

Annual Report

2020



Work safely. Get home safe.



At Ballast Nedam, working safely is of primary importance at all times. Because health is the essence of our existence and because we believe that working safely is one of the pillars on which a healthy organisation rests.

We care for each other. That is why safety is essential in every step we take.

Together, are committed to working safely and ensuring safety. When it comes to safety, everyone has a role to play. Regardless of where people work or in which role within the process.

We work protected. Always and everywhere. Today and tomorrow. That is how we do things within Ballast Nedam.

Always. Everywhere. Everyone.

**“The impact of
an accident
was even
bigger than I
thought”**

Conrad Hordijk has been working at Ballast Nedam since 1988. As a Site Manager at A24 Blankenburgverbinding, he has a large ambition: working at the safest construction site in the Netherlands. “After an incident, I visited my colleague at the hospital. I realised he was also a father and a grandpa, just like me.”



Safety is something **we work on** **as a team.** That is why we always **discuss our way of working.**

Conrad Hordijk

*Site Manager
A24 Blankenburgverbinding*

“Serious accidents don’t happen often. But when they do happen, I feel guilty immediately as Site Manager. The first thing I ask myself is: ‘Did I do everything I could? Did I give the correct instruction? Did my colleague receive a good work plan? Were the proper work equipment and guidance available?’

If I can say ‘Yes’ to all those questions, then I can look at myself in the mirror. But if not? Then I would feel directly responsible for the accident. In fact, I don’t think I would be able to do my job again if that ever were the situation. That wouldn’t feel right.”



We take care of each other. Together, we raise the bar.

“As Site Manager, I work hard to improve the level of safety even further. I see my construction site as my shop. I want everything to be neatly in place, that people feel safe and that everyone knows how to get to their workplace safely. That is why we have street signs on our walkways and a coffee corner with photos we are proud of.”

“These are important steps because safety is something we do together. Everyone must be on the same page. That is not easy to accomplish. We take care of each other and we improve our safety awareness. Every day.

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Introduction

Looking back at 2020, the year can only be described as 'extraordinary'. The COVID-19 pandemic will be mentioned in our history books, along with the many challenges for us as human beings and our business on a global scale. Its impact was unprecedented and made us humble. Fortunately, due to our policies and measures we managed to keep the number of contaminations within our company limited and under control. We remained on track with our Business Plan as we were able to keep all projects operational. We are financially healthy and stable. We delivered a positive result and growth in 2020, despite these circumstances. Our lean organisation, strong decentralised business units, continued focus on cost reduction and careful tendering have paid off. Also, investments in safety procedures, innovation and sustainability delivered high quality standards on our operations. With the strength of our committed and skilled people, we focus on achieving results. With our entrepreneurial mindset, we continue to grow and to take on new challenges. We are able to adapt to complex and difficult circumstances and to find new ways to continuously improve ourselves.

Financial results

Despite the effects of COVID-19, we managed to achieve financial results that exceeded our expectations.

Our revenue grew from € 874.1 million in 2019 to € 947.6 million in 2020. Our net profit for the year improved from € 12.8 million to € 31.1 million, an increase of 143%. This is primarily due to our construction activities, utility buildings and mobility. In addition, the Development and Industriebouw divisions made a strong contribution. The working capital ratio of Ballast Nedam improved to 1.3 and the cash position of the company at year end amounted to € 220.0 million (2019: € 201.0 million).

We realised an increased quality of the order intake with a growth to € 867 million (2019: € 688 million) and a stable order book of € 1.4 billion. Our gross margin as well as our EBITDA have improved. The gross margin in 2020 is € 46.5 million and EBITDA increased by € 18.9 million from € 21.7 million in 2019 to € 40.6 million in 2020.

To significantly increase the financial solvency ratio to a level of 24.1% and to create an excellent position to benefit from for future expansion and investments, our parent company Renaissance Construction B.V. completed a share premium contribution of € 60 million, which once again shows the long term commitment of our ultimate shareholder Rönésans Holding A.S. With this equity increase, the solvency ratio reaches the level of our best performance years again. The shareholders' equity increased to € 167.4 million.

This represents a very strong and healthy status especially considering that the total indebtedness of Ballast Nedam has come down significantly as a result of a voluntary early repayment of a loan amounting to € 75 million. Before the share premium contribution and the voluntary early repayment of the aforementioned loan, Ballast Nedam already had a healthy cash position above € 200 million. This is the third year in a row that Ballast Nedam has shown positive results. Ballast Nedam is financially healthy and ready for the challenges of the future in the construction industry.

Resilience and ability to learn and adapt are our key success factors

In 2020 we continued our path of being a flexible organisation when changes occur. Our ability to learn and adapt is not only a way of working, it is also a mindset. It is our eagerness to continuously want to improve and challenge ourselves to become better. To become better as professionals and as a company as a whole. That means investing in highly skilled people, procedures, methods, and our supply chain. We explore new ways of working, including how we manage and control risks and find solutions together. This leads to added value for our clients. We also focus on improving the safety, wellbeing and sustainability of our environment. Our challenge to improve is the very essence of our company.

Focus on people and relationships

None of our accomplishments would be possible without our dedicated employees. They empower us to become better and we have the ambition to remain their employer of choice. We offer our expertise by being close to markets and in contact with our clients. Open and transparent communication is highly effective to create better mutual understanding and sustainable relationships. Our clients appreciate our close relationships, local presence, transparent communication and proactive risk management.

Focus themes

At Ballast Nedam, working safely is of primary importance. Because health is the essence of our existence. Because we believe that working safely is one of the pillars on which a healthy organisation rests. And because we care for each other. We want everyone to return home safely to their families every day. That's why safety is essential in every step we take. We also focus on sustainability to minimise the footprints we leave on our environment. It has become an important aspect in many parts of our organisation. This will continue to grow in the coming years. Our focus on digital transformation not only helps us to offer the best suitable solutions to our clients, but also reinforces sustainability goals. Ultimately, we are dedicated to sustaining and expanding our corporate social responsibility so that we can contribute to other people's wellbeing.

Distinctive way of working

As a construction and development company we are solution oriented and we focus on our project deliverables. Safety, quality, in-time delivery and (cost) efficiency are our licence to operate. At the same time, we continuously improve our processes. It is about our sincere willingness to cooperate with clients, partners and subcontractors on an equal basis with a strongly committed team that is led by ambitious leaders. Therefore, our way of working is very distinctive: we are transparent about potential risks upfront, challenge existing assumptions by seeking new and innovative pathways, and we operate personally and up close. This way we find the best solutions together.

Outlook: challenge to improve further

Should the COVID-19 virus be contained, an estimated economic growth of 2.1% is expected in 2021 in the Netherlands. The construction industry is then expected to follow the positive trend. All the more reason to remain a lean and flexible organisation, as we have been over the past years.

Despite the COVID-19 challenges, we believe that for the year 2021 further growth of revenue and profit can be achieved. In addition to organic growth, as a result of the changing market conditions we see growth potential by investing in opportunities such as national and/or international acquisitions of companies and projects, but also investments in (real estate) developments.

We see growth potential in our international network and our ability to accept and execute projects abroad. This will be supported by our large-scale international supply chain. In the coming years we will continue to improve all aspects of our company, the added value to our clients and the care for our environment. With our 'can do' mentality and open mindset, we will be able to achieve our goals. Our expectation is that our outlook will be positive in terms of revenue and profit and that we will achieve further financial growth. We have faith in our capabilities and strengths. We share the benefits of having Rönnesans Holding as our solid parent company, which Engineering News-Record ranked 23rd in the list of the world's largest international construction companies in 2020. We will continue following our roadmap while embracing new challenges to learn, adapt and improve.

Cenk Düzyol, Chairman of the Board of Management Ballast Nedam N.V.

Chapter 1

Profile of Ballast Nedam



Ballast Nedam

eager to learn, adapt and grow

1. Profile of Ballast Nedam

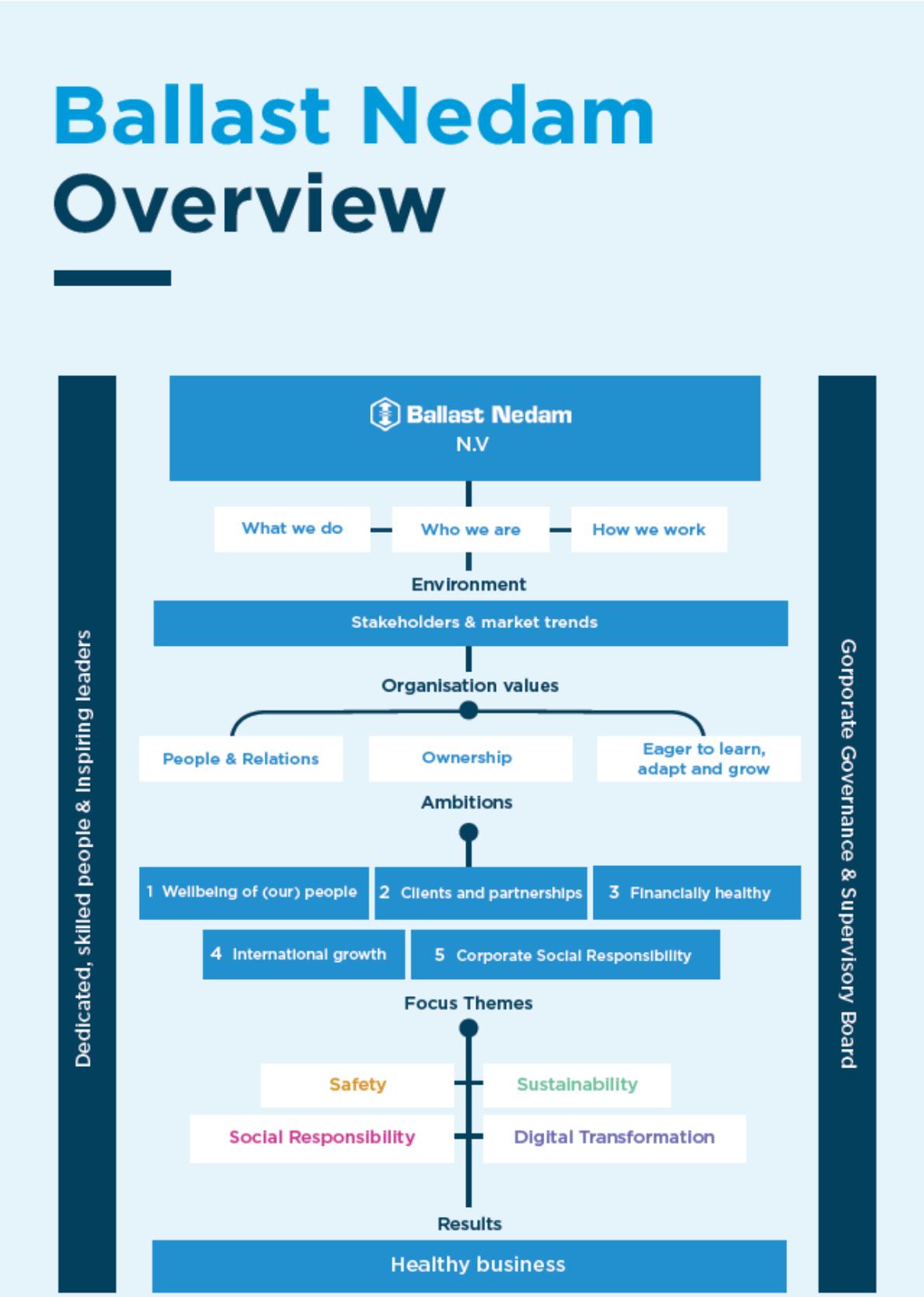
From our experiences we have come to the firm belief that the way to build a sustainable and growing business is to continuously challenge ourselves to improve. Every day. To improve the quality of our work and the solutions we offer. To improve the added value we create for our clients and the wellbeing of the environments in which we operate.

We operate in a diverse and complex environment in which many aspects influence our daily work. Governmental legislation, economic circumstances, rapid technological development and digitalisation influence how we operate.

Large infrastructure and building projects often deal with risks that require operational excellence to manage. Regional markets require a very dedicated local approach to serve our clients optimally. Attracting the right talents is critical to all of our activities. And the transition to a more sustainable society requires changes in every aspect of our business and beyond.

In the following paragraphs we explain who we are, including our company values and our ambitions. Paragraph 1.2 explains what we do in terms of scope, projects and expertise. Paragraph 1.3 highlights how we work together with clients and partners. Our stakeholders are elaborated in paragraph 1.4 and paragraph 1.5 provides insight into developments and trends in our macro-economic environment.

Figure 1: Overview of Ballast Nedam



1.1 Who we are

1.1.1 We are Ballast Nedam

We are an experienced, people-focused and result-driven Dutch construction and development company. For over 140 years we have made landmarks that contribute to a better living environment. These are small-scale local projects, large infrastructure works and complex high-rise buildings. Just around the corner, in the city centre or abroad. Our projects are our core business, our people are our core value.

With the added value of our international parent organisation Rönesans Holding and the commitment of our professional and passionate people, we are in the position to take on these challenges more than ever. We are organised as a platform organisation, in order to facilitate our dedicated teams that fully focus on their markets and clients. It enables us to act with the agility of a local player, and the strength of a large construction company. Moreover, we are able to adapt to the best practices of our international experience and bring our unique Dutch abilities to the international market.

1.1.2 Organisational structure

Ballast Nedam is proud to be part of the Rönesans Group¹, which reinforces our international strength and global presence. The immediate parent company is Renaissance Construction B.V. and the ultimate parent company is Rönesans Holding A.Ş., Turkey.

Our operations are organised in four divisions: Ballast Nedam Construction, Ballast Nedam Development, Ballast Nedam Industriebouw and Ballast Nedam Concessions.

Ballast Nedam Construction

Ballast Nedam Construction is Ballast Nedam's largest division. Ballast Nedam Construction focuses on successfully acquiring and executing complex, integrated infrastructure projects, residential, commercial and utility buildings as well as mobility projects. It operates locally, nationally and internationally. Within our Construction division, specific expertise includes parking, civil structures, tunnelling, road solutions, onshore and offshore wind, marine works and foundation solutions.

Ballast Nedam Development

Ballast Nedam Development's ambition with real estate is to improve society's wellbeing and happiness through urban development. Ballast Nedam Development redefines the development of attractive working and residential environments in urban areas. It creates integrated, sustainable, creative and high-profile solutions for residential environments. This is realised by investing, managing and developing both public as well as private projects.

Ballast Nedam Industriebouw

Ballast Nedam Industriebouw realises projects for industrial clients from the petrochemical, oil and gas sector, steel industry, food processing and the energy market. It has extensive experience in specialised civil works and mechanical installations.

Ballast Nedam Concessions

Ballast Nedam Concessions operates at the front of the chain to attract project funding and offers commercial expertise. It develops, manages and monitors integral DBFM(O)/PPP contracts (Design, Build, Finance, Maintain, (Operate) / Public Private Partnerships) in the area of infrastructure and real estate. Ballast Nedam Concessions focuses on a long-term project commitment.

¹ Rönesans Holding A.Ş. and its subsidiaries 'Rönesans Holding' or 'Rönesans Group'

Ballast Nedam Construction is divided into specific Business Units. The total overview of all organisational units is summarised below:

Figure 2: Organisational units



1.1.3 Ballast Nedam – mission and vision

Our mission now and in the future is to continuously challenge ourselves to improve. Every day, we are eager to learn and grow. As people and as professionals. We do that by sharing knowledge, adapting to new circumstances and having an open mindset. We strive to create value for our clients by exploring new ways of working and to manage and control risks and find solutions as a team. We focus on improving the wellbeing, safety and sustainability of our environment together.

That means that we focus on acting small, along with being agile and close to the market. We offer our clients the best suitable solutions our company has to offer. We improve the value we create and the ways in which we manage and control risk. Also, we explore new ways of innovative and sustainable cooperation and construction.

Trust and transparency is the basis and the outcome of how we work together. Our skilled, open-minded people create the path to remain the preferred partner for our stakeholders and the preferred employer for our staff, now and in the future.

1.1.4 Organisation values

Our company culture is a combination of local, national and international influences and is characterised by our core company values. They define what values we live by within and outside our company, in contact and in cooperation with our stakeholders. It is the behaviour we stimulate and strongly believe in.

We focus on people and relationships: working with many stakeholders requires special skills for cooperation and teamwork.

We are hard working and humble people and act respectfully towards our clients, our colleagues and the environments in which we operate. We are credible to work with. We say what we do, do as we say, and bring solutions to the table that are based on our expertise.

We take ownership: dedicated people and teams make all the difference in the construction market.

We are ambitious and driven people. We are committed to doing our work. We work hard because we want to succeed and we take responsibility and show accountability for our work.

We learn, adapt and grow: in this market we need to be flexible and adapt to new circumstances and opportunities.

We are always hungry for success and are keen to learn and achieve results. That includes our fostering an entrepreneurial mindset and our embracing diversity. We are practical, resilient and act with a 'can do' mentality. We look from a broader perspective to obtain deeper insights and create suitable solutions.

1.1.5 Ambitions

Our goal is to continuously challenge ourselves to improve. That means challenging ourselves, the added value to our clients and the wellbeing of the environments in which we operate. Within this challenge, we are guided by the following ambitions:

Stimulate the wellbeing of our people

We want our employees to be safe, challenged, committed and happy. For our current and potential employees, we aspire to be the employer of choice. We offer healthy working conditions and challenging jobs with the possibility to grow on a professional and a personal level.

Invest in strong client and partner relationships

With our partners and clients, we want to create strong and long-term relationships based on trust. To accomplish that, we do our utmost to satisfy our partners and clients with our quality of work, our way of working and our reliability.

Safeguard financial health

We run a healthy company with healthy growth numbers. That means having a solid order book, growth in revenue and controlled costs. We do that by improving our operational excellence, by selective and strategic tendering and by focusing on (recruiting) qualified people with technical expertise. Using the highest standards of innovation technology supports this ambition. This enables us to remain competitive.

Explore international growth

While expanding our order book predominantly in the Netherlands, we aim to expand our business further internationally. This is part of our company DNA. The potential for international growth is substantial and we are empowered by the knowledge and experience of Rönescans Holding.

Prioritise safety, sustainability & social responsibility

We aim to perform our work as safely, sustainably and considerately as possible for our people, society and the environment we operate in. We incorporate the United Nations Sustainable Development Goals in our business strategy and apply our corporate social responsibility standards.

1.2 What we do

1.2.1 Scope

We build sustainable landmarks in the Netherlands and abroad. Throughout the Netherlands, our expertise is visible by looking at buildings, bridges, houses, roads, tunnels, ports, hospitals and university buildings that dot the landscape. Always with the purpose of improving society's wellbeing in living, working, leisure or mobility. Countries in which we currently operate are: the Netherlands, Belgium, Germany, the United Kingdom, Switzerland, Curaçao and Sri Lanka.

Our main business focuses on our home country. At the same time, we continue to explore international opportunities. This reflects our identity as a Dutch construction and development company with the added value of our international parent company and overseas experience.

1.2.2 Projects

Our projects are our business cards. They are the result of combining knowledge, experience, dedication and cooperation in an integrated approach. What we build ranges from small scale local

residential houses and apartments and local infrastructure to high-rise buildings and extremely complex infrastructure of national importance. These are executed by our national and regional business units to best suit our clients' needs.

1.2.3 Expertise

Every project requires a different approach and has its unique elements, but also contains elements similar to previous projects within the same area of expertise. An overview of all our areas of expertise is summarised as follows:

Figure 3: Overview of expertise

Expertise			
Buildings	Renovation and Restoration	Service & Maintenance	Parking
Urban Development	Road Solutions	Residential Housing	Bridges
Mobility & Infrastructure	Tunnelling	Ports	Concrete Products
Foundation & Excavation solutions		Water purification & Distribution	Heavy Industries
Asset Management	Offshore	Project Finance	Modular Construction

Each expertise has its distinctive qualities and experience, to meet the demands of our stakeholders.

1.3 How we do it

1.3.1 Mutual trust is the basis

Working together on a project requires mutual trust. We create trust by showing our partners and clients that we are a credible, experienced partner to work with. We do what we promise and we solve problems together. We manage and control risks and increase the level of control for our clients.

1.3.2 Unique way of working

Ballast Nedam has its own distinctive way of working with clients and partners. They are the outcome of our experience and organisation values. Our way of working focuses on transparency upfront. We discuss possible issues upfront, in a transparent, realistic and open manner with a fix-it mentality. This way we find solutions together and we manage and control risks better. We are open minded and challenge existing assumptions. We continuously seek improvements in materials, approach and techniques. The result is that clients receive the best possible results. We are organised close to clients and markets in small dedicated teams where we focus on personal visibility and building long-lasting relationships with stakeholders. This way the level of mutual understanding is high. The result is credible and effective collaboration.

1.4 Our stakeholders

For Ballast Nedam it is important to be in close connection with our shareholders and to know their priorities. We have internal and external stakeholders, who are described below.

1.4.1 Internal stakeholders

Employees

Our workforce consists of ambitious, diverse and talented people. In 2020, the number of employed employees was on average approximately 1.700 with an additional 3000 self-employed workers. Their drive, experience and high level of knowledge and expertise help us to complete our clients' complex assignments. We offer young and ambitious people high levels of responsibility. Also, international influences have led to a great diversity in our staff, which helps us to successfully work all around the world by leveraging our network and expertise.

Rönesans Holding

Rönesans Holding can be seen as one of our internal stakeholders. Rönesans Holding guides and supports our company and makes our scope broader in terms of access to a larger network, supply chain, knowledge and experience.

1.4.2 External stakeholders

Clients and potential clients

Our clients operate in the public, semi-public and private domain. Because our area of expertise is so diverse, so are our clients. The government, private developers and our internal development division usually are the initiators of our projects. We focus on current and potential new business-to-business clients and end-users in the urban development business.

Potential employees

In a market where talent is scarce, we are pleased to see that Ballast Nedam is viewed as an attractive employer because of our innovative projects, entrepreneurial culture and international character. Also, our career opportunities are valued greatly. We offer young people the chance to grow into positions of high responsibility and ensure the talent base for the future. We strongly believe in the strength of having strong leaders in the right positions.

Financial institutions

To execute our projects, we require different forms of financing, such as credit and bank guarantee lines. Ballast Nedam has relationships with a variety of financiers, both in syndicated as well as bilateral relationships.

Partners

As the projects that we tender for can be very large in terms of size and risks, it is common practice in the (Dutch) construction industry to execute these together with partners: in consortia or joint ventures. These partners can be competitors, suppliers, financial institutions and other parties. Our joint venture partners contribute their know-how, expertise, experience, network and/or financial capital in the projects that we do. Our subcontractors are also our partners. Jointly we strive to continuously improve our performance.

Governmental, provincial and municipal authorities

Ballast Nedam is subject to licensing and permitting requirements and to a variety of laws and regulations. We enter into dialogues with the authorities where possible and follow legislative and regulatory initiatives.

Society

As a company, we have an obligation to take responsibility for our society. We increasingly take measures to contribute to a sustainable, safe and healthy future. This is expressed in our company goals, as shown in Chapter 7.

Suppliers

The Dutch construction market is highly competitive. Ballast Nedam has a solid network of partnerships in this market and strives to invest more into these relations. In addition to this, Ballast Nedam also benefits from an international supply chain. This enables us to offer the right materials with high demands on sustainability, costs and in-time delivery. Our global company helps us to have access to international suppliers and to import products from other countries. Our larger number of suppliers gives us flexibility, cost efficiency and quality advantage when compared to our competitors.

1.4.3 Stakeholder analysis

Ballast Nedam realises construction projects in the Netherlands and abroad. To properly underpin Ballast Nedam's CSR policy, a stakeholder analysis was executed in 2020, as described in the introduction. This stakeholder analysis was based on the criteria of ISO 26000, an international standard that focuses on corporate social responsibility. The full stakeholder analysis is described in chapter 7.

The stakeholders selected for a stakeholder analysis are those that are most significant to the organisation. Using the information available, a provisional stakeholder selection was made for Ballast Nedam, which was discussed with management representatives during a number of internal workshops. On this basis, a final selection and analysis were performed, during which the stakeholders were placed in several categories based on the degree of influence they have over the organisation and the degree of interest they have in the organisation.

On the basis of the stakeholder and materiality analyses performed, the main CSR themes (focus areas) for Ballast Nedam were formulated. To be able to achieve the results we desire, four main focus themes are embedded throughout our organisation:

- Safety, including health and well-being
- Social responsibility, including good employment practice, social return, integrity and stakeholder management
- Sustainability
- Digital Transformation & Innovation

Safety

We make a promise to everyone who is involved in our projects: we work safely and we ensure safety together. We take care of each other. This applies to everyone: from designers to site supervisors, from planners to construction site employees, from managers to crane operators. From tender and design to execution and completion. Safety and good performance go hand in hand. That starts and ends at home. We work protected. Work safely, get home safe and sound. Always. Everywhere. Everyone. Safety is further explained in Chapter 6.

Social Responsibility

Ballast Nedam is aware of the social responsibilities we have towards our employees, clients, suppliers, partners, communities, other stakeholders and of course the environment in which we operate. The goals and initiatives to take care of the wellbeing of others is explained in further detail in Chapter 7.

Sustainability

Sustainability is our window to the future. It is embedded in our company and part of what we want to be as a company: we believe in preserving our environment and we try to live by that belief as much as we can. Chapter 8 will elaborate more on this theme.

Digital Transformation & Innovation

Innovation within Ballast Nedam is linked to the drive to continuously improve and to become even more efficient as a construction company. We focus both on improving our products and services as well as digital transformation and innovation. Through these initiatives we want to offer our clients added value and we are convinced that these innovations also lead to opportunities to reach our sustainability goals and profitability targets. Chapter 9 highlights our significant progress in this area.

1.5 Market trends

Ballast Nedam is influenced by the macro-economic trends we encounter. We take them into account in our strategic and operational choices.

1.5.1 COVID-19

After the Dutch construction sector grew considerably for several years in a row, there was a downturn of 5.6% in 2020 as a result of nitrogen and PFAS combined with the impact of the COVID-19 crisis². The COVID-19 crisis has hit the world very hard in many aspects. It is of the utmost importance that we protect the health and safety of our employees in the countries in which we operate. This is the basis for the continuation of our operations.

Ever since the start of the pandemic, Ballast Nedam has had a strict COVID-19 policy and protocol in place to ensure the health of our people and business continuation. This policy and protocol strictly adheres to local government policy and rules and is fully compliant with the 'Protocol for Safe Continuation', which was agreed between Bouwend Nederland, the trade unions and the Dutch government. The Protocol provides guidelines for construction sites.

The drafting and application of the Ballast Nedam COVID-19 policy and protocol is executed and supervised by the COVID-19 Crisis Team that monitors the business units and its projects on a daily basis and reports to the Board of Management. As a part of that, the COVID-19 Crisis Team is responsible for responding directly to positive COVID-19 cases, isolating the infected individual from work locations and performing its own source and contact investigations.

The application of this proactive approach and strict policy and protocol has prevented large outbreaks of COVID-19 at our projects, securing the health of our employees and continuation of our projects.

1.5.2 Downturn in the Dutch economy

The COVID-19 crisis has plunged global economies into a severe recession. The Dutch economy suffered a downturn of 8.5% in the second quarter of 2020, an historic low. Nevertheless, the Netherlands did better on average than most surrounding countries. The average contraction in the eurozone was almost 12%. This contraction is partly due to the lockdown measures, but also partly to the reaction of consumers to the virus itself. On balance, the Dutch economy decreased by 5.6% in 2020 and is projected to grow by 2.1% in 2021.³

Under current conditions, construction is heading for a decrease in production in 2021. Non-residential construction in particular will be hit hard, where a loss of 8% is expected. Also civil engineering will shrink by 5.5%. Recovery is expected to occur in the maintenance sector. If the COVID-19 crisis is contained in 2021, then an immediate strong recovery in construction output is predicted. Partly supported by sustainability measures, production will grow again by an average of 5% per year from 2022, according to the EIB.⁴

1.5.3 Need for new construction and sustainability

Due to the demand for healthy, future-proof materials and construction methods, sustainability has become an integral part of our business, our focus points, our decision-making, our choice of materials and our working methods. Examples are an increased use of prefab elements, use of wooden materials, digitalisation and modular and circular construction. Both the energy transition and the raw material transition (circular economy) generate new projects, jobs and collaborations. These are key targets for the future.

The growing importance of 'EMVI criteria' (Economically Most Advantageous Tender) in public tenders is fully supported by us.

² ABN AMRO insights, November 2020

³ ABN AMRO insights, November 2020

⁴ Economisch Instituut voor de Bouw, 2020

1.5.4 Impact of PAS and PFAS

In 2020, the issues of program approach nitrogen (PAS) and poly and perfluoroalkyl substances (PFAS) had an impact on the Dutch construction market. With stricter PAS legislation, it has become more difficult to build in areas near Natura 2000 areas. And PFAS can have a negative effect on the environment and health. With the rise of COVID-19 however, attention to and the urgency of PAS and PFAS were placed in the background but still play an important role in the scheduling of future projects.

PAS mainly plays a role in the granting of permits for projects in the vicinity of Natura 2000 areas. In 2020, the Dutch government worked on new and additional legislation and measures to protect these Natura 2000 areas. It is expected that when all measures are in force, the granting of permits will be facilitated and the number of tenders for these projects will return to earlier levels. The reduction in nitrogen emissions through this measure has had a positive effect on the granting of permits. In 2020, due to PAS, some of the tenders in which Ballast Nedam Infra planned to participate were delayed or were postponed to 2021. We were able to deploy the available employees on tenders in Scandinavia. The PFAS discussion that arose in 2019 mainly led to stagnation in the transport of and the possibility to apply soil on land and in water. In 2020, new extended application standards came into effect for both soil and dredging. A further expansion may take effect in the spring of 2021 when the results of additional research by RIVM (Rijksinstituut voor Volksgezondheid en Milieu) and Deltares (an independent institute for applied research in the field of water and subsurface) become available. The extension in 2020 has ensured that projects under construction could continue or new projects could start. In most cases Ballast Nedam has been able to make satisfactory agreements with our clients in current projects to be able to deal with the challenges of PFAS. Paragraph 3.4.1 further explains the impact and risks of new legislation on sustainability.

