

Annual Report 2016
Ballast Nedam

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Introduction

2016 was Ballast Nedam's year of transition. We have come a long way. We closed the year with a strengthened capital base and improved liquidity and reached agreement on refinancing.

Following the completion of the major part of the acquisition by Rönesans (Rönesans Holding A.Ş. Group) on 30 December 2015, a combined team of Ballast Nedam and Rönesans worked intensively to achieve a new and more operational organizational structure and implemented a cost reduction plan. The basic principle was that the Dutch construction and infrastructure projects are the core of the new company. With the ultimate goal to be the most cost efficient and competitive player in the Dutch market.

Our employees showed a high degree of resilience and a strong believe in the company during the restructuring process, which inevitably led to further redundancies. Organizational processes were adjusted and strengthened to ensure risk management and oversight. The company has also adopted new policies for selective tendering and disciplined pricing and continues to apply careful monitoring through periodic reporting. This approach, together with control mechanisms, has significantly helped Ballast Nedam become a stronger organization. It has led to a leaner organization with a more competitive cost structure.

We have made our projects the core of the company. They are our main focus. We have adapted our organization so that it fits perfectly with the lifecycle of these projects. We have shorter lines within our organization to be closer to our operations. We make use of best practices and learn from each other (construction and infrastructure). As a result, many projects have been completed to the clients' satisfaction. In addition, the order book has shifted towards high-quality, lower-risk profile projects and is running solid with new acquisitions for reputable clients such as Amsterdam ArenA, Siemens, Unibail-Rodamco and KLM and Schiphol. In our regions, selective tendering has had the same result in strong new acquisitions as a new intensive care unit for the Sint Anthonius Hospital in Utrecht and the transformation of an office building into 191 apartments in Amsterdam.

Against this background, a refinancing package was agreed with ING, Rabobank and FGH, extending the maturity of cash and guarantee facilities to 31 December 2018. In parallel, Ballast Nedam has established a variety of bilateral bonding lines from new institutions, including Zurich Insurance, VHV, Ergo, Liberty and Deutsche Bank.

Furthermore, we executed our strategy to gradually dispose of non-core assets that no longer served as primary drivers in the company's core activities. The total cash proceeds of these divestments combined with the release of its funds in an escrow account (which was restricted as security for the bank loans) amounted to more than 60 million euro and has allowed us to structurally strengthen our balance sheet, which resulted in a healthy cash position. In addition, we managed to significantly reduce our bank debt balance to 78.7 million euro (2015: 108 million euro).

Rönesans provided continued operational, commercial and technical support to Ballast Nedam in 2016 as its majority shareholder and has showed its intention to support the company's future operations. We aim to continuously capitalize on the Rönesans' experience and capabilities. We are proud that we have managed to bring Ballast Nedam back into the market as a financially strong, efficient and competitive construction company. We have established a solid basis to increase our market share and profitability in 2017. On behalf of the Board of Management, I thank all employees, Rönesans and our stakeholders for their commitment and support.

Cenk Düzyol
CEO

1 Profile of Ballast Nedam

1.1 Vision, mission and values

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

Vision

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

Mission

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

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

Values

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

1 *Our customers first*

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

2 *Safety*

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

3 *Quality*

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

4 *Teamwork*

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

5 *Passion for the profession*

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

6 *Down to earth*

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

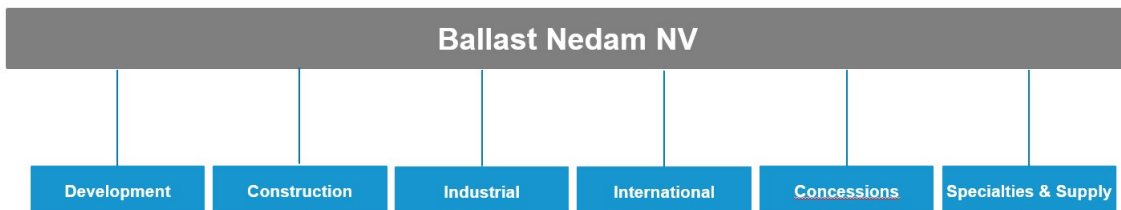
7 *We love a challenge*

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

1.2 Core activities and organizational structure

2016 was Ballast Nedam's year of transition. This also meant Ballast Nedam changed and also reorganized its management structure.

In 2016, Ballast Nedam started to operate on the basis of six divisions, namely Development, Construction, Industrial, International, Concessions and Specialties & Supplies. These divisions work within the existing holding of Ballast Nedam.



The legal structure is different than the managerial structure.

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

Construction focuses on successfully acquiring and executing complex, integrated projects in residential, non-residential building and mobility areas. Construction works as one collective construction and infrastructure company.

Industrial is focussed special expertise requiring business and works together with construction. Regardless of size and complexity, ranging from maintenance, renovation and rebuilding, to large-scale new constructions in both green field areas and brown field circumstances. Industrial is a specialist in foundations, civil and architectural constructions, infrastructure above and below surface level, and on-shore wind parks.

International handles all aspects of constructing large-scale projects in challenging environments, from design up to financing and implementation. These kinds of projects are undertaken in focus areas in Asia, Africa and the Caribbean – areas that have a great deal of potential, but where conditions are often difficult. Upon acquisition by Rönésans, international footprint and network became stronger, which helps to bring these projects to a successful conclusion.

The Development division has bright prospects as a result of the robust growth of the Dutch housing market. Development concentrates on mixed use and more complex projects. It creates integrated, creative and high-profile solutions for the built environment through investment, management and development of projects based on both public and private partnerships. The division is also in charge of land and development positions, integral area developments and Public and Private Partnership (PPP) projects.

In addition to these divisions the Specialties & Supplies division holds five companies that contribute expertise and devise and implement innovative solutions at an early stage for the integrated construction and infrastructure projects of the divisions mentioned above. Furthermore, they deliver products and services with a distinctive edge which helps them to build a demonstrable competitive advantage. The main focus is enhancing and expanding modular and industrial concepts. It is expected that this division will be integrated into the Construction division in 2017.

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

1.3 Composition of the Board of Management

C. Düzyol (Chairman)

Since 1 June 2016, Mr Cenk Düzyol (Turkey, 1971) is Chairman of the Board of Management of Ballast Nedam. In this position his focus is primarily directed towards the follow up of Ballast Nedam's strategy, cooperation with Rönesans and the other companies within the Group. He is also a board member of Rönesans Holding A.Ş. and Rönesans Construction Russia. In 1994 Mr Düzyol completed his degree in civil engineering at the Technical University of Istanbul. He was first appointed to the Board of Management for a four-year term on 20 November 2015. His current term of office expires on 20 November 2019.

S. Lefevre

As a member of the Board of Management, Mr Sander Lefevre (the Netherlands, 1973) primarily takes care of the construction and infrastructure activities. Since 2006 he held several management positions within Ballast Nedam, including Director of Ballast Nedam Infrastructure Special Projects. After his education at the Delft University of Technology, Mr Lefevre began his career in 1995 as project manager at Royal Haskoning DHV. He is also Chief Executive Officer of the Construction division. Mr Lefevre was first appointed to the Board of Management for a four-year term on 17 May 2016.

O. P. Padberg

Within the Board of Management Mr Olav Padberg (the Netherlands, 1972) is responsible for assurance, compliance and all HR and legal matters concerning Ballast Nedam as a whole and for the Specialties & Supply division. He and Mr Hayrettin Koçak (CFO) are also conjunctly concerned with finance issues. Mr Padberg started his career at Ballast Nedam in 2007. In 2011, he was appointed as Director of Ballast Nedam N.V. legal and as compliance officer of the Ballast Nedam Pension Fund. Mr Padberg studied law at Erasmus University Rotterdam. At the next General Meeting, Mr Padberg will be proposed for appointment as statutory director.

Ö. Canbaş

As a member of the Board of Management, Mr Özgür Canbaş (Turkey, 1973) is jointly responsible for Ballast Nedam's policy. Mr Canbaş graduated from the Mechanical Engineering Department of the Istanbul Technical University in 1995 and received his MBA from the Koc University in 1997. Mr Canbaş worked in corporate and investment banking within Deutsche Bank in Istanbul, London and Singapore offices between 1998 and 2009. Mr Canbaş joined Rönesans in 2009. He is currently responsible for corporate development and serves as a board member at Rönesans Holding A.Ş. and several other group companies. At the next General Meeting, Mr Canbaş will be proposed for appointment as statutory director.

H. Koçak

On 2 January 2017, Mr Hayrettin Koçak (Turkey, 1981) was appointed as Chief Financial Officer (CFO). He focuses on finance matters insofar as they relate to Ballast Nedam as a whole. Moreover, since 2016

Mr Koçak has been CFO of the Construction division. Before Mr Koçak joined Ballast Nedam, he was the CFO of Rönesans Construction Russia. Between 2000 and 2004, he studied economics at the Middle East Technical University in Ankara. At the next General Meeting, Mr Koçak will be proposed for appointment as statutory director.

1.4 Responsibility Statement of the Board of Management

The annual financial statements for the year ended 31 December 2016 provide a true and fair view of the assets, liabilities, financial position and profit or loss of Ballast Nedam N.V. and its consolidated companies.

The annual report of the Board of Management as included in sections 1 - 5 provides a true and fair view of the position as of the balance sheet date and the state of affairs during the 2016 financial year of Ballast Nedam N.V. and its affiliated companies of which the data has been included in the consolidated financial statements.

The annual report of the Board of Management describes the principal risks that Ballast Nedam faces.

2 Strategy

2.1 Overview of 2016

In this section we describe the strategic measures taken in 2016.

The year 2016 was a year of transition for Ballast Nedam, a transition from a listed to a delisted company owned by one majority shareholder. Following the completion of the acquisition by Rönésans on 30 December 2015, a combined team of Ballast Nedam and Rönésans started working intensively to achieve a new and more operational organizational structure and implemented a cost reduction plan. The basic principle is that the Dutch construction and infrastructure projects are the core of the new company. With the ultimate goal to be the most cost efficient and competitive player in the Dutch market. We will achieve this by implementing improvements in the operational process, financial forecasting and working capital, and by focusing on specific markets that fit the experience, staff and size of the various business units. We are also exploring opportunities in the international markets where Ballast Nedam and Rönésans can work together.

Leaner organization

The new management team, which is formed by Ballast Nedam and selected professionals from Rönésans, has completed the implementation of the restructuring programme leading to a leaner organization with a more competitive cost structure. The number of employees decreased to 1,899 which was 2,188 in first quarter of 2016. The number of offices reduced from eight to five. Going forward, the Board of Management is focused on the processes and projects to deliver quality to its customers throughout all stages of the building process, without the distractions of corporate restructuring and complicated financial obligations of the past years.

More control and selective tendering

Organizational processes have been adjusted and strengthened to ensure better risk management and deeper oversight. A good example of this new approach is the implementation of the Risk Management Office, which is involved in the tender and procurement processes and conducts audits from a technical perspective to improve ongoing projects and to build on these experiences for new projects. The company has also adopted new policies for selective tendering and disciplined pricing and continues to apply careful monitoring through periodic reporting. This approach, together with the control mechanisms, has significantly helped Ballast Nedam to become a stronger organization.

Solid projects

The order book, reflects the shift towards high-quality, lower-risk profile projects and is running solid with new acquisitions such as Transferium West in 's-Hertogenbosch, Amsterdam ArenA, and Nacelle Factory in Cuxhaven for Siemens. In our Regions, selective tendering resulted in strong new acquisitions, such as a new intensive care unit for the Sint Anthonius Hospital in Utrecht and the transformation of an office building into 191 apartments in Amsterdam.

During the transition Ballast Nedam maintained its focus on its core activities. As a result, many projects were completed to the clients' satisfaction, such as the repair of sheet piling along the Amsterdam Rhine Canal, the new Hilton Hotel at Schiphol Airport, the renovated Thialf Stadium, Coastalwork Katwijk, the new cradle-to-cradle city office of Venlo, the P3 carpark at Schiphol and the new prison complex in Zaanstad.

The Development division, whose portfolio includes ca. 5,000 residential units in projects such as Food Centre Amsterdam, Groene Loper Maastricht and Spoorzone Delft, is a division with bright prospects as a result of the robust growth of the Dutch housing market.

Improving the financial position

A refinancing package has been agreed with ING, Rabobank and FGH, extending the maturity of cash and guarantee facilities to 31 December 2018. In parallel, Ballast Nedam has established a variety of bilateral bonding lines from new institutions, including Zurich Insurance, VHV, Ergo, Liberty and Deutsche Bank.

Rönesans, as majority shareholder, provided a 70 million euro loan, 60 million euro of this loan was converted into share premium, which strengthened equity.

Non-core assets and divestments

Ballast Nedam has executed its strategy to gradually dispose of non-core assets that no longer served as primary drivers in its core activities. Recent transactions include the sale of the raw material companies Ballast Nedam Grondstoffen B.V., TBS Soest B.V. and Rademakers Gieterij B.V., and several minority stakes in PPP projects.

Rönesans

Rönesans provided continued operational, commercial and technical support to Ballast Nedam in 2016 as its majority shareholder and is showed its intention to support the company's future operations. In parallel, the company aims to continuously capitalize on the Rönesans Group's experience and capabilities.

2.2 Financial results

Results for the year

2016 was a transition year that resulted in an operating loss of 59.4 million euro. The main non-recurring nature items were 15 million euro of restructuring/reorganisation costs, 8 million euro impairment on assets, 4 million euro of result of disposals/divestments, a gain of 3 million euro on the sale of contractual rights of certain PPP projects. Legal consultancy, transaction expenses also showed an increase, which is required for these non-recurring activities. During the year, cost monitoring has improved with stronger reassessment and analysis of general cost components and with deeper involvement of the central procurement department, unfortunately the loss pattern of a number of legacy large long term projects continued. Some of these projects are carried out by joint ventures, which is the main reason of the deterioration on the results from associated companies line in the statement of profit and loss.

Revenue

Total revenue showed a decrease by 7% from 850 million euro to 789 million euro, mainly due to declines in the Construction division; this is the result of a number of completed projects and a lower order intake both in building and infrastructure. The Industrial division increased its revenue with 77% to 53 million euro (2015: 30 million euro) due to the new projects in the oil and chemical industry. In this division, the increase is also a result of the synergies with Rönesans. The revenue of International division decreased by 32% in 2016. This is caused by the delay of new projects in for example Sri Lanka and a slower production on the Hospital Nobo Otrobanda project at Curacao. The revenue of Development division increased by 15% due to the positive developments in the housing market in the Netherlands. The Concessions division shows no revenue in 2016 due to the fact that it was not involved in new PPP projects. The revenue of the Specialties & Supply division decreased in 2016 by 39% due to the sale of the Grondstoffen group in the second half of 2016 and a lower production of some companies within the division caused by the completion of some projects, while new projects were coming in slowly.

Gross margin

The overall gross margin decreased from 1.1% to nil due to project losses in 2016.

Order book

The order book decreased to 567 million euro (2015: 613 million euro). The decrease in the Construction division was mainly caused by completion of projects and a lower order intake in both building and infrastructure. Lower in take is driven by the new more selective tendering process. In 2016 a number of contracts were finalised. Hart van Zuid, Rotterdam, VUmc Imaging Center, Amsterdam were the major building projects. Infrastructure started Cuxhaven in 2016, which is joint arrangement with Heitkamp GmbH (another Rönésans group company). The building regions were successful with the order intake of some housing projects; Laan van Spartaan, Amsterdam, Dokwerk 2, The Hague and PMP Helmond. Industrial division was successful with the order intake of the ExxonMobil pilling project and the Shell S.D.A. project. At the end of 2016, the International division signed a new contract to upgrade the port of St Lucia. Finalisation of the contract concerning the Sri Lanka water pipe project is expected in the course of 2017. The coming years the Development division will speed up (amongst others) with the Amsterdam Food Center, which is an integrated project with Volker Wessels Vastgoed joint arrangement.

Equity and cash flows

Shareholders' equity decreased to 6.3 million euro (2015: 21.2 million euro). Despite the 60 million euro increase in share premium (by Rönésans), the equity decreased due to the 2016 net loss of 75.8 million euro. The solvency decreased to 3.3% (2015: 3.8%).

The total cash flow for 2016 was 41.4 million euro positive, compared to a positive cash flow for 2015 of 2.3 million euro.

The cash flow from operating activities increased to 0.8 million euro negative (2015: 76.9 euro negative), which showed a significant improvement. The cash flow from investing activities amounted to 11.3 euro million positive, which consisted of 8.9 million euro of investments and 21.2 million euro of disposals. Investments included 7.6 million euro of property, plant and equipment and 1.3 million euro of intangible assets. The 7.6 million euro net investment in property, plant and equipment was almost equal to the 8 million euro of depreciation.

The positive cash flow from financing activities of 31 million euro consisted of the 42.3 million euro of repaying loans and withdrawing of an external loan of 10 million euro, a shareholders' loan of 10 million euro, interest payment of 6.7 million euro and a share premium contribution of 60 million euro.

Assets and liabilities

Total assets declined by 65.3 million euro to 489.8 million euro. This was due to the disposal of the Pi2 Zaanstad B.V. PPP project, the IXAS A9 PPP project and the Grondstoffen Group and lower current assets. The working capital requirement decreased by 79.3 million euro as a result of lower trade and other short-term payables in 2016. Capital employed increased by 26.8 million euro to 89.8 million euro.

The unconditional capital contribution commitments with regard to the PPPs was nil at the reporting date, compared to 21 million euro at year-end 2015.

Financing and shareholders' equity

Net cash (including cash and cash equivalents, bank overdrafts, restricted cash) increased to 114 million euro (2015: 92 million euro). Excluding the restricted cash and escrow account, cash available on demand increased to 110 million euro (2015: 69 million euro), restricted cash amounting to 6 million euro became available in January 2017.

As a result of the refinancing, the maturity of the existing loans has moved to 31 December 2018. During the year, a new loan amounting to 10 million euro was obtained from Ziraatbank N.V. Rönésans as majority shareholder provided a 70 million euro loan, 60 million euro of which was converted into share premium, which strengthened equity. In parallel, Ballast Nedam has established a variety of bilateral bonding lines from new institutions, including Zurich Insurance, VHV, Ergo, Liberty and Deutsche Bank.

