of Van der Hoop Bankiers.

During the reporting year Mr Baars was an independent consultant, a member of the Financial Service Providers Disputes Committee, a member of the Supervisory Board of Golf Team Holland and a board member of Stichting Waarborgfonds HBO.

Mr Baars was first appointed to the Board of the Administration Office on 1 June 2009. He was reappointed on 19 May 2011 and his current term of office expires on 19 May 2015*.

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 Portaal housing association since 1 January 2010.

Mr Keijts was first appointed to the Board of the Administration Office on 8 April 2010. He was reappointed on 25 April 2014 and his current term of office expires on 25 April 2018*.

** In any event up to and including the first Meeting of Holders of Depositary Receipts for shares held after four years have elapsed since his appointment.*



CALAND TOWER BAMBOO CAR PARK

Urban, natural and futureproof

The car park was built by Ballast Nedam Parking using a prefabricated structure. Moke Architecten designed the façade in consultation with the Arcade housing association. The bamboo gives the functional building a gentle and friendly appearance, both inside and out. During the preparation and construction of the car park, allowance was made for it to be expanded in future from over a hundred spaces to 250 spaces.

8.4 Report of the Ballast Nedam Administration Office

This report complies with the provisions of Section 15 of the Terms of Administration of the Ballast Nedam Administration Office (Stichting Administratiekantoor van Aandelen Ballast Nedam, referred to as 'the Administration Office') and best practice provisions IV.2.6 and IV.2.7 of the Dutch Corporate Governance Code.

In 2014, 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 2014 were 63,170 euros, including the fees paid to the members of the Board of the Administration Office. Pursuant to Section 9.1 of the Terms of Administration of the Administration Office, these costs were borne by Ballast Nedam N.V.

8.4.1 Number of depositary receipts for shares

The nominal value of registered shares held in administration at 31 December 2014 was 19,667,500 euros. In respect of these shares, 19,654,835 bearer depositary receipts have been issued with the same nominal value. At year-end 2014, depositary receipts had been issued for 99.72% 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 as a result of the rights issue in 2014 to 19,654,835.

8.4.2 Board

In accordance with Section 4 of the articles of association of the Administration Office, the Board of the Administration Office consists of three independent members, and in 2014 the members of the Board of the Administration Office were:

- Dr W. van Voorden (Chairman, to 25 April 2014)
- P.C. van der Linden (Chairman, from 25 April 2014)
- W.F.C. Baars
- L.H. Keijts

The main and secondary positions held by the members of the Board of the Administration Office are stated in Section 8.3 *Board members of the Ballast Nedam Administration Office* on page 222. In 2014 fees for members of the Board amounted to 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 labour agreement for the building industry.

8.4.3 Board meetings

The Board also engaged in consultations 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 2014, two of which were attended by the Board of Management at the invitation of the Board of the Administration Office. Furthermore, a meeting of holders of depositary receipts for shares was held prior to the Annual General Meeting of Shareholders of Ballast Nedam N.V., and prior to the Extraordinary General Meeting of Shareholders.

The first meeting of the Board of the Administration Office was held on 23 April 2014 and was attended by the two 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 2013, following their publication on 7 March 2014. The Board of the Administration Office adopted the balance sheet and income statement of the Administration Office for the 2013 financial year and approved the report of the Administration Office for 2013. Prior to this meeting the board of the Administration Office met in preparation for the meeting of holders of depositary receipts for Shares and the General Meeting of Shareholders held two days later.

The second meeting of the Board of the Administration Office was held on 31 October 2014. This meeting discussed Ballast Nedam N.V.'s half-yearly figures and trading update for the third quarter of 2014. This meeting was attended by the Board of Management of Ballast Nedam N.V.. The company's intention to liquidate the Ballast Nedam Administration Office was also announced at this meeting. This intention was also announced at the Extraordinary General Meeting of Shareholders of 14 November 2014.