1.5.5 Demand for development and transformation of housing

The latest demographic estimates from CBS (*Centraal Bureau voor de Statistiek*) indicate a housing construction target of 95,000 new homes per year in the period 2020-2024. On average over the period from 2020 to 2035, this would mean 75,000 houses per year. The core of the expansion demand is from the private sector, while the replacement demand is mainly from housing associations. The main obstacles to realising the demand for expansion are the spatial planning and other regulations that affect the construction of new homes. At Ballast Nedam this continuous growth is noticeable in the high demand for development in 2020 and beyond.

The Dutch government announced various measures that will make it more difficult for private investors in the housing market, including the increase in transfer tax. This will make it more expensive for an investor in rental homes to own transformed homes, meaning those houses that previously had a different zoning. This can have a significant effect on transformation possibilities.

1.5.6 Staff shortages will continue

Government support packages largely prevented a strong loss of income for households and businesses in the Netherlands. Therefore the decrease in employment is estimated to be lower than expected. In addition, banks and landlords have deferred the payments of their clients and tenants. This also prevented major liquidity problems.

The supply of foreign workers in the Netherlands decreased in 2020. This group is forecasted to account for 40% of the total job losses in the sector. Most of the foreigners affected have returned to their home country or are looking for work elsewhere. However, as demand picks up from 2022, the deployment of foreign workers will also increase again. The number is expected to increase rapidly from 39,000 in 2021 to 53,000 in 2024, 4,000 more than in 2019.⁵

Because there is also a lot of outflow of personnel due to disability and retirement, an expected shortage on the labour market is again expected. Especially employment in the flexible deployment sector will probably grow considerably.

This means that if COVID-19 is resolved in 2021, construction will again be faced with considerable staff shortages. The EIB predicts, in its latest labour market forecast, that 75,000 workers will be

⁵ Economisch Instituut voor de Bouw, 2020

needed in the years 2022 to 2024. Our recruitment department is already increasing its capacity to fulfil this demand.

1.5.7 Population density

Population density in the Netherlands is and will continue to be extremely high, which challenges our way of working. It puts pressure on finding creative and smart ways to use our scarce land. To Ballast Nedam, our specialism in constructing complex high-rise buildings is suited to meet the market's demands for effective use of square metres. Our strategic advantage is that we have regional businesses throughout the country which help us to understand and effectively meet local interests.

1.5.8 Technology

Due to demands on sustainability, risk reduction and control, the demands for digitalisation and technological developments have also increased. The market shows a tendency towards the use of modular and prefab building applications and the use of new technologies (virtual reality, 3D laser scanning, robotics, artificial intelligence, Internet of Things). The BIM4Project, data management and asset management are solutions for this demand. Recently, the BIM4Project approach at the Blankenburg Connection project received the GEOBIM2020 award. Ballast Nedam Infra Projects focused on full 3D modelling, Virtual Reality, 4D planning and capturing on site by drones and laser scanners. Thanks to these techniques, both the team and our client Rijkswaterstaat know what to expect during the project. Ballast Nedam has invested in people with high levels of technical knowledge to be able to further develop BIM modelling and parametric design in our projects. Also, collaboration with third parties and international knowledge is used to diversify our technological knowledge base.

We continue to monitor and respond to outside opportunities and threats. Being resilient and flexible is just one of our key success factors. We continue to learn, adapt and grow into a healthy future.

Chapter 2

Business Review



Financially
healthy into the future

2. Business Review

This chapter gives a general overview of 2020 and an outlook for 2021. This outlook gives an insight into the expectations Ballast Nedam has for 2021.

2.1 Overview of 2020

2.1.1 General view

Despite the many challenges of 2020, we were able to remain stable as a company. We are financially healthy with a positive overall result, even exceeding our internal business plan. We have managed to maintain a stable order book, which will reinforce our growth strategy for the upcoming years.

Due to continued optimisation of the organisation, our underlying basis has remained lean and flexible. This includes a focus on internal processes, for example by the optimisation of departments, improved tender management, focus on quality procedures and restructuring of the administration processes.

2.1.2 Human resources

We believe competency is the most important ingredient for success so attracting and hiring skilled people is always our priority. Our workforce remains highly experienced, skilled and diverse. The Ballast Nedam family encompasses more than 20 nationalities.

Nevertheless the main focus of human resources in 2020 was, however, to keep our employees healthy considering the risks of COVID-19. Elaborate safety measures were taken to protect people from COVID-19 but also to ensure safety in general. We managed to contain the level of contaminations and followed strict rules, which go beyond those prescribed by the Dutch Ministry of Health.

2.1.3 Ballast Nedam Group

Ballast Nedam's four divisions contribute to the overall results. The largest line of work remains building and infrastructure in the Ballast Nedam Construction division. Ballast Nedam Development is expanding further as the demand for development continues to increase. It has an established name, especially in developing urban areas with a focus on innovative and sustainable concepts. Ballast Nedam Industriebouw continues to remain a healthy and stable division within Ballast Nedam. The Concessions division at the front of the chain works to attract project funding and offers legal and commercial expertise. The team, consisting of professional project managers and financial and legal specialists, develops, manages and monitors integral DBFM(O)/PPP contracts in the area of infrastructure and real estate.

2.1.4 International growth ambition

We are looking to expand our business abroad and are seeking further ways to grow internationally. Areas in Europe being explored include Scandinavia and the UK. South East Asia, the Caribbean and Africa are also focus areas for internationalisation.

2.1.5 Project highlights

- **A9 Gaasperdammertunnel** | Opening of the Gaasperdammertunnel, with 3.2 kilometres the longest land tunnel in the Netherlands. This new tunnel improves the accessibility of the northern Randstad area and increases the quality of life in the Southeast Amsterdam area. Ballast Nedam is partner in the PPP consortium. It is a great example of a combination of collaboration, sustainable solutions and technological excellence.
- **A24 Blankenburg Connection** | The Blankenburg Connection forms with an underground tunnel and an underwater tunnel a new connection between the two main motorways A20 and A15 in the Rotterdam Port area, crossing the 'Nieuwe Waterweg' river. The project is a DBFM agreement with a construction period of 6 years and maintenance period of 20 years.
- **A-Pier Schiphol** | In a joint venture with TAV, Ballast Nedam is constructing a new airside pier at Schiphol Airport. The project involves both the construction of a new pier and the expansion of aircraft stands.
- **The Green Avenue Maastricht** | This project once again proved to be one of the most sustainable urban developments in the Netherlands. The Green Avenue has won the

Sustainable Residential Development award of the European Property Award 2020-21 for the Netherlands. This internationally acclaimed award, which was presented for the 27th time this year, is the crowning glory of every developer's work and is only awarded for exceptional performances.

- **Gezondheidspark Dordrecht** | In 2020 urban development “Middenzone Gezondheidspark Dordrecht” was awarded to Ballast Nedam Development, granting the opportunity for the development and realisation of 720 sustainable residential units, a parking garage and commercial units.
- **Tuinbuurt Vrijlandt** | Development contracts were signed and zoning plan procedures were started for Tuinbuurt Vrijlandt Rotterdam with 290 residential units.
- **Cartesius Utrecht** | The zoning plan procedure was started of the vast mixed use urban development of Cartesius Utrecht with over 2,510 residential units, commercial and public spaces in which people can live longer, happy and healthy lives.
- **De Elementen Spijkenisse** | In Spijkenisse, a vast urban development near Rotterdam, reached its 50% completion milestone with 1500 of the 3,000 homes being delivered.
- **Project Jonas** | Project Jonas, inspired by the legend 'Jonah and the whale' is a remarkable project, centrally built in the IJburg Bay in Amsterdam. A total of 273 apartments will be realised and a wide range of functions, including a roof beach, commercial plinth, underground parking garage and the impressive 'canyon'.
- **Westbeat Amsterdam** | The Westbeat project was completed in 2020 and forms the connection between the centre of Amsterdam and the Nieuw-West district. The 86 different arches characterise the iconic building. The passion for construction, craftsmanship, intensive and thorough preparation and above all cooperation have been important ingredients in the construction process which we proudly look back on.
- **Mall of the Netherlands** | This project consists of upgrading and extending an existing shopping mall. After completion, the shopping mall will be the most modern and one of the largest malls of the Netherlands.
- **Hart van Zuid** | Cultural hotspot Hart van Zuid, where Ballast Nedam is part of the PPP consortium, is where the new Theater Zuidplein has been completed. In addition to two theatres and a café-restaurant, it also houses a new branch of the Rotterdam Library: Zuidplein. In the residential development “In 't Zuiderpark” 98 residential units were developed and put on the market.
- **Mindlabs, Tilburg** | MindLabs will focus on innovation in areas such as robotics, language technology, serious gaming and artificial intelligence. The current steel frames of the connecting Hall 70 will form the heart of Mindlabs. The new transparent, 5-storey building will be built next to Hall 70.
- **SVGG, Eindhoven** | Under the heading 'Smart Sustainable Municipal Buildings', seven buildings will be made more sustainable over the next ten years on the basis of KPIs such as: > 50% energy neutrality and > 95% reuse of materials released. The first part delivered in 2020 (the town hall) won the Cobouw sustainability award in 2020.
- **Feringa Building, Groningen University** | The project consists of realisation of the third new building for the Faculty of Science and Engineering. It will accommodate around 1,400 students and 850 employees. In addition to office and lecture rooms, the building also has a wide range of special laboratories, including physical, (bio) chemical and vibration free labs.
- **WTC Tower 10** | This is one of the biggest extensions at Amsterdam Zuidas at this time. This highly complex high-rise construction contains more than 50,000 m². After construction, WTC Amsterdam represents a new opportunity for high-end workspaces in the heart of the largest business district in the Netherlands.
- **Galaxy Tower** | The Galaxy Tower construction site is as inner-city as possible. Next to Jaarbeursplein, Central Station and in the middle of Utrecht, Ballast Nedam is creating 260 hotel rooms and 317 apartments under an exclusive architectural design. This high-end building will support Utrecht's metropolitan appearance.
- **Cool Tower** | This tower will be one of the highest buildings in Rotterdam. With its 154 meters high it contains 280 luxury apartments and services. This concrete building will rise up in the Rotterdam city centre and another icon will be added to the city.

- **Food Center Amsterdam & Marktkwartier West** | Directly connected to the historical centre with a land plot size of 235,000 sqm. more than 1,700 residential units and an area of approximately 100,000 sqm of commercial space is planned. This year the restoration of the Keith Haring Mural was completed saving the work of art for future generations.
- **Stena Line Hoek van Holland / Europoort** | Stena Line is a key player in transport of people and trucks from NL to the UK by water, operating from two locations in the Rotterdam harbour area. Ballast Nedam has been working for Stena Line for several years. In 2020 Ballast Nedam did heavy maintenance works on the Stena Line location in Hoek van Holland, to make the terrain fit for purpose after Brexit.
- **Greenpark Aalsmeer** | The world's largest flower auction is located in Aalsmeer. Between Schiphol Airport and Royal Flora Holland, SADC JV (local municipalities) is developing an industrial zone of 105 hectares for floral-related businesses. Ballast Nedam is doing all infrastructural works for Greenpark Aalsmeer.

2.1.6 International growth

Since 31 March 2020, Ballast Nedam holds 49% of the shares in Heitkamp Construction Swiss (HCS). As a tunnelling expert, well known for constructing the Gotthard Base tunnel, Heitkamp Construction Swiss strengthens the tunnelling portfolio of Ballast Nedam and its (international) infrastructure projects.

2.2 Financial Results

2.2.1 Revenue

The revenue increased in 2020 by € 73.5 million to € 947.6 million. This growth exceeds our Business Plan expectations and is visible in all divisions. The revenue from joint ventures realised for 2020 is € 129.0 million, which results in € 1,076.6 million total revenues for the company if the joint ventures were to be consolidated proportionally.

The revenue from Construction activities from building and infra works amounts to € 555.8 million and € 267.2 million, respectively. The revenue of Ballast Nedam Development is € 99.8 million, which reflects the general, primarily positive trends in the housing market. Ballast Nedam Industriebouw with its extensive experience in specialised civil works and mechanical installations realised a revenue of € 81.3 million. The Group remains firmly focused on enhancing its project portfolio and under ordinary market circumstances further healthy growth in the upcoming years.

2.2.2 Results for the year

Ballast Nedam continued its strategy to run a healthy company by continuously improving operational excellence which in 2020 resulted in an income from operating activities including results from joint ventures of € 26.7 million (2019: € 11.7 million). The EBITDA is € 40.6 million (2019: € 21.7 million). The net result for tax is € 21.8 million (2019: € 8.7 million). The net result for the year is € 31.1 million (2019: € 12.8 million), which is 3,3% of the revenue (2019: 1,5%).

2.2.3 Order book

The order book is at a stable level at around € 1.4 billion (2019: € 1.5 billion). The quality of the order book increased. The margin on the newly acquired projects continues to improve and are within the strategic target margins and the tender policy of Ballast Nedam, which is selective. Moreover, the percentage of legacy projects from before the takeover by Rönésans dropped to less than 1% in the current order book.

The order book includes unique and outstanding projects, for example Blankenburg Connection in Rozenburg and various building projects such as A-Pier at Schiphol, The CoolTower in Rotterdam, Galaxy Tower in Utrecht, WTC in Amsterdam and Feringa Building in Groningen. The order book of the International business unit includes a project in Sri Lanka. The Development division is driven by various of development projects such as Delft - Van Leeuwenhoekkwartier, Almere – Noorderplassen, Tuinbuurt Vrijlandt in Rotterdam and Eindhoven Berckelbosch projects. The Heavy Industries division includes projects such as the HES Hartel Tank Terminal Project in Rotterdam and Gasunie N2 Zuidbroek.

2.2.4 Shareholders' equity and cashflows

Shareholders' equity increased by € 90.3 million to € 167.4 million. Mainly by the net profit for the year and the share premium contribution of € 60.0 million by our parent company Renaissance Construction B.V., which once again shows the long term commitment of our ultimate shareholder Rönésans Holding A.S. The solvency ratio reaches the level of our best performance years again and amounts to 24.1% (2019: 10.7%).

The cashflow from operating activities is € 51.5 million positive (2019: € 35.9 million positive). The cashflow from investing activities is € 2.4 million positive (2019: € 7.2 million positive), which was realised mainly due to dividends received, movement in (temporary) funding of joint ventures and associates and investments in property, plant and equipment ('PPE'). No material investments were made or planned in research and development. The negative cashflow from financing activities of € 35.0 million consists mainly of € 105.9 million of repayment of loans and capital contribution by Renaissance Construction B.V. of € 60.0 million. This resulted in a net cashflow for 2020 that amounted to € 18.9 million positive, compared to the € 54.8 million positive cashflow of 2019.

2.2.5 Assets and liabilities

Total assets amount to € 694.9 million (2019: € 725.7 million). Working capital was € 128.3 million positive as of 2020 year-end as a result of amongst others the cash and cash equivalents position of € 220.0 million. The working capital ratio (current ratio) of Ballast Nedam improved to 1.31 (2019: 1.24). Capital employed increased by € 24.3 million to € 280.6 million.

2.3 Outlook for 2021

We at Ballast Nedam will continue to challenge ourselves to improve in 2021. It means that we are eager to learn, adapt, grow and improve. Challenge to improve reflects our current identity and behaviour but also expresses an ambition for the future. That means improving ourselves as people and as a company, the added value to our clients and the wellbeing of our environment. All our actions will contribute to that.

2.3.1 Markets and businesses

Further growth in revenue is expected for 2021, provided the COVID-19 crisis is contained this year. We are confident that we can realise another profitable year in 2021.

We combine our integrated expertise in tunnels, bridges, hospitals, and high-rise buildings. That way we funnel experience and knowledge. We want to offer added value to our clients by engineering and building capacity as well as in being agile in our solutions and way of working with our partners. We are continuously looking for strengthening our relationships with our partners and clients and challenge ourselves in offering smart solutions to our clients.

Ballast Nedam will continue to explore international opportunities together with Rönésans Holding. Our international reputation is very strong and we see abundant opportunities in infrastructure, ports, bridges and tunnelling.

Ballast Nedam will also continue to pursue improvement of the margins on projects by focusing on a strong order book through selective and strategic tendering as well as improved operational execution on our projects. We will also remain committed to invest in our partnership with suppliers and subcontractors to work together and support our existing business lines.

2.3.2 Human capital

We realise that our human capital is our most important asset. Therefore to improve ourselves means to improve the competences, health and happiness of our employees. We hire people who can be a difference now and in the future. Who are skilled and have the right mindset to provide clients with the best possible solutions. This unique mindset requires people who are eager to grow, learn and adapt and might be the leaders of Tomorrow. People who seek connections with colleagues and clients and who are open and transparent in communication. Only then we believe we will evolve into a better company. In line with this we will launch the employer branding campaign.

2.3.3 Financing

The total indebtedness of Ballast Nedam improved significantly. Ballast Nedam is financially healthy and ready for the challenges of the future in the construction industry. Despite the COVID-19 challenges, we believe that for the year 2021 further growth of revenue and profit can be achieved. In addition to organic growth, as a result of the changing market conditions we see growth potential by investing in opportunities such as national and/or international acquisitions of companies and projects, but also investments in (real estate) developments. Information regarding financing is included in paragraph 3.4.2.

Chapter 3

Risk Management



Risk reduction
instead of risk shifting

3. Risk Management

Ballast Nedam is focused on market opportunities and is constantly alert to any associated risks. The Group takes a good balance between growth opportunities and associated risks into account to ensure long-term business sustainability.

The aim of the Group's risk control framework is to manage risks within an acceptable risk level while working on achieving the strategic objectives.

This chapter explains how the risk management framework and risk control process are organised within Ballast Nedam. The chapter concludes by considering a number of specific risks to which Ballast Nedam is exposed.

3.1 Outline of risk management

3.1.1 Principles

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

- Risk management is an integral part of all business activities and has to be monitored within the entire organisation.
- The aim is to manage risks within an acceptable risk level while working on achieving our business objectives as described in our strategy and business plan. It is our conviction that risk management is part of all our employees' day-to-day thinking and working.
- The Board of Management has the ultimate responsibility for determining, addressing and monitoring risks, under the supervision of the Audit Committee.

3.1.2 Risk philosophy

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

Ballast Nedam considers the management of risks to be a core competence that is embedded in all the projects we execute. Both in individual projects and across projects as a whole, the Group applies various methodologies that are commonly used in the construction and infrastructure sectors, which also makes it possible to communicate about risk management and risk actions with stakeholders in the chain.

3.1.3 Main risks

The main risk areas identified and assessed by Ballast Nedam are classified in line with the management model developed by The Committee of the Sponsoring Organisation of the Treadway Commission (COSO) divided in the following categories: strategic, operational, financial and compliance.

For the main risks identified, we take risk appetite, the likelihood of these risks materialising and the potential impact of these risks into account. The main risks are further explained in paragraph 3.4.

Risk relevance gives an indication of the extent to which this risk might impact our strategy. Where the risk is classified as 'high', this risk has by default a high risk impact and needs proper management attention to mitigate this risk to an acceptable level.

Risk appetite gives an indication of the risk approach of management in reference to certain risk areas. As for "compliance", this indicates any related risks where the Group's management does not accept any tolerance. As for the risk areas categorised as "strategic", higher tolerance is accepted because these will also be areas where opportunities or unique selling points will may be embraced.

3.2 Risk control process

This paragraph outlines the structure of the risk control process within Ballast Nedam. It is important that each individual in the organisation and any stakeholder in the chain contributing to the activities of Ballast Nedam are aware of our risks and opportunities which may appear during the business

activities and respond in accordance with the risk philosophy and risk appetite of Ballast Nedam. This entails communicating to and training of the people concerned and being aware of the risk profiles of the projects. We consider the 'three lines of defence' model as a basis for managing our risks in our operations.

3.2.1 First line: Ballast Nedam's people, operating processes and decision-making committees

A bottom-up approach to risk control

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

The attitude and behaviour of the Group's employees and contractors are very important to controlling project risks. Employees are located at the project site. They know the context in which the project is being executed and are able to identify any project risks and take preventive measures before they occur. Good cooperation between the parties is essential to execute the project as agreed with the client upfront. Ballast Nedam seeks to ensure fair behaviour on the part of all those involved in our projects and who fall under our responsibility. The Group's human resources policy, HSE policy, code of conduct and its subcontractors' and suppliers' policies also play an important role in risk prevention and control (see also paragraphs 3.4.4 and 6.7). The company's code of conduct can be found on the website of Ballast Nedam.

Use of support instruments

To maintain appropriate risk controls, the various systems and instruments that Ballast Nedam uses are geared to the specific requirements of the operating companies, projects and various risk domains and include:

- monitoring progress in the field of finance, operations and risk control is established by periodic management reports drawn up in accordance with the reporting and accounting instructions applicable to the Group
- the divisions and their business units monitor the liquidity requirements weekly via a central cash management system
- the divisions and their business units also use a central reporting system to report their respective financial performance.

Involvement of the Tender Committee

In accordance with the Group's tender policy, projects are generally submitted to the Tender Committee for approval, dependent on their size and risk profile. Projects that need to be submitted for approval to the Tender Committee include projects with an increased risk profile, where:

- the contract value exceeds certain thresholds
- projects are constructed internationally
- certain types of bank guarantees or other collateral are required
- liabilities for the contracts are not capped.

Partly as a result of experiences in (recent) large projects, more time is now devoted to assess whether the project fits within the strategic focus and to assess which project-related risks are applicable to these projects and how these risks can be mitigated. The Tender Committee has an extensive risk register and its assessment covers matters such as the return risk ratio, capital requirement, ability of the proposed team to execute the project, health & safety aspects, cashflow, legal aspects, foreign currency, tax, labour law requirements and political aspects.

3.2.2 Second line: monitoring

Board of Management and internal authorisations required

The Board of Management is involved in the business operations. The Group has adopted an internal authorisation matrix where several items at different stages of a project (from tender to execution) need to be submitted for approval. This allows the Board of Management to monitor important developments and influence transactions in the overall strategy and policy of the Group.

Business control and treasury

Ballast Nedam has a format for financial reporting which enables management to periodically monitor the achievement of strategic, CSR-related and financial objectives. The format also improves the predictability of costs and income. The risks are also covered in the reporting format, both at project level and across the organisation. The departments working on business control and reporting compare and evaluate the risks in the financial reports of the various divisions.

Since this enables Ballast Nedam to improve the quality and consistency of information, the Group can proactively anticipate developments in the market and provide timely insight into how the results are developing. This enables us to improve our work and processes.

Payments by Ballast Nedam are made and monitored centrally by the treasury department. The divisions and their business units also provide a periodic liquidity forecast at project level, which is assessed by the treasury department on consolidated level.

3.2.3 Third line: the Supervisory Board and the Audit Committee

The Supervisory Board and the Audit Committee

The Audit Committee is responsible for the supervision of the Board of Management with respect to the operation of the internal risk management and control systems. Ballast Nedam's risk profile and the internal risk management and control systems are discussed at meetings of the Supervisory Board and the Audit Committee. The Group's financial state of affairs and audit findings are discussed in these meetings. The activities of the Supervisory Board and the Audit Committee are described in paragraph 5.1.

3.3 Risk mitigation

Risk management assessment and improvement of systems and processes is an ongoing process within Ballast Nedam. The most important part of the risk management process is proactive risk mitigation.

The following supporting functions contribute to general measures to mitigate risk exposures in the business.

3.3.1 Lawyers and contract managers

In order to maintain appropriate control of contractual risks, specialist contract managers and lawyers are deployed in the divisions in both the tender and the execution phase. Ballast Nedam devotes considerable attention to knowledge-sharing based on lessons learned from the (recent) past. Lawyers and/or contract managers may be added to the project team for large or complex projects.

3.3.2 Insurance

The Insurance department is responsible for arranging and managing insurance policies for Ballast Nedam. First and foremost, this involves arranging for and managing more general insurances that provide financial protection to the Group in the event of claims and losses. Secondly, Insurance promotes the insurance interests of Ballast Nedam in the implementation of projects, in both the tender and the execution phase, and drives awareness within the divisions of the benefit and necessity of insurance and identification of risk areas.

3.3.3 Compliance

Ballast Nedam requires our employees, as well as our suppliers and subcontractors, to conduct their duties and businesses with integrity. Ballast Nedam has a zero tolerance policy for non-compliance

with our code of conduct. The Chief Compliance Officer investigates any possible violations that are reported. If violations have occurred, immediate measures are taken. In order to uphold the organisation's integrity, the Group continually evaluates the compliance policy and makes adjustments, where necessary. Further details about compliance can be found in paragraph 7.8.3.

3.3.4 Safety

Our health, safety and environmental ('HSE') policies contribute to mitigating risks during the implementation and execution of projects. Ballast Nedam's HSE policy is aimed at creating a proactive and caring safety culture. This HSE policy is set out in an HSE vision with Principles, Commitments and Zero Tolerance Rules and each business unit is asked to prepare their own specific HSE plans for each project. Chapter 6 identifies the activities in which Ballast Nedam continues to take measures to achieve and maintain a high level of safety awareness among our employees and partners.

An important part of controlling health and safety risks is our matrix HSE structure, an overall HSE organisation with HSE officers active in the operations, materials and working methods. HSE officers being present at critical decision making significantly contributes to minimising health and safety risks.

3.3.5 ICT Cybersecurity and business interruption

The ICT department plays a vital role in the continuity of business processes and data protection. All business units make extensive use of the ICT infrastructure and ICT information systems built on tried-and-tested technologies. With the implementation of these technologies, Ballast Nedam has achieved as much uniformity as possible across the business units to prevent disruptions and data manipulation through cyberattacks. In view of the continuity of business operations and data integrity, the information systems accessibility through this infrastructure is constantly improved and updated by means of a DTAP (Development, Testing, Acceptance, Production) approach and updated anti-virus software. The Group's ICT infrastructure is based on a wide range of services, modern communication technology and advanced virtualisation techniques for data storage and processing. This enables Ballast Nedam to continuously achieve and monitor the required capacity and availability of the systems to support our business processes.

3.3.6 Procurement

Ballast Nedam's procurement processes supports ensuring the best economical value and quality of suppliers' and subcontractors, acts as a control, monitors efficiency of costs, and assists in preventing possible conflicts of interest.

3.4 Relevant risks

The Board of Management has the overall responsibility for the establishment and oversight of the company's risk profile, under the supervision of the Audit Committee and the Supervisory Board.

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

- strategic risks
- financial risks
- operational risks
- compliance risks.

3.4.1 Strategic risks

The most relevant risks in relation to the Group's strategy arise from economic circumstances in the markets we operate.

The objective of market risk management is to manage and control market risk exposures due to macro-economic or political developments within acceptable parameters, while optimising return.

Economic conditions in the market

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

Due to the current macro-economic and climate-political uncertainties (COVID-19, PAS and PFAS in particular) it is difficult to predict how the construction industry will develop in the coming two years. Analysts expect some constraints for this period and beyond.⁶

The market in which Ballast Nedam operates is subject to macro-economic volatility and is affected by government plans, consequential investment programmes, and legislation and regulations. An example of this exposure is the consequences of the PAS and PFAS restrictions imposed on the sector. Although the Group's current business opportunities are not affected that much in the short term, the PAS and PFAS restrictions might affect longer term business opportunities. The Board of Management is closely monitoring developments in these regulations.

The impact of COVID-19 on our financial performance until today has been limited. We were able to keep all our European construction sites operational. When necessary appropriate measures were taken to continue the logistic and works on the construction site including availability of materials and personnel. Fortunately, due to our policies and measures we managed to keep the number of contaminations within our company limited and under control.

Ballast Nedam is mainly operating in the Netherlands and until today the policies of the Dutch government enabled the construction sites to continue their operations. Although the recent availability of a vaccine the scale and duration of this pandemic or variation on this pandemic still remain uncertain and its unclear how the pandemic will influence macro-economic conditions and consumer confidence. The Board of Management strives to obtain the best possible information at all time to enable us to assess these risks and implement appropriate measures to respond. Further growth in revenue is expected for 2021, provided the COVID-19 crisis is contained this year. The order book is stable and if we continue in the same way, we are confident that we can realise our business plans.

New regulations in the market

The Group closely monitors new regulations imposed on the sector and, within a team of experts, assesses the consequences of these new regulations for our businesses. Where possible and applicable, Ballast Nedam changes its business processes, adjusts contracts or creates new business opportunities. One example of where Ballast Nedam has adapted its processes is the new quality assurance law (Wet Kwaliteitsborging).

Demand of the market

The Group is in close contact with its clients, including in the public sector. This market has been increasingly opting for integrated forms of contracts in which design, construction, financing, maintenance and management become the responsibility of a single supplier. Based on the recent experience in the sector over the last few years, discussions between stakeholders in the process began to redefine responsibilities and risks allocation in more complex infrastructural projects. Over time, Ballast Nedam also sees that projects are becoming more complex: the quantity and the diversity of knowledge and technologies required for projects are increasing. Examples are stricter sustainability requirements, customised projects at highly competitive prices, building in urban areas with a large number of stakeholders and logistical challenges, and increased use of ICT technology in projects. Lastly, there is more demand for modular products. These developments also create opportunities and match the Group's strengths.

Ballast Nedam runs the risk of increasing prices and as a consequence increasing project costs. Ballast Nedam controls this risk by establishing our liabilities at an early stage in the project and agreeing price compensation with our clients, where possible.

Due to the macro-economic consequences of COVID-19 and the recent availability of a vaccine, it is difficult to predict how the growth in the construction market will develop in the short period of time.

⁶ According to EIB and ING. EIB predicted in December 2020 that the order portfolio has decreased slightly; ING predicts a decrease of 2-5% in 2021 depending on the specific sectors.

Yet, prices are still under pressure and competitive. To control this pressure, each business unit monitors developments in its market carefully. Business units with larger projects and a specific focus do this nationwide. Regional business units, including specialised companies, do this regionally in order to respond effectively to specific client requirements.

3.4.2 Financial risks

The objectives of Ballast Nedam's treasury department are to create and maintain the best possible financial conditions for the operating activities.