2.3 Outlook for 2017

We will continue on the improvements achieved during 2016 and will stay focussed on the measures taken and on realisation of our business plan. We will continue with our selective tendering philosophy, we aim to improve hit rate up to 20%, and we will continue to reduce tender cost with strong control.

Markets and businesses, financials: Our divisions will mainly stay the same, following the divestments in the Speciality & Supplies companies, remaining supply companies will merge into the construction keeping their human capital with know-how and their own identities. Our divisions with their business units will continue operating with the clearly defined market segments (geographical, expertise and commercial). The Dutch construction and infrastructure operations will maintain the core business of the company, albeit organized in a leaner structure. We will keep exploring international opportunities together with Rönésans. Industrial will continue expanding its portfolio and its business with its existing portfolio. 2017 will be an important year for Development which, will focus on expanding its activities with the support of the stronger financing of the company. Concessions will pursue and support future PPP projects.

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

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

Financing: We will continue obtaining further financing facilities for our guarantee letters and will continue investigating better financing possibilities.

3 Risk and risk management

Ballast Nedam must stay alert to market opportunities and the associated risks with a good balance of growth and risk management to ensure sustainability. The aim of our risk control framework is to capture the risks within an acceptable risk level while working on achievements as described in our strategy and business plan.

In this section we explain how risk management and the risk control process are organized within Ballast Nedam, and what our focus will be for risk management in 2017. We also detail the specific risks arising in the environment in which Ballast Nedam operates. Finally, we consider a number of specific risks to which Ballast Nedam is exposed.

3.1 Outline of risk management

3.1.1 Principles

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

- The aim of our risk control framework is to capture the risks within an acceptable risk level while working on achievements as described in our strategy and business plan.
- Risk management is an integral part of all business activities and has to be monitored within the entire organization
- The Board of Management has the ultimate responsibility of determining, addressing and monitoring of risks. Ballast Nedam manages its operations within a structure comprising six divisions based on products and processes. The divisional managements apply the Company's risk management policy at the divisional and business unit level. The divisional management oversee compliance with the policy within the specified limits.

3.1.2 Risk philosophy

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

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

At the same time, a thorough risk management process alone cannot prevent the derailing of projects as we have experienced in recent years. A set of thorough and all-encompassing actions are being taken to prevent future project failures with the help of Rönésans. Specific actions are a more thorough tender procedure, stricter rules governing which entity can tender for which type of projects, centralized and tightened project control, and centralized procurement.

3.2 Internal control of risks

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

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

A bottom-up approach to risk control

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

The attitude and behaviour of our employees and contractors are very important to control risks. We seek to ensure fair behaviour on the part of all those who are involved in our projects and fall within our responsibility. Our HR policy and our subcontractors and suppliers policies play an important role (see also section 4.7 *Business Ethics and Integrity*).

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

Use of support instruments

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

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

Involvement of the Contract Committee

Projects of a certain size and with a certain risk profile are submitted to the Contract Committee for approval. Risky liabilities include tenders for internationally complex contracts, contracts with open ends, with bank guarantees and for example, unlimited liabilities. Contracts with unlimited liabilities are subject to approval of the Contract Committee. Before the offer is submitted, it is discussed with the Board of Management during the mandatory Contract Committee meeting. Partly as a result of experiences in recent major projects, more time is now devoted to assessing whether the project fits in with the revised strategic focus, and to assess which project-related risks are involved and how they can be mitigated. The Board of Management's assessment covers matters such as the return risk ratio, the capital requirement, the ability of the proposed team to execute the project and political aspects. The Board of Management also considers the payment scheme.

Involvement of the Tender Committee

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

Involvement of Risk Management Office (a new initiative in 2016)

The Risk Management Office (RMO) department, which was established last year with the support and influence of Rönnesans (one of the group best practices), challenges projects in the execution phase and serves as an early warning tool. This office has experts, who have financial and technical expertise and experience in various projects gained during their past services in Rönnesans organization. RMO assists the project and tender teams to mitigate potential risks. During project visits RMO uses ten parameters to screen a project, e.g. production and planning. Information gained during project visits is used in new tenders to increase the quality of the tender bid submission. RMO is also involved as a second pair of eyes in the tender process. Site visit reports produced by the RMO are broadly distributed to the Board of Management, including the CEO. It makes the risks during the tender- and execution phase more transparent. This way Ballast Nedam is more in control and can act better to the presented risks, then in previous years.

3.2.2 Second line: supporting functions

Lawyers and contract managers

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

Insurance

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

Compliance officer

Ballast Nedam requires its employees, as well as its suppliers and subcontractors, to behave with integrity. Ballast Nedam operates a zero tolerance policy for compliance with its code of conduct. The compliance officer plays a central role. The compliance officer conducts an enquiry and investigation whenever possible violations are reported. If violations have occurred, immediate measures are taken. In order to guarantee the organization's integrity, we continually evaluate the compliance policy and tighten it where necessary. Further details can be found in section 4.7 (*Business Ethics and Integrity*).

Safety

A major risk in the implementation of projects is the safety risk. Ballast Nedam's safety policy is aimed at creating a proactive safety culture. This safety policy is set out in a safety plan. section 4.6 (*Safety*) sets out the measures which Ballast Nedam takes to achieve and maintain a high level of safety awareness among our employees and subcontractors.

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

ICT risks

Major ICT risks concern the continuity of the ICT infrastructure and ICT information systems. Examples include viruses and attacks with large volumes of data. Disruption of the authorization policy also

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

We have taken various measures to control the ICT risks, main examples are:

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

3.2.3 Third line: monitoring

As stated, the project manager is responsible for identifying, analysing, prioritizing and controlling the risks in the acquisition phase and the implementation phase of the work. In the acquisition phase, the risks are also discussed by the Tender Committee, depending on the nature and size of the project. To support the project manager in this task, risk managers are appointed within Ballast Nedam's projects; this role is performed either on a part-time or a full-time basis, depending on the complexity of the project.

Business control and treasury

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

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

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

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

Board of Management

Ballast Nedam has a corporate governance policy. This policy requires among other things that Ballast Nedam is well equipped to account for the implementation of its corporate governance policy to all stakeholders, including shareholders, employees, customers, suppliers and society as a whole. A detailed description of the corporate governance policy can be found in section 5 (*Corporate Governance*).

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

The Supervisory Board and the Audit Committee

Ballast Nedam's risk profile and the internal risk management and control systems are discussed at meetings with the Supervisory Board and the Audit Committee. At these meetings they discuss the financial state of affairs and the findings together with the Company's internal audits and risk management. The activities are covered in section 5.2 (*Report of the Supervisory Board.*)

3.3 Evaluation

Risk management assessment and improvement of systems and processes is a continuous process within Ballast Nedam. As aforementioned during the year certain improvements has been achieved (new risk management office, further centralisation of accounting and treasury, start of the internal audit department, more robust closing cycle, new internal monitoring reports, improvement of tender and procurement procedures).

3.3.1 Assessment of risk management and control systems/In control statement

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

With regard to the financial reporting risks, the internal risk management and control systems provide a reasonable degree of assurance that the financial reporting presented in the 2016 financial statements is free of material misstatements.

It should be noted that the proper operation of risk management and control systems cannot be absolutely guaranteed. Project assessments are based on estimates and depend, among other things, on the results of negotiations and discussions on the financial settlement of projects (contract variations, penalties and claims, delivery time and quality of the work). It may subsequently emerge that the results of the negotiations do not correspond to the estimates made. Hence Ballast Nedam cannot guarantee that material errors, or fraud or violations of legal provisions, will not arise in the future.

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

3.4 Relevant risks

Ballast Nedam identifies four categories of risks:

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

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

3.4.1 Risks related to our strategy

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

Economic conditions in the market

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

The annual analysis by the Economic Institute for the Construction Industry (EIB) shows that the government budget for road, water and rail projects is 1.5% higher in 2017. Growth is expected at the municipality / regional level, whereas at the national level a 2.5% lower budget is expected, comparable with 2016. For 2018, an average growth of 3% is expected.

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

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

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

The current market is still generally characterized by low prices, putting margins under heavy pressure. To control this, each business unit monitors the developments in its market. Business units with larger projects and a specific focus will do this nationwide. Regional business units, including specialized companies and housebuilding operate regionally in order to respond effectively to specific customer requirements.

The risk of loss of reputation

Ballast Nedam was in the news many times during its acquisition by Rönésans. The acquisition has opened up new prospects for Ballast Nedam and is the most important factor for our continuity. Our customers notice that we are working our way back again into the markets where we used to operate.

This has resulted in positive news coverage about the projects which we acquired in 2016. For example, about the Nacelle Factory in Cuxhaven which we are building for Siemens, the KLM Crown lounge at Schiphol, the reconstruction of Amsterdam Arena, and also about several projects for other companies within the Group such as Heddes, Laudy, and Parking. We also acquired coverage about our international project in St. Lucia.

3.4.2 Financial risks

The Board of Management has the overall responsibility for the establishment and oversight of the company's risk management framework. One component of the overall risk framework is the financial risk, identified categories and result of the assessment is disclosed in the following paragraphs.

During 2016, certain measures were taken. The treasury activities have been centralised and objectives are creating and maintaining the best possible financial conditions for the operating activities. Majority of the bank accounts are held in a bank in two cash pool arrangements which allows the efficient use of funds (for wholly owned activities). The group only works with banks which have high credit ratings. In addition, centralisation of certain accounting activities continued with improvement of the systems and transaction flow approvals and the centralization of accounting activities continued, which strengthened the control environment.

Credit risk

Credit risks are risks of financial loss to Ballast Nedam or our counterparty of a financial instrument that fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. The carrying amount of financial assets represents the maximum credit exposure. Ballast Nedam actively pursues a policy designed to minimize credit risks. Creditworthiness assessments are performed for all clients requiring credit. Ballast Nedam uses prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on instalments and trade receivables. At year-end 2016, there was no concentration of credit risks among debtors for substantial amounts. See also section 6 (*Consolidated Financial Statements*, Note 33 (financial risk management)).

Liquidity risk

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

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

See also section 6 (*Consolidated Financial Statements*, Note 33 (financial risk management)).

Market risk

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

Exchange risk

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

Forward exchange contracts with high rated banks may be contracted to hedge the transaction risk on cash flows generated by ordinary business activities. At year-end 2016, Ballast Nedam had no outstanding forward exchange contracts recognized at fair value in the statement of the financial position. See also section 6 (*Consolidated Financial Statements*, Note 33 (financial risk management)).

Interest risk

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

Although long term PPP contracts do not form a significant part of the interest risk related transactions, Ballast Nedam limits the exposure with interest rate swaps for PPPs. Cash flow hedge accounting is applied to the derivative financial instruments where the hedge relationship is effective.

Ballast Nedam has both loans with a fixed and floating rate. The interest risk is limited to potential movements in the market value of the loans and of positive cash balances. It is expected that loans are continued until the maturity date. See also section 6 (*Consolidated Financial Statements*, Note 33 (financial risk management)).

Financing risk

Ballast Nedam, in a number of its loans, is subject to a number of certain key performance indicators. On the basis of the new covenant and its forecasts, the Board of Management closely monitors the covenant compliance. The term of these loans allows to include certain covenants; EBITDA floor, guaranteed capital floor, net cash and loan to value. These covenants differ from GAAP terminology. The company has a commitment to share financial information with the banks.

3.4.3 Operating risks

Employees

2016 was a transition year for Ballast Nedam, which again led to voluntary and involuntary departures of employees at different levels. We have seen over the last half year that as a result of the transition and the better financial situation, the Company is able to attract new, ambitious employees of better quality, who will form the new basis of Ballast Nedam. The general issue in the market is that companies are competing against each other for the available talents and that the required quality and experience of employees in relation to the ongoing higher demands of our projects are more difficult to find. More details of the control measures taken in this area can be found in section 5.5 (*Human resources*).

Knowledge management

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

Safety

Safety is a risk category that receives a great deal of attention within Ballast Nedam, including at Board of Management level. Our people are our capital and an asset we conserve with great care. Ballast Nedam has therefore taken many measures to ensure the appropriate control of safety risks. One of the possible side-effects is that employees may place too much trust in the inspection procedures for example, and are less alert to possible risks that can still arise. To counter this effect, safety training is provided to maintain a high level of safety awareness. Managers are also trained specifically in how to deal with their example-setting role. Further details of the control measures for safety in the chain can be found in section 4.6 (*Safety*).

3.4.4 Compliance risks

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

Chain responsibility

Existing and forthcoming legislation points to an increase in liability and chain responsibility. This development could cause Ballast Nedam, through its own actions or otherwise, to be confronted with claims and/or violations, possibly harming the reputation of the company. In 2017 we will therefore continue to perform periodic audits on our subcontractor and suppliers. We are fully aware of the limited extent to which this risk can be controlled.

Working in consortia

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

Doing business abroad

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

4 Corporate Social Responsibility

4.1 Position of CSR in the organization

In line with our shareholder, in 2016 Ballast Nedam endorses the IFC (International Finance Corporation) Performance Standards on Environmental and Social Sustainability.

The IFC's policy describes the IFC's commitments, roles and responsibilities related to environmental and social sustainability. To comply with the policy, we have to conform to the following Performance Standards:

1. Assessment and Management of Environmental and Social Risk and Impact
2. Labour and Working conditions
3. Resource Efficiency and Pollution Prevention
4. Community Health, Safety and Security
5. Land Acquisition and Involuntary Resettlement
6. Biodiversity Conservation and Sustainable Management of Living Natural Resources
7. Indigenous People
8. Culture Heritage

This new strategic focus is reflected in the CRS policy for 2017. In 2016 Ballast Nedam focussed more on the requirements to improve its performance in CSR matters of relevance to our market. We brought the various CSR objectives closer to the business and associated them more with the projects. The urgency of these market demands will then be recognized more fully and ultimately conveyed to the place at which they are most relevant.

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

Our CSR policy is organized as follows:

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

4.2 CSR objectives and results

Below is a summary of the CSR objectives we set in 2015, the results achieved in 2016 and the objectives for 2017.

CSR subject	Intended goal	KPI 2017
Energy, CO ₂ and air quality	Energy efficiency and use of sustainable energy	CO ₂ (scope 1&2) / Dutch revenue Initiatives in the value chains of activities
Waste management recycling and materials	Reducing material consumption and increasing separation percentage	Number of ongoing projects with waste management plan Waste segregation
Human resources	A healthy, safe and motivating working environment for all employees.	Percentage of absenteeism Held performances appraisals
Safety	An injury-free Ballast Nedam.	Injury frequency Hours worked without lost time incidents
Integrity	To comply with all applicable rules, regulations and ethical standards and operate a zero tolerance policy	All employees attend a meeting or presentation concerning integrity at least once a year.

CSR subject	KPI	Result in 2015	Objective for 2016	Result in 2016	Objective for 2017
Energy, CO ₂ and air quality	CO ₂ (scope 1&2) / Dutch revenue	21%	22% reduction compared to 2008	29.6%	24% reduction compared to 2008
	Initiatives in the value chains of activities			2	2 initiatives
Waste management, recycling and materials	Number of waste management plan	24	>30	25	>30 plans
	Waste segregation			-	>55%
Human resources	Percentage of absenteeism	4.15%	4.2%	4.50	<4.1%
	Held performances appraisals			-	>90%
Safety	Injury frequency	5.9	<6.5	8.16	≤ 6.5
	Hours worked without lost time incidents			-	152,000 hours
Business ethics & integrity	Compliance reports dealt with within 48 hours. Appropriate measures may be taken after investigation.	100%	100%	100%	Integrated in our standard policy

4.3 Energy and CO₂

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

Policy

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

The CO₂ performance ladder (SKAO, the Foundation for Climate Friendly Procurement and Business) certifies the reduction of CO₂ and is used in civil engineering tenders to determine a national discount on the tender price. Also in 2016 we achieved the highest level of this certificate.

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

Objectives and results

In 2016 Ballast Nedam achieved a 29.6% reduction in CO₂ relative to the reference year 2008.

Overview of CO ₂ emission reduction (scope 1&2)	2008	2014	2015	2016
CO ₂ footprint (Dutch activities in tonnes)	72,867(**)	44,095(**)	33,032	28,110(*)
Revenue from Dutch activities (millions of euro)	1,349	949	770	740
CO ₂ emissions (tonnes) per million of revenue in euro	54.0	46.5	42.9	38,0
Percentage relative to reference year	100%	86%	79%	70.4%
Reduction relative to reference year		14.0%	21.0%	29.6%

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

(*) Included in the Deloitte assurance.

CO₂ footprint measurement system

In its footprint Ballast Nedam reports the emissions in Scope 1 (natural gas, petrol, CNG, cokes, diesel, LPG, kerosene, propane and business travel) and Scope 2 (electricity, terrestrial heat and business use of private cars) of the Dutch operations. The criteria have been established in accordance with the GreenhouseGas Protocol – Revised edition and 'Handboek CO₂-prestatieladder version 3.0' of SKAO. We use the IFRS demarcation criteria, with participating interests of 50% or over and consortia being proportionally included in the footprint. If any monthly consumption figures are not known, estimates are made at the year end based on the revenue trend. We calculate the CO₂ emissions on the basis of the conversion factors in SKAO performance ladder 3.0. During the year assurance services were provided for the CO₂ footprint for the sixth time with regard to this matter. The independent assurance report of Deloitte Accountants B.V. can be found in section 8.5 (*Independent assurance report*).

We have succeeded in our reduction aims. This is due to the initiatives taken in projects and at our production sites, the reduction in the number of offices and the consumption of green electricity. We have promoted the consumption of green electricity (guarantee-of-origin certificates for wind power of the Netherlands), resulting in the consumption of 74% green electricity.