8.4.4 Meeting of Holders of Depositary Receipts of the Administration Office held on 23 April 2014

The following items were on the agenda of the meeting of holders of depositary receipts:

- Commentary by the board on the report for 2013;
- Statement on the proposed voting behaviour of the Board of the Administration Office at the Annual General Meeting of Shareholders of Ballast Nedam N.V.;
- Reappointment of Mr L.H. Keijts as a member of the Board;
- Retirement of Mr W van Voorden and appointment of Mr P.C. van der Linden as a member of the Board.

The Board reported on its activities in respect of 2013 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. During this meeting the retirement of Mr Van Voorden was also discussed and the board proposed to appoint Mr Van der Linden as a member of the board after the shareholders' meeting.

8.4.5 Participation of the Board 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 25 April 2014. The Board asked questions and 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. In exercising its voting right it took account of the interests of Ballast Nedam N.V. and the business associated with the company. After careful consideration, the Board of the Administration Office resolved to support all the proposals made at the General Meeting of Shareholders. A vote of thanks was given to Mr Bruijninx.

Almost 100% of the persons entitled to vote in respect of the share capital were present or legally represented at this meeting. The Board of the Administration Office represented 2,161,332 depositary receipts for shares at the General Meeting of Shareholders held on 25 April 2014. That amounts to 22.36 percent of the voting share capital.

8.4.6 Participation of the Board in the Extraordinary General Meeting of Shareholders of June 2014

At this Extraordinary General Meeting of Shareholders held on 27 June 2014 the Supervisory Board informed the General Meeting of Shareholders of its intention to appoint Mr Noordaa as a member of the Board of Management.

Almost 100% of the persons entitled to vote in respect of the share capital were present or legally represented at this meeting. The Board of the Administration Office represented 7,608,113 depository receipts for shares at the Extraordinary General Meeting of Shareholders held on 27 June 2014. That amounts to 78.70% of the voting share capital.

MARGARETHA ZELLE AQUEDUCT, LEEWARDEN

Precision job

On behalf of the Province of Friesland, Ballast Nedam is working on the new aqueduct for the intersection of the western approach road and the Harninxma canal. The new aqueduct comprises a dual carriageway and a cycle path. The project is being carried out by Ballast Nedam Infrastructure and built with struts and slabs supplied by Haitsma Beton. The struts are multifunctional because they operate as a retaining wall and as a substructure for the viaduct over the entrance to the aqueduct. The slabs are unique due to the complex moulding technique; the aqueduct is a diagonal intersection. They have been fitted as vision panels against the shell of the aqueduct. Struts and slabs were produced from high-strength concrete with polypropylene fibres. This addition reduces spattering and they are fire-resistant for 120 minutes. The elements are particularly heavy; the struts weigh between 62 and 70 tons and the slabs approximately 38 tons.



8.4.7 Participation of the Board in the Extraordinary General Meeting of Shareholders of November 2014

At this Extraordinary General Meeting of Shareholders held on 14 November 2014, notice was given of the company's intention to dissolve the trust office. During this Extraordinary General Meeting of Shareholders the Board of the Administration Office asked questions and voted on the proposed amendment to the articles of association, the proposed appointment of Mr Tiemstra as a supervisory director and the granting of discharge to Mr Smits. The Board of the Administration Office voted on the agenda items and, in accordance with the objects set out in its articles of association, based its voting behaviour primarily on the interests of holders of depository receipts for shares. In exercising its voting right it took account of the interests of Ballast Nedam N.V. and the business associated with the company. After careful consideration, the Board of the Administration Office resolved to support all the proposals made at this Extraordinary General Meeting of Shareholders. A vote of thanks was also given to Mr Smits, who stepped down as a supervisory director at the end of this meeting.

Almost 100% of the persons entitled to vote in respect of the share capital were present or legally represented at this meeting. The Board of the Administration Office represented 10,163,729 depository receipts for shares at the Extraordinary General Meeting of Shareholders held on 14 November 2014. That amounts to 52.57% of the voting share capital.