Credit risk

Credit risks are risks of financial loss to Ballast Nedam – or its counterparty – of a financial instrument that fails to meet its contractual obligations. For the Group this arises principally from receivables from clients. The carrying amount of financial assets represents the maximum credit exposure. Ballast Nedam actively pursues a policy designed to minimise credit risks. Creditworthiness assessments are performed for all clients requiring credit. Ballast Nedam uses prepayments, guarantees and collaterals (rights of retention) on projects under construction in order to limit the credit risk on instalments and trade receivables. See also paragraph 10.6.30 on financial risk management.

Liquidity risk

A liquidity risk is defined as the risk that Ballast Nedam will encounter in not meeting the obligations on time associated with its financial liabilities that are settled by delivering cash or another financial asset. Ballast Nedam's approach to managing liquidity is to ensure that the Group has sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Ballast Nedam controls the liquidity risk through periodic cashflow forecasts followed by adequate corrective measures and monitoring. See also paragraph 10.6.30 on financial risk management.

Exchange risk

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

Forward exchange contracts with banks may be contracted to hedge the transaction risk on cashflows generated by ordinary business activities. At year-end 2020, Ballast Nedam had no outstanding forward exchange contracts recognised at fair value in the statement of the financial position. See also paragraph 10.6.30 on financial risk management.

Interest risk

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

Ballast Nedam has loans with a fixed rates.

Financing risk

The existing financing package consists of several agreements with various financiers and includes loan agreements with several financial institutions. Ballast Nedam's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Ballast Nedam controls the liquidity risk through weekly cashflow forecasting followed by adequate corrective measures and monitoring. The current cash surplus, strong solvency and the strengthened risk management activities, are expected to provide management with additional flexibility in its operations and execution of its business plans.

Ballast Nedam has access to bank guarantee and bonding facilities with various financial institutions and group companies. These facilities are long term. Periodically, a forecast is made of the use of the available guarantee facilities. The forecast is based on current tenders and expectations regarding the

discharge of existing bank guarantees. Based on this access to guarantee facilities and forecasts, Ballast Nedam expects it will be able to issue guarantees in the ordinary course of business.

3.4.3 Operating risks

Knowledge management

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

Safety

Safety is a risk category that receives a great deal of attention within Ballast Nedam, up to and including the Board of Management level. The Group's people are its capital and an asset we conserve with great care. This is why Ballast Nedam continues to take many measures to ensure the appropriate control of safety risks. Safety trainings are provided to maintain a high level of safety awareness. Managers are also trained specifically in how to deal with their example-setting role. Various HSE officers are appointed in the business and/or projects to execute safety audits to provide the necessary clarity and implement improvements. Throughout the year the Group's safety programme are reinforced. Further details of the control measures for safety in the chain can be found in paragraph 3.3.4.

Project

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

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

- tender gate procedures
- an enhanced risk policy, including risk profile monitoring
- inclusion of indexation clauses in contracts (particularly with regard to labour and material prices)
- standardised procurement process and ICT to support the best purchase of services at the best economic prices and quality
- continuous education and training of staff
- clearly worded contract clauses with regard to risks, obligations and responsibilities of the contract parties
- implementation of proven technology in various aspects (i.e. project methodology to avoid mishaps as well as present ICT solutions)
- a strict project monitoring system
- an increase in stronger partnerships with the Group's partners and subcontractors
- back-to-back transfer of the Group's risks to its suppliers and subcontractors.

ICT

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

The main examples of the various control measures are:

- the Code for Information Security (an international standard for information security in organisations which Ballast Nedam adheres to)

- authentication access measures
- firewall technology for access from the Internet
- specific access portals requiring a combination of username and password
- management software for mobile hardware to erase devices remotely
- introduction of a new (role-based) access control procedure
- regular internal publications to increase (cyber) security awareness within the organisation
- audits to identify deficiencies

Claims and legal proceedings

Companies operating in the construction industry are involved in discussions about the financial settlement of construction projects, including contract variations, extension time and the quality level of the work. In some cases, these discussions end up in court and in arbitral proceedings.

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

3.4.4 Compliance and integrity risks

Upholding and promoting a solid level of integrity is key. Insufficient control can, amongst other things, lead to reputational damage, significant fines and criminal prosecution. Compliance relates to complying with legislation, regulations as well as corporate values. Managing these risks is a high priority because they have a direct impact on the reputation and integrity of the Group.

It is common practice in the construction and infrastructure sector to work on a large scale with staff and subcontractors who are only temporarily present on a project, or are self-employed. When outsourcing activities and using temporary staff, the main contractor is subject to specific laws and regulations, including the Foreign Employment Act (*Wet Arbeid Vreemdelingen (WAV)*) and Chain Liability Act (*Wet Ketenaansprakelijkheid (WKA)*). This is also reflected in the specific Ballast Nedam Code of Conduct for Subcontractors and Suppliers ('Ballast Nedam CoC Subcontractors and Suppliers').

Ballast Nedam integrates compliance into all aspects of our business activities. Fair, compliant, behaviour is safeguarded as much as possible by giving employees clear guidelines, by providing an accessible compliance organisation with supporting processes, reporting systems and a compliance office. Various measures are in place to prevent compliance risks, including a decentralised team of compliance officers who are aware of compliance risks and easy to approach for the employees of Ballast Nedam, the Ballast Nedam Code of Conduct (*BeNWiser*) and related sub-codes, managerial regulations that explicitly include an obligation to comply with applicable legislation and regulations, an internal authorisation matrix, a third-party screening process, a gift & invitations registration process, and an internal reporting policy/Speak Up line.

Risks in relation to third parties abroad

When working abroad or in joint venture or partner structures, taking local culture, laws and risks of that specific country or the other partner into account requires additional attention and a project-based risk assessment. Working abroad also means incidentally working with agents and consultancy companies. This brings certain (corruption) risks, which Ballast Nedam mitigates by having an agent procedure implemented (including a 'Know Your Customer' procedure) and agent agreements which clearly state what is expected from agents and how they should act in accordance with the Ballast Nedam Code of Conduct.

OECD and ILO principles

Ballast Nedam works in accordance with the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (MNE) and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work and obliges our subcontractors and suppliers to comply with these guidelines and principles as well, as laid down in the Ballast Nedam CoC Subcontractors and Suppliers. This means that the Group and its suppliers and subcontractors, among other things, do not discriminate, do work in accordance with applicable laws and regulations concerning remuneration and working hours and do not make use of child labour and forced labour. In-house departments, including Legal, Human Resources, Procurement, Finance,

and Compliance have an important role in monitoring compliance with the relevant laws and regulations.

General Data Protection

General Data Protection regulation is something within Ballast Nedam we take seriously, to be able to safeguard people's privacy.

We commit to guarantee the safety of the data privacy of all our stakeholders. Awareness of the importance of safeguarding privacy is created within the organisation by distributing several documents and organising trainings about data privacy which are available on the intranet and website of Ballast Nedam. The code of conduct "BeNWijs", the Code of Conduct ICT facilities, Privacy policy, privacy statement, introduction training and the compliance e-learning are some examples.

Access to our ICT systems and technical infrastructure follow strict protocols set up by our ICT department. While using ICT facilities, it is mandatory to use them according to the Code Of Conduct ICT facilities.

Data breaches

Ballast Nedam has a data breach protocol in accordance with General Data Protection legislation. This document describes the procedure used for (the presumption of) a security or data breach within Ballast Nedam. This also accounts for (the presumption of) a security or data breach that took place outside Ballast Nedam but for which Ballast Nedam still bears responsibility (as a 'controller').

Chapter 4

Corporate Governance



Everyone has the potential
to be a strong leader

4. Corporate Governance

4.1 Management and control structure

4.1.1 Introduction

Ballast Nedam has been inspired by the principles of the Dutch Corporate Governance Code (the Code) in structuring its corporate governance framework, including its articles of association and regulations of its internal bodies. The company applies the Code as much as possible to the extent we believe this to be feasible, desirable and applicable.⁷

The company has a Supervisory Board and a Board of Management. The Board of Management requires Supervisory Board approval for certain important decisions. The Board of Management also requires the approval of the General Meeting for, amongst other things, important changes in the identity or character of the company or the business. The remuneration of members of the Supervisory Board (if any) and the Board of Management is commensurate with their term of office. See note 10.6.32 for further details. Further details on the company's corporate bodies can be found below.

4.1.2 Managerial structure

Ballast Nedam's managerial structure is composed of four divisions: Ballast Nedam Construction, Ballast Nedam Development, Ballast Nedam Industriebouw and Ballast Nedam Concessions, see paragraph 1.1.2 Organisational structure for more information. The divisions are subdivided into several business units, representing their specific capabilities or regional presence. In addition, Ballast Nedam's organisation includes several shared services that support the various business units, such as Health, Safety and Environment (HSE), Quality Assurance and Quality Control (QAQC), Human Resources, Insurance, Legal, CSR and Compliance.

Ballast Nedam's legal structure differs slightly from the managerial structure. The Construction division does not have a holding company as such, but consists of two holding entities: Ballast Nedam Bouw & Ontwikkeling Holding B.V. and Ballast Nedam Infra Corporate B.V. Therefore, Ballast Nedam N.V.'s main direct subsidiaries are:

- Ballast Nedam Bouw & Ontwikkeling Holding B.V. and Ballast Nedam Infra Corporate B.V.: the two holding companies of the Ballast Nedam Construction division
- Ballast Nedam Development Holding B.V.: the holding company of the Development division
- Ballast Nedam Industriebouw B.V.: the holding company of the Industriebouw division
- Ballast Nedam Concessies B.V.: the holding company of the Concessions division

Each holding company has several direct and indirect subsidiaries, joint operations, associates and joint ventures. For more information about the direct and indirect subsidiaries, please see paragraph 10.6.2 for an 'Overview of joint operations' and paragraph 10.6.32 for an 'Overview of associates and joint ventures'. A full list of the subsidiaries included in the consolidation has been filed with the Trade Register at the offices of the Dutch Chamber of Commerce in Utrecht.

4.1.3 Board of Management

The Board of Management manages the company and is responsible for the Group's objectives, strategy and policy and the consequent results. It considers the interests of the company and its stakeholders when adopting its resolutions, as well as the impact of its decisions on natural and social capital. In its meetings the Board has often discussed material corporate social responsibility matters when discussing certain topics. These include the consequences or considerations of its decisions on safety, human capital, the environment and other matters. In 2020 continuous attention was also given to the COVID-19 situation and its implications for Ballast Nedam.

The General Meeting appoints members of the Board of Management, whether or not upon a nomination by the Supervisory Board. Also, the General Meeting may suspend or dismiss members of

⁷ As Ballast Nedam is not listed, it is not obliged to report on any non-compliance with or deviations from the Code and therefore does not do so in this annual report or elsewhere.

the Board of Management. In case it intends to remove a member of the Board of Management from office, the General Meeting will enable such member to account for himself to the General Meeting.

The Board of Management Regulations contain further rules on the allocation of tasks and working methods of the Board of Management and on its dealings with the Supervisory Board, the General Meeting, the Central Works Council and the independent auditor. These regulations can be found at www.ballast-nedam.com.

The Board of Management consists of a group of six individuals. From April to October 2020, the Board of Management had a seventh member, Mr J.H.A. Vaags (1961), who was responsible for the business units Ballast Nedam Building Projects and Ballast Nedam Zuid, because of his knowledge of the Dutch construction and real estate market. With a high level of involvement, Ballast Nedam was under the control of and guided by the members of the Board of Management during the past year to improve the company's operational processes, productivity and main focus themes. The composition of the Board of Management is as follows:

C. Düzyol (Chairman)

Mr Cenk Düzyol was born in 1971. He is a Turkish national. Mr Düzyol has been Chairman of the Board of Management of Ballast Nedam since 1 June 2016. In this position his focus is primarily directed towards the follow up of Ballast Nedam's strategy, large construction projects, client relations and cooperation with Rönesans and other companies within the Group. Mr Düzyol joined Rönesans in 1999 and was previously CEO of Renaissance Construction Russia (2005-2015), a board member of Rönesans Holding A.Ş. (2016-2018) and has been a board member of Renaissance Construction Russia since 2015 and the Chairman of the board of Renaissance Construction Russia since 2020. In 1994, Mr Düzyol completed his degree in civil engineering at the Technical University of Istanbul. He was first appointed to the Board of Management for a four-year term on 20 November 2015. On 20 June 2018, the term was converted to an indefinite term of office.

A.K. Sağlam (Chief Executive Officer)

Mr. Kemal Sağlam was born in 1978. He is a Turkish national and resident of the Netherlands. Mr Sağlam was appointed Chief Executive Officer of Ballast Nedam's Construction division as of 1 September 2019 and Chief Executive Officer of Ballast Nedam N.V. as of 7 August 2020. He is responsible for the operations of all the business units within Construction, the organisation of departments as well as the establishment of new markets in line with Ballast Nedam's strategy. Mr. Sağlam joined Rönesans in 2008 and worked in various positions within Renaissance Construction Russia until 2013. After that, he took roles within Rönesans Energy as well as holding positions in departments in Turkey. Before his appointment to Ballast Nedam, he was CEO and board member of Rönesans Healthcare Facilities Management Company and a board member of Heitkamp Ingenieur und Kraftwerksbau GmbH. He is an electrical-electronics engineer, graduated from the Middle East Technical University in 1999, and completed his MBA degree in 2001. On 2 March 2020, the General Meeting appointed Mr Sağlam to the Board of Management for an indefinite term of office.

S.R. Lefevre

Mr Sander Lefevre was born in 1973. He is a Dutch national. As a member of the Board of Management, Mr Lefevre primarily focuses on construction and infrastructure activities. He has held several management positions within Ballast Nedam since 2006, including Director of Ballast Nedam Infra. After completing his education at the Delft University of Technology, Mr Lefevre began his career in 1998 as project manager at Royal HaskoningDHV. Mr Lefevre was first appointed to the Board of Management for a four-year term on 17 May 2016. On 19 March 2020, the term was converted to an indefinite term of office.

O.P. Padberg

Mr Olav Padberg was born in 1972. He is a Dutch national. Within the Board of Management, Mr Padberg is responsible for, amongst other things, all HR, compliance, insurance and legal matters concerning Ballast Nedam as a whole. In addition, he is also responsible for the business unit of Precast. Mr Padberg started his career at Ballast Nedam in 2007. In 2011, he was appointed Legal Director of Ballast Nedam N.V and Compliance Officer of the Ballast Nedam Pension Fund. Mr Padberg received his master's degree in law from Erasmus University Rotterdam. In the General Meeting of 23 June 2017, Mr Padberg was appointed to the Board of Management for an indefinite term of office.

Ö. Canbař

Mr Özgür Canbař was born in 1973. He is a Turkish national. As a member of the Board of Management, Mr Canbař is jointly responsible for Ballast Nedam's strategy. Within the Board of Management, he is responsible for the Development and Concessions divisions. Mr Canbař graduated from the Mechanical Engineering Department of the Istanbul Technical University in 1995 and received his MBA from Koc University in 1997. Mr Canbař worked in corporate and investment banking with Deutsche Bank in its Istanbul, London and Singapore offices between 1998 and 2009. Mr Canbař joined Rönesans in 2009. He serves as a board member at Rönesans Holding A.ř. and several other companies within the Rönesans Group. In the General Meeting of 23 June 2017, Mr Canbař was appointed to the Board of Management for an indefinite term of office.

H. Koçak (Chief Financial Officer)

Mr Hayrettin Koçak was born in 1981. He is a Turkish national and resident of the Netherlands. Mr Koçak was appointed Chief Financial Officer (CFO) as of 2 January 2017. He focuses on finance matters insofar as they relate to Ballast Nedam as a whole, with the financial control, financial services and internal audit departments reporting to him. Moreover, Mr Koçak has been CFO of the Construction division since 2016. Before joining Ballast Nedam, Mr Koçak was the CFO of Renaissance Construction Russia. He received his degree in economics from the Middle East Technical University in Ankara in 2004. In the General Meeting of 23 June 2017, Mr Koçak was appointed to the Board of Management for an indefinite term of office.

4.1.4 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 keeping the interests of Ballast Nedam N.V. and the associated business in mind. The Supervisory Board has a minimum of three seats, and consists of five members: Ms İ. Ilıcak Kayaalp, Mr E. Baki, Mr P.R.H.M. van der Linden, Mr K. Arslan and Mr A. Oral. Mr Oral acceded to the Supervisory Board as member on 23 October 2020.

Mrs İ. Ilıcak Kayaalp (Chairperson)

Mrs İpek Ilıcak Kayaalp was born in 1978. She is a Turkish national. After working in the private sector as a finance professional, she joined the family business to add her experience and knowledge in 2006 as the Head of Treasury. She has been the Chairperson of the Board of Directors of Rönesans Holding A.ř. since 2014. She also is a member of the governing bodies of various subsidiaries of the Rönesans Group and the Rönesans Education Foundation. She was first appointed to the Supervisory Board of Ballast Nedam in 2015 for a four-year term, which was extended in November 2019. Her current term of office ends on 20 November 2023.

Mr E. Baki

Mr Emre Baki was born in 1975. He is a Turkish national. Mr Baki joined Rönesans in 2006 and is a member of the governing bodies of various subsidiaries of Rönesans Holding A.ř. Mr Baki was appointed to the Supervisory Board of Ballast Nedam in 2015 for a four-year term, which was extended in November 2019. His current term of office ends on 20 November 2023.

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

Mr René van der Linden was born in 1943. He is a Dutch national. Mr Van der Linden has extensive political experience and was a member of the First Chamber of the Dutch parliament (1999-2015) and its chairman (2009-2011). He is currently a member of the supervisory board of GarantiBank N.V., a member of the supervisory board of Eureko Sigorta and holds various other positions at for profit and non-profit organisations. Mr Van der Linden was appointed to the Supervisory Board of Ballast Nedam on 26 February 2018, initially for a two-year term, which was subsequently extended. His current term of office ends on 26 February 2022.

Mr K. Arslan

Mr Kaan Arslan was born in 1966. He is a Turkish national. Mr Arslan began his career at Interbank and he assumed different roles and branch manager in this bank between 1990 and 1998. After working as Vice President of corporate and commercial banking at Bayındır Bank from 1998 to 2001, he acted as Executive Vice President of Ziraat Bankası for corporate and commercial banking between 2001 and 2003. He was Vice-President for Turkish Capital Markets in Global Securities and

Raymond James between 2003 and 2005 and then became Vice President for Finansbank in Private Banking from 2005 to 2010. In 2010 he joined Rönesans Holding A.Ş. and has been a member of the Board of Directors at Rönesans Holding A.Ş. since 2010. Mr. Arslan was appointed to the Supervisory Board of Ballast Nedam on 8 February 2019. His current term of office ends on 20 November 2023.

Mr A. Oral

Mr Aykut Oral was born in 1974. He is a Dutch national. Mr Oral joined Rönesans in 2015 and is a member of the governing bodies of various subsidiaries of Rönesans Holding A.Ş. Mr Oral was appointed to the Supervisory Board of Ballast Nedam on 23 October 2020. His current term of office ends on 20 November 2023.

Audit Committee

The Supervisory Board, within its field of responsibilities, established an Audit Committee which prepares Supervisory Board decision-making and advises the Supervisory Board on certain topics.

4.1.5 General Meeting

Rönesans Holding A.Ş., via Renaissance Construction B.V. as direct shareholder, has control of and holds 100% of the shares in Ballast Nedam N.V.

4.2 Independent statutory auditor

The Audit Committee and the Supervisory Board were involved in the selection of the 2020 statutory auditor. The General Meeting granted an engagement to PricewaterhouseCoopers Accountants N.V. to conduct an audit of the 2020 financial statements of the company. PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in Turkey has audited Rönesans Holding A.Ş.'s 2020 annual financial statements.

The external auditor also attended the meetings of the Audit Committee and the Supervisory Board at which the annual figures were discussed and attended several other meetings of the Audit Committee and the Supervisory Board. The external auditor reports to the Supervisory Board and the Board of Management and ultimately addresses the auditor's opinion to the General Meeting. PricewaterhouseCoopers Accountants N.V. will attend the next Annual General Meeting in which the 2020 financial statements will be discussed.

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

Nieuwegein, 18 March 2021

Board of Management,

C. Düzyol

A.K. Sağlam (appointed on 2 March 2020)

S.R. Lefevre

H. Koçak

Ö. Canbaş

O.P. Padberg

Chapter 5

Supervisory Board



Supervision

serves as a quality measure

5. Supervisory Board

5.1 Report of the Supervisory Board

The Supervisory Board discussed financial developments during its meetings in 2020. It also reviewed operations within the Group and market trends, using the various management reports and other information as input. Memoranda from the Board of Management were also discussed at the meetings, as were Board of Management decisions requiring the Supervisory Board's approval. Moreover, the Supervisory Board was also kept updated by email and granted approvals for matters in writing. Major subjects in which the Supervisory Board was frequently involved or which the Supervisory Board discussed include the development of financial figures compared to the business plan, compliance, the status of major ongoing and potential projects, COVID-19 developments and material corporate social responsibility matters, which include the consequences or considerations of its decisions on safety, human capital, the environment and other matters. For example, the Supervisory Board highlighted the importance of the health and safety of the Group's employees in the light of COVID-19 and the measures to be taken to protect employees at our various offices and worksites. It also encouraged the sharing of knowledge and know-how in this respect with Rönesans Holding.

As part of its supervisory duties, the Supervisory Board gives consideration to the achievement of the corporate objectives, the strategy and risks, the purpose and performance of internal risk control, financial reporting and compliance with legislation and regulations.

Financial reporting was discussed at the Audit Committee meetings in 2020. The Audit Committee discussed internal control and financial reporting with the Chief Financial Officer. In addition, the Supervisory Board discussed interim financial figures, the annual financial statements and results of the statutory audit, matters on which the Audit Committee provided advice.

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

5.1.1 The Audit Committee

Mr Baki and Mr Oral are the members of the Audit Committee

The Audit Committee acquired relevant knowledge and experience of financial matters via various input prepared by, amongst others, the Board of Management, the Chief Financial Officer, the Chief Compliance Officer and the company's internal audit function. The Audit Committee held several meetings in 2020. The independent auditors were present at most of those meetings.

The subjects the Audit Committee discussed at its meetings include:

- the selection of the independent auditor
- the half-yearly and annual financial information
- the Annual Report
- the reports and recommendations of the independent auditor
- compliance.

The Audit Committee and the Supervisory Board discussed the findings of the independent auditor, the interim observations for 2020 and the follow-up to the findings with the independent auditor.

5.1.2 Supervision of quality assurance in procedures and financial reporting: internal audit function

An internal audit department was established in 2016 and since then has been closely involved in improvements of the internal controls over financial reporting and has participated in Audit Committee meetings.

5.2 Financial statements and recommendation to the General Meeting

The Supervisory Board submits the Annual Report for the 2020 financial year to the General Meeting, 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 PricewaterhouseCoopers Accountants N.V. The Supervisory Board recommends adopting the financial statements and requests discharge be granted to the members of the Board of Management and of the Supervisory Board for their management and supervision respectively in 2020.

Nieuwegein, 18 March 2021

Supervisory Board,

İ. Ilıcak Kayaalp

E. Baki

P.R.H.M. van der Linden

K. Arslan

A. Oral (appointed on 23 October 2020)

Chapter 6

Health, Safety and the Environment



Safety

is our license to operate

6. Health, Safety and the Environment

6.1 Introduction

It is our obligation to provide a safe working environment for all employees working at Ballast Nedam. We aspire to be an injury-free Ballast Nedam. This is why it is important to be aware of the life-critical activities and eliminate or reduce safety risks to the maximum possible extent.

6.2 Safety strategy

Steps for improving safety do not happen on their own. The Board of Management of Ballast Nedam requests a firmer commitment to safety from everyone. This starts with developing a renewed safety vision and safety improvement strategy.

As a basis for this new safety vision and safety improvement strategy, DEKRA was asked to conduct an independent safety awareness audit in 2020. DEKRA reported a clear gap analysis and improvement recommendations on safety. These recommendations in combination with Rönensans Holding proven safety strategy formed the starting point for a renewed safety vision and specific Health, Safety and Environment (HSE) improvements throughout the entire organisation.

6.3 Safety vision

At Ballast Nedam, working safely is of primary importance at all times. Because health is the essence of our existence and because we believe that working safely is one of the pillars on which a healthy organisation rests. We care for each other, that is why safety is essential in every step we take.

We are committed to working safely and ensuring safety together. This applies to everyone: from designers to site supervisors, from planners to construction site employees, from managers to crane operators. Quality work and safety go hand in hand. From the tender and the design to execution and completion. Safety and good performance go hand in hand.

When it comes to safety, everyone has a role to play. We are required to keep a sharp eye on our different roles in assuring safety. In every phase of the project. Regardless of where people work or in which role within the process. Each individual is best placed to assess and control the risks associated with his or her own task. And to act accordingly. At Ballast Nedam we call this: taking 'your leadership in safety'.

6.4 Target value for 2020

Ballast Nedam has set a firm commitment to accelerate improvements in safe working in the construction industry where we apply and adapt international standards and best practices from our parent company Rönensans. The IF target ratio set for 2020 aimed for an injury frequency ratio IF lower than 4.5. The IF ratio is based on the number of lost time accidents, per one million worked hours, suffered by employees and hired staff, including subcontractors.

6.5 Results

The overall injury frequency (IF) for 2020 was 5.03 (2019⁸: 7.22, 2018: 5.42). The overall figure is the IF for all employees, direct hires and subcontractors. Ballast Nedam will continue to make every effort to reduce the number of accidents with a more intensive approach towards our own employees and our partners and subcontractors.

The IF ratio is based on the number of lost time accidents, per one million worked hours, including employees, subcontractors and hired staff. In 2020 there has been a decrease in the IF ratio where the absolute number of lost time incidents have been reduced from 59 in 2019 to 46. The Board of Management has decided to take effective actions to enforce a further decrease in the number of lost time injuries and create a steep downward trend by implementing a culture of care.

⁸ Note: Correction IF based on subcontractor hours. Miscalculated in 2019 and therefore the 2019 figures have been altered from 4,67 to 7,22.

It is Ballast Nedam's aim to substantially reduce the number of incidents on its projects, to be able to achieve our 2025 target of an IF ratio <1.0, being in line with the safety strategy of Rönésans Holding, and the ambition to become one of the leading companies on safety in the Dutch and international construction industry.

In 2020, Ballast Nedam had no fatal accidents. We regretfully had one permanent disability, which was related to a Ballast Nedam employee that got stuck between a concrete-wooden façade panel that fell over on top of the employee. In general, the severity of lost time injuries decreased in 2020.

In 2020, no severe environmental incidents were reported. Throughout 2020 all incidents were thoroughly investigated by root cause analysis after which measures were taken to prevent such accidents from happening again.

6.6 Safety initiatives in 2020

In 2020, the following safety initiatives were implemented:

- Performance of an independent safety awareness audit by DEKRA
- Definition and implementation of an HSE action plan based on the DEKRA recommendations
- Definition of a renewed Ballast Nedam safety vision and safety improvement strategy
- Restructuring of the HSE management system according to ISO 45001 and aligned with Rönésans Holding's HSE management system
- Institution of an explicit role of HSE officers to verify and assure the implementation of COVID-19 measures according to Ballast Nedam COVID-19 policy
- Increase in the ratio of HSE officers per number of workers on construction sites
- Implementation of structural incident investigation by root cause analysis for all incidents
- Implementation of high potential incident analysis
- Renewal of digital incident management support tools
- Design of a renewed safety communication campaign to increase safety awareness
- Preparation for level 3 SCL (Safety Culture Ladder) for all Ballast Nedam business units

The safety initiatives have been implemented with a high degree of satisfaction and will continuously be monitored on their effectiveness.

6.7 HSE action plan

Improving safety means creating a safer, more open and healthier working environment and together making a stronger commitment to prioritise safety. It also means no more serious accidents and drastically reducing the number of (lost time) injuries. Improving safety needs an approach that focuses on the entire process, from tender to delivery.

Therefore a structural approach by implementing an HSE action plan with yearly improvements with all elements in need of improvement are indicated and outlined in time throughout the year and in line with the DEKRA audit recommendations. This to make safety more visible for everyone and to create an increased awareness of safety and in general of the risks associated with the work. Ballast Nedam has successfully implemented the targeted HSE plan of 2020. Safety improvement sprints are initiated centrally from the Group's corporate HSE team and in all business units separately where appropriate and will continue in 2021.

6.8 Leadership, commitment and responsibility

Incidents and accidents have major impact for those directly involved, but also for families and colleagues. Our employees can therefore count on an employer that takes a safe work environment seriously. The world around us attaches great importance to that too. Our clients increasingly choose their contractors on the basis of safety and society expects companies to take responsibility in public spaces.

Within Ballast Nedam we firmly believe that everyone should feel responsible for safety that comes with his or her own role. A further increase in leadership and commitment at senior and middle management levels, being the leading example, and being fully responsible for safety, is important to take the next steps in further improving safety.

As a result of this leadership, commitment and responsibility, Ballast Nedam successfully received a renewed certificate for health, safety and environmental related norms ISO14001, ISO 45001 and VCA (Veiligheid Checklist Aannemers) in 2020.

6.9 Safety in the supply chain

Ballast Nedam makes no distinction between our own employees and any of the employees of our partners, subcontractors and suppliers with regard to working safely. At construction sites, the Group urges all personnel, including subcontractors, to either work safely or to not work at all. We encourage everyone to work safely by applying the policy in full in our projects. This means that the Group engages in a dialogue with all employees working on our sites and at the same time supervises compliance with the safety standards as agreed in the safety policy and risk assessments.

6.10 Governance Code: 'Safety in the Construction Industry'

To ensure that the safety culture in the broadest sense improves, a number of leading construction companies, including Ballast Nedam, and clients (construction, road/water/rail infrastructure and installation technology) have joined forces. Together they established the Governance Code for 'Safety in the Construction Industry'.

These initiators established common principles and core values in the field of safety by harmonising working methods and by harmonising instruments. This involves the entire supply chain. Ballast Nedam actively participates in the Governance Code for Safety in the Construction Industry.