	Office	Building site	Factory	Mobility	Total
Scope 1	1,173	4,608	7,518	10,691	23,990
Natural gas	1,173	166	1,724		3,063
Diesel		4,437	216	6,533	11,186
Petrol			21	1,673	1,694
Cokes			5,522		5,522
CNG				2,414	2,414
Other fossil fuels		5	35	71	111
Scope 2	234	1,579	616	1,691	4,120
Electricity	220	1,579	616		2,415
District heating	14				14
Business use of private cars				1,691	1,691
Scope 1 and 2	1,407	6,187	8,134	12,382	28,110

Projects awarded based on sustainability criteria

The chances to improve our energy consumption lies within our projects. Projects that are CO₂-awareness awarded and projects that require BREEAM or LEED certification. These projects give us the chance to really implement energy saving and sustainability measures.

In 2016, we completed the project 'Damwanden in het Amsterdam-Rijnkanaal' (DARK). We reduced the CO₂-emission with more than 50% per million of revenue in euro. In absolute figures we reduced the CO₂-emission by 18%, 1,957 tons CO₂ instead of the expected 2,384 tons CO₂. We achieved this by reuse of sheet piles and soil and transport over water.

Other examples are:

- The project 'renovation a.s.r. headquarters' was awarded with a BREEAM excellent certificate and an energy label A++.
- We completed the cradle-to-cradle municipality building in Venlo, Stadskantoor Venlo.
- Justitieel Complex Zaanstad (JC Zaanstad) is an energy neutral multifunctional building with an energy label A++++.
- We received complements during our annual CO₂ performance ladder audit by DNV for planning and completing of the internal and external communication concerning energy saving and sustainability measures at our project 'N31 Traverse Harlingen'.

CO₂ in the Ballast Nedam supply chain

In 2016 we formulated a target for our CO₂ emission reduction in our supply chain (Scope 3). The target is a 2% CO₂ reduction per year relative to the reference year 2015. In 2020, this should result in a 10% reduction.

4.4 Waste, recycling and materials

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

Policy

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

We adopt a dual approach:

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

Objectives and results

At the beginning of 2013, we introduced Ballast Nedam waste management plans. On the basis of a fixed format, the project team can draw up a detailed waste management plan for the implementation phase of a project. The format comprises seven stages, in which the whole chain is closely involved and the contribution of suppliers, subcontractors and waste processors is included at an early stage. That leads to the creation of a joint waste management plan that is tailored to the project. In 2015 the waste management plans were used at 24 ongoing projects/factories.

In 2016, we only needed to pay minimal attention to waste reduction and recycling. Nevertheless, waste management plans were used and several divisions/companies undertook actions to reduce and segregate waste. In 2016, 25 waste management plans were used at ongoing projects/factories.

Waste and materials in the chain

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

4.5 Human resources

Ballast Nedam continues to focus on providing a healthy, safe and motivating working environment for all our employees. Even though Ballast Nedam underwent major changes in 2016, this cornerstone of our HR policy remains unchanged, and is fully supported by our new majority shareholder Rönnesans.

A new organization

In 2016, significant changes were implemented in our organization, building a strong platform for new developments and growth.

The new organizational structure impacted many of our employees, and much effort was spent on communicating and explaining the background to the changes. Our employees understood the need and urgency. Employees saw their roles changed, with different tasks and responsibilities. The changes also offer new opportunities and challenges. A number of employees were promoted to management positions, and we are happy to see that this has led to new energy in our organization. Where required, we also invested in further training and developing our people.

Inevitable, the restructuring also led to further redundancies. Our internal Mobility Desk continued to support colleagues in finding new jobs outside our organization. Some of the redundant employees, who left Ballast Nedam, received financial compensation in line with our social plan.

Growth

Our ambition to become the most competitive construction company requires people. For new vacancies, we carefully consider internal candidates. Only if no suitable internal candidates are available, we hire externally.

Although the total size of our workforce decreased, we stepped up recruitment at the end of 2016 by insourcing the recruitment function for positions up to management level. This will enable us to hire the best people at lower cost than through external recruitment agents. It is our intention to fully insource recruitment, taking out all external hire cost, at least for positions up to management level. The new energy in our organization is also recognized outside Ballast Nedam. People again see Ballast Nedam as their employer of choice, and employees who chose to leave the 'old' Ballast Nedam, are keen to re-join our new organization.

Total employees	Male	Female
1899	89%	11%

Focus in HR

The restructuring led to a renewed focus on effectiveness and efficiency, including cost efficiency in human resources. As a consequence, we reviewed several of our terms and conditions, such as the company car policy. We have started a review of our current HR systems and tools, aiming at a more efficient HR support for our managers and employees.

Absence due to illness remains a focus area, and we continued our efforts to limit the sickness rate. Unfortunately, we were unable to meet the target sickness rate of a maximum of 4.0% for 2016.

Sickness rate

2012	2013	2014	2015	2016
4.81%	4.48%	4.35%	4.18%	4.50%

4.6 Safety

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

Policy

Safety is one of Ballast Nedam's core values. Nevertheless, we encounter too many unsafe situations, incidents, accidents and injuries each year. That is not acceptable. Our policy is to create a proactive safety culture. The role of the senior and middle management is essential to achieve this goal.

Objectives and results

The injury frequency ("IF") for 2016 was 8.16, an increase from 5.8 in 2015. The IF figure is based on the number of accidents suffered by employees and hired staff in relation to the number of hours worked. In December a driver was fatally injured whilst driving under a gantry near one of the infra projects.

Responsibility

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

Leadership

Dialogue concerning safety is encouraged. The management of the business units reports the safety figures every quarter. In addition, they report on a set of questions formulated by the safety core team about the implementation of the safety policy and their commitments.

Safety in the chain

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

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

4.7 Business Ethics and Integrity

We have applied an enhanced and consistent business ethics and compliance policy since 2012. Our principles and ambitions remained unchanged and clear during the year under review, whereby the principle of openness and adherence to generally accepted standards and values and compliance with applicable rules and regulations is incorporated in our normal day to day business operations.

Culture

Our reputation and license to operate, together with responsibility towards all stakeholders, depend on driving the right business culture with transparency and openness to address dilemmas. At Ballast Nedam we are convinced that ensuring compliance with anti-corruption laws and regulations and doing business in a fair and ethical way, means that in the end we can run a business more efficiently and reduce costs, which is beneficial not only to Ballast Nedam but also to all business relations in the chain.

Objectives and results

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

We apply a zero tolerance policy, which means we do not allow any behaviour or actions that can be considered unethical, a breach of integrity or a breach of what our Codes of Business Conduct stand for, whether by our own employees or by third parties. By continuous training and learning, awareness campaigns and stimulating discussion on dilemmas, we aim to keep our employees aware of the importance of fair and ethical behaviour. Furthermore, new joiners' introduction training in compliance and ethics, periodic e-learnings and up-to-date business codes of conduct and underlying sub-codes made available for all staff, ensure that everyone is operating on the same basic principles. We consider queries and complaints about, reports of investigations into possible incidents or breaches as tools to measure the effectiveness of our compliance and integrity framework. For this reason, Ballast Nedam operates a speak-up policy, an external speak-up hotline, and a gifts & entertainment registration tool.

We take every report seriously and will take appropriate actions and measures and aim to have every report dealt with within 48 hours. In 2016, several individual investigations were dealt with and completed on an individual case-by-case basis. No legal actions were taken concerning corruption or anti-competitive behaviour.

Compliance Organization

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

Third-party and transaction screening

As part of our on-boarding and third-party screening, we operate a central suppliers database containing the bulk of our suppliers and subcontractors. Each supplier or subcontractor is screened by the procurement department for financial position purposes and compliance perspective as part of the accepted screening and on a periodic update basis. For this purpose, an external vendor and an automated online application is used. For screenings resulting in a negative advice and/or high risk category, a blacklist is operated. This (automated) third party and transaction screening process will be further implemented in other parts of the organization in the course of 2017 to further optimize the efficiency of screening processes.

Nieuwegein, 6 April 2017

Originally signed by
Board of Management,

C. Düzyol

S. Lefevre

O. P. Padberg (joined the Board of Management on 1 August 2016)

Ö. Canbaş (joined the Board of Management on 2 January 2017)

H. Koçak (joined the Board of Management on 2 January 2017)

5 Corporate governance

5.1 Management and control structure

The operational management structure consists of six divisions which were formed around their related products and processes: Construction (Netherlands and Central Europe), Industrial, International, Development, Concessions and Specialties and Supply. These divisions form a second layer of management with deeper focus and expertise. Each division has its own management and ultimately reports to the Board of Management. An overview of the activities of the various divisions can be found at www.ballast-nedam.com and in paragraph 1.2 (Core activities and organization structure). Information about the Board of Management is included in section 1.3 (*Composition of the Board of Management*).

5.1.1 Dutch Corporate Governance Code

Ballast Nedam endorses the principles of the Dutch Corporate Governance Code ('the Code') and, with a few specific exceptions, applies the best practice provisions of the Code. The best practice provisions were applied to the extent possible and feasible in the 2016 financial year.

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

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

1. *Best practice principle III.4 and best practice provision III.4.3. The role of the chairman of the Supervisory Board and the company secretary.*

Ballast Nedam complies in part with these best practice provisions. According to Ballast Nedam's articles of association the Supervisory Board can appoint a secretary, who may be part of the existing workforce. The separation of the role of company secretary and secretary of the Supervisory Board prevents any possible appearance of undesirable exchange of information and emphasizes the different roles of the Board of Management on the one hand and the Supervisory Board on the other. Because of the acquisition by Rönnesans and since September, these roles have in practice been combined. As the company no longer believes such strict separation will be necessary, an amendment of the articles of association will be proposed pursuant to which the company secretary will be the secretary of both the Board of Management and the Supervisory Board.

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

Ballast Nedam does not host any webcasts and is not intending to do so, among others for cost reasons.

3. *Best practice principle II.2.2 and best practice provision II.2.13(b).*

In 2016, Ballast Nedam effected a benchmark for the remuneration level of the members of the Board of Management. Scenario analyses were performed in the past, but not in 2016.

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

The Code has been amended in December 2016. Dutch listed companies are required to report in 2018 on compliance with the revised Code in the 2017 financial year. The condition for this is that the revised Code must be enshrined in Dutch law by the cabinet in 2017. This Annual Report solely refers to the Code before these amendments, so the Code of 2008.

5.1.2 Corporate governance statement

Ballast Nedam N.V. has included in this Annual Report all statements and announcements described in the Code, the Netherlands Civil Code and other laws and regulations concerned with corporate governance. Our website also has a document that contains all statements and announcements as referred to in the Resolution of 23 December 2004 in respect of additional regulations concerning the content of the Annual Report.

5.1.3 Legal structure

Ballast Nedam N.V. is a limited liability company under Dutch law, subject in full to the statutory two-tier rules and regulations. Since 20 November 2015, following the acquisition by Rönesans, the majority of the employees of the group have been employed outside the Netherlands, pursuant to which the mitigated large company regime (gemitigeerd structuurregime) was implemented in November 2015. In a mitigated large company regime, the members of the Board of Management are appointed by the General Meeting and the Supervisory Board no longer has this right. The issued share capital consists of 220,299,776 registered ordinary shares. Depositary receipts for Ballast Nedam shares used to be listed on Euronext Amsterdam. The Ballast Nedam Administration Office used to issue depositary receipts for shares and hold the underlying shares. Ballast Nedam informed the shareholders' meeting of November 2014 of its intention to dissolve the Ballast Nedam Administration Office. The shareholders' meeting of June 2015 adopted the proposed amendment to the articles of association of Ballast Nedam Administration Office in preparation for the termination of the administration of shares in Ballast Nedam N.V.

Following the successful public bid by Rönesans and the delisting of the depositary receipts completed on 25 February 2016, a statutory buy-out procedure (uitkoopprocedure) at a buy-out price of 0.30 euro per depositary receipt was initiated. As at 31 December 2016 and as of the date of this Annual Report, Rönesans, via Renaissance Infrastructure B.V., has the control of 99.22% of the shares of Ballast Nedam N.V.

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 others, important changes in the identity or character of the company or the business.

If the Board of Management proposes a resolution to amend the articles of association and the Supervisory Board approves, the General Meeting will adopt the resolution by a simple majority of the votes cast. In all other cases, resolutions to amend the articles of association are carried in the meeting only by a majority of votes representing at least 70% of the capital in issue.

5.1.4 Supervisory Board

The Supervisory Board supervises the policy of the Board of Management and the affairs of the Company and its business, and supports the Board of Management with advice. The Supervisory Board performs its tasks mindful of the interests of Ballast Nedam N.V. and the associated business, taking into consideration the relevant interests of the stakeholders who play a part or are affiliated. The Supervisory Board also takes into consideration in its duties the social aspects of business conduct that are relevant to the company. The Supervisory Board has five seats, and consisted of five members; Mrs İ. Ilıcak Kayaalp, Mr H.A. Akvardar, Mr E. Baki, Mr L. van Doorne and Mrs C. Insinger. Mrs Insinger stepped down as of 14 April 2016. Since her departure there has been a vacancy in the Supervisory Board. Her roles have been taken up by other Supervisory Board members. All supervisory directors are independent within the meaning of the Code.

During the take-over procedure by Renaissance Infrastructure B.V., it was agreed that Ballast Nedam's minority shareholders' interests as well as non-financial covenants would be protected by the appointment of two independent Supervisory Board members for a term of two years, i.e. until 20 November 2017.

Nomination and appointment

The General Meeting appoints the members of the Supervisory Board as nominated by the Supervisory Board. The General Meeting may reject nominations by a simple majority of the votes cast, provided that at least one-third of the capital in issue is represented at the meeting. The General Meeting and the Central Works Council can recommend persons for nomination as supervisory directors to the Supervisory Board. The Supervisory Board will follow the recommendations of the Central Works Council in nominating one-third of its membership. This principle ceases to apply if the Supervisory Board has objections, in particular if the Supervisory Board considers that:

- the nominee is unfit to perform the duties of a supervisory director;
- the composition of the Supervisory Board would be inappropriate if the recommended appointment were to be made.

The General Meeting may adopt a resolution of no confidence in the Supervisory Board by a simple majority of the votes cast, provided that at least one-third of the capital in issue is represented at the meeting.

Remuneration

The General Meeting sets the remuneration of the supervisory directors. The current remuneration of the Supervisory Board was set at the Annual General Meeting in 2005. The remuneration of the Audit Committee was set at the Annual General Meeting in 2008.

Duties and regulations

The Supervisory Board has established an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee. Each within its field of responsibilities, these committees prepare Supervisory Board decision-making and advise the Supervisory Board. The responsibilities and working methods of these committees are laid down in regulations which can be found at www.ballast-nedam.com.

The Supervisory Board regulations contain additional rules on the allocation of tasks and working methods of the Supervisory Board, and on its dealings with the Board of Management, the General Meeting and the Central Works Council. These rules can also be found on our website. The composition of the Supervisory Board can be found in section 5.3 (*Composition of the Supervisory Board*).

No conflict of interest

With the exception of the conclusion of agreements with the major shareholder of the company to grant shareholder loans and to waive a part of such loan, as well as agreements with members of the Rönnesans group (e.g. parent company guarantees from Rönnesans entities or collaborations or joint ventures with members of the Rönnesans group), no transactions took place in 2016 involving a conflict of interest on the part of supervisory directors, managing directors or natural or legal persons holding at least 10% of the Ballast Nedam shares. Best practice provisions II.3.2 to II.3.4 inclusive and III.6.4. of the Dutch Corporate Governance Code were complied with in these transactions. These are transactions which are of material significance for the company or the person in question. Some of the Supervisory Board members and members of the Board of Management have executive roles with the organization of Rönnesans. One Supervisory Board member has financial interest in Rönnesans' equity."

5.1.5 Board of Management

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

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

Remuneration

The Supervisory Board sets the remuneration of individual Board of Management members within the limits of the remuneration policy adopted by the General Meeting. Ballast Nedam's current remuneration policy was set at the Annual General Meeting in 2005. The Annual General Meeting will discuss the 2016 remuneration policy as a separate agenda item. That is in accordance with the legislative amendment regarding the authority to adjust excessive bonuses of directors (the 'Clawback' Act), which came into force on 1 January 2014.

Regulations

The Board of Management Regulations contain further rules on the allocation of tasks and working methods of the Board of Management, and on its dealings with the Supervisory Board, the General Meeting, the Central Works Council and the external auditors. These regulations can be found at www.ballast-nedam.com. The composition of the Board of Management can be found in section 1.3 (*Composition of the Board of Management*).

5.1.6 General Meeting

The Annual General Meeting must be convened no later than six months after the end of the financial year. Other meetings of shareholders may be convened by the Board of Management or the Supervisory Board.

In 2016 only the Annual General Meeting was held and no Extraordinary General Meeting.

Voting right and decision procedure

Each shareholder and holder of depositary receipts for shares has the right to attend and address the General Meeting, and to exercise voting rights at that meeting. In order to exercise such meeting rights, shareholders and holders of depositary receipts for shares must comply with the conditions stated in the announcement of the meeting. In convening a meeting of shareholders, the Board of Management uses a registration date. Each share or depositary receipt for a share affords the right to cast one vote. All resolutions of the General Meeting are carried by a simple majority of the votes cast, unless a larger majority is required by law or the Articles of association.

Voting results and minutes

The results of votes cast for each agenda item at a General Meeting are posted on the company's website (www.ballast-nedam.com) no later than 15 days after the meeting. No later than three months after a General Meeting, the draft minutes are posted on Ballast Nedam's website. Shareholders and holders of depositary receipts for shares may respond to the draft minutes in the following three months. The chairman and secretary of the General Meeting will then adopt the minutes.

5.1.7 Depositary receipts for shares

If the Board of the Ballast Nedam Administration Office exercises its voting rights for the shares, the Board focuses primarily on the interests of the holders of depositary receipts for shares and takes

account of the interests of the company and its associated business. The Board of the Ballast Nedam Administration Office consists of three independent members and appoints the members. The Meeting of Holders of Depositary Receipts may recommend persons for appointment to the Board. The Board of the Ballast Nedam Administration Office comprises Mr P.C. van der Linden as chairman and board member and Mr L.H. Keijts and Mr W.F.C. Baars as board members.

A Meeting of Holders of Depositary Receipts is convened each year. At this meeting, the Board of the Ballast Nedam Administration Office declares its proposed voting conduct at the General Meeting.