Nieuwegein, April 2015

The Board
P.C. van der Linden
W.F.C. Baars
L.H. Keijts

8.5 About this report: reporting principles applied

We report on financial and operational matters with reference to the business plan, of which the CSR matters 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 divisional directors, with reference to the financial and operational reports, which always describe the risk profile. The divisional managements conduct similar discussions with the management teams of the business units.

We increasingly record sustainability information using an integrated information system comparable to Ballast Nedam's financial reporting systems. The quantitative data for energy and CO₂, waste and materials and safety are currently integrated into the financial reporting system

Boundary, scope and structure of the report

This report contains qualitative and quantitative data relating to the 2014 calendar year. This publication is a translation of the official annual report, which was published in the Dutch language. In the event of discrepancies, the version in Dutch shall prevail. In preparing the report, we take into account all activities Ballast Nedam performs worldwide, including foreign business units. The joint business activities are consolidated in accordance with IFRS 11, with a distinction being drawn between joint ventures and joint operations.

The following particular features apply to the chapter on corporate social responsibility. For the environment theme, we limit our reporting to Dutch operations. The details concerning Personnel & Organization (P&O) relate to employees who are employed at Ballast Nedam. The determination of the safety ratios also includes the hired employees. When we report on the number of 'considerate builders' projects and waste management plans, a project/plant always counts as one (i.e. including joint business activities) if it is active at the year-end. Social return projects are included if manpower has been deployed in 2014 on a social return basis.

The structure of the report can be found under *Report structure* on page 5.

Reporting principles and verification

Ballast Nedam applies the reporting system for integrated sustainability reporting and focuses particularly on the requirements that are relevant to our activities. It was therefore decided to dispense with certification. The CO₂ footprint has been verified by the external auditor EY; the assurance report is presented in Section 8.6 on page 230. On page 81 you can see the objectives of our CSR policy.

Dutch Corporate Governance Code

Ballast Nedam endorses the principles of the Dutch Corporate Governance Code ('the Code') and, with a few exceptions, applies the best practice provisions of the Code. The reporting on this can be found in Section 6.1.1. *Dutch Corporate Governance Code* on page 110. A detailed statement of compliance with the Code can be found at www.ballast-nedam.nl.

IFRS: International Financial Reporting Standards

The Ballast Nedam consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, which have been compulsory for all publicly listed companies in the European Union since 1 January 2005.

BRAKKESTEIN MONASTERY GARDEN

Unique collaboration

Ballast Nedam was commissioned by the Dutch Province of Jesuit Priests to build the new 'Hofgebouw' in the Brakkenstein Monastery Garden in Nijmegen. The contract resulted from close collaboration between the two parties, with the aim of fulfilling a new social purpose for this unique, historical site. The Brakkenstein Monastery Garden plan had already been developed and the search for an investor brought Ballast Nedam into contact with the priests. They were looking for ways of creating a suitable living environment for older priests, recognizing that their number is set to diminish over time.



8.6 Independent assurance report

Assurance report with limited assurance of the independent auditor

To: the Board of Management of Ballast Nedam N.V.

Introduction

We have performed an assurance-engagement with a limited level of assurance on the Scope 1 and 2 CO₂ emissions in the Carbon Footprint 2014 of the Dutch operations of Ballast Nedam N.V. for the period from the 1st of January until the 31st of December 2014 (hereinafter: Carbon Footprint). This Carbon footprint has been included in the Section 5.4 Energy and CO₂ in the Annual Report 2014 of Ballast Nedam N.V.

The Carbon Footprint contains an amount of emissions from Scope 1 en 2 of 41 kilo tones CO₂-equivalents for the year 2014.

Limitations in our scope

The quantification of CO₂ emissions is subject to inherent uncertainty due to the incomplete scientific knowledge used in the determination of emissions factors and global warming potentials.

No assurance engagement was performed on the information of the Carbon footprint for the years 2008-2013 which are presented in the Annual Report. We therefore do not provide assurance on the comparative Carbon footprint information for the years 2008-2013.