The following national initiatives were taken or continued in 2020 derived from the Governance Code on Safety in the Construction Industry:

- knowledge-sharing of accidents and best practices
- implementation of a generic gate instruction for construction projects (GPI)
- implementation of harmonised working methods for reversing protection for rolling equipment
- collaboration with ISZW, Ministry of Social Affairs on their internal investigation on safety
- organising a safety day: *Bewust Veilig Dag*
- having (digital) safety breakfasts.

Chapter 7

Corporate Social Responsibility (CSR)



Every individual
can take little steps to improve

7. Corporate Social Responsibility (CSR)

7.1 Introduction

Ballast Nedam works with great dedication on ensuring a future-proof living environment. This can be small-scale assignments or large complex projects, in the Netherlands and abroad. By realising infrastructure and developing real estate assets, the company makes an important contribution to society. Ballast Nedam realises that these activities have an impact on the local environment and takes its responsibility seriously to minimise negative effects.

The CSR policy concentrates on safety, sustainability, social responsibility, and Digital Transformation and Innovation. Safety is discussed in chapter 6, Sustainability will be discussed in chapter 8, emphasizing environmental targets and results. In chapter 9 Digital Transformation and Innovation is further elaborated. This chapter is structured by its main social responsibility themes human resources & social return, business ethics & integrity and stakeholder management.

7.2 Commitments

In 2020 Ballast Nedam pledged itself to two new commitments:

1. Paris Proof Commitment
2. De Groene Koers

1. Paris Proof Commitment

Ballast Nedam is a proud signatory to the Paris Proof Commitment of the Dutch Green Building Council (DGBC). The Paris Proof Commitment asks the government to standardise buildings on actual energy consumption, instead of the currently used energy labels. In this way, the Paris climate objectives for the built environment can be achieved more quickly.

In addition to the commitment to the Paris Proof Commitment, organisations have promised to take specific steps within their own organisation. This way Ballast Nedam is committed to the ambitious target of reducing energy consumption in the built environment by two-thirds in 2040. The construction sites of our construction companies will be CO₂ neutral in 2030.

2. De Groene Koers

In 2020, Ballast Nedam joined De Groene Koers. De Groene Koers is a platform for a diverse number of organisations related to the construction and infrastructure sector. Ballast Nedam endorses the platform's ambition to reduce emissions from mobile equipment. The aim is to have an emission-free sector in 2030. By working with innovations and sharing knowledge, it aims to make an active contribution to the reduction of CO₂, NO_x and particulate matter on construction sites. These emissions come from the combustion engines of construction machines.

Besides these two new commitments, Ballast Nedam continued its commitment in 2020 to the following:

- United Nations Sustainable Development Goals (SDGs)
- IFC Environmental and Social Performance Standards
- Considerate Contractors Standard (*Bewuste Bouwers*)
- Safety in Construction Governance Code (*Governance Code Veiligheid in de Bouw*, GCVB, see paragraph 6.10)
- CO₂ Performance Ladder (CO₂ Awareness Certificate Level 5)
- ISO 14001, international standard for an environmental management system
- Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises
- International Labour Organisation (ILO) Declaration of Fundamental Principles and Rights at Work.

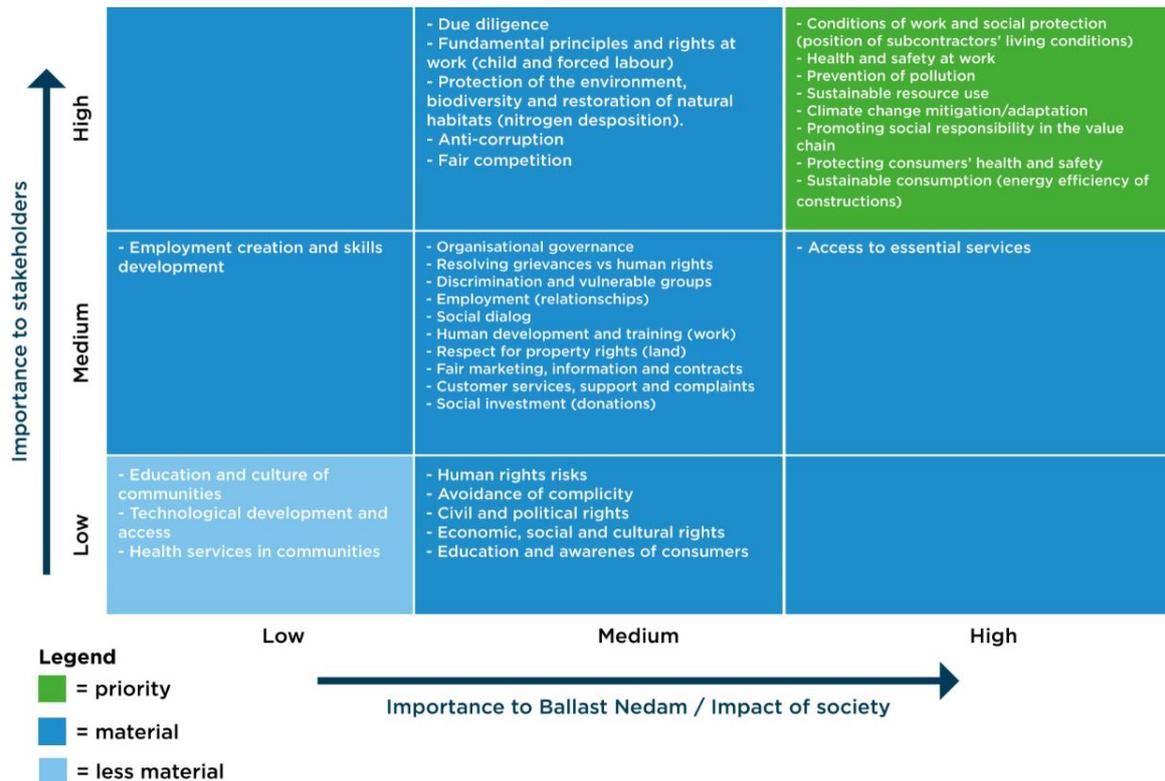
7.3 Stakeholder and materiality analysis

In a materiality analysis, the issues that are most significant to the organisation and stakeholders are identified, selected and prioritised.

For Ballast Nedam’s CSR materiality analysis, a number of stakeholders were selected to be approached for an interview. The methodology as set out in NPR 9026 for the ISO 26000 self-declaration was used for the approach to the materiality analysis. The material aspects were determined in line with the 37 issues (criteria) of ISO 26000 in the area of corporate social responsibility.

The results of the materiality analysis are set out in the table below.

Figure 4: Materiality matrix



The table displays the most important issues to Ballast Nedam and its impact on society in relation to the perceived importance to stakeholders. All the issues in the green area are the most significant. Only the combination 'low/low' is considered 'less material'; less significant.

7.4 Sustainable Development Goals (SDGs) and IFC

During the process of determining materiality of the stakeholder analysis, much attention was given to the 'why' – the ambitious target or the social issue to which Ballast Nedam wishes to make a contribution. Through its CSR policy, based on the Sustainable Development Goals (SDGs), Ballast Nedam is contributing to society.

Our main motivation is to contribute to the following:

- Good health and well-being (SDG 3)
- Responsible consumption and production (SDG 12)
- Industry, innovation and infrastructure (SDG 9)

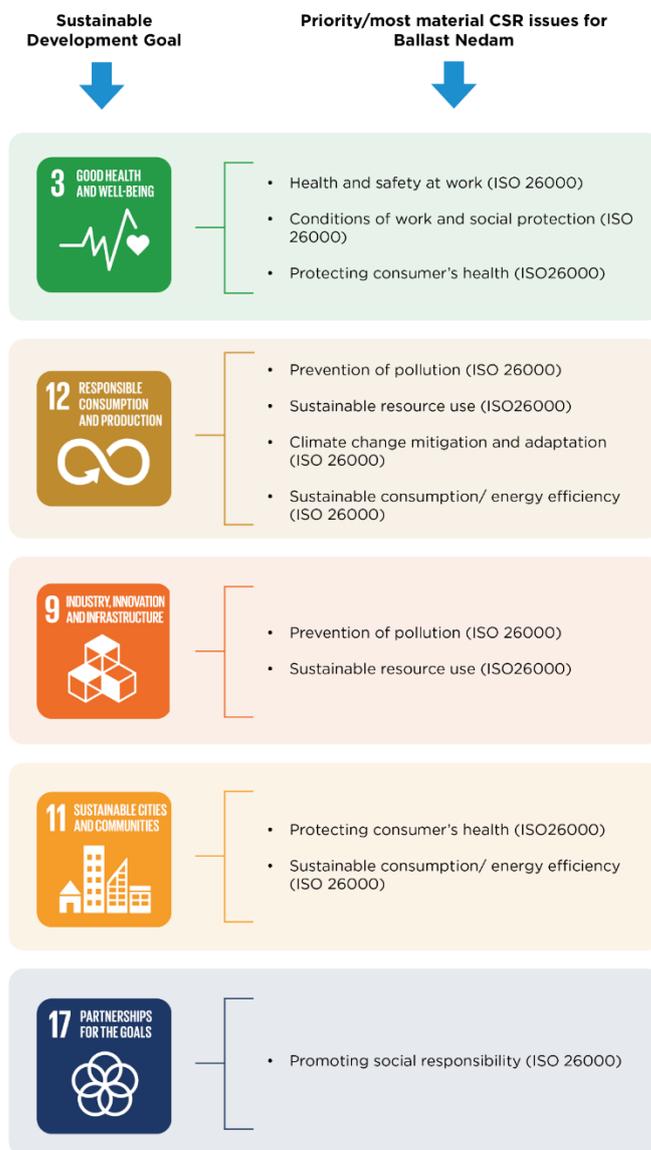
With these goals we want to contribute to:

- Sustainable cities and communities (SDG 11)

And we cannot achieve this without:

- Partners (SDG 17)

Figure 5: Sustainable Development Goals



For Ballast Nedam's international projects, the following IFC Performance Standards (PS) are also important.

- Community health, safety and security (PS4)
- Land acquisition and involuntary resettlement (PS5)
- Biodiversity conservation / sustainable management of living natural resources (PS6)
- Indigenous peoples / cultural heritage (PS7)

7.5 Main CSR Themes for Ballast Nedam

On the basis of the stakeholder and materiality analyses performed, the main CSR themes (focus areas) for Ballast Nedam were formulated. Even though integrity did not emerge as a priority during the stakeholder analysis, Ballast Nedam has decided to leave this as one of the important themes. The themes for the coming years:

- Safety, including health and well-being
- Social responsibility, including good employment practice, social return, integrity and stakeholder management
- Sustainability
- Digital Transformation & Innovation

7.6 Social responsibility

7.6.1 Introduction

As construction and development company, Ballast Nedam is aware of the social responsibilities we have towards our employees, clients, suppliers, partners, communities, other stakeholders and of course the environment. Accountability and transparency are corner stones of our socially responsible behaviour.

The focus of this chapter is on environment management, human resources aspects, compliance and integrity.

7.6.2 Community management

Community management is widely implemented at Ballast Nedam and contributes greatly to the further development of the trust of our clients and stakeholders in Ballast Nedam.

Important elements of community management are:

- Implementing professional community management during the tender, design and execution phases of our projects.
- Reducing nuisance during projects and apply good communication with local residents about construction and traffic nuisance during our projects.
- Coordinating permit applications during the project preparation phase while looking at aspects such as ecology, biodiversity and archaeology.
- Preparing and moving cables and ducts from external stakeholders, so the construction of our projects can continue as planned.

A good example that the approach works are the compliments of our client for the efficient collaboration and successful opening of the Gaasperdammertunnel. The Gaasperdammertunnel was built in the densely populated district of Amsterdam Southeast where approximately 87,000 people live. Many external parties are involved in the construction of the Gaasperdammertunnel, such as ProRail, Waternet and the Municipality of Amsterdam. In addition, there are parties such as the Amsterdam ArenA (Johan Cruyff ArenA), IKEA, the Amsterdam UMC (Academic Hospital Amsterdam) for whom accessibility for customers, employees, visitors and/or patients was essential during the construction phases of the tunnel.

Community management is important for every project that Ballast Nedam works on, whether it is in the city or in the countryside.

Since 2010, Ballast Nedam has been affiliated with Considerate Contractors (Bewuste Bouwers) and is even one of the initiators. The foundation drew up a code of conduct to continuously improve the quality of construction sites and their reputation. The code of conduct is based on five pillars on which projects will be assessed:

- Neighbourhood - to limit nuisance and nuisance perception for the environment
- Safety – to contribute to ensuring safety on the construction site and focus in particular on the environment of the construction site.
- Professionals – to pay attention to the development, safety, health and welfare of construction site employees and takes these topics into account in all communications with non-native speakers.
- Environment – to work in an environmentally-conscious manner
- Organised – to work neatly.

Ballast Nedam registers all projects above € 2,000,000 and every inner-city project above € 500,000 and a minimum duration of more than three months in the Netherlands.

In 2020, 57 projects were registered with Bewuste Bouwers. Despite COVID-19 measures, it was still possible to visit projects. In total 13 projects were assessed and 14 projects received a 'mystery guest'.

7.7 Good Employment Practices

Ballast Nedam is committed to ensuring a healthy, safe and motivating working environment for all employees. This is the cornerstone of Ballast Nedam's HR policy and is fully supported by Rönasans Holding.

7.7.1 Human capital vision

Human capital is pivotal for the enduring success of our company. As a reflection of our company values, we continuously seek out and stimulate true professionalism in our employees. It is based on the assumption that curiosity and trust foster competence, commitment and control that in turn are the key ingredients for our success as a company. We believe that by providing a safe environment with many opportunities to continuously learn and grow, our employees will feel empowered and engaged to conquer professional challenges and actively facilitated in their careers and employability.

We take pride in our entrepreneurial spirit and continue to be an employer of choice by living our values, executing challenging projects, and providing excellent employment and career opportunities.

7.7.2 Our people

We focus on attracting and retaining aspiring, highly skilled and seasoned professionals who identify with our mission and our company values and are attracted to work on the innovative, sustainable and often landmark projects that we deliver.

Despite the COVID-19 distancing measures and, in general, a lower tendency in the industry to switch jobs, we successfully attracted many new employees to join the organisation in 2020. These new hires predominantly replaced employees leaving the company or retiring. The total headcount increased slightly by 3%. Still we encounter challenges to meet the specific demands of the business. Certainly carpenters, work preparators and technical calculators are difficult to find.

Therefore Ballast Nedam regards internships and apprenticeships as an excellent way of providing an opportunity to scholars and students to learn and get to know the industry. It creates a talent pool of young professionals, many of whom started their career at Ballast Nedam or join later in their career. We have pushed to provide as many internships as possible to support young people in their education in this difficult year, being mindful of our social responsibility. The number of internships exceeded 2019's figures and our initial goal for 2020 of 100, with 122 scholars and students having started.

With just over 5%, voluntary attrition has been fairly low in all business units, although we saw a slight increase at the end of the year. After years in which we restructured the company, only small adjustments in the organisation and formation of business units were made in 2020 with very limited consequences for the employees concerned.

It is key to retain employees in the right mix for the continuity of our business. Apart from the day-to-day work, consistent attention is given to performance and development. This is reflected in the number of training hours and career moves within the organisation.

Providing opportunities for internships, personal development and careers is essential, especially with the scarcity in the market for both operational and technical supporting jobs.

7.7.3 Productivity

Productivity was continuously good during 2020 despite the COVID-19 situation and related measures taken from early March onwards. Working from home has been stimulated and supported by providing sufficient means, where appropriate.

At project locations and offices, measures aligned with the RIVM and Bouwend Nederland protocols have been deployed to ensure a safe working place. The working place, quarantine situations and contaminations have been monitored closely, to see the effect of measures taken and to be able to follow up on (probable) contaminations directly and to mitigate risks.

On average 20% of the total population worked from home, knowing work on projects for the most part had to be continued on site. In total 147 COVID-19 cases have been recorded, including subcontractors working at our projects. For the majority of cases, infection was related to a situation in the individuals' private lives. Non-productivity as a result of COVID-19 has been managed to a minimum.

7.7.4 Healthy working environment

At Ballast Nedam we believe that corporate social responsibility is of our essence. It is reflected in the sustainable buildings and infra projects we deliver, in the way we build our teams and how we provide a healthy, safe and motivating working environment for all employees.

In 2020, in response to COVID-19, we focused on providing a healthy working environment even more than before. The impact of COVID-19 on the organisation has been limited overall, thanks to the constant focus in all business units on the wellbeing of employees and the clear measures taken. Specific attention was given to support employees in their functional and social-emotional needs, e.g. by coaching, counselling and COVID-proof team events. Sick leave figures have been effected by COVID-19. The rolling average figure for 2020 was 4.7% versus 4.2% in 2019. This clearly reflects the impact of COVID-19, which increased towards the end of 2020.

Ballast Nedam aims to be an inclusive and diverse organisation. This is true when looking at the total of 23 nationalities that are represented in our population. Many employees have an international experience from all over the world. We actively look for people with an international mindset who know how to bridge (cultural) differences and have an appetite to learn from different perspectives.

When it comes to the presence of women in our population, we see a modest increase in the number of women over the years (+2% in 2020). As part of our goal to be inclusive, we support the goals set by the Dutch government to increase the male-female balance in general and in the management layers, board and advisory board. A target of 25% inflow of female employees is set for 2021 and following years to ensure the ratio of women increases further from the current 14%.

7.7.5 Social Return

Ballast Nedam actively engages in social return to create jobs for people with a distance from the labour market. Both the total hours and number of projects concerned have increased.

Social return was applied to a total of 31 projects in 2020. On certain projects it was a requirement from the client, but often we did it on a voluntary basis. On project Avenue 2 Maastricht, over 4,700 working hours were realised through social return staff. Positions in which they worked included construction site assistant, porter and carpenter.

For 2021 we will position and communicate our social return even more firmly. We will centrally monitor the progress of all our social return activities and adjust them whenever necessary. And we will further expand our knowledge database with social return indicators based on our experience to be used by e.g. tender teams for social return agreements with clients. In addition to the temporary placement of social return staff on our projects, we will also offer at least five individuals a social return employment contract. This inclusive approach allows committed workers to acquire work experience and facilitates their return to structural employment.

We will continue to commit to a healthy, safe and motivating working environment for all our employees. For 2021 we will further invest in recruitment, development and fair rewards and recognition. Also safety, both physical as well as psychological, will remain a focus, knowing that our employees are our key assets and vital for the continuity of our company.

7.8 Business ethics and integrity

Business ethics and integrity form an essential part in all of the Group's actions and in its relationships with its stakeholders. Ballast Nedam has a sound compliance programme which is focused on the risks most material to the Group and our stakeholders.

7.8.1 Culture

Ballast Nedam creates awareness among its employees that integrity and ethical behaviour starts with themselves and that everyone is responsible for doing the right thing, even when no one is watching. Ballast Nedam is convinced that this spirit leads to transparency and openness to address dilemmas. This not only protects our brand and reputation, it also benefits all stakeholders and enables the Group to achieve its mission to engage our clients and partners in a direct and open dialogue that will enable Ballast Nedam to jointly develop future-proof buildings and infrastructure. We are committed to this promise, and expect our employees, clients, partners, suppliers and subcontractors to demonstrate the same commitment.

7.8.2 Targets and results in business ethics and integrity

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

The Group applies a zero-tolerance policy, which means that we do not allow any behaviour or actions that can be considered unethical, a breach of integrity, or a breach of our values and norms as laid down in our Code of Conduct whether by our own employees or by third parties. By ongoing training and learning, awareness campaigns and stimulating discussion of dilemmas, the Group aims to keep all employees aware of the importance of fair and ethical behaviour. In addition, the Group has a new joiners' introduction/on-boarding training in compliance and ethics and requires all our new-joiners to complete the compliance e-learning. The Code of Conduct and underlying sub-codes can be found on the intranet and website of Ballast Nedam and therefore are available for all staff, suppliers and subcontractors and other stakeholders to ensure that everyone operates according to the same principles.

Ballast Nedam considers queries, complaints, reports or investigations on possible incidents or breaches as tools to measure effectiveness of our compliance and integrity framework. For this reason, Ballast Nedam has an internal reporting policy in place, an external Speak Up line, and a gifts & invitations registration tool.

Ballast Nedam takes every report seriously and will take appropriate actions and measures, and aims to have every report dealt with within 48 hours. In 2020, there were several individual investigations that were dealt with and completed on an individual case-by-case basis, and no legal action was taken concerning corruption or anti-competitive behaviour.

7.8.3 Compliance within the organisation

Within the Group, the central control of compliance is assigned to the Chief Compliance Officer, who reports directly and on a regular basis to the Board of Management, the Supervisory Board and the Audit Committee. On a decentralised basis, the compliance officers in Ballast Nedam's business units and in our projects are actively engaged and contribute to ensuring that the day-to-day business is in line with our compliance programme.

7.8.4 Third-party and transaction screening

The Group operates an on-boarding screening of third parties using a Central Suppliers and Subcontractors Database. A supplier or subcontractor is – before being accepted – screened for credit rating and compliance risk qualification purposes and monitored on a periodic basis. For this purpose, an external vendor and automated online application is used. For screenings resulting in a negative advice and/or high-risk category, an escalation process is followed and may lead to denial of a party or acceptance subject to mitigating measures.

Chapter 8

Sustainability



We commit ourselves
to a sustainable environment

8. Sustainability

8.1 Introduction

Sustainability is an important focus point for Ballast Nedam. As already mentioned, we embrace the Sustainable Development Goals of the United Nations, which form the basis of our CSR strategy and KPIs. In addition, we rely on the IFC Environmental and Social Performance Standards of the World Bank.

This paragraph describes our targets and achievements of the past year and how we have reported these.

8.2 Sustainability targets and achievements

8.2.1 Energy and CO₂

Ballast Nedam carefully examines the energy requirements in the entire lifecycle in the development of any new products, buildings or areas: from development and construction to management and maintenance.

Strategy

Ballast Nedam's energy policy aims to ensure that our operations become more energy-efficient and sustainable over the coming years. Choices made in the built-up environment also have a significant environmental impact – not only during construction, but also for decades afterwards.

Ballast Nedam has already more than achieved our target of a 30% reduction in CO₂ emissions in 2020 compared to 2008, with a reduction of 57.4% in 2019. In 2019 we therefore set a target of 56% CO₂ reduction for 2030 with 2019 as the base year. This new objective relates to Ballast Nedam's own CO₂ emissions (Scopes 1 and 2) resulting from energy use at our offices, at our construction and production sites and for mobility. However, at the end of 2020 we decided to play a more progressive role in reducing CO₂ emissions. The new 2030 targets are:

- Scope 1 (natural gas, diesel and other fuels) is a 100% reduction in CO₂ emissions compared to 2019.
- Scope 2 (electricity, district heating and air traffic) is to become completely CO₂ neutral in 2030 (i.e. 100% reduction in CO₂ emissions).
- The total reduction target for 2030 for Scopes 1 and 2 together is 100% compared to 2019.

The following measures should be adopted in order to achieve this target:

- Purchasing 100% green electricity from 2021 for all Ballast Nedam connections
- Offsetting the CO₂ emissions for our flights
- Fully electric vehicle fleet in 2030
- CO₂-neutral company vans in 2030
- Using equipment that causes zero CO₂ emissions as much as possible
- Realising a CO₂-neutral construction site in 2023 and full CO₂ neutrality on all our construction sites in 2030.

Anywhere where full CO₂ neutrality is still not possible in 2030 (e.g. for heavy equipment), this will be offset.

Targets and results 2020 related to energy and reduction in CO₂ emissions

In 2020, Ballast Nedam achieved a 10% reduction in CO₂ emissions compared to the reference year 2019. The relative reduction for Scope 1 and Scope 2 is 0% and 38% respectively. We have succeeded in our reduction targets. This is due to the initiatives taken in projects, the consumption of green electricity and the decrease in the amount of commuter traffic and the number of flight movements. Due to COVID-19 measures, many employees worked from home, which caused an additional reduction of CO₂ emissions for mobility and office.

The promoted consumption of green electricity (guarantee-of-origin certificates for wind power of the Netherlands) resulted in the total consumption of 77,9% green electricity, 84,8% of our offices and 75,9% of the building sites in 2020.

Overview of reduction in CO₂ emissions

	Results 2019	Base year 2019 (*)	Objectives 2020	Results 2020	Objectives 2021
CO ₂ footprint (Dutch activities Scopes 1 and 2 in tonnes)	19,311	19,311		18,880	
- CO ₂ footprint (Dutch activities Scope 1 in tonnes)	13,747	13,747		15,346	
- CO ₂ footprint (Dutch activities Scope 2 in tonnes)	5,564	5,564		3,534	
Revenue from Dutch activities (€ millions)	839	839		911	
CO ₂ emissions (tonnes) per € million of revenue	23.0	23.0	22.5	20,7**	21.2
Percentage relative to reference year	42,6%	100%	98%	90,0%	92%
Reduction relative to reference year	57,4%		2%	10,0%**	8%
Percentage of green electricity related to the total amount of electricity purchased.			75%	77,9%	100%

(*) We have set 2019 as the new reference year for our long-term objective for 2030

(**) The result has been influenced by COVID-19 measures

Mobility

The CO₂ emissions for Mobility fell sharply in 2020 due to COVID-19 with 24% in total. The largest contribution comes from flight movements with a reduction of 67% and fuel consumption has also decreased by almost 10%, despite an increase in the number of cars of 4,3%.

Ballast Nedam started using the first series of fully electric cars as well as the first hybrid business buses in 2020. In 2021 a next batch of our car fleet will be replaced by electric cars. Also, we started a pilot for the use of the mobility cards for all types of (public) transport. These measures will contribute to a significant reduction in CO₂ emissions. Over the coming years the organisation will focus on further reduction of CO₂ emissions coming from our own vehicles.

Construction sites

The CO₂ emissions on the projects increased by 15.4%. This can be partly explained by an increase in revenue by 8.4% and in addition, the increase is entirely due to the BAAK project due to the large amount of fuel purchased, partly also for the consumption of our subcontractors.

The target which has been set within Ballast Nedam is a CO₂ neutral construction site by 2030. We will achieve this by investing in sustainable site cabins and equipment and working on new initiatives together with our partners on projects within De Groene Koers. To make our equipment more sustainable, a roadmap has been drawn that focuses on the electrification of our equipment or the use of hydrotreated vegetable oil (HVO) fuels for machines where electrification is not yet possible and have at least the newest engine that conforms with the Stage V standard. Together with our partners in De Groene Koers, we are working on initiatives to also make this heavier equipment more sustainable.

In 2020 Ballast Nedam invested in cleaner mobile equipment for example for Ballast Nedam Road Specialties in the newest Stage V asphalt machines and in a new electric self-erecting crane for Ballast Nedam Industriebouw and two new electric tower cranes for Ballast Nedam Materieel. For site cabins, Ballast Nedam invested in more sustainable units with high insulation, double glazing, light sensors, LED fixtures and for cooling and heating we use a sustainable heat pump. Of all the units, 17% have now been divested and replaced by these new more sustainable units. This will be continued in the coming years.

For example, three of these units were installed at the project Tuinbuurt Vrijlandt. 24 solar panels were installed on top of these units, with a capacity of 7200 Wp, to generate enough power to keep the unit running. In this way, we contribute to our ambition to realise a completely energy-neutral building process. Tuinbuurt Vrijlandt is a sustainable area development in Rotterdam. Ballast Nedam Development is developing a neighbourhood fit for the 21st century, but still with the charm of the past:

spacious and light homes in an environment that is energy-neutral, circular and bio-diversified. In September 2020, Ballast Nedam Road Specialties started to make this project ready for construction.

Production sites

Per million turnover, the CO₂ emissions from our production locations, Haitsma Beton and HOCO Beton have remained the same. Thanks to the solar panel roof that was realized at the end of 2020, Haitsma will be able to partly meet its own electricity needs in 2020 and CO₂ emissions are expected to drop significantly.

Offices

Despite the increase in the number of offices with a few smaller regional offices, gas and electricity consumption decreased slightly. This decrease is probably entirely attributable to COVID / 19 and the associated much lower office occupancy.

CO₂ in the Ballast Nedam supply chain

Ballast Nedam is certified at level 5, the highest (best performing) level of the CO₂ Performance Ladder. We are expanding our insight into CO₂ emissions from Scopes 1 and 2 to Scope 3, to identify opportunities for reduction of CO₂ emissions in the supply chain.

The environmental impact of services and products in the Group's supply chain (Scope 3, purchase and sale of services and products) is determined on the basis of a lifecycle analysis (LCA). As a result, we become more aware of the influence we have on the supply chain, of possibilities to use this influence for reduction of CO₂ emissions and of how we can work together with supply chain partners. We can use the insight we collect to support the sustainable ambitions of our clients.

Specific project LCAs were made by the projects in 2020 and Ballast Nedam's aim is to perform more LCAs together with our suppliers/subcontractors for even more products. After all, energy savings will not be achieved by focusing only on the organisation's own consumption. We will need to work together with the supply chains in which Ballast Nedam is active to find ways to bring consumption down.

CO₂ footprint measurement system and verification

In its CO₂ 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 and flight movements) of the Dutch operations. The criteria have been established in accordance with the Greenhouse Gas Protocol – Revised edition and Handboek CO₂-Prestatieladder version 3.0 of SKAO. The Group uses the IFRS demarcation criteria, with participating interests of 50% or higher and consortia being proportionally included in the footprint. If any monthly consumption figures are not known, estimates are made at year-end based on the revenue trend. Ballast Nedam calculates CO₂ emissions on the basis of the conversion factors in SKAO CO₂ Performance Ladder 3.0. The 2020 verification of the amount and scope of emissions was provided by the external audit company DNV GL.

Renewable energy

Ballast Nedam produces its own green energy on several locations in the Netherlands. We operate four wind turbines in the Zaanstad region and have solar energy panels on the roofs of the office locations of Haitsma, Heddes and office/warehouse of Ballast Nedam Materieeldienst. On the current PPP (Public Private Partnership) projects BAAK, IXAS and PI Zaanstad, Ballast Nedam integrated solar energy panels in the infrastructure and the buildings. Project development for more renewable energy is ongoing for scale up.