The Board of the Ballast Nedam Administration office issues proxies in all circumstances and without limitation to the holders of depositary receipts who so request. There is also the possibility to issue binding voting instructions. The depositary receipts are fully exchangeable. Ballast Nedam does not use the system of issuing depositary receipts for shares as an anti-takeover measure, but as a means of preventing a minority of shareholders from controlling the decision-making process at a General Meeting, and as a means to allow shareholders, including minor shareholders, to be represented by an independent board in the exercise of their voting rights.

Section 8.4 of this Annual Report presents the report of the Board of the Ballast Nedam Administration Office explaining its activities in 2016. The report also gives personal details of the Board members.

5.1.8 Independent Statutory Auditors

During their review of the 2015 annual accounts, the Supervisory Board met with Ernst and Young Accountants LLP, who were the independent statutory auditors for year ended 31 December 2015. The Audit Committee and the full Supervisory Board were involved in the selection of the 2016 statutory auditors. Upon the appointment of Deloitte Accountants B.V. by the Annual General Meeting, the Board of Management established that the transition from Ernst & Young Accountants LLP to Deloitte Accountants B.V. went smoothly and that the new auditor received the relevant information, which formed the basis of the 2016 audit report.

EY attended the Annual General Meeting to answer any questions about the auditors' opinion as to whether the 2015 financial statements present a true and fair view.

The external auditor also attends the meetings of the Audit Committee and the Supervisory Board at which the annual figures are discussed. The external auditor report to the Supervisory Board and the Board of Management.

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

5.2 Report of the Supervisory Board

2016 was a year of restructuring and reorganization for Ballast Nedam. At each meeting the Supervisory Board discussed financial developments, and reviewed the operations within the Group and market trends, using the various management reports and other information as input. Memorandums from the Board of Management were also discussed at the meetings, as were Board of Management decisions requiring the Supervisory Board's approval. Major subjects in which the Supervisory Board was frequently involved include the liquidity and refinancing arrangements with banks including guarantee facilities, shareholder financing, development of financial figures compared to business plan, restructuring and reorganizations including employment, managerial and approval flows, appointment of member of the Board of Management and status of major ongoing and potential projects.

5.2.1 Report on supervision by the Supervisory Board

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

Report on supervisory duties: achievement of corporate objectives

Looking back on 2016, the Supervisory Board, despite the operating loss, noted that the Board of Management has gone through a dynamic year with reshaping of the company, establishing synergies with Rönescans Group, evaluating market potential and continuously working on the strategy, refinancing and liquidity control, strategic divestments amongst other important tasks. The Board of Management has significant achievements as included in the Report of the Board of Management.

As explained in section 2 (*Strategy*), the other strategic objectives for 2016 were partly achieved.

The Supervisory Board discussed the performance of the Board of Management both collectively and with regard to individual members. The remuneration of Board of Management members was also considered. Although Board of Management had significant achievements, financial targets were not achieved, accordingly no additional remuneration was proposed.

Report on supervisory duties: strategy and risks

The Supervisory Board deliberated at length on Ballast Nedam's strategy. Within the financial possibilities of the company, the Supervisory Board supports the Board of Management in the strategy that is set out in section 2.3 (*Outlook for 2017*).

The Supervisory Board and the Audit Committee also frequently discussed the various risks set out in section 3 (*Risk and risk management*).

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

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

Report on supervisory duties: financial reporting

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

Report on supervisory duties: compliance with legislation and regulations

The Supervisory Board has been involved with the selection and the appointment of the new Chief Compliance Officer and obtained regular updates on compliance and fraud assessment related matters with the Board of Management and the Chief Compliance Officer.

5.2.2 Report of the Audit Committee

The Audit Committee has two members. The Committee was chaired by Mr Baki throughout the year. Mrs Insinger stepped down in April 2016 and Mr van Doorne was appointed as a member of the Audit Committee as of 19 September 2016. The Audit Committee has acquired relevant knowledge and experience of financial matters via various input, prepared by amongst others the Board of Management.

The Audit Committee held two meetings during the year, the secretary of the Supervisory Board and the external auditors were present, when relevant.

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

- the selection of the external auditor,
- the half-yearly and annual figures;
- the Annual Report;
- the reports and recommendations of the external auditors;
- the company's liquidity position.

The Audit Committee and the Supervisory Board discussed the findings of the external auditor, the management letter for 2016 and the follow-up to the findings with the external auditor.

5.2.3 Report of the Remuneration Committee

The Remuneration Committee met on one occasion in 2016. Mr Van Doorne (Chairman) and Mrs Ilıcak Kayaalp are the members of the Committee.

The following matters were discussed at the meetings:

- evaluation of the remuneration policy for members of the Board of Management;
- evaluation of the remuneration of individual members of the Board of Management;
- evaluation of the remuneration of individual members of the Supervisory Board.

The Remuneration Committee then advised the Supervisory Board on these matters. Section 5.4 (*Remuneration report*) provides further details of the remuneration policy.

5.2.4 Report of the Selection and Appointments Committee

The Selection and Appointments Committee met on two occasions in 2016. Mr Akvardar (Chairman) and Mrs Ilıcak Kayaalp are the members of the Committee

The following matters were, amongst others, discussed at the meetings:

- appointment of Messrs Padberg, Koçak and Canbaş as members of the Board of Management;
- Mrs Insinger's resignation and the filling of the vacancy resulted from her resignation;
- manner to review of the performance of individual members of the Supervisory Board collectively;
- manner to review of the performance of individual members of the Board of Management and of the Board of Management collectively.

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

5.2.5 Composition of the Supervisory Board

Mrs Insinger stepped down in April 2016 and Mr Van Doorne's term has been extended.

Each member of the Supervisory Board must be capable of assessing the salient features of the overall policy. Members must possess the specific expertise needed to fulfil their duties, within their role that is compatible with the Supervisory Board's profile. The Supervisory Board strives to achieve a diversity of backgrounds and expertise among its members. The composition of the Supervisory Board must be such that it is able to perform its duties satisfactorily. Furthermore, each member of the Supervisory Board must have sufficient time available to perform his or her duties satisfactorily.

5.2.6 Supervision quality assurance

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

Supervision quality assurance: independence

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

Supervision quality assurance: internal auditor

Each year the Audit Committee evaluates the desirability of appointing an internal auditor. The Audit Committee concluded in 2016 that an internal audit department would be valuable for Ballast Nedam and advised the Supervisory Board and subsequently the Board of Management to establish an internal audit department.

5.2.7 Internal affairs

This section describes changes in the composition of the Supervisory Board and the attendance at meetings.

Internal affairs: departure

Mrs Insinger stepped down as supervisory director in April 2016. The Supervisory Board thanks Mrs Insinger for her work as member of the Supervisory Board of Ballast Nedam.

Internal affairs: attendance

In 2016, there were 5 meetings of the Supervisory Board, two meetings of the Audit Committee, one meeting of the Remuneration Committee and two meetings of the Selection and Appointments Committee. The majority of the meetings of the Supervisory Board took place via videoconference, whereby the attendees who could attend in person met in the Nieuwegein office of Ballast Nedam.

Internal affairs: secretary

Mrs T.J. Doornink was appointed as secretary to the Supervisory Board in 2014 and stepped down as secretary in June 2016. Mrs E.C.A.P. Koens-Bromet was appointed as secretary to the Supervisory Board in September 2016.

5.2.8 Dividends

The basic principle of Ballast Nedam's dividend policy is that 50% of the net profit is distributed as dividend if the leverage ratio is less than 2. In view of the loss incurred, the Supervisory Board approved the Board of Management's proposal to add the net result for the year to accumulated losses.

5.3 Composition of the Supervisory Board

The Supervisory Board members are Mrs İ. Ilıcak Kayaalp, Mr H.A. Akvardar, Mr E. Baki and Mr L.W.A.M. van Doorne. Further details of these members are provided in this section. Until 14 April 2016, Mrs C.M. Insinger was also a member of the Supervisory Board. Since her departure, there has been a vacancy in the Supervisory Board.

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. Since 2014, she is the Chairperson of the Board of Directors of Röneseans Holding A.Ş. She also holds Executive Board Member positions in various subsidiaries of the Röneseans Group. She is a member of the Turkish Industry & Business Association (TÜSİAD) and a member of the Board of Trustees of the Röneseans Education Foundation. She was appointed to the Supervisory Board of Ballast Nedam in 2015. Her current term of office ends on 20 November 2019.

Mr E. Baki

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

Mr H.A. Akvardar

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

Mr L.W.A.M. van Doorne

Mr Leo Van Doorne was born in 1959 and is a Dutch national. He is the CEO of and a major shareholder in Optics Innovation Group B.V. and Managing Director of Pallieter RENEFF B.V. Mr Van Doorne also serves on the Supervisory Boards of Pallieter Group B.V. (Chairman), Diana Capital SGEER SA, CityFibre Infrastructure Holdings plc., Shanxi Guangyu LED Lighting Co. Ltd and Global BSN LLC (The Business Sustainability Network). He is a member of the Supervisory Board of Verder International B.V. and a board member of Foundation Thomas van Villanova and of the Foundation Eindhoven City Marketing (EHV365). Mr Van Doorne was first appointed to the Ballast Nedam Supervisory Board in 2012. His current term of office expires on 17 May 2017. The agenda of the Annual General Meeting will include an extension of his appointment.

5.4 Remuneration report

The Supervisory Board hereby presents the remuneration report, containing a summary account of Ballast Nedam's remuneration policy. Mr Akvardar is Chairman and Mrs Ilıcak Kayaalp is a member of the Remuneration Committee.

5.4.1 Principles of the remuneration policy for Board of Management members

The Supervisory Board determines the remuneration of the members of the Board of Management in accordance with the remuneration policy adopted at the Annual General Meeting in 2005.

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

The benchmark for the remuneration level of the members of the Board of Management of Ballast Nedam N.V. is the remuneration level of comparable listed Dutch construction groups. The Supervisory Board takes into consideration the complexity, size, risk profile and management model of these companies. The remuneration level of the individual members of the Board of Management is furthermore based on the responsibilities of the respective members.

The remuneration agreements made with the members of the Board of Management are set down in contracts when they take up their positions.

Mr Canbaş does not receive any remuneration from Ballast Nedam, since he has an employment contract with Rönensans as a board member.

Fixed annual salary

After members of the Board of Management take up their positions, increments to their fixed annual salary are limited in principle in line with increments under the collective labour agreement for the building industry (CAO Bouwnijverheid).

Short-term variable remuneration: bonus

Under the current remuneration policy for members of the Board of Management, a bonus may be paid in addition to the fixed salary, up to a maximum of one-third of the fixed salary. Two-thirds of the bonus is determined by reference to financial targets, the profit for the year and average capital employed, as documented in the business plan approved by the Supervisory Board. One-third of the bonus is determined by reference to non-financial criteria, as laid down and assessed by the Supervisory Board. These criteria are leadership, quality of relationships with the company's various stakeholders, sustainability and the management of specific important issues arising in a given year. The Supervisory Board bases its assessment of these non-financial criteria on reports, personal observation, discussions with the Board of Management, discussions with third parties and other information.

The Supervisory Board has discretionary powers to award different bonuses or not to award bonuses, independently of any financial or non-financial criteria. Any bonus payment is made in the financial year following the reporting year. For competition reasons, the financial targets included in the business plan are not publicly disclosed in advance.

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

Long-term variable remuneration: options

A management option scheme was approved at an Extraordinary General Meeting on 26 October 2006. At the date of this report there are no granted / committed options.

5.4.2 Remuneration policy in 2016

Relationship between performance criteria and strategy objectives

The most important indicators of the financial targets are derived from Ballast Nedam N.V.'s strategy objectives (see section 2 *Strategy*) and are reflected in the financial performance criteria (i.e. the net result for the period and average capital employed, as stated in the business plan). The fulfilment or otherwise of the financial 'net result for the period' and 'average capital employed' performance criteria is assessed largely with reference to Ballast Nedam's strategic objectives. The Supervisory Board refers to the fulfilment or otherwise of the financial and non-financial performance criteria in determining the eligibility of members of the Board of Management for bonus payments.

There is also a connection through the management option scheme between strategic objectives and long-term variable remuneration, in that the achievement or otherwise of strategic objectives is a determinant of Ballast Nedam N.V.'s share price.

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

In the opinion of the Supervisory Board, the remuneration received by the Board of Management in 2016 is in line with its performance. The Supervisory Board has reached this judgment in part because the non-financial performance criteria were largely met. The Board of Management has successfully concluded the refinancing and explored strategic options. The Supervisory Board has also compared the remuneration level of members of the Board of Management with that of other listed Dutch construction groups, taking into consideration the complexity, size, risk profile and management model of the reference companies.

5.4.3 Remuneration and employment conditions of the Board of Management

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

Fixed annual salary

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

	1 January 2017	1 January 2016
Mr C. Düzyol (*)	€ 220,550 (**)	€ 220,000 (**)
Mr S. Lefevre	€ 228,010	€ 224,640
Mr E. van der Noordaa (***)	-	€ 500,000
Mr S Altuntop (*) (***)	-	€ 155,058

These amounts consist of the fixed periodic salaries as at 1 January multiplied by 13, plus holiday pay. These fixed annual salaries are based on 52 weeks.

(*) These members are employed with the 30% tax-ruling

(**) Is based on full time employment. Mr C. Düzyol works on a 0.6 FTE basis

(***) Resigned during 2016

Bonus

As is evidenced by this Annual Report, the Board of Management has demonstrated skilled management of important issues for the company, such as bringing the organization into line with the strategic route of the company. In the opinion of the Supervisory Board, the members of the Board of

Management have satisfied the non-financial criteria. The Board of Management members have not met the financial performance criteria set for them. They are not eligible for a bonus.

Options

No options were granted to Board of Management members in 2016 in respect of the 2015 financial year. The Supervisory Board agreed with Mr van der Noordaa upon the conclusion of his engagement agreement that he is entitled to a grant of 50,000 options. This grant has not taken place and Mr van der Noordaa has decided not make use of this right.

Pension

Two members of the Board have the Dutch legal status of highly skilled migrant. Highly skilled migrants are not offered to join the Employer's so called excedent pension scheme, which is administered by Stichting Pensioenfonds Ballast Nedam ("Excedent Scheme"), because of the nature of their employment and (expected) residence. All Board of Management members participate in the Construction Branche pension scheme. There is no early retirement scheme for the current members of the Board of Management.

Benefits

The members of the Board of Management may avail themselves of the same schemes that apply to other Ballast Nedam employees. Board of Management members receive no fixed expense allowance. Mr Düzyol and Mr Canbaş do not receive a car allowance nor a company car. The other Members of the Board have been provided with a company car or a car allowance. In other respects, the members of the Board of Management are entitled to the provisions of the applicable collective labour agreement for the building industry (CAO Bouwnijverheid), including annual increments.

Contract term, notice period and clawback

The notice period for Board of Management members is the same as for the other employees. In the event of termination of the engagement agreement by Ballast Nedam for reasons not attributable to the members of the Board, each member can be entitled to get the 'transition budget' ("transitievergoeding"), if they meet the legal requirements to receive a 'transition budget'.

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

5.4.4 Remuneration policy for 2017

The Supervisory Board is discussing and reviewing the remuneration policy for 2017.

5.4.5 Remuneration of Supervisory Board members

Supervisory Board members receive a fixed fee that is not dependent on the results of the company. The General Meeting set the remuneration of the Supervisory Board in 2005. As of 1 January 2016, the annual fees for members of the Supervisory Board were as follows:

- Mrs İ. İlicak Kayaalp €0
- Mr H. Akvardar €0
- Mr E. Baki €0
- Mr L.W.A.M. van Doorne €30,000
- Mrs C.M. Insinger €30,000 (only remunerated for the period up to her departure)

Mrs İlicak Kayaalp, Mr Akvardar and Mr Baki have employment contracts with Rönesans and do not receive fees or expense allowance for their membership of the Supervisory Board. The members of the

Supervisory Board have the right to receive an allowance for expenses incurred in performing their duties.

An Audit Committee has been formed of members of the Supervisory Board. The General Meeting set the remuneration of the Audit Committee in 2008. As of 1 January 2016, the annual fees for members of the Audit Committee were as follows:

- Mr E. Baki €0
- Mrs C.M. Insinger €5,000 (only remunerated for the period up to her departure)
- Mr L. Van Doorne €5,000 (only remunerated from the moment of his appointment)

5.4.6 Financial statements and discharge

The Supervisory Board hereby submits the Annual Report for the 2016 financial year, including the consolidated and company financial statements of Ballast Nedam N.V., as prepared by the Board of Management and approved by the Supervisory Board. The financial statements have been audited by Deloitte Accountants B. V. The independent auditor's report is included in section 8.1 (*Independent auditor's report*). The Supervisory Board recommends adopting the financial statements and requests to grant discharge to the members of the Board of Management and the Supervisory Board in respect of their management and supervision respectively in 2016.