Criteria

Ballast Nedam N.V. has defined criteria to establish its Carbon Footprint. These criteria are included under the heading 'CO₂ footprint measurement system' in Section 5.4 of the 2014 Annual Report. The criteria have been established in accordance with the ISO 14064-1, the GreenhouseGas Protocol – Revised edition of the WRI and WBCSD and the 'Handbook CO₂ Performanceladder version 2.2' (Dutch version) of Stichting Klimaatvriendelijk Aanbesteden en Ondernemen. We deem these reporting criteria suitable for our assurance engagement.

Management's responsibilities

The Board of 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 'CO₂ footprint measurement system' in Section 5.4 of the Annual Report 2014.

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 – Revised edition that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a conclusion on the CO₂ emissions from Scope 1 and 2 as presented in the Carbon Footprint 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 3410 Assurance engagements on emission reports. 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 CO₂ emissions from Scope 1 and Scope 2 as presented in the Carbon Footprint are free from material misstatement.

A review is focused on obtaining limited assurance. The procedures performed in obtaining limited assurance are aimed on the plausibility of information which does not require exhaustive gathering of evidence as in engagements focused on reasonable assurance. The performed procedures consisted primarily of making inquiries of management and other within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained. Consequently a review engagement provides less assurance than an audit.

Procedures

The main procedures we performed were:

- Evaluating whether the reporting criteria of Ballast Nedam N.V. as disclosed in the Carbon Footprint in section 'CO₂ footprint measurement system' in Section 5.4 of the Annual Report 2014 are suitable for the preparation of the Carbon Footprint;
- Evaluating whether Ballast Nedam N.V.'s methods for developing estimates are appropriate and had been consistently applied;
- Obtaining 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 CO₂ 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;
- Undertaking 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.

Conclusion

Based on the procedures we have performed, and with due consideration of the limitations described in the paragraph 'Limitations in our scope', nothing has come to our attention that causes us to conclude that the CO₂ emissions from Scope 1 and 2 as presented in the Carbon Footprint 2014 of the Dutch activities of Ballast Nedam N.V. for the period from the 1st of January until the 31st of December 2014 is not prepared, in all material respects, in accordance with the criteria of Ballast Nedam N.V. as disclosed in section 'CO₂ footprint measurement system' in Section 5.4 of the Annual Report 2014.

Rotterdam, 30 April 2015

Ernst & Young Accountants LLP

Signed by H. Hollander

8.7 Management as at March 2015

Ballast Nedam

- Board of Management

E. van der Noordaa

P. van Zwieten

Company Secretary

O.P. Padberg

Personnel & Organisation

R.M.A. van Dinther

Finance, Investor Relations

P. van Zwieten

Corporate finance

J. Bongartz

Communication & Investor relations

I. van der Meijden

ICT

R.J. Kathmann

Legal

O.P. Padberg

Insurance

A.C.M. van Haastrecht

Compliance

Y. Hopman

Sustainable Business Innovation

F.J.M. Schoenmakers

Ballast Nedam infrastructure

J. Niks (a.i.)

J. de Bie

- Ballast Nedam Infra Speciale Projecten (NL)

S.R. Lefevre

- Ballast Nedam Infra Speciale Projecten (International)

J. Niks

- Ballast Nedam Beton & Waterbouw

S.D. Dekker

- Ballast Nedam Industriebouw

R.M. Franken

- Ballast Nedam Wegenbouw

H.J.P. Bocxe

- Ballast Nedam Engineering

W.M. 't Hart

Ballast Nedam Building & Development

A.M. de Backker

R.J. Suhlmann

- Ballast Nedam Bouw & Ontwikkeling

Speciale Projecten

E. de Kuiper

- Ballast Nedam Beheer

W.A.G.M. van Gurp

- Ballast Nedam Concessies & Ontwikkeling

M. Klinkhamer

- Ballast Nedam Bouw & Ontwikkeling North/West

N.P.A. Doodeman

- Ballast Nedam Bouw & Ontwikkeling South

O.J.M. Senden

Ballast Nedam Specialized Companies & Supplies [H.P. van der Meer](#)
[L.B. van Rietschoten](#)