Ballast Nedam has always been one of the innovators in the market for adapting and developing "new" fuels. In particular, Ballast Nedam was one of the pioneers in the field of development and construction of CNG, LNG and hydrogen stations in the Netherlands. Due to the past experiences, and our knowledge and skills, Ballast Nedam Industriebouw is able to provide total solutions for hydrogen projects. Whether it is a hydrogen station or a production plant. Currently, Ballast Nedam Industriebouw is realising three hydrogen stations across the Netherlands and Belgium. In doing so, it contributes to accelerating the energy transition.

8.2.2 Waste, circularity and materials

Ballast Nedam has adopted a lifecycle approach to the use of materials. A circular economy is an economy without waste. In order to combat climate change and further depletion of natural resources, Ballast Nedam seeks to change its working methods. This means that we aim to develop our buildings and infrastructure so that all raw and other materials will soon be reusable, and that generating waste during the building/production stages will be prevented.

Strategy

The organisation considers waste to be a result of choices concerning design, purchasing and implementation. Ballast Nedam's policy aims to eliminate waste and apply circular materials. This will prevent unnecessary environmental costs, both now and in the future. Ballast Nedam's policy is:

- Waste-free building sites in 2030, focusing on eliminating plastic and other packaging materials for single use, aiming at PUR-free building and avoiding toxic substances. This not only concerns separating and properly disposing of waste, but also smarter design, procurement and implementation. Any residual products that may still occur must be fully offered for reuse or recycling.

- Build 50% circular in 2030. This means using renewable and/or secondary materials in order to prevent further depleting natural resources. Ballast Nedam plans to construct buildings where all the elements can be dismantled and reused where possible, but our preferred option is to build whole-life houses, so that buildings can be given different functions over time and will not need to be demolished or dismantled. Ballast Nedam is using the circularity ladder 7-R-model (the 7 steps of circularity to go through in order of importance); as shown in the figure on the right. It will also fight pollution by no longer using any toxic substances. Ballast Nedam will try to make everything it uses suitable for future reuse. Circularity is Ballast Nedam's motto and this is supported by tools such as Madaster and openBIM.



Ballast Nedam has been a member of Platform CB'23 since 2018. This platform connects construction-wide parties with circular ambitions, both in the civil engineering sector and in residential and non-residential construction. The aim is to draw up national, construction sector-wide agreements on circular construction before 2023. In 2020 Ballast Nedam actively participated in two working groups of CB'23: circular design and circular purchasing.

Targets and results 2020 related to waste, circularity and materials

Adopting the targets of waste free building sites in 2030 and building 50% circular in 2030, the numbers for 2020 show Ballast Nedam made significant progress:

- Waste segregation of 75.6% and a segregation including subsequent separation of 92.8%. With these, Ballast Nedam scored above the target of 70% and 92% respectively
- Application of 98.7% (per ton of asphalt) recycled material in the intermediate and sub-layers of asphalt, subdivided into 70% PR (partial recycling) and 28.7% thermally cleaned aggregate (crushed stone and sand)
- Reuse of 65% asphalt in top layers of new asphalt
- Fully developed one project with a 50% lower MPG value than the 2020 standard

Initiatives regarding waste and recycling materials in the chain

A lot of waste arises because products are not supplied precisely to size or because materials are used only once. Ballast Nedam therefore engages in a dialogue with suppliers and subcontractors concerning packaging materials that have a major impact in order to assess whether the project could be conducted differently. This leads, for example, to initiatives, together with suppliers, to find alternatives for plastic packaging materials.

Another initiative is the reuse of recycled materials in our asphalt and concrete products. To enable high-quality reuse of released materials, we set up an operational Asphalt and Recycling Bank (ARB). The milling material is broken down in the ARB, stored separately and classified on the basis of several grades, type of crushed stone and type of bitumen. This method guarantees the quality of the building materials, which means that we apply top layers with a higher percentage (65%) of reuse. The quality of the PR (partial recycling) material is also guaranteed at the ARB, so that the quality of this material in the new mixtures can also be guaranteed.

Thanks to this high-quality recycling, we are able to use asphalt with a high percentage of recycled aggregates in both the top layer and the underlayment. We are currently able to apply 98.7% (per ton of asphalt) recycled material in the intermediate and sub-layers subdivided into 70% PR and 28.7% thermally cleaned aggregate (crushed stone and sand). In 2022 we will be using 100% circular asphalt.

New targets

Ballast Nedam aims to continue actively working with circularity. New targets for 2023 are:

- The percentage of construction and demolition waste (CDW) is a measure of the extent to which waste is separated on the construction site. A target separation rate should be set for each division or project. The target (KPI) for Ballast Nedam as a whole is a separation rate of 73% (100% minus CDW and commercial waste) on the construction site and 94% including subsequent separation. The percentage may vary from one project to another and depends on the materials used (or required), the space available on the construction site and the scope of the activities
- Zero plastic packaging materials at building sites and office locations in 2030
- Ballast Nedam puts circularity into practice by:
 - developing one project with a 50% lower MPG value than the 2021 standard
 - realising a circularity index of 50% in 2030
- 100% of the applied wood is certified and comes from sustainably managed forests.
- Reducing the use of toxic substances

8.3 Way of reporting

At Ballast Nedam, we believe we have to reflect on our performance continuously, to make adjustments, develop new opportunities and implement new ways of working.

In 2020, business unit management and the Board of Management were actively involved in the discussion of the CSR policy including sustainability. CSR data was discussed quarterly. Both predictive and current figures were discussed, so that adjustments could be made when required. Also presentations were given about current CSR topics to create awareness and a shared sense of urgency.

To comply with reporting according to the IFC Environmental and Social Performance Standards, numbers and additional information were provided to Rönnesans Holding.

Chapter 9

Digital transformation & Innovation



Innovation
as catalyst for ambitions

9. Digital Transformation & Innovation

9.1 Introduction

Digital emerging technologies are transforming our lives in ways that were unimaginable even a decade ago. Digitalisation is also transforming the construction industry, by providing more added value for our customers. As Ballast Nedam we will make faster and better decisions, reduce costs and improve our processes because of digital transformation and innovation. We will create competitive advantage and add value to the way we design, build and manage assets.

We are at a tipping point of exponential technological advancement. In the coming years, the internet of things will consist of a trillion sensors, all generating and sharing data. Machine learning and artificial intelligence are no longer science fiction; they are already automating and optimising operations business-wise and in our private lives. They have the potential to even redefine the construction industry and its business model.

But digital transformation is about more than technology. It is also a cultural change, about people, organisations, processes and agile ways of working. With the focus on our digital and innovation journey, we need to make changes and improvements for the following features:

- Digitalisation & Integration internal and external processes
- Digitalisation of our products and services
- Add value by ecosystems of partners
- Decisions are based on data
- Agile continuous innovation in fast cycles
- IT more involved in business innovation
- IT at the heart of the business process
- Usage of emerging technology and solutions

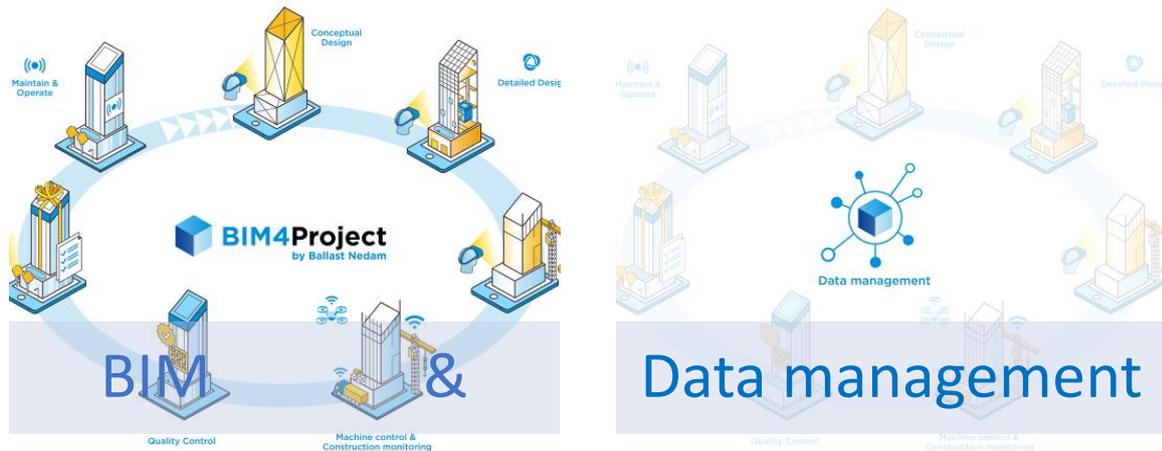
Ballast Nedam is developing into a more digital enterprise that is able to implement other (additional) business models. Business models that can realise customer experience better, making use of those technical innovations that represent progressive competitive advantage.

9.2 Achievements in 2020

In 2020 we focused more and more on implementing our BIM4Project approach. BIM has acquired a stable place in our building process. From the moment the first drawing is made, the emphasis is on smart data capture so all parties involved can work integrally together. BIM continues to play a crucial role during the entire cycle of construction and maintenance of every building and infrastructure project. This way we increase efficiency and lower failure costs.

Ballast Nedam distinguishes itself with our BIM4Project approach. The BIM4Project is the collective name of four sub-areas in the project in which BIM is successfully applied: BIM2Design, BIM2Construct, BIM2Field and BIM2Operate. For each project, we examine which components we use for a tender, work in progress or the management and maintenance phase. But the merging of the various phases and the interim data structuring are disciplines that Ballast Nedam masters like no other.

Figure 6, BIM4Project and Data management



In 2020 we maintained our leading position to work according to our BSI Kitemark for BIM based on the ISO 19650. With this ISO certification, Ballast Nedam Building Projects increases its transparency, efficiency and quality in projects and processes. All working methods of already existing processes for collecting, filtering and executing information are thus digitised and standardised.



With our project A24 Blankenburgverbinding, we won the GEOBIM2020 Award, for the category of Excellence in Roads and Highways. The committee chose the A24 Blankenburgverbinding project for its exemplary use of BIM and allied technologies and the benefits accrued. GEOBIM Awards recognise exemplary practices of technological excellence in architecture, engineering and construction. The early adopters of digital technologies are leading the digital transformation and paving the way for accelerated digitalisation of this sector.

Ballast Nedam was frontrunner for a new Dutch national BIM protocol for Infra: BIM base Infra. The BIM-Loket is adopting this initiative, with 81 major Dutch partners (also Rijkswaterstaat) in January 2020. This will start to set a new standard in how we exchange our BIM models.

Ballast Nedam is also a major player in the Digital Engineering Community in which leading design & construction contractors are collaborating on automated design processes in a way that is new in the engineering market. The first app has been launched and three new apps will follow in 2021.

9.3 The near future

In 2021 we will appoint a Digital Transformation & Innovation director who will accelerate and further shape the digital transformation and innovations within our company, and their impact on our current business processes. This step is entirely in line with our ambition to grow further as an innovative construction and development company.

Chapter 10

Consolidated Financial Statements



10. Consolidated Financial Statements

10.1 Consolidated statement of financial position

Amounts expressed in thousands of euro (€)

Assets	Notes	31 December 2020	31 December 2019
Current Assets		542,589	594,352
Cash and cash equivalents	10.6.3	219,960	201,020
Trade receivables	10.6.4	92,497	130,593
Other short-term receivables	10.6.5	84,857	92,189
Inventories	10.6.6	79,206	90,435
Short-term prepaid expenses	10.6.7	21,779	31,488
Contract assets	10.6.8	44,290	38,873
Assets classified as held for sale	10.6.9	-	9,754
Non-Current Assets		152,268	131,377
Other long-term receivables	10.6.32	5,027	-
Investments accounted for using the equity method	10.6.10	23,588	18,898
Investment property	10.6.11	47,190	44,540
Property, plants and equipment	10.6.12	36,923	37,635
Right of use assets	10.6.13	18,735	17,059
Intangible assets	10.6.14	5,882	5,901
Deferred tax assets	10.6.22	13,913	4,364
Other non-current assets	10.6.15	1,010	2,980
TOTAL ASSETS		694,857	725,729

Amounts expressed in thousands of euro (€)

Liabilities	Notes	31 December 2020	31 December 2019
Current Liabilities		414,252	469,445
Current portion of long-term borrowings	10.6.16	13,300	24,800
Lease liabilities	10.6.13	7,184	4,481
Trade payables	10.6.17	177,100	176,910
Other short-term payables	10.6.18	38,826	28,721
Contract liabilities	10.6.8	121,019	145,349
Payables for employee benefits	10.6.19	6,891	7,073
Short-term provisions		28,508	40,131
<i>Provision related to employee benefits</i>	10.6.19	2,921	3,373
<i>Other short-term provisions</i>	10.6.20	25,587	36,758
Other short-term liabilities	10.6.21	21,424	23,327
Liabilities directly associated with assets classified as held for sale	10.6.9	-	18,653
Non-Current Liabilities		113,187	179,152
Long-term borrowings	10.6.16	88,500	156,473
Lease liabilities	10.6.13	11,949	12,940
Other long-term payables		3,150	-
Long-term provisions		9,588	9,739
<i>Provision related to employee benefits</i>	10.6.19	2,124	2,129
<i>Other long-term provisions</i>	10.6.20	7,464	7,610
Shareholders' equity	10.6.23	167,418	77,132
Equity attributable to owners of the parent		166,934	76,722
<i>Paid in capital</i>		2,203	2,203
<i>Share premium</i>		393,870	333,870
<i>Accumulated losses</i>		(235,241)	(266,878)
<i>Other reserves</i>		8,578	9,285
<i>Other accumulated comprehensive income / loss to be reclassified in profit or loss</i>		(2,476)	(1,758)
Non-controlling interest		484	410
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		694,857	725,729

10.2 Consolidated statement of profit and loss

Amounts expressed in thousands of euro (€)

	Notes	1 January- 31 December 2020	1 January- 31 December 2019
Revenue	10.6.24	947,617	874,138
Cost of revenue	10.6.25	(901,101)	(856,305)
Gross Profit		46,516	17,833
General administrative expenses	10.6.26	(29,556)	(24,749)
Other operating income and (expense) from main activities	10.6.27	1,675	(2,461)
Fair value (losses) and gains from investment property	10.6.11	(1,274)	2,755
Operating result		17,361	(6,622)
Share of investments valued using equity method profit	10.6.10	9,354	18,272
Result before finance expenses		26,715	11,650
Financing income	10.6.28	1,049	1,043
Financing expenses	10.6.28	(5,938)	(3,986)
Result for taxation		21,826	8,707
Current income tax expenses	10.6.29	(225)	(288)
Deferred income tax	10.6.22	9,506	4,364
Net result for the year		31,107	12,783
Attributable to:			
Non-controlling interest		177	89
Owners of the parent		30,930	12,694
Net result for the year		31,107	12,783

10.3 Consolidated statement of comprehensive income

Amounts expressed in thousands of euro (€)

	1 January – 31 December 2020	1 January – 31 December 2019
Net result for the year	31,107	12,783
Other comprehensive (expense) / income, net of tax to be reclassified to profit & loss in subsequent periods		
Foreign currency translation reserve	(329)	213
Share of other comprehensive expense of investments accounted for using the equity method	(431)	(834)
Other comprehensive expense for the period, net of tax	(760)	(621)
Total comprehensive income for the period	30,347	12,162
Attributable to:		
Owners of the parent	30,212	12,079
Non-controlling interest	135	83
Total comprehensive income for the period	30,347	12,162

The other comprehensive expense does not include tax (2019: € nil thousand).

10.4 Consolidated statement of changes in equity

Amounts expressed in thousands of euro (€)

	Paid in capital	Share Premium	Currency translation reserve	Other reserve	Accumulated losses	Non-controlling Interest	Total
Opening balance 1 January 2019	2,203	333,870	152	5,235	(276,817)	79	64,722
Net result for the year	-	-	-	-	12,694	89	12,783
Change in currency translation reserve	-	-	219	-	-	(6)	213
Change in legal reserve	-	-	-	(834)	-	-	(834)
Other comprehensive expense	-	-	219	(834)	-	(6)	(621)
Total comprehensive income	-	-	219	(834)	12,694	83	12,162
Share capital	-	-	-	-	-	248	248
Fair value change investment property	-	-	-	2,755	(2,755)	-	-
Closing balance 31 December 2019	2,203	333,870	371	7,156	(266,878)	410	77,132
Opening balance 1 January 2020	2,203	333,870	371	7,156	(266,878)	410	77,132
Net result for the year	-	-	-	-	30,930	177	31,107
Change in currency translation reserve	-	-	(287)	-	-	(42)	(329)
Change in legal reserve	-	-	-	(431)	-	-	(431)
Other comprehensive expense	-	-	(287)	(431)	-	(42)	(760)
Total comprehensive income	-	-	(287)	(431)	30,930	135	30,347
Share premium in cash	-	60,000	-	-	-	-	60,000
Fair value change investment property	-	-	-	(707)	707	-	-
Disposal	-	-	-	-	-	(61)	(61)
Closing balance 31 December 2020	2,203	393,870	84	6,018	(235,241)	484	167,418

For further details on shareholders' equity please see note 10.6.23.

10.5 Consolidated statement of cashflows

Notes	1 January – 31 December 2020	1 January - 31 December 2019
Amounts expressed in thousands of euro (€')		
Cashflow from operating activities		
Net result for the year	31,107	12,783
Adjustments to reconcile net result		
Depreciation and amortisation of non-current assets	10.6.12,13,14 14,049	13,061
Impairment tangible assets	10.6.12 291	-
(Loss) / Profit arising from change in fair value of investment properties	10.6.11 707	(2,755)
Interest expense	10.6.28 3,423	2,426
(Gains) / Loss on disposal of property, plant and equipment and intangible assets	10.6.12,14 (1,653)	(2,461)
Gain on disposal investment accounted for using the equity method	(1,895)	-
Income tax credit	10.6.29 (9,281)	(4,076)
Share in profit of investments valued using equity method	10.6.10 (9,354)	(18,272)
Adjustment related to provisions (non-cash)	10.6.20 3,447	6,482
Other losses	683	411
Movements in working capital		
Movement in inventories	10.6.6 11,065	16,964
Decrease/(Increase) due to customers under construction contracts	10.6.8 (36,124)	21,066
Decrease/(Increase) in receivables	10.6.4 41,101	(52,278)
Decrease/(Increase) in prepaid expenses	10.6.7 9,709	(10,275)
Increase in other current liabilities	2,643	58,969
Movement in (short-term) provisions and employee benefits	10.6.19 (866)	(4,363)
Movement in (short-term) warranty and other provisions (utilisation)	10.6.20 (5,972)	(1,563)
Income taxes paid	10.6.29 (225)	(251)
Net cash from operating activities	52,855	35,868
Cashflow from investing activities		
Intangible assets		
Investments	10.6.14 (584)	(629)
Acquisitions	10.6.32 -	(3,213)
income from disposals	-	627
Property, plants and equipment		
Investments	10.6.12 (8,064)	(9,794)
Acquisitions	10.6.32 (11)	(65)
income from disposals	4,085	5,030
Financial assets		
Investments	(11,610)	(1,155)
Disposal	7,375	-
Dividend received	9,318	12,439
Interest received	10.6.28 4,578	4,009
Investment property	10.6.11 (3,357)	-
Net cash from investing activities	1,730	7,249
Cashflow from financing activities		
Interest paid	10.6.28 (8,001)	(6,435)
Proceeds from borrowings	10.6.16 26,500	31,126
Repayments of borrowings	10.6.16 (105,973)	(6,016)
Lease payments	10.6.13 (8,171)	(6,964)
Capital contribution sole shareholder	10.6.23 60,000	-
Net cash from financing activities	(35,645)	11,711
Net cash change	18,940	54,828
Cash at the beginning of the year	201,020	146,192
Cash at the end of the year	219,960	201,020

10.6 Notes to the consolidated financial statements

10.6.1 Organisation and operations of Ballast Nedam

Ballast Nedam N.V. (the 'company') is incorporated and domiciled in the Netherlands. The company's corporate seat is Nieuwegein, the Netherlands, its registered office is at Ringwade 71, Nieuwegein, the Netherlands, and it is registered in the Dutch Trade Register under number 33201106. The immediate parent company is Renaissance Construction B.V. and the ultimate parent company is Rönesans Holding A.Ş., Turkey.

The consolidated financial statements of Ballast Nedam N.V. for the 2020 financial year comprise the parent company Ballast Nedam N.V. and its subsidiaries ('Ballast Nedam' or the 'Group') and Ballast Nedam's interest in associates and joint operations.

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

10.6.2 Basis of presentation of the consolidated financial statements

Basis of preparation

These consolidated financial statements have been prepared in accordance with and comply with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, as far as applicable. The financial statements are prepared on a going concern basis.

The financial statements were authorised for issue by the Board of Management on 18 March 2021. The financial statements were approved and adopted by the General Meeting on 18 March 2021. With reference to the income statement of the company, use has been made of the exemption pursuant to Section 2:402 of the Dutch Civil Code.

Basis of measurement and presentation

The consolidated financial statements have been prepared under the historical cost convention, unless stated otherwise. Exceptions include investment property measured at fair value and assets held for sale measured at fair value less costs to sell.

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

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

Assets and liabilities of foreign activities, including goodwill and fair value adjustments arising on acquisitions, denominated in functional currencies other than the euro are translated to the functional currency in euro at the rates of exchange prevailing on the reporting date, with income statement items being translated at the rates approximating the rate of exchange on the transaction date (average rate for the reporting year). Translation differences resulting from the conversion of investments in these foreign activities and the differences between results translated at the average exchange rate during the year and the exchange rate prevailing on the reporting date, are recognised as a separate item in the consolidated statement of comprehensive income.

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

Financing, liquidity and going concern

The existing financing package, consisting of loan agreements with multiple financial institutions amounted to € 84.0 million and a project financing arrangement of € 17.8 million at year-end 2020 (2019: € 181.2 million). An amount of € 13.3 million will mature on or before 31 December 2021. The significant improvement in the total indebtedness of Ballast Nedam is the result of a voluntary early repayment of a loan amounting to € 75 million enabled by the health cash position of above € 200 million.

The solvency ratio reaches the level of our best performance years again and amounts to 24.1% (2019: 10.7%). This is the result of the net profit for the year and the share premium contribution of € 60.0 million by our parent company Renaissance Construction B.V., which once again shows the long term commitment of our ultimate shareholder Rönésans Holding A.S. and creates an excellent position for future expansion and investments.

Ballast Nedam's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Ballast Nedam controls the liquidity risk through weekly cashflow forecasting followed by adequate corrective measures and monitoring. The current cash surplus, strong solvency and the strengthened risk management activities, are expected to provide management with additional flexibility in its operations and execution of its business plans.

Ballast Nedam has access to bank guarantee and bonding facilities with various financial institutions and group companies. These facilities are long term. Periodically, a forecast is made of the use of the available guarantee facilities. The forecast is based on current tenders and expectations regarding the discharge of existing bank guarantees. Based on this access to guarantee facilities and forecasts, Ballast Nedam expects it will be able to issue guarantees in the ordinary course of business.

Critical accounting judgements and key sources of estimate uncertainty

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

Management judgements regarding the application of EU-IFRS, which have significant consequences for the financial statements and estimates involving an appreciable risk of material change in the following year, are disclosed in the notes. If changes in the accounting estimates are related to only one period, they are applied in the current year; if they are related to the future period, they are applied both in current and future periods. In the current period, Ballast Nedam has no significant changes to the accounting estimates.

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

Impact of COVID-19

The impact of COVID-19 on our financial performance until today has been limited. We were able to keep all our European construction sites operational. When necessary appropriate measures were taken to continue the logistic and works on the construction site including availability of materials and personnel. Fortunately, due to our policies and measures we managed to keep the number of contaminations within our company limited and under control.

Ballast Nedam is mainly operating in the Netherlands and until today the policies of the Dutch government enabled the construction sites to continue their operations. Although the recent availability of a vaccine the scale and duration of this pandemic or variation on this pandemic still remain uncertain and its unclear how the pandemic will influence macro-economic conditions and consumer confidence. The Board of Management strives to obtain the best possible information at all time to enable us to assess these risks and implement appropriate measures to respond. Further growth in

revenue is expected for 2021, provided the COVID-19 crisis is contained this year. The order book is stable and if we continue in the same way, we are confident that we can realise our business plans.

Contract revenue

The company's core activities include contracting and construction engineering services on various projects. If the company can demonstrate that a performance obligation is satisfied over time revenue is progressively recognised. The progress is measured based on the input method; contract costs incurred to date as a percentage of total forecast costs. Estimates are an inherent part of the assessment of the project results and actual outcome may deviate from these estimates, specifically for long-term construction contracts. The level of estimate and uncertainty increases in line with the following factors:

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

See also note 10.6.8, Contract assets and note 10.6.25, Costs of revenue.

The company manages these estimate uncertainties during the year based on experience and risk assessment models, including variance analysis. In 2020, the company continued investing in a number of more robust risk management activities for its more complex projects to enhance its estimate and assessment process. This included independent assessments from the management of the project, which assesses risks and their potential financial impact.

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

As mentioned above, when a project is in an early design or implementation stage, the estimate uncertainty is significantly higher. The Group calculates 'the remaining costs to complete on construction projects' through its internally developed projections. Factors such as escalations in material prices, labour costs and other costs are included in these projections based on best estimates as of the balance sheet dates. Any unanticipated escalation in the subsequent years will require the reassessment of the remaining costs. Due to changes in the scope of construction projects, time lag between the scope changes and costs incurred and realisation of these projects, there could be significant fluctuations in terms of estimated costs between years.

Financial claims that the company has pending against third parties are generally not capitalised unless it is highly probable that the amount in question will be paid. The claim assessment includes factors like the company's ability to influence the outcome, for example court or arbitration decisions, the experience with similar type of contract and the uncertainty about the claim is not expected to be resolved for a long period of time; Similarly, with insurance claims which are only capitalised when it is highly probable that the amount recognised will be reimbursed.

Due to the inherent uncertainty in project estimates the actual outcome in the upcoming years may deviate from the estimated financial result specifically for major and complex construction contracts.

Land positions

Land positions are acquired for future development purposes and are recognised at the lower of cost and net realisable value. The net realisable value depends on the expected manner and timing of realisation. The net realisable value is the estimated revenue in the normal course of business less the estimated costs of completion and selling. The future cashflows are estimated using scenario and sensitivity analyses. These scenario's include assumptions relating to the future market developments, decisions of governmental, provincial and municipal authorities and interest rates. The present value estimates are based on a discount rate of 7.2%, inflation has not been included for either revenues or costs, indices are only taken into account if contractually agreed and interest is not capitalised. Further explanation is disclosed in note 10.6.6 Inventories.

Investment properties

Investment properties are stated at fair value. An external, independent valuator having appropriately recognised professional qualifications values the investment property at least annually. The independent valuation report was obtained at year end 2020. The method to determine the fair value is the income capitalisation approach, with the discounted cash flow method used as a second, sense check calculation. The fair value measurement for investment properties has been categorised as a Level 3 fair value. In the valuation approach assumptions are included amongst others on estimated net rental income, investment requirements, inflation and discount rate. See further explanation in disclosed in note 10.6.11 Investment property.

Deferred tax

Considering the history of losses, deferred tax assets arising from cumulative tax losses can only be recognised to the extent that it is probable that future taxable amounts will be available to utilise these losses, in accordance with IAS 12. Management utilises judgement to decide the amount of deferred tax asset recognised due to accumulated losses. The estimates are based on Business Plan forecasts approved by the Board, that sufficient taxable profits will be available in the Netherlands that can be utilised towards realising the deferred asset. The forecasts are based on the Business Plan cycle 2021-2025, extrapolated using growth rates for revenue and profit that take external market data and historical performance into account. No specific tax planning opportunities have been taken into account. A deferred tax position is individually assessed by tax region. See further explanation disclosed in note 10.6.22 Deferred tax assets and liabilities.

Provisions

Provisions for doubtful receivables, onerous contracts, restructuring, warranties and associates and joint ventures are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. By their nature, provisions include uncertainty and 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 10.6.20.

Provisions for doubtful receivables are determined by applying the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Provisions for onerous contracts are recognized based on the assessment of integral contract costs compared to the total contract revenues. In determining if a contract is onerous, the interaction between loss-making performance obligations and profitable performance obligations is considered. Restructuring provisions include managements best estimate of the future outflow of cash related to the reorganisation plans communicated or implemented before end of the reporting period. The warranty provision represents the present value of the management's best estimate of the future outflow of cash that will be required under Ballast Nedam's warranty programme for construction contracts to resolve the deficiencies which appeared after delivery of the project. In determining the provision Ballast Nedam considers the risks and uncertainties of the underlying events and construction partners concerned.

Leases

Ballast Nedam has lease agreements for land and buildings, equipment and motor vehicles as disclosed in note 10.6.13. The lease terms in these agreements are negotiated on an individual basis and contain a wide range of different terms and conditions. Lease contracts are typically made for

fixed periods but may have extension options. These extension options are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. The lease liabilities are measured at the present value of the remaining lease payments, discounted using lessee's weighted average incremental borrowing rate. The weighted average incremental borrowing rate depends on the nature of the leased assets.

Adoption of the new and the revised International Financial Reporting Standards

Multiple amendments to existing standards and interpretations came into effect on 1 January 2020. Management analysed these amendments and concluded that the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Consolidation principles

Subsidiaries

Subsidiaries are entities in which Ballast Nedam directly or indirectly has control. Control exists if Ballast Nedam has power over the entity, is exposed or has rights to variable returns because of its involvement with the entity; and can use its power over the entity to affect the size of these returns. These subsidiaries are consolidated in full and minority interests and 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.

Predecessor accounting method is applied for acquisitions of subsidiaries under common control within Rönasans Group and interest in the group is prospectively recognised in the financial statements from the date of the transfer. Ballast Nedam recognises the net assets received at their carrying amounts, as reflected in the parent's financial statements.