Nieuwegein, 6 April 2017

Originally signed by
Supervisory Board

İ. İlicak Kayaalp

L.W.A.M. van Doorne

H.A. Akvardar

E. Baki

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(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

6 Consolidated financial statements

Ballast Nedam N.V. – Consolidated Financial Statements 2016

(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

6.1 Consolidated statement of financial position

ASSETS	Notes	31 December 2016	31 December 2015
Current Assets		416,945	429,496
Cash and cash equivalents	3	110,760	69,320
Trade receivables		91,813	97,111
- <i>Trade receivables from related parties</i>	4	387	-
- <i>Trade receivables from third parties</i>	4	91,426	97,111
Other short-term receivables		52,600	67,651
- <i>Non-trade receivables from related parties</i>	5	26,060	32,651
- <i>Other short-term receivables from third parties</i>	5	26,540	35,000
Inventories	6	94,827	130,683
Short-term prepaid expenses	7	3,275	1,896
Due from customers under construction contracts	8	46,682	59,058
Assets classified as held for sale	9	16,988	3,777
Non-Current Assets		72,833	125,644
Escrow accounts at banks		-	24,800
Investments accounted for using the equity method	10	13,188	14,624
Investment property	11	5,412	6,013
Property, plant and equipment	12	48,311	63,073
Intangible assets		2,937	13,596
- <i>Goodwill</i>	13	1,023	2,670
- <i>Other intangible assets</i>	13	1,914	10,926
Other non-current assets	14	2,985	3,538
TOTAL ASSETS		489,778	555,140

Notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Ballast Nedam N.V. – Consolidated Financial Statements 2016

(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

(Before appropriation of the net result for the year)

LIABILITIES	Notes	31 December 2016	31 December 2015
Current Liabilities		399,835	491,819
Short-term financial debts	15	2,165	2,422
Current portion of long term financial debt	15	14,638	73,816
Short term trade payables		173,869	211,511
- Trade payables to related parties	16	283	-
- Trade payables to third parties	16	173,586	211,511
Other Short term payables		53,381	69,143
- Non-trade payables to related parties	17	17,217	40,638
- Other payables to third parties	17	36,164	28,505
Due to customers under construction contracts	8	103,235	88,166
Prepayment received on inventories	6	1,413	6,148
Payables for employee benefits	18	12,143	9,669
Short-term provisions		22,876	22,693
- Provisions related to employee benefits	18	6,205	12,447
- Other short-term provisions	19	16,671	10,246
Current tax payables	20	1,982	331
Other short term liabilities	21	9,255	5,792
Liabilities directly associated with assets classified as held for sale	9	4,878	2,128
Non-Current liabilities		83,651	42,095
Long-term financial debts	15	61,900	34,864
Other long term liabilities		10,000	-
- Non trade payables to majority shareholder	22	10,000	-
- Non-trade payables to third parties		-	-
Long-term provisions		11,751	7,037
- Provisions related to employee benefits	18	4,251	4,640
- Other long-term provisions	19	7,500	2,397
Deferred tax liabilities	23	-	194
SHAREHOLDERS' EQUITY	24	6,292	21,226
Equity attributable to owners of the parent		6,292	21,226
Paid in capital		2,203	2,203
Share premium		239,497	179,397
Other accumulated comprehensive income / loss to be reclassified in profit or loss		(1,258)	(2,037)
- Fair value gain on available for sale assets		-	-
- Currency translation reserve		194	212
- Hedging reserve		(1,452)	(2,249)
Other accumulated comprehensive income / loss not to be reclassified in profit or loss			
Accumulated loss		(234,150)	(158,337)
- net result for the year		(75,813)	(40,905)
- net result previous years		(158,337)	(117,432)
TOTAL LIABILITIES AND EQUITY		489,778	555,140

Notes to the consolidated financial statements are an integral part of these consolidated financial statements.

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(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

6.2 Consolidated statement of profit and loss

	Notes	1 January- 31 December 2016	1 January- 31 December 2015
Revenue	25	788,925	849,963
Cost of revenue	26	(791,762)	(840,324)
GROSS PROFIT		(2,837)	9,639
General administrative expenses	27	(38,548)	(37,837)
Marketing, selling and distribution expenses	27	(379)	(311)
Other operating income from main activities	28	7,357	17,993
Other operating expense from main activities	28	(24,981)	(23,783)
OPERATING RESULT		(59,388)	(34,299)
Income from investing activities	29	4,460	1,477
Expense from investing activities	29	(7,027)	(3,526)
Share in profit / loss of investments valued using equity method	10	(7,034)	3,913
RESULT BEFORE FINANCIAL EXPENSE AND TAXATION		(68,989)	(32,435)
Net financial expense	30	(6,735)	(8,358)
RESULT FOR TAXATION		(75,724)	(40,793)
Income tax expenses			
Current tax expense	31	(89)	(296)
Deferred tax income	31	-	184
NET RESULT FOR THE YEAR		(75,813)	(40,905)
Attributable to:			
Non-controlling interest		-	-
Owners of the parent		(75,813)	(40,905)
		(75,813)	(40,905)

Notes to the consolidated financial statements are an integral part of these consolidated financial statements.

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(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

6.3 Consolidated statement of comprehensive income

	1 January - 31 December 2016	1 January - 31 December 2015
Result for the period	(75,813)	(40,905)
Other comprehensive income, net of tax to be reclassified to profit & loss in subsequent periods		
Foreign currency translation reserve	(18)	94
Net gain on cash flow hedges arising during the year	797	4,078
Net gain (losses) on cash flow hedges arising during the year	-	(1,595)
Non-realised results (after tax)	797	2,483
Other comprehensive income, net of tax, not to be reclassified to P&L in subsequent periods	-	-
Other comprehensive income	779	2,577
Total comprehensive income for the period	(75,034)	(38,328)
Attributable to:		
Owners of the parent	(75,034)	(38,328)
Non-controlling interest	-	-
Total comprehensive income for the period	(75,034)	(38,328)

The other comprehensive income includes nil thousand euro of tax (2015: nil thousand euro).

Notes to the consolidated financial statements are an integral part of these consolidated financial statements.

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(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

6.4 Consolidated statement of changes in equity

	Paid in capital	Share premium	Currency translation reserve	Hedging reserve	Accumulated loss	Shareholders' equity
Opening balance 1 January 2015	20,000	114,000	118	(4,732)	(117,432)	11,954
Net result for the year					(40,905)	(40,905)
Change in currency translation reserve			94			94
Change in hedging reserve				(1,595)		(1,595)
Fair value change in hedging reserve				4,078		4,078
<i>Other comprehensive income</i>	-	-	94	2,483	-	2,577
Shares (emission)		47,600				47,600
Change in nominal value	(17,797)	17,797			-	-
Closing balance 31 December 2015	2,203	179,397	212	(2,249)	(158,337)	21,226
Opening balance 1 January 2016	2,203	179,397	212	(2,249)	(158,337)	21,226
Net result for the year					(75,813)	(75,813)
Change in currency translation reserve			(18)			(18)
Change in hedging reserve				797		797
<i>Other comprehensive income</i>	-	-	(18)	797	-	779
Repurchased own shares		100				100
Share premium		60,000				60,000
Closing balance 31 December 2016	2,203	239,497	194	(1,452)	(234,150)	6,292

Notes to the consolidated financial statements are an integral part of these consolidated financial statements.

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(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

6.5 Consolidated statement of cash flows

	Notes	1 January - 31 December 2016	1 January - 31 December 2015
Cash flow from operating activities			
Profit (loss) for the period		(75,813)	(40,905)
Adjustments to reconcile net result for the year			
Depreciation and amortisation	12,13	9,676	11,415
Impairment (in) tangible assets	29	3,293	1,147
Interest expense/income	30	6,731	8,358
Loan waived by banks		-	(16,000)
Gain/loss on disposal of property, plant and equipment and intangible assets	29	5,081	-
Income tax expense	31	89	112
Share in profit and loss of investments valued using equity method	10	7,034	(3,913)
Adjustment related to provisions	18,19	23,235	4,515
Movements in working capital			
Movement in inventories	6	27,850	13,485
Decrease/increase due to / from customers under construction contracts	8	27,445	(6,390)
Decrease/increase in trade receivables	4	20,349	3,000
Decrease/increase in prepaid expenses	7	(1,379)	-
Increase/decrease in other current liabilities		(38,463)	(39,483)
Movement in provisions and employee benefits	18	(11,711)	(6,747)
Movement in provisions, warranty and other provisions (utilisation)	19	(4,153)	(5,498)
Income taxes paid	20	(89)	-
Net cash from operating activities		(825)	(76,904)
Cash flow from investing activities			
Intangible assets additions	13	(1,273)	(1,336)
Property, plant and equipment additions	12	(7,590)	(5,082)
proceeds from disposals		-	3,000
Financial assets			
other fair value investments		(3,070)	1,000
dividends received		2,059	(1,000)
Proceeds from subsidiaries after deduction of disposed cash and cash equivalents	35	21,155	6,000
Net cash from investing activities		11,281	2,582
Cash flow from finance activities			
Interest paid	30	(6,731)	(8,358)
Proceeds from financial debt	15	10,000	45,000
Repayments of financial debt	15	(41,037)	(7,000)
Proceeds from derivative financial instruments	30	14	-
Payments of finance liabilities	15	(1,362)	(1,000)
Majority shareholder loan	22	10,000	-
Capital contribution of the majority shareholder	24	60,100	-
Proceeds from issue of shares and private placement	24	-	48,000
Net cash from financing activities		30,984	76,642
Net change in cash and cash equivalents		41,440	2,320
Cash at the beginning of the period		69,320	67,000
Cash at the end of the period		110,760	69,320
		(41,440)	(2,320)

The net cash consists of the balance of cash and bank loans that cannot be offset against each another. For further details, see Note 3 'Net cash'.

Notes to the consolidated financial statements are an integral part of these consolidated financial statements.

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6.6 Notes to the consolidated financial statements

1. Organisation and operations of Ballast Nedam

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

The consolidated financial statements of Ballast Nedam N.V. for the 2016 financial year comprise the parent company Ballast Nedam N.V. and its subsidiaries (‘Ballast Nedam’ or ‘Group’) and Ballast Nedam’s interest in associates and joint operations.

The Company is mainly active in the Netherlands and present in other European countries and the rest of the world. Its core activities include contracting and construction engineering services on various purpose buildings (mainly shopping malls, residential units and office buildings), industrial and infrastructure projects. The Company also provides design, construction, maintenance and other projects within the scope of public-private partnership projects. The Company’s Development division works in synergy with the Construction division on most of the above activities.

Since 26 February 2016 the Company’s depository receipts are no longer listed on the Euronext Amsterdam Stock Exchange.

2. Basis of presentation of the consolidated financial statements.

2.1 Basis of preparation

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

The financial statements were authorised for issue by the Board of Management on 6 April 2017. The financial statements will be submitted for approval to the Annual General Meeting.

With reference to the company statement of profit and loss, the exemption pursuant to section 402 of Book 2 of the Netherlands Civil Code has been used.

2.2 Basis of measurement and presentation

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

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

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’).

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

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

Presentation comparative balances

Certain reclassifications have been made in the comparative balances to provide a more appropriate comparison and also follow the presentation structure of the majority shareholder, both presentations are aligned with IFRS.

The reclassifications have not changed the total assets and total liabilities and were not significant in nature. Receivables of 168 million euro on the face of the statement of financial position have been presented in separate components which resulted in an increase included in “Trade receivables” of 98 million euro, “Non-trade receivables from related parties” of 33 million euro, “Other short-term receivables from third parties” 35 million euro and “Short-term prepaid expense” of 2 million euro. Investment property amounted to 6 million euro has been reclassified out of property, plant and equipment. Other liabilities of 178 million euro on the face of the statement of financial position have been presented in separate components which resulted in an increase included in “Trade payables to third parties” of 80 million euro, “Non-trade payables to related parties” of 41 million euro, “Other payables to third parties” of 29 million euro, “Payables for employee benefits” of 10 million euro, “Provisions related with employee benefits” of 12 million euro and “Other short term liabilities” of 6 million euro.

The reclassifications in the income statement have not changed the total revenue and net result for the year. Cost of revenue amounts to 840 million euro on the face of the income statement this is the result of the reclassification of “Cost of raw materials and subcontractors” of 598 million euro, “Personnel expenses” of 175 million euro, “Other income” 17 million euro, “Depreciation and amortization of property, plant and equipment and intangible assets” 7 million euro and “Other operating expenses” 77 million euro.

General administrative expenses amounts to 38 million euro on the face of the income statement this is the result of the reclassification of “Personnel expenses” of 13 million euro, “Depreciation and amortization of property, plant and equipment and intangible assets” 5 million euro and “Other operating expenses” of 20 million euro. Other operating income from main activities amounts to 18 million euro on the face of the income statement this is the result of the reclassification of “Other operating income” 2 million euro and “Loan waived by banks” 16 million euro.

2.3 Critical Accounting Judgements and Key Sources of Estimation 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

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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 IFRS as adapted by the EU, which have significant consequences for the financial statements and estimates involving an appreciable risk of material change in the following year are disclosed in the notes.

If changes in the accounting estimates are related to only one period, they are applied in the current year; if they are related to the future period, they are applied both in current and future periods. In the current period, Ballast Nedam has no significant changes to the accounting estimates. Significant changes in accounting policies have been applied retrospectively and prior period consolidated financial statements are restated. In current period, Ballast Nedam has not made any changes in its accounting policies.

The Board of Management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with below under notes):

Project results

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

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

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

See also note 8 (work in progress) and note 26 (costs of raw materials and subcontractors).

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

During the year the Company has invested in a number of more robust risk management activities to enhance its estimation and assessment process. A Risk Management Office ("RMO") has been

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established that independently from the management of the project assesses risks and their potential financial impact. RMO combines legal, technical and financial expertise.

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

The Group calculates "the remaining costs to complete on construction projects" through its internally developed projections. Factors such as escalations in material prices, labour costs and other costs are included in these projections based on best estimate 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 cost incurred and realizations of these projects, there could be significant fluctuations in terms of estimated costs between years.

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

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

Land positions

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

Investment properties

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.

Deferred tax

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

If future results of operations exceed the Group's current expectations, the existing unrecognized deferred tax assets may be recognized, resulting in future tax benefits.

Provisions

Provisions relating to actual liabilities are based on estimates and judgements as to whether the criteria for treatment as a liability have been met, including an estimate of the size of the actual

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liability. Actual liabilities are disclosed if it is likely that a liability will arise and its size can be reasonably estimated. Provisions for warranties are recognized for the expected expenses necessary to resolve complaints. If the actual outcome differs from the assumptions as to anticipated costs, the estimated provisions will be revised, and this could have an effect on the financial position and results of the Company. For additional information concerning provisions, see note 19.

2.4 Consolidation principles

Subsidiaries

Subsidiaries are entities in which the Company directly or indirectly controls the financial and operating policy decisions with a view to obtaining benefits from their operations. These subsidiaries are consolidated in full and minority interests, where applicable, are separately disclosed. These entities are included in the consolidated financial statements from the date on which control commences until the date on which the control ceases.

Associates and joint ventures

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

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize 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 recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

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

Joint operations

Joint operations are joint arrangements whereby the Company 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

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accounts. Unrealized losses are eliminated in the same way, except where there are indications of impairment.

2.5 Adoption of New and Revised International Financial Reporting Standards

New and Revised IFRSs applied with no material effect on the consolidated financial statements

The Group has applied the amendments for the first time for their annual reporting period commencing 1 January 2016 in connection with the 'Annual Improvements to IFRSs – 2012-2014 Cycle'.

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.

There are no other IFRSs or IFRIC amendments as per 1 January 2017 that have a material impact on the Group.

New and revised IFRSs in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016. The Group has not applied the following relevant new and revised IFRSs that have been issued but are not yet effective in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

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

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

IFRS 9 Financial Instruments

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

The Group has planned to adopt the new standard on the required effective date. During 2017, Ballast Nedam shall perform an impact assessment of all three aspects of IFRS 9. This assessment will be based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to Ballast Nedam in the future. Overall, the Group expects no significant impact on its balance sheet and equity except for the effect of applying the impairment requirements of IFRS 9.

(a) Classification and measurement

The Group does not expect a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. Quoted equity shares currently held as available-for-sale

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with gains and losses recorded in other comprehensive income will be measured at fair value through profit or loss instead, which will increase volatility in recorded profit or loss. The available-for-sale reserve currently in accumulated other comprehensive income will be reclassified to opening retained earnings.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group expects that these will continue to be measured at amortised cost under IFRS 9.

(b) Impairment

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

(c) Hedge accounting

The Group believes that all existing hedge relationships that are currently designated in effective hedging relationships will still qualify for hedge accounting under IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for financial years beginning on or after 1 January 2018. Early adoption is permitted.

The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2017, the Group will perform an assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. The Group is in the business of providing equipment, services. The equipment and services are sold both on its own in separate identified contracts with customers and together as a bundled package of goods and/or services.

(a) Sale of goods

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

In applying IFRS 15, the Group considered the following:

(i) Variable consideration

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under IFRS 15, and will be

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required to be estimated at contract inception. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue.

(ii) Warranty options

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

(b) Rendering of services

Ballast Nedam provides services within the Infrastructure and Building and Development segment. These services will be sold either on their own in contracts with the customers while others may be bundled together with the sale of equipment to a customer. Ballast Nedam has preliminarily assessed that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by Ballast Nedam. For the possible effects of contracts with a variable consideration reference is made to item (i) above. Consequently, Ballast Nedam does not expect any significant impact to arise from these service contracts.

IFRS 16 Leases

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

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

2.6 Related parties

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

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

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

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

2.7 Significant Accounting Policies

Cash and cash equivalents

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

Loans (financial debt) and receivables

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

Work in progress – Due to / from customers under construction contracts

Work in progress on behalf of third parties is recognized at cost plus profit in proportion to the progress of the project less a provision for foreseeable losses and less invoiced instalments in proportion to the progress of the project. Interest is capitalized subject to meeting the conditions for capitalizing finance expense. The cost of work in progress includes directly attributable indirect costs on the basis of normal production capacity.

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

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

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Inventories

Inventories (raw materials and semi-finished goods) are stated at the lower of cost and net realizable 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 realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable 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 realizable 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 recognized at the lower of cost and net realizable value if lower. The net realizable value depends on the expected manner and timing of realization. The net realizable value is the estimated revenue in the normal course of business, less the estimated costs of completion and selling. The future cash flows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 9%. In principle these holdings are not 'in production' and development costs are consequently not capitalized. Interest is capitalized subject to meeting the conditions for capitalizing finance expense and at the time the land position is actively developed. The associated costs are expensed. Planning permissions and building permits are included in landholdings.

Sold residential building projects in which the client has no option to specify structural elements in the design, and where there is continuous transfer of the significant risks and ownership, are recognized under inventories. This portion of inventories is recognized at cost plus coverage to the progress of the project less a provision for foreseeable losses and less invoiced instalments in proportion to the progress of the project. Interest is capitalized subject to meeting the conditions for capitalizing finance expense. The cost of residential building projects includes directly attributable indirect costs on the basis of normal production capacity.