- | | |
|--|---------------------|
| - 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 |
| - Ballast Nedam Materieel | J. Hoffmann |
| - Ballast Nedam Grondstoffen | W.J.M. Duijnstee |
| - Recycling Maatschappij Feniks | A.C.G. van Beurden |
| - Ballast Nedam Participatie | P.S. van der Bijl |
| - Haitsma Beton | W.H. Comello |
| - Hoco Beton | P. van den Bosch |
| - TBS Soest | J.I. Vas |
| - Rademakers Gieterij | J. Buurman (a.i.) |
| - iQwoning® | J.L.S.M. Pijnenburg |



8.8 Organization structure as at March 2015

The list below shows the important group companies and associates. A list of associates as referred to in Sections 379 and 414 of Book 2 of the Netherlands Civil Code has been filed 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 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.

Ballast Nedam Engineering B.V.

Specialized Companies & Supplies

Ballast Nedam Asphalt 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.

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.

Ballast Nedam Grondstoffen B.V.

- *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%)

- *V.o.f. Zandexploitatie Echten (25%)*

Concrete Valley B.V. (50%)

- *microbeton B.V.*
- *Waco Lingen Beton B.V.*
 - *MBX 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.

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%)*
- *OVT-Breda VOF (50%)*
- *Bouwcombinatie OV-Terminal Arnhem v.o.f. (50%)*
- *Pi2 DBMO B.V. (6.5%)*
- *Bouwcombinatie Archimedes Bouw v.o.f. (50%)*

Heddes Bouw & Ontwikkeling B.V.

Hollestelle Vastgoed Ontwikkeling B.V.

Laudy Bouw & Ontwikkeling B.V.

Zomers Bouwbedrijf B.V.

Specialized Companies & Supplies

Hoco Beton B.V.

IQ Woning B.V.

Internal joint ventures (Infrastructure / Building & Development)

Avenue2 V.O.F. (50%)

Ballast Nedam Beheer B.V.

Ballast Nedam Concessies B.V.

- *Vastgoed Energie Exploitatiemaatschappij B.V.*
- *Biomethaan B.V.*
- *Wind24 B.V.*
 - *Wind Invest (50%)*

Public-Private Partnership (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.

IXAS B.V. (25%)

Others

Ballast Nedam ICT B.V.

Definitions

Assets

The term assets is used in the financial statements 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 prepare consolidated financial statements 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

The term liabilities is used in the financial statements to encompass non-current and current liabilities.

Capital employed

Non-current assets plus current assets minus current liabilities excluding net cash.

Credits

Production supervision

Ballast Nedam N.V.

Communicatie & Investor relations

Design and production

Boomvanmourik (www.boomvanmourik.nl)

Translation

Taalcentrum VU (www.taalcentrum-vu.nl)

Photography

Leeuwarden Vrij-Baan: Margaretha Zelle Aqueduct, page 12 and 226

Petra Boogerd: Head office of a.s.r., page 24

Rijkswaterstaat: A9 Gaasperdammerweg, page 27

Portpictures.nl: A15 Maasvlakte-Vaanplein, Botlek Bridge, page 32

Fred Meijer: Penitentiary Inrichting, page 38

Niels Ursem: Campus Uilenstede, page 45 and 76

Xander Richters (Schiphol Group): E & F Pier overlay, Schiphol, page 71

and Hilton Amsterdam Airport Hotel, page 95

Sherman Ismail: Nobo Otrabanda Hospital, page 74

Maarten Meuleman: Arnhem Public transport terminal, page 103

Aad Verschoor: Westerlee Road Tunnel, page 114

Henk Versteegh: Sheet piling Amsterdam-Rhine Canal, page 118

Royal Haskoning DHV: Katwijk coastal works, page 127

Gerdi Kraus: Campus (Y)ours Leiden, page 210

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