Associates and joint ventures

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

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

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

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

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other

comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Joint operations

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

Elimination of transactions for consolidation purposes

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

Business combinations

Business combinations are accounted for using the acquisition method as at acquisition date, which is the date on which control is transferred to the company. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of the acquisition plus the recognised amount of any non-controlling interest in the acquiree. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Significant accounting policies

Cash and cash equivalents

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

Trade receivables, other short-term receivables and other non-current assets

Trade and other receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost less a provision for expected credit losses. In measuring the amount of the provision for expected credit

losses, Ballast Nedam made use of the simplified approach involving consistent recognition of an allowance at an amount equal to lifetime expected credit losses. To calculate the expected credit losses Ballast Nedam established a provision matrix which is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Contract assets and liabilities

Contract assets and liabilities are recognised at cost plus recognised profit (revenue) in proportion to the progress of fulfilling the performance obligation less invoice instalments. Interest is capitalised subject to meeting the conditions for capitalising finance expense. The cost of contract assets and liabilities includes directly attributable indirect costs on the basis of normal production capacity. If applicable the provision of foreseeable project losses are directly recognised as expenses in the period and are included in the other provisions (IFRS 15 requirement). In previous years foreseeable project losses were included in contract liabilities (work in progress credit).

On the balance sheet, the Group reports the net position of the performance obligation as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profit exceed progress billings; a contract represents a liability where the opposite is the case.

Preparatory expenses and design and construction costs on large projects (i.e. tendering costs) are included in the cost of contract assets and liabilities if and when Ballast Nedam becomes the sole bidder in contract negotiations. Any preparatory expenses prior to this phase are charged to the income statement. Tendering costs are expensed in the period in which they arise and are not subsequently capitalised if the project is contracted.

Inventories

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

Land positions are acquired for future development purposes and are recognised at the lower of cost and net realisable value. The net realisable value depends on the expected manner and timing of realisation. The net realisable value is the estimated revenue in the normal course of business less the estimated costs of completion and selling. The future cashflows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 7,2%. In principle these holdings are not 'in production' and development costs are consequently not capitalised. Interest is capitalised subject to meeting the conditions for capitalising finance expense and at the time the land position is actively developed. The associated costs are expensed. Planning permits and building permits are included in landholdings.

Residential units to be sold are stated at the lower of cost and net realisable value. Interest is capitalised subject to meeting the conditions for capitalising finance expense. The cost of residential building projects includes directly attributable indirect costs on the basis of normal production capacity. Residential units under development where the client has no option to specify structural elements in the design, and where there is continuous transfer of the significant risks and ownership, are recognised under inventories. The revenue and result of the residential units in development are therefore accounted for based on progress of completion which is comparable with revenue from contracts with clients.

Finished goods are measured at the lower of cost and net realisable value. The cost of finished goods is based on the first-in, first-out (FIFO) principle. The cost includes interest subject to meeting the conditions for capitalising finance expense. The cost of finished goods includes directly attributable indirect costs on the basis of normal production capacity.

Assets and liabilities held for sale and discontinued operations

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

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

A discontinued operation are components of Ballast Nedam's operations that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or a subsidiary that has been acquired solely for the purpose of resale. Classification as a discontinued operation occurs upon disposal, or when the operation meets the criteria for classification as held for sale, if earlier.

Investment properties

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

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

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

Investment property under development

Property that is being constructed for the future use as investment property is accounted for as investment property under development until construction or development is complete, at which time it is reclassified as investment property.

Investment properties under construction are stated at fair value, which reflects market conditions at the balance sheet date. The fair value is calculated as the present value of the estimated future cashflows discounted with the effective interest rate. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the year in which they arise.

Property, plant and equipment

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

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

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

Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset

for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, Ballast Nedam assess whether:

- the contract involves the use of an identified asset this may be specified explicitly or implicitly;
- the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- the supplier has a substantive substitution right, the asset is not identified;
- the company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
- the company has the right to direct use of the asset. The company concludes to have the right of use, when it is predetermined how and for what purpose the company will use the asset. The company has the right to direct use of asset if either:
 - the company has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate; or
 - the company designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

At inception or on reassessment of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component based on their relative stand-alone prices.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The company remeasures the right of use asset:

- after netting-off depreciation and reducing impairment losses from right of use asset; and
- adjusted for certain remeasurements of the lease liability recognised at the present value.

Ballast Nedam depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset and the end of the lease term. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. At the end of each reporting period, the company reviews if there is any indication for an impairment of right-of-use assets.

At the commencement date, the lease liability is recognised for an amount equal to the present value of the lease payments over the lease term. Lease liabilities include the net present value of the following lease payments, such as:

- fixed payments, less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

The lease liability is subsequently measured based on a process similar to the amortised cost method using the discount rate: the liability is increased by the accrued interests resulting from the discounting of the lease liability, at the beginning of the lease period and less payments made. The lease liability may be remeasured in the following situations:

- change in the lease term;
- modification related to the assessment of the reasonably certain nature (or not) of the exercise of an option;
- remeasurement linked to the residual value guarantees; and
- adjustment to the rates and indices according to which the rents are calculated when rent adjustments occur.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Group determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the company remeasures the lease liability to reflect changes to the lease payments. The company recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

Goodwill

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

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

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

Costs related to the acquisition, other than those associated with the issue of debt or equity securities incurred in connection with the business combination, are expensed.

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

Intangible assets

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

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

Concessions in respect of land and raw materials are amortised in proportion to the extent of the raw materials extracted on the basis of an estimate of the raw materials remaining to be extracted. The residual value, amortisation methods and estimated useful lives are assessed annually. The expected useful lives are 5-40 years for concessions and 3 years for software.

Computer software

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

Impairment of tangible, intangible and right-of-use assets other than goodwill

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

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

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

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

Financial assets

Financial assets are classified as assets that are:

- carried at amortised cost after initial recognition;
- carried at fair value with gains and losses included in the other components of comprehensive income;
- carried at fair value with gains and losses accounted for in profit or loss.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash-flows. The company's main financial assets are: cash and cash equivalents, trade receivables, other receivables, contract assets and other non-current assets (see disclosures in this chapter). The company does not have any 'derivative financial instruments'.

The financial assets are carried at amortised cost since these financial assets are assets with the objective to collect contractual cash flows of the debt instruments and the contractual terms of the financial asset give rise on certain dates to cash flows exclusively concerning repayments of principal and interest payments on the outstanding amount. On initial recognition, the date on which the company commits to purchase or sell the asset, the amount of financial assets is measured at fair value. Subsequently the financial assets are carried at amortised cost using the effective interest

method and are subject to impairment. The company has not recognised any financial instruments which are measured at fair value, gains and losses will either be recorded in profit or loss or OCI. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Impairment losses are recognised in profit or loss in the period they occur. Impairment of financial assets is determined utilising the simplified approach based on the expected lifetime credit losses. Given that there is no significant decline in the credit risk, the credit loss provision continues to be measured at the amount of the lifetime expected credit losses. A financial asset is fully impaired when there is no reasonable expectation of recovering the contractual cash flows. Regarding trade receivables and work in progress assets the simplified approach has been used as, referred to in paragraph 10.6.4 Trade receivables.

The Group's financial assets are held in connection with the receipt of contractual cash flows and only give rise to repayments of principal and interest payments on the outstanding amount. The financial assets concerned are measured under IFRS 9 at amortised cost, which is exactly the same as under the previously applicable requirements.

Financial liabilities

The company's main financial liabilities are trade payables, contract liabilities, lease liabilities, other liabilities and borrowings (see disclosures in this chapter). These liabilities are carried at amortised cost after initial recognition, using the effective interest method. When a financial liability (or a part thereof) is eliminated or expires, it ceases to be recognised.

Trade and other short-term payables

On initial recognition, trade payables and other payable items are measured at fair value. After initial recognition, trade payables and other payable items are carried at amortised cost. The difference between the carrying amount of a financial liability (or part thereof) that is redeemed or is transferred to a third party and the amount paid, including any transfer of assets other than cash and cash equivalents or assumed liabilities, is recognised in profit or loss.

Current tax

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

Current and deferred tax for the period

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

The receivables and liabilities from income taxes contain claims and obligations from domestic and foreign income tax jurisdictions. These include both the current year and any claims and obligations from previous years. The receivables and liabilities are calculated on the basis of the tax regulations in the respective countries.

Deferred taxes are recognised for all temporary differences, using the liability method, between the valuations of the balance sheet items in the IFRS consolidated financial statements and the respective tax values applicable to the individual group companies. Furthermore, the probable realisable tax benefit from existing loss carry forwards is included in the calculation. Exceptions to this comprehensive tax accrual are differences arising from non-deductible goodwill. Deferred tax assets are only recognised if it is probable that the included tax benefit will be realised. The calculation of the deferred tax is based on the usual income tax rate in the respective country at the time of the expected reversal of the value difference.

Deferred tax liabilities resulting from temporary differences are recognised unless the timing of the reversal of temporary differences within the Group can be determined and it is probable that the temporary differences will be reversed in the foreseeable future due to this influence.

Deferred tax assets and liabilities will be set off if there is a legally enforceable right to set off current tax assets and liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Borrowings

On initial recognition, long-term loans are measured at fair value less attributable transaction costs. Interest-bearing loans are subsequently carried at amortised cost, with any difference between the cost and the amount repayable recognised in the income statement over the term of the loans on the basis of the effective interest method. Borrowing costs are capitalised only when they are attributable to qualifying assets (none in 2019 and 2020).

Pensions

The pension scheme for office staff qualifies as a defined contribution plan. Under this defined contribution plan, the obligations in respect of the defined contributions are recognised as an expense in the income statement when they fall due. Ballast Nedam has no legal or constructive obligations to make further contributions if the pension fund does not hold appropriate assets to pay all employees the benefits relating to employee service in the current and prior periods.

Ballast Nedam's building site employees 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. Ballast Nedam pays contributions to administered pension insurance plans and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Employee benefits other than pensions

Ballast Nedam's net obligation in respect of long-term employee benefits (long-service bonuses, long-term illness), with the exception of pension plans, is the sum of the future benefits that employees have earned in exchange for their services during the period under review and in preceding periods. The liability is discounted to present value, taking into account actuarial assumptions. Termination benefits are recognised when binding offers are made or restructuring, within the scope of IAS 37, is announced. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value (taking into account actuarial assumptions, when relevant).

Provisions

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

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

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

Equity

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

Dividends

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

Revenue from contracts with customers

The company recognises revenue based on following five step model in IFRS 15, consisting of:

- identification of the contract;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to performance obligations in the contract;
- recognition of revenue.

The company recognises revenue from its customers only when all the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the company can identify each party's rights regarding the goods or services to be transferred;
- the company can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance;
- it is probable that the company will collect the considerations to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of considerations when it is due.

Ballast Nedam evaluates if it is possible to account for a contract at the contract level as a single performance obligation or the promises in the contract are distinct and qualify as a separate performance obligation.

The transaction price is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. It includes initial amounts agreed in the contract plus any variation orders in the contract work and variable consideration (like variation orders, claims and bonuses), to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. The transaction price (and any subsequent changes in estimate of the transaction price) is allocated to each separate performance obligation based on the relative stand-alone selling price of each performance obligation.

Revenue is recognised as soon as control is transferred to the customer. Control can transfer at a point in time or over time. Construction contracts generally meet the criteria to recognise revenue over time, since the company is building on the land of the client or improving an asset of the customer that the customer controls. Ballast Nedam evaluates for each construction contract whether any of the criteria for recognition of revenue over time are met:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

The stage of completion on projects is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract, except where this would not be representative of the stage of completion. The stage of completion excludes costs for uninstalled materials and costs that are incurred to fulfil a contract, such as mobilisation costs and costs incurred due to inefficiencies. Costs for mobilisation are recognised as a separate asset if these costs are expected to be recovered; no material mobilisation costs were identified. For performance obligations that are transferred at a point in time, revenues and costs are recognised in profit or loss when the customer receives the ability to direct the use of the asset and substantially obtains all the benefits of it.

Onerous construction contracts

Estimates of project management are used to assess the progress and estimated outcome of a performance obligation. When it becomes probable that the total expected costs to complete all performance obligations in a contract exceed the total transaction price (consideration) of these performance obligations, a loss provision is recognised for the lower of the unavoidable costs and the costs of termination. Loss provisions are separately disclosed as a provision. The provisions show the expected negative result of the contract, based on the progress of the project.

Ballast Nedam in determining the onerous construction contracts applies for revenue base the 'economic benefits to be received' and for the cost base that the unavoidable costs qualified as integral costs. The integral costs approach is in line with the IFRS 15 definition regarding costs to fulfil a contract.

Financing components

Ballast Nedam generally does not have any significant contracts where the period between the transfer of the promised goods or services to the customer and the payment by the customer, as contractually agreed, exceeds one year. If applicable, the transaction prices are adjusted for the time value of money.

Revenues generated from sale of flats or residential units

Residential development projects include components such as the sale of land and the realisation of residential buildings. Revenue is recognised as soon as control is transferred to the customer. The revenue from the sale of land is realised at the moment the civil law notary transfers the title, while the revenue from the buildings is realised during the construction period. The company's construction contracts generally meet the criteria to recognise revenue over time, since the projects are specialised assets which are built specifically for the client and frequently on a customer's site.

Revenue is measured at the transaction price agreed under the contract taking into account the variable considerations. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds 12 months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Rendering of services

In addition to construction Ballast Nedam provides services within the Infrastructure, Building and Development segments. The service revenue arises from maintenance and other services supplied to infrastructure assets and facilities, which may involve a range of services and processes. The individual services have been determined to be one performance obligation. Ballast Nedam has assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by Ballast Nedam. Revenue therefore continues to be recognised over time in the period in which the services are rendered.

Trading and other revenue

Rental income from equipment

Revenue is measured at the transaction price agreed under the rental contract. Lease income from operating leases where Ballast Nedam is a lessor are recognised in income on a straight-line basis over the lease term. Further details refer to paragraph 10.6.13 Leases.

Rental income from investment properties

Revenue is measured at the transaction price agreed under the rental contract. Rental income generated from real estate development projects are recognised on an accrual basis and included in the accounting period in which the rental services are rendered. Further details refer to paragraph 13 Leases.

Income from selling of construction equipment and materials

Revenue is recognised when control of the products has transferred, being when the equipment is delivered to the customer, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products in accordance with the sales contract. No significant element of financing is deemed present as the sales are made with a reasonable credit term, which is consistent with market practice.

Contract costs

All costs related to satisfied performance obligations and costs related to inefficiencies (that is, abnormal costs of materials, labour, or other costs to fulfil) are expensed as incurred.

Incremental costs of obtaining a contract are costs that the entity would not have incurred if the contract had not been obtained and are recognised as an asset if they are expected to be recovered. As a practical expedient, costs are expensed as incurred if the amortisation period of the asset that otherwise would have recognised is one year or less.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained (for example, certain bid costs) are recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Direct costs of fulfilling a contract are accounted for in accordance with other standards (for example, inventory, intangibles, fixed assets) if they are within the scope of that guidance. Direct costs of fulfilling a contract are capitalised if not within the scope of other standards and if they relate directly to a contract, relate to future performance, and are expected to be recovered under the contract.

Cost of revenue includes, but is not limited to, personnel expenses, raw materials and supplies expenses, worksite expenses, subcontractor expenses, transportation and customs expenses, cost from sale of residential units, consultancy expenses, office administration expenses, flight operations expenses, depreciation and amortisation expenses, insurance expenses, machinery, equipment and other rent expenses, energy and fuel expenses, tax and legal expenses, travel expenses, cost of goods sold, loss allowance of trade receivables, provision for impairment of inventories, cost of electricity sold, energy transmission and distribution expenses, maintenance and repair expenses, outsourcing expenses, operating expenses, heating expenses, other utilities expenses, etc.

Government grants

Government grants are recognised when there is reasonable assurance that the company will comply with the conditions related to them and that the grants will be received. Grants related to income are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. They are recognised in other income.

Net finance expense

The net financing expense comprises the interest income and expense including those on borrowings calculated using the effective interest method and interest on the lease liability (see paragraph 'Leases IFRS 16').

Gains and losses on exchange and on derivative financial instruments other than interest rate swaps are recognised in the income statement in earnings before interest and taxes. Gains or losses on interest rate swaps are recognised as finance income or expenses.

Income tax expense

Tax is calculated on the result from ordinary operations, allowing for tax-exempt items and based on the applicable tax rates for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the income statement except in relation to items recognised directly in the consolidated statement of comprehensive income.

Deferred tax is recognised using the statement of financial position method for temporary differences between the reported carrying amounts and tax bases of assets and liabilities, and for future carry-forward losses, and is accounted for on the basis of the applicable tax rates for the periods when the temporary differences are expected to be reversed.

Deferred tax assets are recognised at nominal value of the portion that will probably be realised.

Statements of cashflows

Current period statements of cashflows are categorised and reported as operating, investing and financing. Cashflows from operating activities show cashflows provided from the Group's operations.

Cashflows from investing activities summarise the Group's cashflows used in or generated from investing activities (fixed and financial investments). Cashflows from financing activities summarise the Group's cashflows from liabilities and the back payments of these liabilities benefited in financing needs of the Group.

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

The cashflow statement is prepared utilising the indirect method.

Related parties

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

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

- b) An entity is considered related party of the reporting entity when the following criteria are met:
 - (i) if the entity and the reporting entity are within the same group. (meaning every parent company, subsidiary and other subsidiaries are considered related parties of others);
 - (ii) if the reporting entity is a subsidiary or a joint venture of another entity (or of another entity that the entity is within the same group);
 - (iii) if both of the entities are a joint venture of a third party;
 - (iv) if one of the entities is a joint venture of a third party while the other entity is a subsidiary of this third party;
 - (v) if an entity has plans of post-employment benefits for employees of a reporting entity or a related party of a reporting entity;
 - (vi) if the reporting entity has its own plans, sponsor employers are also considered as related parties;
 - (vii) if the entity is controlled or jointly controlled by an individual defined in the article (a);
 - (viii) if an individual defined in the clause (i) of article (a) has significant influence over the reporting entity or is key management personnel of this certain entity (or a parent company of the entity).

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

10.6.3 Cash and cash equivalents

The total cash and cash equivalents amounting to € 220.0 million (2019: € 201.0 million) includes € 27.5 million of balances from joint operations (2019: € 27.2 million). The cash and cash equivalents from joint operations are only available in consultation with the joint operations partners.

10.6.4 Trade receivables

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

Current trade receivables	31 December 2020	31 December 2019
Contract receivables	71,817	104,079
Retention held by clients	10,748	5,537
Trade receivables	10,493	16,062
Trade receivables from related parties	2,544	6,781
Loss allowance for trade receivables (-)	(3,105)	(1,866)
TOTAL CURRENT TRADE RECEIVABLES	92,497	130,593

Contract and trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. These transactions were made on normal commercial terms and conditions. The Group uses prepayments, guarantees and collateral (rights of retention) on projects under construction in order to limit the credit risk on the above categories of instalments and trade receivables. The average collection period is 44 days (2019: 45 days). References are made to note 10.6.32 with respect to receivables from related parties. The nature and level of the risks on trade receivables are disclosed in note 10.6.30.

The aging of overdue receivables is as follows:

	31 December 2020	31 December 2019
Overdue by 1-30 days	9,555	17,389
Overdue by 1-3 months	3,799	7,178
Overdue by 3-12 months	3,498	2,994
Overdue by 1-2 years	7,096	1,508
TOTAL OVERDUE RECEIVABLES	23,948	29,069

Movements on the Group's provision for loss allowance of trade receivables are as at 31 December 2020 and 31 December 2019 as follows:

Movement of loss allowance of trade receivables	1 January - 31 December 2020	1 January - 31 December 2019
Balance at the beginning of the period	(1,866)	(1,841)
Charge for the period	(1,464)	(1,508)
Reversal	194	432
Collections	31	1,051
Balance at end of the period	(3,105)	(1,866)

10.6.5 Other short-term receivables

Other short-term receivables	31 December 2020	31 December 2019
Non-trade receivables from related parties	52,020	54,891
VAT receivable	3,365	11,171
Other receivables	29,472	26,127
	84,857	92,189

Non-trade receivables from related parties include receivables from joint ventures and associates. The activities in joint ventures include the assignment and financing of land as well as carrying out construction contracts. In addition, non-trade receivables from related parties include loans to renaissance group companies. These transactions were made on normal commercial terms and conditions. Other receivables include primarily the Group's share of receivables of partners in the joint operations, totalling € 9,040 thousand (2019: € 9,875 thousand) and funds on an escrow account totalling € 1,680 thousand (2019: € 2,249 thousand).

10.6.6 Inventories

	31 December 2020	31 December 2019
Raw materials	2,768	2,617
Lands to be developed for projects	69,183	77,294
Residential units to be sold	1,117	4,170
Finished goods	6,336	6,502
Allowance for inventory	(198)	(148)
	79,206	90,435

The accumulated impairment recognised within land to be developed for projects amounts to € 4,955 thousand (2019: € 10,546 thousand). In 2020, an impairment of € 1,429 thousand has been recognized (2019: € nil) and € 489 thousand of impairments of land positions have been reversed (2019: € nil). The remaining movement in impairments recognised € 6,531 thousand is due to sale of impaired land plots against book value during the year. The allowance for inventory amounts to € 198 thousand (2019: € 148 thousand).

The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories, the production or conversion costs, and the other costs incurred in bringing the inventories to its current location and current condition.

10.6.7 Short-term prepaid expenses

Prepaid expenses of the amount of € 21,779 thousand (2019: € 31,488 thousand) are mainly related to the general administrative expenses and include mainly prepayments on project, for insurance and rent costs.

10.6.8 Contract assets and contract liabilities

	31 December 2020		
	Contract assets	Contract liabilities	Net position
Cost less provisions for losses and risks, plus profit based on percentage of completion	293,951	845,493	
Less: progress billings	(249,661)	(966,512)	
TOTAL	44,290	(121,019)	(76,729)

	31 December 2019		
	Contract assets	Contract liabilities	Net position
Cost less provisions for losses and risks, plus profit based on percentage of completion	289,341	596,128	
Less: progress billings	(250,468)	(741,477)	
TOTAL	38,873	(145,349)	(106,476)

The value of contract assets and liabilities is assessed periodically for each project by the project manager and the management of the entity concerned. Estimates are an inherent feature of this process and the assessment is made on the basis of records in project files, cost monitoring, including estimates of financial settlements of projects such as contract variations and claims. It may turn out at a later stage that actual results differ from the estimates. This is particularly relevant for long-term projects that include considerable customisation. It can also occur if there are unsettled claims or discussions with clients about additional work that are still continuing on the closing date. Further consideration about project estimates are included in paragraph 10.6.2.

Contract assets under current assets consists of all construction contracts where the expenses incurred plus the deferred profit, minus the recognised losses, exceed the instalments invoiced. Contract liabilities under current liabilities consists of all construction contracts where the expenses incurred plus the deferred profit, minus the recognised losses, are less than the instalments invoiced.

The contract assets and liabilities predominantly have a term of less than 12 months. The revenue recognised that was included in the contract liability balance at the beginning of the period amounts to € 145,349 thousand.

Transaction price remaining performance obligations

The table below includes revenue expected to be recognised in the future related to performance obligations that are (partially) unsatisfied at the reporting date.

31 December 2020	2021	2022	After 2022	TOTAL
Expected revenue from (partially) unsatisfied performance obligations with original expected duration of > 1 year	784,338	479,650	128,480	1,392,468

31 December 2019	2020	2021	After 2021	TOTAL
Expected revenue from (partially) unsatisfied performance obligations with original expected duration of > 1 year	780,150	387,187	305,494	1,472,831

10.6.9 Assets classified as held for sale and liabilities directly associated with assets classified as held for sale

Ballast Nedam measures assets classified as held for sale at the lower of carrying amounts and fair value less costs to sell. The fair value of the company was determined using the expected sales price derived from market information, which is a level 2 measurement. Prior year balances included Ballast Nedam Environmental Engineering and it was sold before year-end 2020. The impact on the consolidated statement of financial position of Ballast Nedam is shown in the table below.

	31 December 2020	31 December 2019
Property, plants and equipment	-	6,469
Trade receivables	-	3,285
TOTAL ASSETS	-	9,754
Current liabilities	-	(17,153)
Non-current liabilities	-	(1,500)
TOTAL LIABILITIES	-	(18,653)
Net assets of assets held for sale	-	(8,899)

10.6.10 Investments accounted for using the equity method

At 31 December 2020 the joint venture IXAS Gaasperdammerweg B.V., in the opinion of management, is material to the Group. This entity is listed below and has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. In general, the payment of dividend and/or depositing of temporary liquidity surpluses from joint ventures depends on the authorisations of other shareholders'.

Set out below is the joint venture of the Group as at 31 December 2020 that is individually material to the Group. Nature of investment in the joint venture in 2020 and 2019:

	Principal activity	Country of incorporation	% Interest	
			31 December 2020	31 December 2019
IXAS Gaasperdammerweg B.V.	Construction	Netherlands	33.33%	33.33%

Set out below is the summarised financial information for the joint venture that is material to the Group, including reconciliation to the carrying amount of the Group's share in the joint ventures, as recognised in the consolidated financial statements. The net result is composed of profit or loss from continuing operations and is equal to total comprehensive income.

IXAS Gaasperdammerweg B.V.		
	31 December 2020 / 2020	31 December 2019 / 2019
Cash and cash equivalents	2,872	8,535
Other current assets	13,967	12,961
Current assets	16,839	21,496
Not current assets	1,145	-
Current liabilities	(12,431)	(24,215)
Net Assets/ (Liabilities)	5,553	(2,719)
Revenue	34,021	62,220
Net result	5,135	22,330
Share in result	1,712	7,444
Net assets/ (Liabilities)	5,553	(2,719)
Share in equity	33.33%	33.33%
Carrying amount	1,851	-

IXAS has no tax expense/income, depreciation and amortisation expense, interest income or expense.

The Group's share in the joint venture IXAS Gaasperdammerweg B.V. is based on its share in the members' capital. Net negative value of the joint venture is presented as part of the provision for negative joint venture balances.

Set out below is the aggregate information to the Group. The net result is composed of profit or loss from continuing operations and is equal to total comprehensive income.

	1 January -31 December 2020	1 January -31 December 2019
Share in net result joint venture that is material to the Group	1,712	7,444
Share in net result joint ventures that are not individually material to the Group	5,349	8,634
Share in net result associates that are not individually material to the Group	1,455	1,596
Share in net result associates without significant influence	838	598
	9,354	18,272

	1 January - 31 December 2020	1 January -31 December 2019
Share in equity joint venture that is material to the Group	1,851	-
Share in equity joint ventures that are not individually material to the Group	10,961	8,976
Share in equity associates that are not individually material to the Group	7,239	6,797
Share in equity associates without significant influence	3,537	3,125
	23,588	18,898

Set out below is the movement schedule of not individually material joint ventures and associates to the group:

Investments	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance	18,898	11,405
Share on profit / loss of investments valued using equity method	7,642	10,828
Dividends received	(9,318)	(1,969)
Disposals	(5,480)	(2)
Change in legal reserve	(688)	(835)
Transfer to provision negative joint ventures	152	(1,739)
Funding joint ventures	10,564	1,210
Exchange rate differences	(33)	-
Closing balance	21,737	18,898

The investment relates to Heitkamp Construction Swiss GmbH (hereafter "Heitkamp Swiss") a Swiss construction company which is part of the Rönésans Group. The company is specialized in infrastructure projects especially in tunneling. Predecessor accounting method is applied for the acquisition.

10.6.11 Investment property

Investment property	1 January – 31 December 2020	1 January - 31 December 2019
Opening balance	44,540	41,785
Investment	64	-
Change in fair value	(1,274)	2,755
Closing balance	43,330	44,540
Investment property under development	1 January – 31 December 2020	1 January - 31 December 2019
Opening balance	-	-
Investment	3,293	-
Change in fair value	567	-
Closing balance	3,860	-

The net income from operational leases of investment property is limited and extension of mainly short-term leases depends on future development of the investment property. Ballast Nedam utilises an external, independent valuator who, having the appropriately recognised professional qualifications, values the investment property at least annually. The independent valuation report was obtained at year-end 2020. The method to determine the fair value which is applied is the income capitalisation approach, with the discounted cash flow method used as a second, sense check calculation. The approach is sensitive to changes in parameters and is subject to numerous variables (positive or negative) like planning permission, market conditions, or delay to start of construction. The fair value measurement for investment properties has been categorised as a Level 3 fair value. The main Level 3 inputs are rental values, square meters, discount rates (7%), inflation rate (2%) and internally based budgets based on management's experience and knowledge of property construction and market conditions. A change in construction costs or estimated rental value of $\pm 5\%$ result in a change of the fair value of the property with about 10%.

10.6.12 Property, plants and equipment

	Buildings	Machinery and equipment	Other tangible assets	TOTAL
Cost				
Closing balance 31 December 2019	44,618	110,867	9,898	165,383
Reclassifications	1,020	(1,020)	-	-
Opening balance 1 January 2020	45,638	109,847	9,898	165,383
Additions	1,002	6,702	558	8,262
Disposals	-	(6,069)	(3,239)	(9,308)
Assets held for sale	-	-	-	-
Acquisitions	-	11	-	11
Closing balance 31 December 2020	46,640	110,491	7,217	164,348
Accumulated depreciation and impairment				
Opening balance 1 January 2020	(27,673)	(93,208)	(6,867)	(127,748)
Cum, depreciation - disposals	(198)	4,940	1,936	6,678
Assets held for sale	-	-	-	-
Depreciation	(1,448)	(4,028)	(585)	(6,061)
Impairment	-	(291)	-	(291)
Exchange rate fluctuations	-	(3)	-	(3)
Closing balance 31 December 2020	(29,319)	(92,590)	(5,516)	(127,425)
Carrying value as of 31 December 2020	17,321	17,901	1,701	36,923

	Buildings	Machinery and equipment	Other tangible assets	TOTAL
Cost				
Opening balance 1 January 2019	47,712	111,540	14,307	173,559
Additions	1,356	6,485	1,953	9,794
Disposals	(967)	(6,549)	(6,362)	(13,878)
Assets held for sale	(3,483)	(674)	-	(4,157)
Acquisitions	-	65	-	65
Closing balance 31 December 2019	44,618	110,867	9,898	165,383
Accumulated depreciation and impairment				
Opening balance 1 January 2019	(27,618)	(94,845)	(12,453)	(134,916)
Cum, depreciation - disposals	267	4,958	6,084	11,309
Assets held for sale	904	296	-	1,200
Depreciation	(1,226)	(3,617)	(498)	(5,341)
Closing balance 31 December 2019	(27,673)	(93,208)	(6,867)	(127,748)
Carrying value as of 31 December 2019	16,945	17,659	3,031	37,635

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

There is no property, plants and equipment pledged as collateral under the bank loan agreements (2019: € 0). The useful lives used in the calculation of depreciation are as follows:

Buildings
Machinery and equipment
Other tangible assets

Useful Life
10-30 years
5-20 years
2-10 years

From the total depreciation of € 6,061 thousand (2019: € 5,341 thousand) € 4,623 thousand was charged to costs of revenue (2019: € 4,031 thousand) and € 1,438 thousand to general costs (2019: € 1,310 thousand).