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

Assets and liabilities classified as held for sale

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

Investment property

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

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

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

Property, plant and equipment

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

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

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

Leasing

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

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

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

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

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

Goodwill

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

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

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

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

Other intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization 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 derecognized 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 recognized in profit or loss when the asset is derecognized.

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

Computer software

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

Impairment of tangible and intangible assets other than goodwill

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

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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 cash flows 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 cash flows 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 recognized 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial assets

PPP receivables

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

PPP receivables are initially recognized at fair value and are subsequently measured at amortized cost based on an effective interest rate in accordance with IAS 32, IAS 39 and IFRIC 12 'Service Concession Arrangements'.

Other investments

If no significant influence is exercised over the operating and financial policy, recognition of other investments is at fair value, with gains and losses recognized in the consolidated comprehensive income. If the investment is classified as available for sale, the value of the movements in other investments, which are not classified as held for sale, are recognized in the statement of income. Only in the exceptional case that the fair value cannot be reliably determined is valuation at cost minus impairment applied.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments to hedge exposure to currency, interest rate and market risks arising from operating, financing and investing activities.

In conformity with its treasury policy the Company does not hold any derivatives for trading purposes, nor does it issue such derivatives.

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

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If hedge accounting is applied, the Company documents the relationship between the financial instrument and the position to be hedged. The objectives with respect to risk management, and the strategy followed in initiating hedging transactions, are recorded. Ballast Nedam also documents estimates of the effectiveness of the hedging transaction. If the hedge relationship is effective, movements are recognized in the consolidated statement of comprehensive income, with allowance for the deferred taxation effect. The changes in the fair value of hedging transactions may comprise movements in the fair value of existing hedging transactions, and realized results if the hedged position is recognized in the statement of income. The movement in values for any ineffective portion of the hedging transaction is recognized in the statement of income.

The fair value of forward exchange contracts is the present value of the forward rate. The fair value of the other derivative financial instruments is measured on the basis of the discounted value of the estimated future cash flows from these instruments.

Trade and other payables

On initial recognition, trade payables and other payable items are measured at fair value. After initial recognition, trade payables and other payable items are carried at amortized cost.

Current tax payable

The tax current 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 payables

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

Long-term financial debt

On initial recognition, long-term loans are measured at fair value less attributable transaction costs. Interest-bearing loans are subsequently carried at amortized cost, with any difference between the cost and the amount repayable recognized in the income statement over the term of the loans on the basis of the effective interest method. Borrowing costs are capitalized only when are attributable to qualifying assets (none in 2015 and 2016).

Pensions

The pension scheme established by Ballast Nedam for office staff qualifies as a defined contribution plan, and is administered by Stichting Pensioenfonds Ballast Nedam. Under this defined contribution plan, the obligations in respect of the defined contributions are recognized as an expense in the income statement when they fall due.

The Company's site workers are covered by the compulsory industry-wide pension scheme for the building industry (bpfBOUW). Under IAS 19 this pension scheme is accounted for as a defined contribution scheme.

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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 of actuarial assumptions when relevant).

Provisions

Provisions are recognized 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 recognized 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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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 recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Shareholders' equity

Ordinary shares are classified as equity. The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares and contributions without issuance of shares. Legal reserves are accounted for based on regulations.

Repurchase of own shares

For purchased own shares included in equity in the statement of financial position, the amount paid, including directly attributable costs, is recognized in equity. Repurchased shares are classified as purchased own shares and included as a deduction from total equity. When purchased own shares are delivered, they are removed from the portfolio on a first-in, first-out (FIFO) basis. The difference between cost and market value is recognized in the share premium reserve.

Dividends

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

Revenue

Rental income from real estate properties

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

Revenues generated from sale of flats or residential units

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

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

Dividend and interest revenue

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

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

Construction contracts

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

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

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

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

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

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

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Services

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

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

PPP projects

During the construction phase of the asset, PPP projects are recognized as projects for third parties. The related financial asset is recognized based on invoiced instalments. The contractual income and expenses are recognized in the income statement in proportion to progress on the project. The percentage of completion is determined on the basis of production measurements.

The interest income of the financial asset is recognized as financial income in the income statement.

During the operating phase, the income from PPP projects comprises the fair value of the delivery of contractually agreed services and the interest income related to the investment in the project. Income is recognized at the time of delivery of the services to which it relates.

Net finance expense

The financial expenses comprise the interest income and expense including those on borrowings calculated using the effective interest method. The interest component of the financial lease instalments is recognized in the profit and loss statement using the effective interest method.

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

Income tax expense

Tax is calculated on the result from ordinary operations, allowing for tax-exempt items and based on the applicable tax rates. Tax is recognized in the income statement except in relation to items recognized directly in the consolidated statement of comprehensive income.

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

Deferred tax assets are recognized at nominal value of the portion that will probably be realized.

Statements of cash flows

Cash flows are categorized and reported as operating, investing and financing.

Cash flows from operating activities show that cash flows provided from Group's operations.

Cash flows from investing activities summarize the Group's cash flows used in or generated from investing activities (fixed and financial investments).

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Cash flows from financing activities summarize the Group's cash flows from liabilities and the back payments of these liabilities benefited in financing needs of the Group.

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

Cash flow statement is prepared utilizing the indirect method.

3 Cash and cash equivalents

	31 December 2016	31 December 2015
Cash at banks	110,760	69,320
-Demand deposits	110,760	69,320
-Other cash equivalents	6,228	24,800
	<u>116,988</u>	<u>94,120</u>
Less: Restricted Cash (Escrow accounts at banks)	<u>(6,228)</u>	<u>(24,800)</u>
Short term	(6,228)	-
Long term	-	(24,800)
Cash and cash equivalents	<u>110,760</u>	<u>69,320</u>

Restricted cash and escrow accounts at banks are presented separately. 6,228 thousand euro became available in the first week of 2017 (note 5). In 2015 24,800 thousand euro Escrow account at banks was restricted due to the bank borrowings, following the refinancing arrangements this amount became available for use of the company during December 2016. There are committed credit facilities as of the balance sheet date.

4 Trade receivables

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

<u>Current trade receivables</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Contract receivables	76,940	79,164
Retention held by clients	188	189
Trade receivables	16,904	22,889
Trade receivables from related parties	387	-
Allowance for doubtful trade receivables (-)	<u>(2,606)</u>	<u>(5,131)</u>
	<u>91,813</u>	<u>97,111</u>

The Group uses prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on the above categories of instalments and trade receivables. The average

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collection period is 45 days (2015: 45 days). References are made to note 33 with respect to receivables from related parties. The nature and level of the risks on trade receivables are disclosed in note 32.

The aging of overdue receivables is as follows:

	<u>31 December 2016</u>	<u>31 December 2015</u>
Overdue by 1-30 days	12,369	23,400
Overdue by 1-3 months	6,242	6,718
Overdue by 3-12 months	2,223	11,478
Overdue by 1-2 years	4,765	4,999
Total overdue receivables	<u>25,599</u>	<u>46,595</u>

Movements on the Group's provision for allowance of trade receivables are as at 31 December 2016 and 31 December 2015 is as follows:

<u>Movement of allowance for doubtful receivables</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Balance at the beginning of the period	(5,131)	(7,446)
Charge for the period	(913)	(715)
Liabilities held for sale	205	-
Amounts recovered during the period	83	1,126
Collections	<u>3,150</u>	<u>1,904</u>
	<u>(2,606)</u>	<u>(5,131)</u>

5 Other short term receivables

<u>Other short term receivables</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Non-trade receivables from related parties	26,060	32,651
Restricted cash	6,228	-
Other receivables	<u>20,312</u>	<u>35,000</u>
	<u>52,600</u>	<u>67,651</u>

Non-trade receivables from related parties include receivables from joint arrangements and associates. Other receivables include primarily the group share of receivables of partners in the joint operations, with a total of amount 13,191 thousand euro (2015: 24,000 thousand euro).

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6 Inventories

	<u>31 December 2016</u>	<u>31 December 2015</u>
Raw materials	3,103	58
Lands to be developed for projects	85,866	116,798
Flats to be sold	211	7,542
Residential units under development ST	1,442	404
Finished goods	<u>4,205</u>	<u>5,881</u>
	<u>94,827</u>	<u>130,683</u>

The accumulated impairment recognised within lands to be developed for projects amounts to 56,100 thousand euro (2015: 51,000 thousand euro). In 2016 the impairment due to a number of land positions to lower net realizable value amounted to 5,100 thousand euro (2015: 7,000 thousand euro).

The present value estimates used to determine the net realizable value include amongst other variables a discount rate of 9%. 46,023 thousand euro of land to be developed for projects are pledged under the FGH borrowing agreement and Rabobank borrowing.

Advances received on inventories amounted to 1,413 thousand euro (2015: 6,148 thousand euro) and were related to residential building projects in which the value of the work performed was lower than the amount of the instalments invoiced. This amount is presented within other current payables.

7 Short term prepaid expenses

Prepaid expenses of the amount 2,986 thousand euro (2015: 1,896 thousand euro) are mainly related to the general administrative expenses and include mainly prepayments for insurance and rent costs.

8 Due to and from customers under construction contracts

<u>Due to/from customers under construction contracts</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Construction cost incurred on ongoing projects	1,038,413	867,084
Recognised profit less recognised losses to date	<u>(53,848)</u>	<u>(186,192)</u>
	984,565	680,892
Less: progress billings	(1,041,118)	(710,000)
	<u>(56,553)</u>	<u>(29,108)</u>
Recognised and included in the financial statements as amount due		
Due from customers under construction contracts	46,682	59,058
Due to customers under construction contract	(103,235)	(88,166)
	<u>(56,553)</u>	<u>(29,108)</u>

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

Due from customers under construction contracts under current assets consists of all construction contracts on behalf of third parties where the expenses incurred plus the deferred profit, minus the recognized losses, exceed the instalments invoiced. This asset decreased by 12,376 thousand euro relative to 2015.

Due to customers under construction contracts under current liabilities consists of all construction contracts on behalf of third parties where the expenses incurred plus the deferred profit, minus the recognized losses, are less than the instalments invoiced. This liability increased by 15,069 thousand euro relative to 2015. The total net work in progress thus decreased by 27,445 thousand euro.

Work in progress has a term of less than 12 months in general; claims and loss provisions included in the work in progress valuation have a term of predominantly more than 12 months.

9 Assets held for sale

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

Assets held for sales include the interests in TBS Soest B.V., Rademakers Gieterij B.V. and Waldwei Com B.V. This aligns with the divestment strategy of the company to focus on core business lines. The impact on the consolidated statement of financial position is shown in the table below.

	<u>31 December 2016</u>	<u>31 December 2015</u>
Property, plant and equipment	5,546	2,413
Inventories	6,501	-
Trade receivables	3,141	1,364
Financial assets	<u>1,800</u>	<u>-</u>
Total assets	16,988	3,777
Current liabilities	<u>(4,878)</u>	<u>(2,128)</u>
	(4,878)	(2,128)
Nett assets of assets held for sale	<u>12,110</u>	<u>1,649</u>

The sale of TBS Soest and Rademakers Gieterij B.V. took place on 11 January 2017. It's expected that the sale of Waldwei Com B.V will take place during 2017.

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Prior year balances included 50% interest in Recycling Overslag Schiedam (ROS) B.V. and 50% interest in the Asphalt Centrale Rivierenland (ACR) V.O.F. ROS shares were sold, the expected sale of ACR was cancelled, during 2016.

10. Investments accounted for using the equity method

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

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

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

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

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

Name of associate / Joint-venture	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	Effective ownership ratio (%)	Effective ownership ratio (%)	Voting power held (%)	Voting power held (%)
SMS A-lanes A15 BV	25.00%	25.00%	25.00%	25.00%
G4 - BV	25.00%	25.00%	25.00%	25.00%
HEEH BV	50.00%	50.00%	50.00%	50.00%
Nieuw Vennepe CV	62.40%	62.40%	62.40%	62.40%
Vikingsite BV	50.00%	50.00%	50.00%	50.00%
Marktkwartier CV	50.00%	50.00%	50.00%	50.00%
Marktkwartier Amsterdam Beheer BV	50.00%	50.00%	50.00%	50.00%
Riederwaard Beheer BV	50.00%	50.00%	50.00%	50.00%
Riederwaard CV	50.00%	50.00%	50.00%	50.00%
Expl. Maatschappij Komfort BV	50.00%	50.00%	50.00%	50.00%
Expl. Maatschappij DC16 BV	50.00%	50.00%	50.00%	50.00%
Windinvest BV	50.00%	50.00%	50.00%	50.00%
Waldwei.com BV	33.33%	33.33%	33.33%	33.33%
BNC A-Lanes A15 Holding BV	20.00%	20.00%	20.00%	20.00%
IXAS A9 BV	25.00%	25.00%	25.00%	25.00%
Hvz Hart van Zuid BV	2.50%	2.50%	2.50%	2.50%
Concrete Valley	50.00%	50.00%	50.00%	50.00%
Concrete Valley (NW)	40.00%	40.00%	40.00%	40.00%
Cuxhaven JV (BN - Heitkamp)	50.00%	50.00%	50.00%	50.00%
IXAS -SAA A9- Gaasperdammerweg BV	33.33%	33.33%	33.33%	33.33%
Ursem Modulaire Bouwsystemen BV	41.00%	41.00%	41.00%	41.00%
G4 - CV	25.00%	25.00%	25.00%	25.00%
Oud Beijerland oost CV	50.00%	50.00%	50.00%	50.00%
OC Oud Beijerland Oost Beheer BV	50.00%	50.00%	50.00%	50.00%
OC Olympia Beheer BV	50.00%	50.00%	50.00%	50.00%
OC Olympia CV	50.00%	50.00%	50.00%	50.00%
OC Coberco kwartier CV	50.00%	50.00%	50.00%	50.00%
Coberco beheer BV	50.00%	50.00%	50.00%	50.00%
OC Oud Beijerland Zuid Beheer BV	50.00%	50.00%	50.00%	50.00%
OC Oud Beijerland Zuid CV	50.00%	50.00%	50.00%	50.00%
IJ2 Holding BV	50.00%	50.00%	50.00%	50.00%
IJsseloord 2 Projecten BV	50.00%	50.00%	50.00%	50.00%
Asfalt Centrale Rivierenland (ACR) Nieuw (APT BV)	33.33%	33.33%	33.33%	33.33%
Traffic Service van Strien BV	25.17%	25.17%	25.17%	25.17%
APA BV	25.00%	25.00%	25.00%	25.00%
Nederlandse Freesmaatsschappij BV	16.67%	16.67%	16.67%	16.67%
ASFALT PRODUCTIE ROTTERDAM BV	25.00%	25.00%	25.00%	25.00%
COBETON	25.00%	25.00%	25.00%	25.00%
Graniet Import	8.75%	8.75%	8.75%	8.75%
Expl. maatschappij A15 BV	33.33%	33.33%	33.33%	33.33%
OMC CV	33.33%	33.33%	33.33%	33.33%
Stadion Amsterdam CV	5.55%	5.55%	5.55%	5.55%
GEM Vleuterweide Beheer BV	14.00%	14.00%	14.00%	14.00%
Stadsherstel Breda NV	5.80%	5.80%	5.80%	5.80%
CV GEM Vleuterweide	13.44%	13.44%	13.44%	13.44%

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The table below gives an overview of the total assets, total liabilities and net assets of these joint ventures reported for 2016 (at 100%)

Name of joint venture	31 December 2016		
	Total assets	Total liabilities	Net assets
SMS A-lanes A15 BV	144	126	18
G4 - BV	54	4	50
HEEH BV	49	465	(416)
Nieuw Vennep CV	2,229	2,229	-
Vikingsite BV	2,451	2,564	(113)
Marktkwartier CV	694	684	10
Marktkwartier Amsterdam Beheer BV	10	-	10
Riederwaard Beheer BV	5	-	5
Riederwaard CV	314	304	10
Expl. Maatschappij Komfort BV	4,360	5,377	(1,017)
Expl. Maatschappij DC16 BV	847	2,290	(1,443)
Windinvest BV	304	32	272
Nauerna BV	-	-	-
Waldwei.com BV	20,063	14,662	5,401
BNC PI2 Holding BV (na verkoop)	-	-	-
BNC A-Lanes A15 Holding BV	7	47	(40)
IXAS A9 BV	-	-	-
Hvz Hart van Zuid BV	12,886	12,530	356
Concrete Valley BV	3,332	183	3,149
Concrete Valley (NW)	7,436	676	6,759
Cuxhaven JV (BN - Heitkamp)	31,421	31,421	-
IXAS –SAA A9- Gaasperdammerweg	78,540	78,522	18
Ursem Modulaire Bouwsystemen BV	5,117	5,383	(266)
G4 - CV	260	-	260
Oud Beijerland oost CV	11,461	13,531	(2,070)
OC Oud Beijerland Oost Beheer BV	(42)	35	(76)
OC Olympia Beheer BV	(7)	1	(8)
OC Olympia CV	4	635	(631)
OC Coberco kwartier CV	87	8,432	(8,345)
Coberco beheer BV	(166)	(2)	(164)
OC Oud Beijerland Zuid Beheer BV	(21)	20	(41)
OC Oud Beijerland Zuid CV	7,677	8,837	(1,160)
IJ2 Holding BV	4,502	6,323	(1,821)
IJsseloord 2 Projecten BV	502	72	430
Asfalt Centrale Rivierenland (ACR) Nieuw (APT BV)	2,130	975	1,155
Traffic Service van Strien BV	6,771	-	6,771
APA BV	5,256	-	5,256
Nederlandse Freesmaatsschappij BV	7,500	-	7,500
ASFALT PRODUCTIE ROTTERDAM BV	6,374	-	6,374
COBETON BV	78	-	78
Grانيت Import BV	10,100	-	10,100
Expl. maatschappij A15 BV	335	3,851	(3,516)
OMC CV	46	303	(257)
Total	224,043	215,463	32,598

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Negative net equity values have been presented under other liabilities with a total amount of 17,905 thousand euro. The positive net equity values of 13,188 thousand euro have been presented under investments accounted for using the equity method.

The table below gives an overview of the total assets, total liabilities and net assets of these joint ventures reported for 2015 (at 100%)

31 December 2015			
Name of joint-venture	Total assets	Total liabilities	Net assets
SPC Management Services B.V. (SMS BV)	-	-	-
Benelux Secondary PPP Fund 1 BV	-	-	-
SMS A-lanes A15 BV	283	271	12
Expl. Maatschappij Komfort BV	5,096	6,072	(976)
Expl. Maatschappij DC16 BV	723	2,246	(1,523)
Windinvest BV	3,438	2,264	1,174
Waldwei.com BV	25,292	19,967	5,325
BNC PI2 Holding BV (na verkoop)	2,021	159	1,862
BNC A-Lanes A15 Holding BV	87	110	(23)
IXAS A9 BV	178,433	178,433	-
Concrete Valley BV	3,201	5	3,196
Concrete Valley (NW)	7,376	182	7,194
Ursem Modulaire Bouwsystemen BV	4,039	3,161	878
Expl. maatschappij A15 BV	1,864	1,856	8
Graniet Import BV	33,649	25,020	8,629
Traffic service van Strien BV	14,232	7,839	6,393
Asfalt Productie Amsterdam BV	7,328	1,928	5,400
Nederlandse Freesmaatschappij BV	16,300	8,993	7,307
Asfalt Productie Rotterdam BV	11,525	5,357	6,168
Cobeton BV	120	44	76
Amay NV	153	-	153
Steengoed	11,235	11,105	130
Grindberg	497	330	167
Sectorfonds	3,397	1,508	1,889
Lus van Linne BV	10	-	10
Stadion Amsterdam CV	38,394	27,190	11,204
GEM Vleuterweide Beheer BV	3,516	3,494	22
Stadsherstel Breda NV	7,032	5,464	1,568
GEM Vleuterweide CV	4,648	288	4,360
Total	383,889	313,286	70,603

The positive net equity values of 14,624 thousand euro have been presented under investments accounted for using the equity method.

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(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

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

Name of joint venture	31 December 2016		
	Revenue	Cost of sales	Profit /(loss) for the period
SMS A-lanes A15 BV	-	(6)	6
G4 - BV	-	9	(9)
HEEH BV	-	(532)	532
Nieuw Vennepe CV	2,391	2,391	-
Vikingsite BV	-	213	(213)
Marktkwartier CV	-	-	-
Marktkwartier Amsterdam Beheer BV	-	-	-
Riederwaard Beheer BV	-	-	-
Riederwaard CV	-	-	-
Expl. Maatschappij Komfort BV	15,283	15,324	(41)
Expl. Maatschappij DC16 BV	3,088	3,008	80
Windinvest BV	-	84	(84)
Nauerna BV	-	-	-
Waldwei.com BV	-	(308)	308
BNC PI2 Holding BV (na verkoop)	-	(747)	747
BNC A-Lanes A15 Holding BV	-	(728)	728
IXAS A9 BV	198,150	195,280	2,870
Hvz Hart van Zuid BV	20,009	19,694	315
Concrete Valley BV	312	159	153
Concrete Valley (NW)	537	972	(435)
Cuxhaven JV (BN - Heitkamp)	21,900	21,590	310
IXAS –SAA A9- Gaasperdammerweg BV	204,600	203,945	(1,261)
Ursem Modulaire Bouwsystemen BV	10,067	11,211	(1,144)
G4 - CV	-	(175)	175
Oud Beijerland oost CV	109	735	(626)
OC Oud Beijerland Oost Beheer BV	-	18	(18)
OC Olympia Beheer BV	-	6	(6)
OC Olympia CV	-	4	(4)
OC Coberco kwartier CV	-	(1)	1
Coberco beheer BV	-	2	(2)
OC Oud Beijerland Zuid Beheer BV	-	12	(12)
OC Oud Beijerland Zuid CV	-	346	(346)
IJ2 Holding BV	-	(8)	8
IJsseloord 2 Projecten BV	-	1	(1)
Asfalt Centrale Rivierenland (ACR) Nieuw (APT BV)	2,330	2,225	105
Traffic Service van Strien BV	38,720	37,100	1,620
APA BV	21,716	19,860	1,856
Nederlandse Freesmaatsschappij BV	27,630	24,938	2,692
ASFALT PRODUCTIE ROTTERDAM BV	12,774	11,570	1,204
COBETON BV	19	19	-
Graniet Import BV	55,000	53,400	1,600
Expl. maatschappij A15 BV	1,962	5,485	(3,524)
OMC CV	-	277	(277)
Total	636,597	652,027	(15,431)

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(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

The table below gives an overview of the revenue, costs of sales and the profit/loss of the joint ventures reported for 2015 (at 100%):

31 December 2015			
Name of joint-venture	Revenue	Costs of sale	Profit / (loss) for the period
SPC Management Services B.V. (SMS BV)	249	(9)	258
Benelux Secondary PPP Fund 1 BV	-	(254)	254
SMS A-lanes A15 BV	-	6	(6)
Expl. Maatschappij Komfort BV	15,941	17,026	(1,085)
Expl. Maatschappij DC16 BV	2,693	2,496	197
Windinvest BV	4	(713)	717
Waldwei.com BV	-	(415)	415
BNC PI2 Holding BV (na verkoop)	-	(1,676)	1,676
BNC A-Lanes A15 Holding BV	-	(2,104)	2,104
IXAS A9 BV	132,432	130,939	1,493
Concrete Valley BV	331	149	182
Concrete Valley (NW)	335	281	54
Ursem Modulaire Bouwsystemen BV	3,586	4,728	(1,142)
Expl. maatschappij A15 BV	-	-	-
Graniet Import BV	55,342	53,725	1,617
Traffic service van Strien BV	36,929	34,893	2,036
Asfalt Productie Amsterdam BV	16,600	14,698	1,902
Nederlandse Freesmaatschappij BV	26,469	24,027	2,442
Asfalt Productie Rotterdam BV	-	(467)	467
Cobeton BV	-	-	-
Amay NV	-	(12)	12
Steengoed	1,050	1,050	-
Grindberg	69	69	-
Sectorfonds	-	(579)	579
Lus van Linne BV	-	-	-
Stadion Amsterdam CV	32,000	32,000	-
GEM Vleuterweide Beheer BV	-	-	-
Stadsherstel Breda NV	340	340	-
GEM Vleuterweide CV	2,253	2,253	-
Total	326,623	312,451	14,172

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11 Investment property

	<u>31 December 2016</u>	<u>31 December 2015</u>
Merici Hotel Sittard	<u>5,412</u>	<u>6,013</u>
	<u>5,412</u>	<u>6,013</u>

<u>Investment property</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Opening balance	6,013	-
Additions	-	6,013
Change in fair value	<u>(601)</u>	<u>-</u>
Closing balance	<u>5,412</u>	<u>6,013</u>

The fair value of investment property has been determined using the following key assumptions.

31 December 2016

Discount rate(%)	1.5%
Occupancy rate (%)	100%
Rent increase rate (%)	50% of CPI
Capitilization rate(%)	7.1%

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12 Property, plant and equipment

	Buildings	Machinery and equipments	Other tangible assets	Total
Cost value				
Opening balance 1 January 2016	72,222	155,868	20,427	248,517
Additions	647	5,746	1,197	7,590
Disposals	(1,056)	(9,025)	(1,070)	(11,151)
Sale of subsidiary	(4,569)	(6,929)	-	(11,498)
Assets held for sale	(13,892)	(27,491)	(5,365)	(46,748)
Closing balance 31 December 2016	<u>53,352</u>	<u>118,169</u>	<u>15,189</u>	<u>186,710</u>
Accumulated depreciation				
Opening balance 1 January 2016	(37,930)	(128,452)	(19,062)	(185,444)
Cum. depreciation - divestments	1,628	6,477	997	9,102
Assets held for sale	8,995	27,490	4,717	41,202
Sale of subsidiary	2,348	4,705	-	7,053
Depreciation	(2,251)	(4,933)	(766)	(7,950)
Impairment	-	(2,149)	(219)	(2,368)
Exchange rate fluctuation input	-	6	-	6
Closing balance 31 December 2016	<u>(27,210)</u>	<u>(96,856)</u>	<u>(14,333)</u>	<u>(138,399)</u>
Carrying value as of 31 December 2016	<u>26,142</u>	<u>21,313</u>	<u>856</u>	<u>48,311</u>
Cost value				
Opening balance 1 January 2015	75,187	166,154	21,617	262,958
Additions	1,356	3,351	376	5,083
Disposals	(2,322)	(3,800)	(1,566)	(7,688)
sale of subsidiary	-	(7,000)	-	(7,000)
Assets held for sale	(1,999)	(2,837)	-	(4,836)
Closing balance 31 December 2015	<u>72,222</u>	<u>155,868</u>	<u>20,427</u>	<u>248,517</u>
Accumulated depreciation				
Opening balance 1 January 2015	(36,637)	(131,155)	(18,461)	(186,253)
Impairment	-	(1,000)	-	(1,000)
Cum. depreciation - divestments	-	4,157	531	4,688
Depreciation	(2,315)	(6,491)	(1,132)	(9,938)
Sale of subsidiary	-	4,000	-	4,000
Cum. depreciation - Assets held for sale	1,022	1,400	-	2,422
Disposal	-	612	-	612
Exchange rate difference	-	25	-	25
Closing balance 31 December 2015	<u>(37,930)</u>	<u>(128,452)</u>	<u>(19,062)</u>	<u>(185,444)</u>
Carrying value as of 31 December 2015	<u>34,292</u>	<u>27,416</u>	<u>1,365</u>	<u>63,073</u>

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

Property, plant and equipment with a carrying amount of 21,064 thousand euro (2015: 35,000 thousand euro) are pledged as collateral under the bank financial debt agreements.

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

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

There are no significant financial lease contracts.

7,950 thousand euro (2015: 9,938 thousand euro, 5,157 euro) is included in the costs of revenue, 5,157 thousand euro (2015: 5,660 thousand euro) and 2,893 thousand euro to general costs (2015: 4,238 thousand euro) are included in the general administrative expenses.

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13 Intangible assets

<u>Cost value</u>	<u>Rights</u>	<u>Other</u>	<u>Total</u>
Opening balance 1 January 2016	19,499	7,992	27,491
Additions	1,023	250	1,273
Sale of subsidiary	(15,804)	-	(15,804)
Closing balance 31 December 2016	4,718	8,242	12,960
Accumulated Amortization			
Opening balance 1 January 2016	(9,335)	(7,230)	(16,565)
Sale of subsidiary	8,170	-	8,170
Amortisation	(1,414)	(312)	(1,726)
Impairment	(925)	-	(925)
Closing balance 31 December 2016	(3,504)	(7,542)	(11,046)
Carrying value as of 31 December 2016	<u>1,214</u>	<u>700</u>	<u>1,914</u>
Cost value			
Opening balance 1 January 2015	18,313	7,842	26,155
Addition	1,186	150	1,336
Closing balance 31 December 2015	19,499	7,992	27,491
Accumulated Amortization			
Opening balance 1 January 2015	(8,594)	(6,464)	(15,058)
Amortisation	(722)	(755)	(1,477)
Impairment	-	(11)	(11)
Exchange rate difference	(19)	-	(19)
Closing balance 31 December 2015	(9,335)	(7,230)	(16,565)
Carrying value as of 31 December 2015	<u>10,164</u>	<u>762</u>	<u>10,926</u>

Rights consist of the concessions for high-grade primary raw materials in the Netherlands. Amortization is proportionate to extraction. The remaining weighted average amortization period for concessions at the year-end was 21 years (2015: 15 years). Ballast Nedam incurred no significant exploration costs in 2016 for raw materials and minerals with unproven technical or commercial extraction potential.

The useful lives used in the calculation of amortization are as follows:

	Useful Life
Rights	5-40 years
Other intangible assets (software)	3 years

The amortization of 1,726 thousand euro is included in the cost of revenue (2015: 1,477 thousand euro).

Goodwill

<u>Cost value</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Opening balance	2,670	2,670
Disposals	(1,647)	-
Closing balance sheet	1,023	2,670

Goodwill acquired is allocated, at acquisition date, to the cash-generating units. An impairment test is performed annually, or earlier if there are indications of impairment. The recoverable amount of the

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cash-generating unit was determined based on projections for 2017 – 2019. The key assumptions for the value-in-use calculations are those regarding discount rate, revenue growth rate and profit before tax margin. Due to the disposal of a subsidiary the goodwill decreased with 1,647 thousand euro.

14 Other non-current assets

Balance includes receivables from third parties, which are related to a loan for a PPP project. In 2016 this amount was 2,985 thousand euro (2015: 3,538 thousand euro).

15 Short/long term financial debt

The details and redemption schedule of the borrowings and the short-term obligation under finance leases are as follows:

	31 December 2016	31 December 2015
Short-term bank borrowings	2,165	2,422
Short-term obligation under finance leases	15	1,362
Short-term borrowings	14,623	72,454
Total short-term financial debts	<u>16,803</u>	<u>76,238</u>
Long-term bank borrowings	<u>61,900</u>	<u>34,864</u>
Total long-term financial debts	61,900	34,864
Total financial debts	<u>78,703</u>	<u>111,102</u>

Movement of borrowings is as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Opening balance	111,102	89,102
Additions to loans	10,000	45,000
Payments	(42,399)	(7,000)
Waived by the banks	-	(16,000)
Closing balance	<u>78,703</u>	<u>111,102</u>

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					31 December 2016	
Bank / Institution Name	Type	Current	Non Current	FC Type	Interest Rate %	
Rabobank	Floating	8,478	32,623	EUR	3 month euribor + 400 basis points	
FGH bank (Sigma)	Floating	4,500	16,582	EUR	3 month euribor + 400 basis points	
Rabobank (MT)	Floating	683	-	EUR	3 month euribor + 200 basis points	
Ziraatbank	Floating	-	10,000	EUR	6 month +275 basis points	
BNM	Fixed	-	15	EUR	Fixed 4 %	
Rabobank	Floating	-	1,570	EUR	1 month euribor + 0.8%	
Rabobank	Floating	-	448	EUR	3 months euribor + 2.3% (for 3 years)	
Stadium	Floating	977	-	EUR	3 months euribor + 1.2%	
Rabobank	Floating	2,165	-	EUR	1 month euribor + 2.7%	
Restauratiefonds Amersfoort	Fixed	-	162	EUR	Fixed rate of 1%	
Gemeente Sittard-Geleen	Fixed	-	500	EUR	Fixed amount	
		<u>16,803</u>	<u>61,900</u>			

					31 December 2015	
Bank / Institution Name	Type	Current	Non current	FC Type	Interest Rate %	
Rabobank	Fixed	44,992	-	EUR	5.40%	
FGH bank (Sigma)	Floating	26,538	-	EUR	3 month euribor + 400 basis points	
Rabobank (MT)	Floating	-	723	EUR	3 month euribor + 200 basis points	
Consortium Rabobank, ING Bank, RBS	Fixed	-	27,879	EUR	Fixed 8%	
NIBC	Fixed	1,440	-	EUR	Fixed 4%	
ABN AMRO	Fixed	-	62	EUR	Fixed 4%	
ABN AMRO	Fixed	-	1,399	EUR	Fixed 4%	
ABN AMRO	Floating	-	1,517	EUR	3 months euribor + 400 basis points	
Rabobank	Floating	-	1,573	EUR	1 month euribor + 0.8%	
POM Vikingsite BV	Floating	-	1,213	EUR	3 months euribor + 200 basis points	
Rabobank (Echten VOF)	Floating	-	498	EUR	3 months euribor + 2.3% (for 3 years)	
Stadium	Floating	846	-	EUR	3 months euribor + 1.2%	
Rabobank	Floating	2,422	-	EUR	1 month euribor + 2.7%	
		<u>76,238</u>	<u>34,864</u>			

The major bank loans are as follows:

Rabobank

The 41,101 thousand euro loan matures on 31 December 2018. The loan has a floating interest rate of three month euribor plus a margin of 400 basis points. As security for the loan, certain properties are pledged. The carrying value of the pledged properties amounted to 21,064 thousand euro. The loan was initially withdrawn on 30 January 2007 (original amount 50,000 thousand euro), amended from time to time, most recently at 22 December 2016.

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The 683 thousand euro loan matures on 31 December 2017. The loan has a floating interest rate of three month euribor plus a margin of 200 basis points.

Echten VOF, in which Ballast Nedam has a 25% interest, has an overdraft facility of 9,631 thousand euro for the project Echten. The loan expires on 1 January 2024. The floating interest rate is one-month euribor plus a margin of 275 basis points. At year-end 2016, 2,165 thousand euro (our share) of this facility was being utilized.

Echten VOF, in which Ballast Nedam has a 25% interest, has a loan facility of 1,871 thousand euro for the project Echten. The loan expires on 1 January 2024. The floating interest rate is three-month euribor plus a margin of 225 basis points. At year-end 2016, 448 thousand euro (our share) of this facility was being utilized.

VOF bedrijventerrein Zuid, in which Ballast Nedam has a 60% interest, has an overdraft facility of 2,838 thousand euro for the project bedrijventerrein Andijk. There is no determined maturity. The floating interest rate is one-month euribor plus a margin of 80 basis points. At year-end 2016, 1,570 thousand euro (our share) of this facility was being utilized.

FGH Bank

Ballast Nedam has financing facilities of 21,082 thousand euro with FGH Bank for a number of land positions, which have been placed in a separate company. The relevant land positions are pledged as security for the loan. The floating interest rate is three-month euribor plus a margin of 400 basis points. The loan will be repaid in full or in part on the sale of the land positions. The loan matures at 31 December 2018. The book value of the pledged land positions amounts to 44,023 thousand euro. The loan originally was withdrawn at 31 July 2007 (original amount 36,000 thousand euro) amended from time to time, most recently at 22 December 2016.

Ziraat Bank

Ballast Nedam has financing facilities of 10,000 thousand euro with the Ziraat Bank. The floating interest rate is six-month euribor plus a margin of 275 basis points. The loan matures at 30 April 2018.

Several small loans

Besides the specific loans mentioned above there are several small project loans.