10.6.13 Leases

Movement schedule right-of-use assets:

	Land	Buildings	Machinery and equipment	Motor vehicles	TOTAL
Cost					
Opening balance 1 January 2020	-	15,698	2,456	5,935	24,089
Additions	743	1,962	2,588	6,136	11,429
Disposals	-	(2,678)	(851)	(2,015)	(5,544)
Closing balance 31 December 2020	743	14,982	4,193	10,056	29,974
Accumulated depreciation					
Opening balance 1 January 2020	-	(3,186)	(632)	(3,212)	(7,030)
Disposal	-	807	792	1,757	3,356
Depreciation	(178)	(2,972)	(1,305)	(3,110)	(7,565)
Closing balance 31 December 2020	(178)	(5,351)	(1,145)	(4,565)	(11,239)
Carrying value as of 31 December 2020	565	9,631	3,048	5,491	18,735

	Land	Buildings	Machinery and equipment	Motor vehicles	TOTAL
Cost					
Opening balance 1 January 2019	3,961	15,775	1,549	4,565	25,850
Additions	-	-	907	1,370	2,277
Assets held for sale	<u>(3,961)</u>	<u>(77)</u>	<u>-</u>	<u>-</u>	<u>(4,038)</u>
Closing balance 31 December 2019	<u>-</u>	<u>15,698</u>	<u>2,456</u>	<u>5,935</u>	<u>24,089</u>
Accumulated depreciation					
Opening balance 1 January 2019	-	-	-	-	-
Assets held for sale	281	16	-	-	297
Depreciation	<u>(281)</u>	<u>(3,202)</u>	<u>(632)</u>	<u>(3,212)</u>	<u>(7,327)</u>
Closing balance 31 December 2019	<u>-</u>	<u>(3,186)</u>	<u>(632)</u>	<u>(3,212)</u>	<u>(7,030)</u>
Carrying value as of 31 December 2019	<u>-</u>	<u>12,512</u>	<u>1,824</u>	<u>2,723</u>	<u>17,059</u>

	Useful Life Licenses
Buildings	3-10 years
Machinery and equipment	3-6 years
Motor vehicles	1-5 years

From the total depreciation of € 7,565 thousand (2019: € 7,327 thousand) € 2,288 thousand (2019: €1,825 thousand) was charged to costs of revenue and € 5,277 thousand (2019: €5,502 thousand) to general costs.

The statement of profit or loss shows the following relating to leases:

	2020
Depreciation charge of right-of-use assets	7,565
Interest expense (included in finance cost)	729
2019	
Depreciation charge of right-of-use assets	7,327
Interest expense (included in finance cost)	996

The total cash outflow for leases in 2020 was € 8,171 thousand (2019: € 8,025 thousand).

10.6.14 Intangible assets

	Rights	Computer software	Goodwill	TOTAL
Cost				
Opening balance 1 January 2020	1,508	5,733	4,236	11,477
Addition	-	584	-	584
Acquisitions of subsidiaries	-	-	-	-
Exchange rate	-	-	(180)	(180)
Divestments	-	-	-	-
Closing balance 31 December 2020	1,508	6,317	4,056	11,881
Accumulated Amortisation				
Opening balance 1 January 2020	(1,373)	(4,203)	-	(5,576)
Divestments	-	-	-	-
Amortisation	(19)	(404)	-	(423)
Closing balance 31 December 2020	(1,392)	(4,607)	-	(5,999)
Carrying balance as of 31 December 2020	116	1,710	4,056	5,882

	Rights	Computer software	Goodwill	TOTAL
Cost				
Opening balance 1 January 2019	5,218	9,342	1,023	15,583
Addition	-	629	-	629
Acquisitions of subsidiaries	-	-	3,213	3,213
Divestments	(3,710)	(4,238)	-	(7,948)
Closing balance 31 December 2019	1,508	5,733	4,236	11,477
Accumulated Amortisation				
Opening balance 1 January 2019	(4,476)	(8,028)	-	(12,504)
Divestments	3,122	4,199	-	7,321
Amortisation	(19)	(374)	-	(393)
Closing balance 31 December 2019	(1,373)	(4,203)	-	(5,576)
Carrying balance as of 31 December 2019	135	1,530	4,236	5,901

Rights consist of the concessions for high-grade primary raw materials in the Netherlands. The useful lives used in the calculation of amortisation for intangible assets are as follows:

	Useful Life
Rights	30 years
Computer software	3-5 years

The amortisation of € 423 thousand was included in the cost of revenue (2019: € 393 thousand).

Goodwill

Goodwill is allocated at acquisition date, to the cash-generating units (CGU). An impairment test is performed annually, or earlier if there are indications of impairment. The CGU is the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill relates to 3 entities, of which Stripe Consulting € 3.0 million (2019: € 3,2 million) is the most significant.

The recoverable amount of goodwill for impairment testing purposes is based on a value in use calculation by means of the discounted cash flow method. The method uses cash flow projections based on historical performance and the forecasts which are based on the Business Plan cycle 2021-2025, as approved by the Board, after which a terminal value is used at an average rate of 2%. The key assumptions for the value-in-use calculations are those regarding revenue growth rate 30% in 5 year, a stable profit before tax margin, weighted average cost of capital 7.2%, based on the market participants' view on rates of return required for investments equivalent to those in the company. There are no current or accumulated impairment losses on goodwill.

The results of the goodwill impairment test calculation at 31 December 2020 revealed that the recoverable amount of the operating segment Parking International exceeded the carrying amount. The impairment test and sensitivity analysis around the key assumptions have indicated sufficient headroom for all other CGUs and as such a reasonably possible change in any of the assumptions would not cause the recoverable amount to be less than the carrying value. Based on both quantitative and qualitative factors management has concluded that for those CGUs an impairment is not necessary.

10.6.15 Other non-current assets

The balance sheet mainly includes long-term receivables from related parties. As at 31 December 2020 this amount was € 950 thousand, see note 10.6.32 for further details. (2019: € 2,920 thousand).

10.6.16 Short- / long-term borrowings

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

Net debt	31 December 2020	31 December 2019
Cash and cash equivalents	219,960	201,020
Borrowings – repayable within one year	(13,300)	(24,800)
Borrowings – repayable after one year	(88,500)	(156,473)
Lease liabilities – repayable within one year	(7,184)	(4,481)
Lease liabilities – repayable after one year	(11,949)	(12,940)
Net debt	99,027	2,326
Cash and cash equivalents	219,960	201,020
Gross debt - fixed interest rates	(120,933)	(98,568)
Gross debt - variable interest rates	-	(100,126)
Net debt	99,027	2,326

	Net assets		Liabilities from financing activities			TOTAL
	Cash and cash equivalents	Lease liabilities repayable within one year	Leases liabilities repayable after one year	Borrowings - repayable within one year	Borrowings - repayable after one year	
Net debt and cash as at 1 January 2019	146,192	(6,460)	(19,390)	(76,466)	(79,696)	(35,820)
Cash flow movement	54,828	1,979	6,450	51,666	(76,777)	38,146
Net debt and cash as at 31 December 2019	201,020	(4,481)	(12,940)	(24,800)	(156,473)	2,326
Net debt and cash as at 1 January 2020	201,020	(4,481)	(12,940)	(24,800)	(156,473)	2,326
Cash flow movement	18,940	(2,703)	991	11,500	67,973	96,701
Net debt and cash as at 31 December 2020	219,960	(7,184)	(11,949)	(13,300)	(88,500)	99,027

The applicable margin of the bank loans with a fixed interest rate is between 2.5% and 4.3%. All the loans have fixed interest rates. Borrowings to be repaid within one-year amount to € 13,300 thousand. Borrowings to be repaid between 1 and 2 years amount to € 81,000 thousand, borrowings to be repaid between 2 and 3 years amount to € 7,500 thousand. Non-financial assets amounting to € 47,600 thousand (2019: € 47,600 thousand) are pledged as collateral with respect to the bank borrowings.

10.6.17 Trade payables

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

Current trade payables	31 December 2020	31 December 2019
Trade payables	168,719	171,531
Trade payables to related parties	220	94
Retention payables	569	-
Other trade payables	7,592	5,285
	177,100	176,910

Average maturity for trade payables is approximately 39 days (31 December 2019: 42 days). Risk characteristics and fair values of trade receivables and trade payables are disclosed in note 10.6.30. These transactions were made on normal commercial terms and conditions.

10.6.18 Other short-term payables

Other short-term payables	31 December 2020	31 December 2019
Non-trade payables to related parties	21,408	19,497
Other short-term payables	17,418	9,224
	38,826	28,721

Non-trade payables to related parties (see note 10.6.32).

Other short-term payables include the Group's share of the payables of the partner(s) in the joint operations, total amount € 4,300 thousand (2019: € 3,329 thousand), accruals for invoices to be received € 10,262 thousand (2019: € 2,780 thousand) and other items which are individually immaterial. These transactions were made on normal commercial terms and conditions.

10.6.19 Payables for employee benefits

Short-term payables employee benefits	31 December 2020	31 December 2019
Salary payable to personnel	27	950
Social security premiums payable	5,292	4,643
Other payables for employee benefits	1,572	1,480
	6,891	7,073

Short-term provisions related to employee benefits	31 December 2020	31 December 2019
Unused vacation pay liability	2,921	3,373
	2,921	3,373

Long-term provisions related to employee benefits	31 December 2020	31 December 2019
Other long-term provisions related to employee benefits	2,124	2,129
	2,124	2,129

Other long-term employee benefits consist of long-term illness and long-service bonuses. The discount rate of the provision for long-term illness and long-service bonuses was 1.5% (2019: 1.5%). In addition, the long-service bonus includes expectation on retention rate of 94% and salary increases consistent with collective labour agreements.

Pensions

Ballast Nedam makes contributions to defined benefit schemes as well as defined contribution schemes. The pension schemes in the Netherlands are subject to the regulations as specified in the Pension Act. Due to the Pension Act, the pension plans need to be fully funded and need to be operated outside the company through a separate legal entity. Several multi-employer funds and insurers operate the various pension plans. Ballast Nedam has no additional responsibilities for the governance of these schemes. The basic pension for every employee is covered by multi-employer funds in which also other companies participate based on legal obligations. These funds have an indexed average salary scheme and are therefore defined benefit schemes. Specifically, these are the industry pension funds for Building & Infra, Concrete Products, Agricultural Machinery Operating and Metal & Technology industries. As these funds are not equipped to provide the required information on the company's proportionate share of pension liabilities and plan assets, the defined benefit plans are accounted for as defined contribution plans. The Group is obliged to pay the predetermined premium for these plans. Ballast Nedam may not reclaim any excess payment and is not obliged to make up any deficit, except by way of the adjustment of future premiums. For employees with salaries exceeding industry pension funds maximum pensionable salaries (top-up arrangement), which are not covered by multi-employer funds, operation and administration are carried out by external parties and relates to defined contribution schemes. The Group has no liabilities with regards to paying premiums for this scheme. With effect from 2006, the defined benefit scheme is closed for new entrants. The build-up of future pension entitlements for these employees is covered by the multi-employer funds or external insurance companies. Defined benefit schemes are closed for future accumulation and index-linked to the industry pension fund for Building & Infra.

The coverage ratio of the industry pension scheme for the building industry (bpfBouw) is accounted for as a defined contribution pension scheme and was estimated as 105.7% for the year 2020 (2019: 112.4%). The coverage ratio for pension scheme Bpf Betonproductenindustrie also accounted for as a defined contribution pension scheme was estimated as 98.3% for the year 2020 (2019: 103.1%).

10.6.20 Other short-term and long-term provisions

Short-term provisions	31 December 2020	31 December 2019
Warranty provisions	4,381	5,011
Other short-term provisions	2,823	8,005
Provision for joint ventures	3,809	4,564
Provision onerous contracts	11,672	17,435
Restructuring provisions	2,902	1,743
	25,587	36,758

Long-term provisions	31 December 2020	31 December 2019
Warranty provisions	2,494	1,870
Other long-term provisions	350	480
Provision onerous contracts	4,620	5,233
Restructuring provisions	-	27
	7,464	7,610

The company expects that all the provisions will be substantively used within one to five years.

Movements of warranty provisions	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance 1 January	6,881	6,387
Transfer from contract liabilities	2,226	2,203
Charge for the year	1,338	1,581
Utilisation	(2,014)	(1,842)
Reversal	(1,556)	(1,448)
Closing balance 31 December	6,875	6,881
< 1 year	4,381	5,011

The provision for warranty claims represents the present value of the management's best estimate of the future outflow of economic benefits that will be required under Ballast Nedam's warranty programme for construction contracts. In 2020, the addition to warranty provisions from completed projects amounted to € 2,226 thousand (2019: € 2,203 thousand). The warranty costs provided for is partly dependent on the estimated allocation of the claim to the related construction partners. It is expected that most of the warranty costs will occur in the upcoming two years.

Movements of other provisions	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance 1 January	8,485	3,308
Reclassification	682	21
Charge for the year	1,483	11,334
Utilisation	(4,995)	(3,730)
Liabilities held for sale	-	(1,500)
Reversal	(2,482)	(948)
Closing balance 31 December	3,173	8,485
< 1 year	2,823	8,005

The reclassification of € 682 thousand (2019: € 21 thousand) consists of a transfer from contract liabilities to provisions. The possible financial risk of the claims cannot be predicted with certainty, however Ballast Nedam believes that based on (external) advisors and information received, the amounts included in the provision are the best estimate. Ballast Nedam also takes into account whether or not financial risks are covered by the insurance policies. The charge for the year of € 1,483 thousand was included in the statement of profit and loss (2019: € 11,334 thousand) and refers mainly to claims positions. The utilisation of € 4,995 thousand (2019: € 3,730 thousand) relates to the settlement of claims.

Movements of provision for joint ventures	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance 1 January	4,564	5,396
Addition	1,068	2,178
Reversal	(1,823)	(3,010)
Closing balance 31 December	3,809	4,564
< 1 year	3,809	4,564

The provision for joint ventures relates to joint ventures in which Ballast Nedam's share is negative. The decrease in this provision in 2020 had mainly to do with capital contributions and results of joint ventures.

Movements of provisions for onerous contracts	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance 1 January	22,668	27,968
Addition	23,578	37,307
Utilisation	(29,954)	(37,207)
Reversal	-	(5,400)
Closing balance 31 December	16,292	22,668
< 1 year	11,672	17,435

The provision is based on estimates from project team to assess the result of a performance obligation and the future progress on the project.

Movements of restructuring provisions	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance 1 January	1,770	4,195
Reclassification	1,864	-
Charge for the year	3,030	3,181
Utilisation	(3,735)	(3,616)
Reversal	(27)	(1,990)
Closing balance 31 December	2,902	1,770
< 1 year	2,902	1,743

The € 3,030 thousand is related to the reorganisation, which include costs related to certain staff compensation and restructuring which continued in 2020 (2019: € 3,181 thousand). A provision for reorganisation is only recognised once the decision to execute a reorganisation is concluded. The reversal in 2020 relates to both partly release of reorganisation provision.

10.6.21 Other short-term liabilities

Other short-term liabilities	31 December 2020	31 December 2019
VAT payable	20,807	23,210
Corporate income tax liabilities	617	117
	21,424	23,327

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

10.6.22 Deferred tax assets

The movement in the statement of financial position of the deferred tax assets in as follows:

Deferred tax assets	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance 1 January	4,364	-
Recognition of carry-forward losses	13,049	4,364
Realised carry-forward losses	(3,500)	-
Closing balance 31 December	13,913	4,364

The deferred tax assets to be recovered within and after more than 12 months' amount to € 4.3 million and € 9.6 million respectively. The recognised deferred tax assets relate to the tax losses available to the fiscal unity in the Netherlands. The unused tax losses relate to years 2012 to 2017 inclusive. A relatively small number of mainly large infra projects caused these losses. Ongoing measures are taken to prevent such losses. The recognised tax losses from prior years are subject to a loss carry forward period of 9 years. The Dutch corporate tax rates applicable in 2021 and upcoming years are 25%.

A deferred tax asset is recognised to the extent that it is probable, based on Business Plan forecasts approved by the Board, that sufficient taxable profits will be available in the Netherlands that can be utilised towards realising the deferred asset. The forecasts are based on the Business Plan cycle 2021-2025, extrapolated using growth rates for revenue and profit that take external market data and

historical performance into account. No specific tax planning opportunities have been taken into account.

The fair value change in Investment Properties in 2020 has not been recognised as a deferred tax liability, since that liability can be set off with carry-forward losses. Consistent with prior years, management has determined that the Dutch tax group has approximately € 391 million of carry-forward losses (2019: approximately € 405 million), for which no deferred tax has been recognised. These losses can be carried forward between one and nine years.

Besides carry-forward losses, Ballast Nedam's Dutch tax group has unrecognised pre-incorporation profit of approximately € 70 million from foreign permanent establishments which are eligible for set-off to prevent double taxation. In addition, Ballast Nedam still has carry-forward losses in foreign countries which have not been recognised, as is not considered probable they can be utilised.

10.6.23 Shareholders' equity

The name of shareholder	%	31 December 2020	%	31 December 2019
Renaissance Construction B.V.	100%	2,203	100%	2,203
TOTAL PAID IN CAPITAL	100%	2,203	100%	2,203

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

Translation differences arise on the conversion of the investments in foreign activities, including semi-permanent financing, and on the differences between results translated at the average exchange rate during the year and the exchange rate prevailing at the end of the reporting period.

The other reserves include the legal reserve which are the fair value change in investment property and the hedging reserve which comprises the cumulative net movement in the fair value of derivative financial instruments from joint ventures.

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

10.6.24 Revenue

Revenue	1 January - 31 December 2020	1 January - 31 December 2019
Revenue from construction activities	919,694	849,979
Revenue from maintenance services	11,062	8,990
Trading and other revenue	16,861	15,169
	947,617	874,138

The revenues from construction activities are mainly from the execution of projects in residential and non-residential building and mobility. The revenue from Construction activities from building and infra works amounts to € 555.8 million and € 267.2 million. The revenue of Ballast Nedam Development is € 99.8 million and Industriebouw realised a revenue of € 81.3 million

The revenue from services rendered is mainly related to maintenance services. The trading and other revenues relate to revenues from rentals of equipment, tender cooperation fees, buying and selling of construction materials and lease income from investment property.

The revenue realised in the Netherlands was € 911.4 million, other European countries € 17.4 million and outside Europe € 18.6 million.

The revenue joint ventures realised, accounted for as 'share on profit / loss of investments valued using equity method', for the year was € 129.0 million which results in € 1,076.6 million total revenue for the company if the joint ventures were consolidated proportionally.

Timing of revenue recognition

The timing of revenue recognition in 2020 was as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
At a point in time	95.765	104.197
Over time	851.852	769.941
TOTAL	947,617	874,138

10.6.25 Cost of Revenue

Cost of revenue	1 January - 31 December 2020	1 January - 31 December 2019
Employee benefit expenses	(127,796)	(129,101)
Raw materials and supplies expenses	(122,033)	(113,472)
Worksite expenses	(24,384)	(26,119)
Subcontractor expenses	(507,419)	(477,813)
Depreciation and amortisation expenses	(7,334)	(6,249)
Machinery, equipment and other rent expenses	(60,127)	(46,860)
Cost of goods sold	(2,735)	(5,004)
Other costs of revenue	(49,273)	(51,687)
	(901,101)	(856,305)

Employee benefit expenses	1 January - 31 December 2020	1 January - 31 December 2019
Wages and salaries	(103,854)	(105,349)
Social security costs	(14,509)	(14,862)
Pension charges	(9,433)	(8,890)
	(127,796)	(129,101)

The average number of FTE is 1,665 (2019: 1,623) of which 13 (2019: 14) are employed abroad. The average number of FTE at the head office is 99 (2019: 91) and in the operational entities is 1,566 (2019: 1,532). The average number of FTE in Building is 643 (2019: 627) and Infra is 785 (2019: 812).

10.6.26 General administrative expenses

Details of general administrative expenses	1 January - 31 December 2020	1 January - 31 December 2019
Employee benefit expenses	(17,316)	(13,494)
Consultancy expenses	(944)	(728)
Depreciation and amortisation expenses	(6,715)	(6,812)
Office administration expenses	(2,120)	(1,669)
Rent expenses	(654)	(678)
Representative expenses	(182)	(51)
Transportation and travelling expenses	(136)	(326)
Insurance expenses	(1,421)	(830)
Marketing, selling and distribution expenses	(68)	(161)
	(29,556)	(24,749)
Personnel expenses	1 January - 31 December 2020	1 January - 31 December 2019
Wages and salaries	(14,072)	(11,012)
Social security costs	(1,966)	(1,553)
Pension costs	(1,278)	(929)
	(17,316)	(13,494)

10.6.27 Other operating income/ (expenses) from main activities

The other operating income from main activities was € 1,675 thousand (2019: € 2,461 thousand expense) including additions to and reversal of provisions. Further details on provisions are included in note 10.6.20 Other short-term and long-term provisions.

Additionally, this includes other operating income and expenses from main activities € 2.7 million and € 1.4 million respectively. The gain on disposal of property and equipment amounted to € 2.1 million and the loss on disposal of property and equipment € 0.5 million. Other operating income includes multiple small items such as settlement of subcontractors. Other operating expense includes various small costs from multiple business units.

10.6.28 Financing income and expenses

Financing income and expenses	1 January - 31 December 2020	1 January - 31 December 2019
Financing income	1,049	1,043
Interest expenses	(8,001)	(6,435)
Interest income	3,529	2,966
Foreign exchange losses from financing activities	(1,010)	(140)
Bank commission expenses	(456)	(377)
	(4,889)	(2,943)

The interest expenses are charged for interest on the outstanding loans and lease liabilities in 2020 and 2019.

10.6.29 Current income tax expenses

The income tax expenses are related to the entities outside the fiscal unity of Ballast Nedam.

Income tax recognised in profit or loss	1 January - 31 December 2020	1 January - 31 December 2019
Current tax expense	(225)	(288)
Deferred tax income	9,506	4,364
	9,281	4,076

The numerical reconciliation of income tax credit for 2020 and 2019 is included in the table below.

Numerical reconciliation of income tax credit	2020	2019
Result before tax	21,826	8,707
TOTAL	21,826	8,707
Applicable income tax rate	25%	25%
Tax calculated at Dutch tax rate	5,457	2,177
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Previously unrecognised tax losses used to reduce deferred tax expense	(13,049)	(4,364)
Tax losses set off against taxable income	(1,680)	(1,953)
Different tax rates of subsidiaries operating in other jurisdiction	(9)	64
Income tax credit	(9,281)	(4,076)
Net Result	31,107	12,783
Effective tax rate	-42.5%	-46.8%

10.6.30 Financial risk management

General

The Board of Management has the overall responsibility for the establishment and oversight of the company's risk management framework. One component of the overall risk framework is the financial risk; the categories identified and result of the assessment are disclosed in the following paragraphs. The centralisation of certain accounting activities continued with the improvement of the systems and transaction flow approvals, and the centralisation of accounting activities also continued, which strengthen the control environment. The Internal Audit department continued implementing a plan to carry out both regular and ad hoc reviews of controls and procedures.

Credit risk

Credit risk is the risk of financial loss to Ballast Nedam if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from cash and cash equivalents, receivables from clients and related parties and investments in debt securities.

The key objective of Ballast Nedam's counterparty credit risk management is to minimise the risk of losses as a result of failure of an individual counterparty that could negatively impact the company's results. The carrying amount of financial assets represents the maximum credit exposure. Ballast Nedam actively pursues a policy designed to minimise credit risks. Credit risks consist of the risk that counterparties will not be able to meet contractual obligations relating to a financial instrument. Creditworthiness assessments are performed for all other clients requiring credit. Ballast Nedam uses

prepayments, guarantees and collateral (rights of retention) on projects under construction in order to limit the credit risk on instalments and trade receivables.

Our business periodically measures and analyse the credit risk for trade receivables and contract assets, based on, amongst other things, aging and liquidity of the debtor. The aging of receivables will increase for example in circumstances when our clients withhold payments, which are invoiced in line with the agreed payment schedule, due to the fact that the perception on realisation of milestones differ or documentation requirements, even though the client is not disputing the invoice. For some trade receivables the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

The credit risk of cash and cash equivalents, including bank deposits, is the risk that counter-parties are not able to repay amounts owed to Ballast Nedam. The Group works with banks which have high credit ratings or banks with a lower credit rating if they have a long-term relationship with the Rönnesans Group. The related risk is monitored on an ongoing basis both at local entity and corporate level. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

With regard to trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 36 months as per 1 January 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the clients to settle the receivables.

Other receivables and other non-current assets are monitored for expected credit losses. They do not contain impaired assets. These balances include mainly funding to associates and joint ventures for project developments and loans to Rönnesans Group companies.

As at the balance sheet date, there was no concentration of credit risks among debtors for substantial amounts.

Credit risk exposure based on financial instrument categories	Trade Receivables		Other receivables and non-current assets		Contract assets	Bank deposits
	Related party	Third party	Related party	Third party		
31 December 2020						
Maximum credit risk exposure at balance sheet date	2,544	89,953	57,997	29,532	44,290	219,960
Net book value of not due financial assets	2,544	69,110	57,997	29,532	44,290	219,960
Net book value of assets that are due but not impaired	-	20,843	-	-	-	-
Over due (gross book value)	-	3,105	-	-	-	-
Impairment (-)	-	(3,105)	-	-	-	-

Credit risk exposure based on financial instrument categories	Trade Receivables		Other receivables and non-current assets		Contract assets	Bank deposits
	Related party	Third party	Related party	Third party		
31 December 2019						
Maximum credit risk exposure at balance sheet date	6,781	123,812	57,811	26,187	38,873	201,020
Net book value of not due financial assets	6,781	96,609	57,811	26,187	38,873	201,020
Net book value of assets that are due but not impaired	-	27,203	-	-	-	-
Over due (gross book value)	-	1,866	-	-	-	-
Impairment (-)	-	(1,866)	-	-	-	-

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. The aging schedule of trade receivables including provision is shown in the table below:

	Gross Receivables 2020	Provision	Gross Receivables 2019	Provision
Not past due	71,654	(40)	103,390	(74)
Past 01-30 days	9,555	(22)	17,389	(78)
Past 31-90 days	3,799	(47)	7,178	(123)
Past 91-364 days	3,498	(1,348)	2,994	(230)
Past 1-2 years	7,096	(1,648)	1,508	(1,361)
TOTAL	95,602	(3,105)	132,459	(1,866)

Liquidity risk

Liquidity risk is the risk that Ballast Nedam will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The existing financing package, consisting of loan agreements with multiple financial institutions amounted to € 84.0 million and a project financing arrangement of € 17.8 million at year-end 2020 (2019: € 181.2 million). An amount of € 13.3 million will mature on or before 31 December 2021. The significant improvement in the total indebtedness of Ballast Nedam is the result of a voluntary early repayment of a loan amounting to € 75 million enabled by the health cash position of above € 200 million.

The solvency ratio reaches the level of our best performance years again and amounts to 24.1% (2019: 10.7%). This is the result of the net profit for the year and the share premium contribution of € 60.0 million by our parent company Renaissance Construction B.V., which once again shows the long term commitment of our ultimate shareholder Rönésans Holding A.S. and creates an excellent position for future expansion and investments.

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

monitoring. The current cash surplus, strong solvency and the strengthened risk management activities, are expected to provide management with additional flexibility in its operations and execution of its business plans.

Ballast Nedam has access to bank guarantee and bonding facilities with various financial institutions and group companies. These facilities are long term. Periodically, a forecast is made of the use of the available guarantee facilities. The forecast is based on current tenders and expectations regarding the discharge of existing bank guarantees. Based on this access to guarantee facilities and forecasts, Ballast Nedam expects it will be able to issue guarantees in the ordinary course of business.

The statement for <1 year and 1-5 years includes the repayments of matured loans of € 94,300 thousand (2022) and € 7,500 thousand (2023).

31 December 2020						
	Carrying value	Cash outflows according to agreements	Less than 3 months	3-12 months	1-5 year	More than 5 years
Due date on agreement						
Bank loans	101,800	107,480	885	15,956	90,639	-
Trade payables (including related parties)	177,100	177,100	177,100	-	-	-
Contract liabilities	121,019	121,019	121,019	-	-	-
Lease payables	19,133	20,745	2,224	5,079	11,526	1,916
Other payables	38,826	38,826	38,826	-	-	-
TOTAL LIABILITIES	457,878	465,170	340,054	21,035	102,165	1,916

31 December 2019						
	Carrying value	Cash outflows according to agreements	Less than 3 months	3-12 months	1-5 year	More than 5 years
Due date on agreement						
Bank loans	181,273	193,833	1,783	29,891	162,110	49
Trade payables (including related parties)	176,910	176,910	176,910	-	-	-
Contract liabilities	145,349	145,349	145,349	-	-	-
Lease payables	17,421	19,369	1,170	3,513	14,038	648
Other payables	28,721	28,721	28,721	-	-	-
TOTAL LIABILITIES	549,674	564,182	353,933	33,404	176,148	697

The contractual cashflows that will occur within 3-12 months' amount to € 21,035 thousand, including an amount of € 15,956 thousand of the mortgage loan. Regarding the remaining liabilities € 340,054 thousand (including an amount of € 885 thousand of the mortgage loan) is due within approximately three months (2019: € 353,933 thousand).

Market risk

Exchange risk

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

Forward exchange contracts with highly rated banks may be contracted to hedge the transaction risk on cashflows generated by ordinary business activities. At year-end 2020, Ballast Nedam had no outstanding forward exchange contracts recognised at fair value in the statement of financial position. Ballast Nedam is exposed to the following foreign currency translation risks in nominal amounts:

€ / foreign currency	2020 average exchange rate	Exchange rate on 31 December 2020	2019 average exchange rate	Exchange rate on 31 December 2019
Exchange rates USD	1,144	1,227	1,119	1,120

Foreign currency translation risk USD	31 December 2020	31 December 2019
Due from customers under construction contracts	-	-
Trade receivables	3,295	1,066
TOTAL ASSETS	3,295	1,066
Non-monetary other liabilities	-	1,033
Due to customers under construction contracts	-	-
Short-term liabilities	-	1,033
Net foreign currency asset/ (liabilities) position	3,295	33
Monetary items net foreign currency assets/ (liabilities)	-	-

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

	31 December 2020 Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
US Dollars net assets/(liabilities)	329	(329)

	31 December 2019	
	Profit / (Loss)	
	Appreciation of foreign currency	Depreciation of foreign currency
US Dollars net assets/(liabilities)	3	(3)

Interest risk

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

Interest rate position table		
Floating rate financial instruments	31 December 2020	31 December 2019
Financial liabilities	-	100,126
Fixed rate financial instruments	31 December 2020	31 December 2019
Financial liabilities	120,933	98,568
TOTAL FINANCIAL LIABILITIES	120,933	198,694

A 100 basis points increase in the interest rate would affect the income statement as follows, assuming that all other variables, remain unchanged.

	31 December 2020	31 December 2019
Interest rates - increases by 100 basis points	-	(1,001)
Interest rates - decreases by 100 basis points	-	1,001

Capital risk

Ballast Nedam has the objective to ensure an optimal capital structure with sufficient availability of credit which enables the company to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may sell assets to reduce debt, obtain new loans to increase debt and adjust the amount of return capital to shareholders. The net debt to equity ratio (excluding lease liabilities) increased from 26% to 71%.

Ballast Nedam is not subject to key performance indicators for the majority of its loans. An exception is the loan obtained to partly finance the acquisition of the Rotterdam Building. In the related financial agreement, a loan-to-value ratio has been agreed. Ballast Nedam complies with this ratio. Although for the majority of the loans no performance indicators exist, the terms of the loans include commitments to share financial information with the banks.

With the current cash position, management forecasts that it has sufficient means to finance its ongoing operations. The existing financing package, consisting of loan agreements with multiple financial institutions amounted to € 84.0 million and a project financing arrangement of € 17.8 million at year-end 2020 (2019: € 181.2 million). An amount of € 13.3 million will mature on or before 31 December 2021.

Fair value

The fair values of financial assets and liabilities together with the carrying amounts recognised in the Consolidated Balance Sheet, per IFRS 9 category, are as follows:

Fair value	31 December 2020		31 December 2019	
	Carrying amount (amortised cost)	Fair value	Carrying amount (amortised cost)	Fair value
Cash and cash equivalents	219,960	219,960	201,020	201,020
Trade receivables	92,497	92,497	130,593	130,593
Other receivables	84,857	84,857	92,189	92,189
Contract assets	44,290	44,290	38,873	38,873
Right of use assets	18,735	18,735	17,059	17,059
Other non-current assets	1,010	1,010	2,980	2,980
TOTAL FINANCIAL ASSETS	461,349	461,349	482,714	482,714
Fair value	31 December 2020		31 December 2019	
	Carrying amount (amortised cost)	Fair value	Carrying amount (amortised cost)	Fair value
Borrowings	101,800	101,800	181,273	181,273
Trade payables	177,100	177,100	176,910	176,910
Contract liabilities	121,019	121,019	145,349	145,349
Lease liabilities	19,132	19,132	17,421	17,421
Other liabilities	67,141	67,141	59,121	59,121
TOTAL FINANCIAL LIABILITIES	486,192	486,192	580,074	580,074

Valuation methods

The valuation method of the financial instruments, including derivatives, is categorised in three levels. Level 1 refers to (unadjusted) market prices in active markets for identical assets or liabilities. Level 2 involves assets measured on the basis of prices or price derivatives that do not meet the definition for Level 1. The assets under Level 3 are measured on the basis of cashflow models. All financial instruments carried at fair value within the company are categorised in Level 2.

There were no transfers from Level 1 to Level 2 or Level 3, or vice versa, in 2020 (2019: also no transfers). Changes in the value of other fair value investments are recognised in the statement of income.

Ballast Nedam has no financial assets or liabilities measured at fair value. The fair value of investment property is primarily based on the present value of the estimated future cash flows discounted with the effective interest rate (see note 10.6.11 Investment property). The fair value assets classified as held for sale was determined using the expected sales price derived from market information.

Commitments

Guarantees

	31 December 2020	31 December 2019
Letters of guarantees given	266,562	250,511

Letters of intent and guarantees issued on Ballast Nedam's behalf by financial institutions in connection with the execution of projects and for prepayments received are included in 'Guarantees'. In addition, assets amounting to € 47,600 thousand (2019: € 47,600 thousand) are pledged as collateral with respect to the bank borrowings. Ballast Nedam received guarantees amounting to € 19,367 thousand (2019: € 37,637 thousand) thousand from its subcontractors.

10.6.31 Off-balance sheet commitments

Off-balance sheet commitments	31 December 2020			31 December 2019		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
Leased other operating assets	59	176	-	59	235	-
Leased offices	88	51	-	42	11	-
Land purchases	5,187	2,262	-	3,120	5,556	-
TOTAL	5,334	2,489	-	3,221	5,802	-

Ballast Nedam has contingent liabilities concerning land acquisition rights amounting to € 72,210 thousand (2019: € 105,231 thousand). These rights include a composition of conditional and not yet certain payment commitments (depending on factors such as changes in zoning, decision to develop, and decision to exercise certain rights).

Other commitments

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

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

Capital contribution commitments

There were no unconditional capital contribution commitments as at 31 December 2020 (2019: nil) in PPP projects.

10.6.32 Related Party Transactions

The parties related to Ballast Nedam are Rönésans Group companies and its related parties, the company's management (Board of Management and Supervisory Board), its subsidiaries, associates, joint ventures, Stichting Pensioenfonds Ballast Nedam and the directors and senior officers of these entities. Transactions with related parties are conducted at arm's length, on terms comparable to those for transactions with third parties.

A major part of the construction activities of Ballast Nedam is executed in joint ventures/associates and joint operations and Rönésans Group companies. The activities of these entities include the financing and construction of land developments as well as construction contracts. The related party transactions with Rönésans Group companies include charges for construction, consultancy costs, ICT cost, interest on loans, tender support and tender cooperation fees. The table below gives an overview of the receivables and payables as at reporting date outstanding to intercompany parties:

31 December 2020								
	Receivables				Payables			
	Short term		Long term		Short term		Long term	
	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Markwartier C.V. ⁽²⁾	-	26,279	-	-	-	189	-	-
Oud Beijerland oost C.V. ⁽²⁾	-	6,648	-	-	-	398	-	-
VOF Leidse Schans ⁽¹⁾	-	-	-	-	-	5,176	-	-
Other joint ventures and associates	-	13,409	-	950	-	2,168	-	-
Other joint operations	-	3,125	-	-	-	12,537	-	-
Other Rönésans Group companies	2,544	2,559	-	5,027	220	940	-	-
TOTAL	2,544	52,020	-	5,977	220	21,408	-	-

(1) Joint venture and associates

(2) Joint operations

31 December 2019								
	Receivables				Payables			
	Short term		Long term		Short term		Long term	
	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Markwartier C.V. ⁽²⁾	-	20,775	-	-	-	189	-	-
Oud Beijerland oost C.V. ⁽²⁾	-	6,488	-	-	-	398	-	-
VOF Leidse Schans ⁽¹⁾	-	-	-	-	-	5,051	-	-
Other joint ventures and associates	-	15,537	-	2,920	-	7,906	-	-
Other joint operations	-	1,304	-	-	-	5,953	-	-
Other Rönésans Group companies	6,781	10,787	-	-	94	-	-	-
TOTAL	6,781	54,891	-	2,920	94	19,497	-	-

The table below shows the revenue/costs of the Rönesans Group in 2020. The revenue/costs of the joint ventures can be found in note 10.6.10. The related party transactions with Rönesans Group companies include charges for construction activities, consultancy costs, ICT cost, interest on loans, tender support and tender cooperation fees.

Transaction with related parties (2020)	Purchases	Sales	Interest received	Interest given	Other income	Other expense
Rönesans Holding A.Ş.	-	-	-	-	-	-
Transactions with other Rönesans Group companies	190	7,882	1,034	-	571	89
TOTAL	190	7,882	1,034	-	571	89

Transaction with related parties (2019)	Purchases	Sales	Interest received	Interest given	Other income	Other expense
Rönesans Holding A.Ş.	-	-	-	-	-	-
Transactions with other Rönesans Group companies	245	4,530	1,043	-	895	-
TOTAL	245	4,530	1,043	-	895	-

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

	31 December 2020	31 December 2019
Non-current assets	2,355	1,840
Current assets	72,719	89,536
Non-current liabilities	(170)	-
Current liabilities	(62,190)	(81,979)
Net assets	12,714	9,397

The revenue and the cost of sales relating to the share in joint operations was approximately 23% (2019: 21%) of total revenue and cost of sales. The total liabilities to third parties of companies for which Ballast Nedam holds joint and several liabilities, such as partnerships, excluding bank guarantees issued by those companies, was € 150,812 thousand at the end of 2020 (2019: € 207,492 thousand), of which the € 62,190 thousand portion of Ballast Nedam (2019: € 81,979 thousand) is included in the Consolidated statement of financial position.

The entities below were included in the Consolidated statement of financial position and Consolidated statement of income of Ballast Nedam in 2020. The entities relate to joint operations. Only the principal active entities are included for practical reasons. A full list of the subsidiaries included in the consolidation has been filed with the Commercial Register at the offices of the Dutch Chamber of Commerce in Utrecht. Details of the material joint ventures and associated interests in which Ballast Nedam has participating interests can be found in note 10.6.32.

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

Overview of joint operations

Ballast Nedam and other parties that have joint control (by voting power or contractual arrangement) of the arrangement and have rights to the assets and obligations for the liabilities relating to the joint operation.

Name of Joint Operation	Place of incorporation and operation	Principal activity	2020 Effective ownership ratio	2020 Voting power held	2019 Effective ownership ratio	2019 Voting power held
Tribune-Bouw V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Vof Grondbank Langedijk	Netherlands	Development	27.50%	27.50%	27.50%	27.50%
V.O.F. De Leidse Schans	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
V.O.F. Ontwikkelingscombinatie Mossenest II	Netherlands	Development	11.30%	11.30%	11.30%	11.30%
Dijkzone V.O.F.	Netherlands	Development	33.33%	33.33%	33.33%	33.33%
VOF Ontwikkelingscombinatie Veld 9	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Vof Planetenlaan/Eind	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
VOF Entreegebied Ter Borch	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
De Beeldbouwers V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Hart van Zuid Vof	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
BN-TAV Joint Venture v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
ABT MEP v.o.f.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
BAAK Blankenburg EPCM v.o.f.	Netherlands	Construction	45.00%	45.00%	45.00%	45.00%
A-Lanes A15 Mobility V.o.f.	Netherlands	Construction	10.00%	10.00%	10.00%	10.00%
A-Lanes Civil v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
A-Lanes Roads V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Pro N329 v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie G3 Woontorens v.o.f.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
R Creators DBMO vof	Netherlands	Construction	45.00%	45.00%	45.00%	45.00%
De Vijfde Stad V.O.F.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Resource House V.O.F.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Bouwcombinatie Duurzaam Eindhoven V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Wáldwei V.O.F.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
BNRA Gladheid v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Ballast Nedam / Van Rens v.o.f.	Netherlands	Construction	70.00%	70.00%	70.00%	70.00%
Combinatie BNOOC v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Infracombinatie Hart van Zuid v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Ballast Nedam / Van Gelder v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Zoetermeer Oosterheem V.O.F.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Bouwcombinatie De Leidse Schans V.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
MLK Zoetermeer V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Reiniging Combinatie Randstad V.O.F.	Netherlands	Recycling	50.00%	50.00%	50.00%	50.00%
Alliantie IJsseldijk Apeldoorns Kanaal v.o.f.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%

Overview of associates and joint ventures

Name of associate / Joint venture	Place of incorporation and operation	Principal activity	2020 Effective ownership ratio	2019 Effective ownership ratio	2020 Voting power held	2019 Voting power held
A-Lanes Management Services B.V.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
BNC IXAS SPC Holding B.V.	Netherlands	Construction	20.00%	20.00%	20.00%	20.00%
Heitkamp Construction Swiss GmbH	Switzerland	Construction	49.00%	0.00%	49.00%	0.00%
Ontwikkelingsmaatschappij G4 Beheer B.V.	Netherlands	Development	25.00%	25.00%	25.00%	25.00%
De Vennep Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Venneppark N207 C.V.	Netherlands	Development	62.40%	62.40%	62.40%	62.40%
Marktkwartier C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Marktkwartier Amsterdam Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Riederwaard Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Riederwaard C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
OCW Engelse Park Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
OCW Engelse Park C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Wind Invest B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Coeur du Sud B.V.	Netherlands	Construction	50.00%	2.50%	50.00%	2.50%
BAAK Blankenburg-Verbinding B.V.	Netherlands	Construction	15.00%	15.00%	15.00%	15.00%
Exploitatie Maatschappij A-Lanes A15 B.V.	Netherlands	Construction	50.00%	33.33%	50.00%	33.33%
J.V. Siemens Cuxhaven	Germany	Construction	50.00%	50.00%	50.00%	50.00%
IXAS Gaasperdammerweg B.V.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
Ursem Modulaire Bouwsystemen B.V.	Netherlands	Construction	41.00%	41.00%	41.00%	41.00%
Exploitatie Maatschappij Komfort B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Exploitatie Maatschappij DC 16 B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Ontwikkelingsmaatschappij G4 C.V.	Netherlands	Development	25.00%	25.00%	25.00%	25.00%
Gebiedsontwikkeling Oud-Beijerland Oost C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Oost Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Olympia Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Olympia C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Coberco Kwartier C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Coberco Kwartier Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Zuid Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Zuid C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Impuls B.V.	Netherlands	Construction	22.50%	22.50%	22.50%	22.50%
Asfalt Productie Tiel (APT) B.V.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
Traffic Service Nederland B.V.	Netherlands	Construction	25.17%	25.17%	25.17%	25.17%
Asfalt Productie Amsterdam (APA) B.V.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Nederlandse Frees Maatschappij B.V. ⁽¹⁾	Netherlands	Construction	16.67%	16.67%	16.67%	16.67%
Asfalt Productie Rotterdam Rijnmond (APRR) B.V.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Graniet Import Benelux B.V. ⁽¹⁾	Netherlands	Construction	8.75%	8.75%	8.75%	8.75%
Ontwikkelingsmaatschappij Centrumgebied Amsterdam Zuidoost B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Stadion Amsterdam C.V. ⁽¹⁾	Netherlands	Construction	5.55%	5.55%	5.55%	5.55%
GEM Vleuterweide Beheer B.V. ⁽¹⁾	Netherlands	Development	14.00%	14.00%	14.00%	14.00%
N.V. Stadsherstel Breda ⁽¹⁾	Netherlands	Development	5.80%	5.80%	5.80%	5.80%
GEM Vleuterweide C.V. ⁽¹⁾	Netherlands	Development	13.44%	13.44%	13.44%	13.44%
Cartesiusdriehoek C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Cartesiusdriehoek Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Grondreinigingscombinatie v.o.f.	Netherlands	Recycling	25.00%	25.00%	25.00%	25.00%

(1) An associate is an entity over which Ballast Nedam has significant influence, but does exercise control. Significant influence is presumed to exist when Ballast Nedam holds 20% of the voting rights. These entities comprise shares in (unlisted) investments over which Ballast Nedam is presumed not to have significant influence since it holds less than 20% of the voting rights. Limited balances of these entities are separately disclosed in note 10.6.10 as part of investment of associates and joint ventures.

Overview of principal 100% subsidiaries

Name of subsidiary	Place	Main activity	Share 2020	Share 2019
Ballast Nedam Infra B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Parking B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Industriebouw B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam International projects B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Bouw & Ontwikkeling Holding B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Bouw & Ontwikkeling B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Ontwikkelingsmaatschappij B.V.	Nieuwegein	Development	100%	100%
Heddes Bouw & Ontwikkeling B.V.	Hoorn	Construction	100%	100%
Laudy Bouw & Ontwikkeling B.V.	Sittard	Construction	100%	100%
Ballast Nedam Concessies B.V.	Nieuwegein	Development	100%	100%
Ballast Nedam Beheer B.V.	Nieuwegein	Maintenance	100%	100%
Ballast Nedam Bouw & Ontwikkeling Speciale Projecten B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Specialistisch Grondverzet B.V.	Maarssen	Construction	100%	100%
Ballast Nedam Road Specialties B.V.	Leerdam	Construction	100%	100%
Ballast Nedam International Product Management B.V.	Leerdam	Trade	100%	100%
Ballast Nedam Funderingstechnieken B.V.	Maarssen	Construction	100%	100%
Ballast Nedam Materieel B.V.	Almere	Construction	100%	100%
Dibec B.V.	Nieuwegein	Construction	100%	100%
Haitsma Beton B.V.	Kootstertille	Concrete factory	100%	100%
Hoco Beton B.V.	Weert	Concrete factory	100%	100%
Heitkamp Bau Service	Germany	Construction	100%	100%

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

Key management includes members of the Board of Management and the Supervisory Board. The total remuneration of members of the Board of Management in 2020 was € 1,835 thousand (2019: € 1,351 thousand).

Board of Management	1 January - 31 December 2020	1 January - 31 December 2019
Short-term employee benefits	1,707	1,270
Post-employment benefits	107	77
Other	21	4
TOTAL	1,835	1,351

The total remuneration of the Supervisory Board in 2020 was € 45 thousand (2019: € 75 thousand). The remuneration of members of the Supervisory Board and the Board of Management is commensurate with their term of office. Members of the Board of Management are entitled to the use of a company car. No balances were outstanding and no loans were granted to members of the Board of Management or the Supervisory Board.

Chapter 11

Company Financial Statements



11. Company Financial Statements

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

Amounts expressed in thousands of euro (€)

Assets	Notes	31 December 2020	31 December 2019
Non-Current Assets		434,038	386,203
Tangible fixed assets		5,386	6,796
Right of use assets	11.3.2	5,386	6,796
Financial fixed assets		428,652	379,407
Investments accounted for using the equity method	11.3.3	339,739	300,043
Other long-term receivables	11.3.3	75,000	75,000
Deferred tax assets	11.3.4	13,913	4,364
Current Assets		154,156	190,261
Receivables	11.3.5	27,551	52,351
Trade receivables		-	30
Receivables related parties		27,400	51,658
Other receivables		84	46
Prepaid expenses		67	617
Cash and Cash equivalents		126,605	137,910
TOTAL ASSETS		588,194	576,464
Liabilities			
Shareholders' equity	11.3.6	166,934	76,722
Paid in capital		2,203	2,203
Share premium		393,870	333,870
Currency translation reserve		84	371
Legal reserve		20,129	19,036
Accumulated losses		(249,352)	(278,758)
Provisions	11.3.7	2,580	1,408
Provisions related with employee benefits		207	190
Other provisions		2,373	1,218
Non-Current Liabilities	11.3.8	75,165	159,389
Financial debts		71,500	132,500
Lease liabilities		3,665	5,319
Debt to subsidiaries			21,570
Current Liabilities	11.3.9	343,515	338,945
Current portion of long term borrowings		12,500	24,000
Lease liabilities		1,957	1,623
Trade and other payables		2,686	4,686
Payables to subsidiaries		326,327	308,636
TOTAL LIABILITIES AND EQUITY		588,194	576,464

11.2 Company statement of income

Amounts expressed in thousands of euro (€')

	1 January - 31 December 2020	1 January - 31 December 2019
Result of subsidiaries after tax	40,414	14,463
Other results after tax	(9,484)	(1,769)
Result for the period	30,930	12,694

11.3 Notes to the Company Financial Statements

11.3.1 Basis of preparation and significant accounting policies

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

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

If Ballast Nedam's share in the losses exceeds the value of the interest in an associate, the carrying amount of the investment is written down to nil in Ballast Nedam N.V.'s statement of financial position and only the portion of any further losses for which Ballast Nedam N.V. has a legal or constructive obligation will be recognised.

11.3.2 Right of use assets

	Buildings
Cost	
Opening balance 1 January 2020	8,495
Additions	380
Closing balance 31 December 2020	8,875
Accumulated depreciation	
Opening balance 1 January 2020	(1,699)
Depreciation	(1,790)
Closing balance 31 December 2020	(3,489)
Carrying value as of 31 December 2020	5,386

Buildings	
Cost	
Opening balance 1 January 2019	8,495
Additions	-
Closing balance 31 December 2019	<u>8,495</u>
Accumulated depreciation	
Opening balance 1 January 2019	-
Depreciation	<u>(1,699)</u>
Closing balance 31 December 2019	<u>(1,699)</u>
Carrying value as of 31 December 2019	<u>6,796</u>

11.3.3 Financial fixed assets

	Investments in subsidiaries	Long-term receivables from subsidiaries
Opening balance 1 January 2019	287,860	-
Result group participations	14,463	-
Investments	149	75,000
Divestments	(1,814)	-
Change in hedging reserve	(834)	-
Currency translation effect	219	-
Closing balance 31 December 2019	300,043	75,000
Opening balance 1 January 2020	300,043	75,000
Result group participations	40,414	-
Investments	-	-
Divestments	-	-
Change in hedging reserve	(431)	-
Currency translation effect	(287)	-
Closing balance 31 December 2020	339,739	75,000

The interests in subsidiaries are direct interests, of which the main ones are shown in the organisation chart. A list of interests as referred to in Article 2:379 of the Dutch Civil Code has been filed with the Dutch Commercial Register in Utrecht. The Annual Report has a list of the significant group companies and interests.

The applicable interest margin of the long-term receivables from subsidiaries have an at arm's length fixed interest rate.

11.3.4 Deferred tax assets

Deferred tax assets	1 January - 31 December 2020	1 January - 31 December 2019
Opening balance 1 January	4,364	-
Recognition of carry-forward losses	13,049	4,364
Realised carry-forward losses	(3,500)	-
Closing balance 31 December	13,913	4,364

The deferred tax assets to be recovered within and after more than 12 months' amount to € 4.3 million and € 9.6 million respectively. The recognised deferred tax assets relate to the tax losses available to the fiscal unity in the Netherlands. The unused tax losses relate to years 2012 to 2017 inclusive. A relatively small number of mainly large infra projects produce these losses. Ongoing measures are taken to prevent such losses. The recognised tax losses from prior years are subject to a loss carry forward period of 9 years. The Dutch corporate tax rates applicable in 2022 and upcoming years are 25%.

A deferred tax asset is recognised to the extent that it is probable, based on Business Plan forecasts approved by the Board, that sufficient taxable profits will be available in the Netherlands that can be utilised towards realising the deferred asset. The forecasts are based on the Business Plan cycle 2021-2025, extrapolated using growth rates for revenue and profit that take external market data and historical performance into account. No specific tax planning opportunities have been taken into account.

The fair value change in Investment Properties in 2020 has not been recognised as a deferred tax liability, since that liability can be set off with carry-forward losses. Consistent with prior years, management has determined that the Dutch tax group has approximately € 391 million of carry-forward losses (2019: approximately € 405 million), for which no deferred tax has been recognised. These losses can be carried forward between one and nine years.

Besides carry-forward losses, Ballast Nedam's Dutch tax group has unrecognised pre-incorporation profit of approximately € 70 million from foreign permanent establishments which are eligible for set-off to prevent double taxation. In addition, Ballast Nedam still has carry-forward losses in foreign countries which have not been recognised, as is not considered probable they can be utilised.

11.3.5 Receivables

Receivables	31 December 2020	31 December 2019
Trade and other receivables	84	76
Receivables from subsidiaries	27,400	51,658
Short-term prepaid expenses	67	617
	27,551	52,351

The Receivables from group companies mainly relate to short-term financing by means of current accounts. Ballast Nedam makes use of cash-pooling. Ballast Nedam has control, directly or indirectly, over all the subsidiaries which it has outstanding receivables and can convert these into equity if needed. The fair value of the "receivables from subsidiaries" approximates the book value.

11.3.6 Shareholders' equity

	Paid in capital	Share Premium	Currency translation reserve	Legal reserve	Accumulated losses	Total
Opening balance 1 January 2019	2,203	333,870	152	16,656	(288,238)	64,643
Net result for the year	-	-	-	-	12,694	12,694
Change in currency translation reserve	-	-	219	-	-	219
Change in legal reserve	-	-	-	(834)	-	(834)
Other comprehensive expense	-	-	219	(834)	-	(615)
TOTAL COMPREHENSIVE INCOME	-	-	219	(834)	12,694	12,079
Fair value change investment property	-	-	-	2,755	(2,755)	-
Change in legal reserve	-	-	-	459	(459)	-
Closing balance 31 December 2019	2,203	333,870	371	19,036	(278,758)	76,722
Opening balance 1 January 2020	2,203	333,870	371	19,036	(278,758)	76,722
Net result for the year	-	-	-	-	30,930	30,930
Change in currency translation reserve	-	-	(287)	-	-	(287)
Change in legal reserve	-	-	-	(431)	-	(431)
Other comprehensive income	-	-	(287)	(431)	-	(718)
TOTAL COMPREHENSIVE INCOME	-	-	(287)	(431)	30,930	30,212
Fair value change investment property	-	-	-	(707)	707	-
Change in legal reserve	-	-	-	2,231	(2,231)	-
Share premium contribution	-	60,000	-	-	-	60,000
Closing balance 31 December 2020	2,203	393,870	84	20,129	(249,352)	166,934

The paid in capital includes ordinary shares of the company. The legal reserves 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, hedge results from joint ventures and the fair value change in investment property. The parent company Renaissance Construction B.V. completed a share premium contribution of € 60 million in cash. Further details on the movement schedule are included in the consolidated financial statements.

The 2020 result is subject to appropriation by the General Meeting. It is proposed to add the net result for 2020 to the accumulated losses within the shareholders' equity (general reserves) as stated in the profit appropriation and dividend policy. Please see paragraph 12.1 for further details.

11.3.7 Provisions

	Reorganisation	Other	Employee benefits	TOTAL
1 January 2019	3,568	-	576	4,114
Addition	2,658	-	6	2,664
Reclass	-	17	-	17
Reversals	(1,799)	-	(295)	(2,094)
Utilisation	(3,225)	(1)	(97)	(3,323)
31 December 2019	1,202	16	190	1,408
Addition	2,958	150	69	3,117
Reclass	-	330	-	330
Reversals	-	-	-	-
Utilisation	(2,046)	(237)	(52)	(2,335)
31 December 2020	2,114	259	207	2,580
Current (< 1 year)				
31 December 2019	1,175	16	190	1,381
31 December 2020	2,114	259	207	2,580

11.3.8 Non-current liabilities

Long-term debt	31 December 2020	31 December 2019
Long-term financial debts	71,500	132,500
Lease liabilities	3,665	5,319
Long-term debt to subsidiaries	-	21,570
	75,165	159,389

The fair value of the long-term debt to subsidiaries approximates the book value. Borrowings to be repaid between 1 and 2 years amount to € 64,000 thousand, borrowings to be repaid between 2 and 3 years amount to € 7,500 thousand. Lease liabilities to be repaid between 1 and 5 years amount to € 3,655 thousand.

11.3.9 Current liabilities

Current liabilities	31 December 2020	31 December 2019
Lease liabilities	1,957	1,623
Current portion of long term borrowings	12,500	24,000
Trade and other payables	2,686	4,686
Payable to subsidiaries	326,372	308,636
	343,515	338,945

Refer to note 10.6.16 of the Consolidated financial statements for further details about current portion of long-term borrowings. The payables to group companies mainly relate to short-term financing by means of current accounts. Ballast Nedam makes use of cash-pooling. The fair value of the "payable to subsidiaries" approximates the book value.

11.3.10 Off-balance sheet commitments

Letter of guarantees	31 December 2020	31 December 2019
Letters of guarantees given	266,562	250,511

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 2020, € 266,562 thousands of guarantees were outstanding (2019: € 250,511 thousand), of which € 66,369 off thousand relate to joint ventures (2019: € 58,906 thousand).

Other liabilities

Ballast Nedam N.V. has filed a declaration of joint and several liability as referred to in Article 2:403(1) (f), of Book 2 of the Dutch Civil Code with the office of the Commercial Register of the Dutch Chamber of Commerce in favour of Ballast Nedam Concessies B.V. Ballast Nedam ICT B.V. and Ballast Nedam Infra Corporate B.V..

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

Ballast Nedam N.V. issued guarantees for a number of subsidiaries' contracts, totalling approximately € 668.7 million in 2020 (2019: approximately € 515.7 million). This often involves the entire contract sum for long-term projects.

Fiscal unity

Together with the subsidiaries which form the tax fiscal unity, Ballast Nedam N.V. bears joint and several liability for corporation tax and value added tax liabilities in the Netherlands. The subsidiaries have applied the tax consolidation legislation, which means that these entities are taxed as a single entity. As a consequence, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

11.3.11 Employees

Number of employees as of 31 December 2020 is 99 (2019: 91).

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

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

11.3.13 Proposal of appropriation of 2020 result

It is proposed to add the net profit for 2020 to the accumulated losses within the shareholders' equity (general reserves).

11.3.14 Events after the balance sheet date

No events after the reporting period.

Nieuwegein, 18 March 2021

Board of Management,

C. Düzyol

S.R. Lefevre

H. Koçak

Ö. Canbaş

O.P. Padberg

A.K. Sağlam (appointed on 2 March 2020)

Supervisory Board,

İ. İlicak Kayaalp

E. Baki

P.R.H.M. van der Linden

K. Arslan

A. Oral (appointed on 23 October 2020)

Chapter 12

Other Information



12. Other information

12.1 Appropriation of result

Sections of the articles of association concerning appropriation of the result

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

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