Short-term obligation under finance leases

	<u>2016</u>	<u>2015</u>
Less than 1 year	15	1,347
1-5 years	-	15
Future lease instalments	<u>15</u>	<u>1,362</u>
	<u>2016</u>	<u>2015</u>
Less than 1 year	15	1,347
1-5 years	-	15
Present value of finance lease	<u>15</u>	<u>1,362</u>

The finance expense attributable to financial leases was, as in the previous year, less than 1,000 thousand euro in 2016. The financial leases involve no constraints on financing or dividend policy.

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16 Trade payables

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

<u>Current trade payables</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Trade payables	169,106	203,760
Trade payables to related parties	283	-
Other trade payables	<u>4,480</u>	<u>7,751</u>
	<u>173,869</u>	<u>211,511</u>

Average maturity for trade payables is approximately 60 days (31 December 2015: 60 days).

Risk characteristics and levels in trade receivables and trade payables have been disclosed in Note 32.

17 Other short term payables

<u>Other short term payables</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Non-trade payables to related parties	17,217	40,638
Other short term payables	<u>36,164</u>	<u>28,505</u>
	<u>53,381</u>	<u>69,143</u>

Non-trade payables to related parties; see note 33.

Other short term payables include the group share of the payables of the partner in the joint operations, total amount 12,068 thousand euro. Also it includes a liability for negative equity of joint ventures, total amount 17,905 thousand euro (2015: nil).

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18 Payables for employee benefits

<u>Short term payables for employee benefits</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Payables to personnel	1,415	-
Social security premiums payable	8,569	9,520
Other payables for employee benefits	2,159	149
	<u>12,143</u>	<u>9,669</u>

<u>Short term provisions related to employee benefits</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Unused vacation days	6,205	12,447
	<u>6,205</u>	<u>12,447</u>

<u>Long term provisions related to employee benefits</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Other long term provisions related to employee benefits	4,251	4,640
	<u>4,251</u>	<u>4,640</u>

Other long term provisions related to 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% (2015: 1.5%).

Pensions

Other payables for employee benefits concern pension contributions payable to various pension funds. Most pension liabilities are due to with Stichting Pensioenfonds Ballast Nedam. As of 1 January 2016, Ballast Nedam has transferred its basic pension scheme to a third party, the Pension Fund Foundation for the Construction Industry. Existing rights and supplementary pension schemes will remain with the Ballast Nedam Pension Fund Foundation for a maximum of 3 years. Apart from a small number of very limited defined benefit schemes, Ballast Nedam does not have such schemes currently. Ballast Nedam has a number of defined contribution pension schemes with fixed premiums, under which employees' rights are based on the number of years' service and salary level. The obligations under these pension schemes are systematically covered by means of payments into funds or to insurance companies. Under IAS 19 these are recognized as defined contribution schemes. Ballast Nedam is obliged to pay the prescribed contribution for these schemes. Ballast Nedam cannot be compelled to make up any deficits other than through future premium adjustments and cannot claim any surpluses in the pension funds. The coverage ratio of the industry pension scheme for the building industry (bpfBouw) that is accounted for as a defined contribution pension scheme was estimated as 110.3% at the end of 2016.

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19 Other short term provision

<u>Other short term provisions</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Warranty provision	6,857	3,322
Other short-term provisions	3,557	1,167
Restructuring provisions	6,257	5,757
	<u>16,671</u>	<u>10,246</u>

<u>Long term provision</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Warranty provision	745	294
Other long-term provision	695	793
Restructuring provision	6,060	1,310
	<u>7,500</u>	<u>2,397</u>

<u>Movements of warranty provision</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Opening balance 1 January	3,616	4,245
Reclassification	2,321	883
Charge for the year	4,612	1,436
Utilization	(2,772)	(2,814)
Reversal	(175)	(134)
Closing balance 31 December	<u>7,602</u>	<u>3,616</u>
< 1 year	<u>6,857</u>	<u>3,322</u>

The provision for warranty claims represents the present value of the management's best estimate of the future outflow of economic benefits that will be required under the Group's warranty program for construction contracts. In 2016 project liabilities of 2,321 thousand euro from projects which have been finalized are transfer to provisions.

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Movements of other provisions	1 January - 31 December 2016	1 January - 31 December 2015
Opening balance 1 January	1,960	3,824
Reclassification	1,960	315
Charge for the year	1,967	779
Utilization	(1,381)	(2,684)
Liabilities held for sale	(251)	-
Reversal	(3)	(274)
Closing balance 31 December	4,252	1,960
< 1 year	3,557	1,167

The remaining provisions is related to other claims against the Group. The reclassification of 1,960 thousand euro (2015: 315 thousand euro) consists of transfers from liabilities to provisions. The charge for the year of 1,967 thousand euro was included in the statement of profit and loss (2015: 779 thousand euro) relates to several provisions no longer needed for potential claims. The utilization of 1,381 thousand euro (2015: 2,684 thousand euro) related to the settlement of claims.

Movements of restructuring provision	1 January - 31 December 2016	1 January - 31 December 2015
Opening balance 1 January	7,067	12,302
Reclassification	321	1,659
Charge for the year	14,691	1,508
Utilization	(7,943)	(6,747)
Reversal	(1,819)	(1,655)
Closing balance 31 December	12,317	7,067
< 1 year	6,257	5,757

The 14,691 thousand euro is related to the reorganization and restructuring initiated during 2016. The reclassification of 321 thousand euro (2015: 1,659 thousand euro) consists of transfer from liabilities to provisions.

20 Current tax payables

Current tax payables	31 December 2016	31 December 2015
Taxes payable	1,982	331
	1,982	331

The balance is related to the subsidiaries outside the fiscal unity of Ballast Nedam N.V.

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21 Other short term liabilities

<u>Other short term liabilities</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
VAT payable	9,255	5,792
	<u>9,255</u>	<u>5,792</u>

22 Other long term liabilities

<u>Other long term payables</u>	<u>31 December 2016</u>	<u>31 December 2015</u>
Non-trade payables to related parties	10,000	-
	<u>10,000</u>	<u>-</u>

In 2016 the majority shareholder provided a loan of 70,000 thousand euro. In December 2016 60,000 thousand euro of this loan was converted into share premium. The interest on the shareholder's loan is 4,6% and the remainder of the loan is repayable in 2018, this loan is subordinated to other bank loans.

23 Deferred tax assets and liabilities

As at 31 December 2016 no deferred tax asset or liability have been recognised in the financial statements. Ballast Nedam N.V. Dutch fiscal unity has approximately 364,9 million euro of carry-forward losses (2015: approximately 251 million euro). These losses can be carried forward for a limited number of years. The remaining carry-forward period is between one and nine years. Considering the history of recent losses, no deferred tax asset has been recognised on the cumulative carried forward losses.

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

24 Shareholders' equity

<u>The name of shareholders</u>	<u>%</u>	<u>31 December 2016</u>	<u>31 December 2015</u>	
Renaissance Infra structure B.V	99.2%	2,186	97.8%	2,155
Other	0.8%	17	2.2%	48
		<u>2,203</u>	<u>2,203</u>	
Total paid in capital	<u>100.0%</u>	<u>2,203</u>	<u>100.0%</u>	<u>2,203</u>

The authorized capital consists of 800,000,000 ordinary shares and amounts to 8 million euro. The paid in share capital consists of 220,299,776 ordinary shares each of a par value of 0.01.

In December 2016, 60,000 thousand euro of the majority shareholders loan was converted to share premium.

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

The hedging reserve comprises the cumulative net movement in the fair value of derivative financial instruments, for which the hedged transaction has yet to take place.

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

25 Revenue

<u>Revenue</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Revenue from construction activities	740,538	782,884
Rent revenue from investment properties	636	116
Trading and other revenue	<u>47,751</u>	<u>66,963</u>
	<u>788,925</u>	<u>849,963</u>

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26 Cost of revenue

<u>Cost of revenue</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Personnel expenses	(160,613)	(174,803)
Raw materials and supplies expenses	(157,938)	(159,662)
Worksite expenses	(14,879)	(8,403)
Subcontractor expenses	(365,459)	(374,501)
Depreciation and amortization expenses	(6,883)	(7,127)
Machinery, equipment and other rental expenses	(67,637)	(67,226)
Other costs of revenue	(18,353)	(48,602)
	<u>(791,762)</u>	<u>(840,324)</u>

<u>Personel expenses</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Wages and salaries	(130,043)	(136,839)
Social security costs	(18,150)	(22,094)
Pension charges	(12,420)	(15,870)
	<u>(160,613)</u>	<u>(174,803)</u>

The total number of employees is 1,899 (2015: 2,378) of which 24 (2015: 22) are employed abroad. The total number of employees in the head office is 22 (2015: 183) and in the operational entities is 1,877 (2015: 2,195).

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27 General administrative expenses and marketing, selling and distribution expenses

	1 January - 31 December 2016	1 January - 31 December 2015
General administrative expenses	(38,548)	(37,837)
Marketing, selling and distribution expenses	(379)	(311)
	<u>(38,927)</u>	<u>(38,148)</u>

<u>General administrative expenses</u>	1 January - 31 December 2016	1 January - 31 December 2015
Personnel expenses	(19,689)	(13,162)
Consultancy expenses	(2,515)	(3,086)
Depreciation and amortization expenses	(2,793)	(4,288)
Office administration expenses	(3,367)	(4,000)
Rental expenses	(1,907)	(2,000)
Representation expenses	(337)	(141)
Transportation and travelling expenses	(1,361)	(1,670)
Insurance premiums	(1,143)	(352)
Other general administrative expenses	(5,436)	(9,138)
	<u>(38,548)</u>	<u>(37,837)</u>

<u>Personel expenses</u>	1 January - 31 December 2016	1 January - 31 December 2015
Wages and salaries	(15,941)	(10,657)
Social security costs	(2,225)	(1,487)
Pension charges	(1,523)	(1,018)
	<u>(19,689)</u>	<u>(13,162)</u>

28 Other operating income from main activities

<u>Other operating income from main activities</u>	1 January - 31 December 2016	1 January - 31 December 2015
Reversal of allowance for doubtful receivables	83	1,126
Reversal of provisions	1,997	2,063
Other operating income from main activities	5,277	14,804
	<u>7,357</u>	<u>17,993</u>

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The other operating income from main activities includes the profit of 1,850 thousand euro due to sale of 4 maintenance offshore projects in 2016. In 2015 the operating income includes a profit of 12,000 thousand euro due to the sale of the 30% share of the A15 Maasvlakte-Vaanplein project.

<u>Other operating expense from main activities</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Provision expenses	(21,270)	(3,723)
Provision for doubtful receivables	(913)	(715)
Other operating expense from main activities	<u>(2,798)</u>	<u>(19,345)</u>
	<u>(24,981)</u>	<u>(23,783)</u>

The provision expenses showed a significant increase mainly due to the restructuring. Other operating expense from main activities include various cost concerning legal restructuring, refinancing with an amount of 2,600 thousand euro (2015: 12,000 thousand euro).

29 Income from investing activities

<u>Income from investing activities</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Gain on disposal of property plant and equipment	1,349	1,477
Incomes from other investing activities	<u>3,111</u>	<u>-</u>
	<u>4,460</u>	<u>1,477</u>

Other Income from investing activities is due to sale of a number of PPP projects in 2016.

<u>Expense from investing activities</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Impairment on tangible and intangible assets	(3,293)	(1,147)
Loss on disposal of property plant and equipment	<u>(3,734)</u>	<u>(2,379)</u>
	<u>(7,027)</u>	<u>(3,526)</u>

The impairment on tangible and intangible assets is related to the asset held for sale classification of Rademakers Gieterij B.V. en TBS Soest B.V. The loss on disposal is due to sale of Ballast Nedam Grondstoffen B.V. in 2016.

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30 Financial expense

<u>Financial expense</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Interest expense	(6,731)	(8,027)
Foreign exchange losses from financing activities	(18)	(181)
Realized loss on derivative instruments carried at fair value through profit or loss	14	(150)
	<u>(6,735)</u>	<u>(8,358)</u>

The interest expenses are related to the financial debt.

31 Income tax expense

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

<u>Income tax recognized in profit or loss</u>	<u>1 January - 31 December 2016</u>	<u>1 January - 31 December 2015</u>
Current tax expense	(89)	(296)
Deferred tax income / (expense)	-	184
	<u>(89)</u>	<u>(112)</u>

32 Financial risk management

General

The Board of Management has the overall responsibility for the establishment and oversight of the company's risk management framework. One component of the overall risk framework is the financial risk, identified categories and result of the assessment is disclosed in the following paragraphs.

During 2016, certain measures were taken. The treasury activities have been centralised and objectives are creating and maintaining the best possible financial conditions for the operating activities. Majority of the bank accounts are held in a bank in two cash pool arrangements which allows the efficient use of funds (for wholly owned activities). The Group only works with banks which have high credit ratings. In addition, centralisation of certain accounting activities continued with improvement of the systems and transaction flow approvals, which strengthen the control environment.

Credit risk

Credit risk is the risk of financial loss to the Ballast Nedam if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. The carrying amount of financial assets represents the maximum credit exposure.

Ballast Nedam actively pursues a policy designed to minimize credit risks. Credit risks consist of the risk that counterparties will not be able to meet contractual obligations relating to a financial instrument. Creditworthiness assessments are performed for all other clients requiring credit. Ballast Nedam uses prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on instalments and trade receivables. At year-end 2016, there was no concentration of credit risks among debtors for substantial amounts.

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Credit risk exposure based on financial instrument categories					
31 December 2016	Trade Receivables		Other receivables		Bank deposits
	Related party	Third party	Related party	Third party	
Maximum credit risk exposure at balance sheet date	387	91,426	26,060	26,540	110,760
Secured portion of maximum credit risk by guarantee or etc.					
Net book value of nor due or nor impaired financial assets	387	65,827	26,060	26,540	110,760
Net book value of assets that are due but not impaired		25,599			
Credit risk exposure based on financial instrument categories					
31 December 2015	Trade Receivables		Other receivables		Bank deposits
	Related party	Third party	Related party	Third party	
Maximum credit risk exposure at balance sheet date	-	97,111	32,651	35,000	69,320
Secured portion of maximum credit risk by guarantee or etc.					
Net book value of nor due or nor impaired financial assets	-	50,111	32,651	35,000	69,320
Net book value of assets that are due but not impaired		47,000			

Liquidity risk

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

During the year the company refinanced its loans with FGH and Rabobank until 31 December 2018, obtained a new loan from the Ziraat bank and increased the bank guarantee facilities. The majority shareholder provided a 70 million euro loan, of which 60 million euro was converted to share premium. This resulted in a net cash position of 111 million euro, and 6 million euro of restricted cash becoming available during the first weeks of 2017. The current cash surplus, and the strengthened risk management activities, are expected to provide management with a basis to execute its business plans.

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

The statement for <1 year and 1-5 years includes the repayments of the Rabobank mortgage loan of 41,101 thousand euro (December 2018), the FGH bank loan of 21,082 thousand euro (December 2018).

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31 December 2016						
Due date on agreement	Carrying value	Cash outflows according to agreements	Less than 3 months	3-12 months	1-5 year	More than 5 years
Non-derivative Financial liabilities						
Bank loans	78,688	81,573	-	17,405	61,464	2,704
Issued bonds	-	-	-	-	-	-
Trade payables (including related parties)	173,869	173,869	173,869	-	-	-
Finance lease obligations	15	15	-	15	-	-
Other payables	53,381	53,381	53,381	-	-	-
Total liabilities	305,953	308,838	227,250	17,420	61,464	2,704
31 December 2015						
Due date on agreement	Carrying value	Cash outflows according to agreements	Less than 3 months	3-12 months	1-5 year	More than 5 years
Non-derivative Financial liabilities						
Bank loans	109,740	112,505	-	77,467	30,951	4,087
Issued bonds	-	-	-	-	-	-
Trade payables (including related parties)	211,511	211,511	211,511	-	-	-
Finance lease obligations	1,362	1,362	-	1,362	-	-
Other payables	69,343	69,343	69,343	-	-	-
Total liabilities	391,956	394,721	280,854	78,829	30,951	4,087

The contractual cash flows that will occur within one-year amount to 17,405 thousand euro, including among others an amount of 4,500 thousand euro of the FGH loan and 8,478 thousand euro of the Rabobank loan. Regarding the remaining liabilities 227,250 euro thousand is due within approximately three months (2015: 280,854 thousand euro). The group's refinancing of the bank loans, which also removed the restrictions (presented as escrow account in the balance sheet), Rönésans financing facility and improved cost control decreased the credit risk to a lower level.

Market risk

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

Exchange risk

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

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Forward exchange contracts with high rated banks may be contracted to hedge the transaction risk on cash flows generated by ordinary business activities. At year-end 2016, Ballast Nedam had no outstanding forward exchange contracts recognized at fair value in the statement of financial position.

Ballast Nedam is exposed to the following foreign currency translation risks in nominal amounts:

	2016		2015	
	average exchange rate	Exchange rate on 31 December	average exchange rate	Exchange rate on 31 December
USD	1,070	1,048	1,110	1,090

Foreign currency translation risk

	2016	2015
USD		
Due from customers under construction contracts,	17,200	10,200
Total assets	17,200	10,200
Non-monetary other liabilities	8,900	-
Due to customers under construction contracts,	10,500	-
Short term liabilities	19,400	-
Net foreign currency asset/liabilities position	(2,200)	10,200
Monetary items net foreign currency assets/(liabilities)	6,700	10,200

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

31 December 2015		
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
If US Dollars %10 appreciated/depreciated vs Euro		
US Dollars net assets/(liabilities)	1,020	(1,020)

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Interest risk

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

Although long term PPP contracts do not form a significant part of the interest risk related transactions, Ballast Nedam limits the exposure with interest rate swaps for PPPs. Cash flow hedge accounting is applied to the derivative financial instruments where the hedge relationship is effective.

Ballast Nedam has both loans with a fixed and floating rate. The interest risk is limited to potential movements in the market value of the loans and of positive cash balances. It is expected that loans are 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

	31 December	31 December
Floating rate financial instruments	2016	2015
Financial liabilities	78,025	35,253
	31 December	31 December
Fixed rate financial instruments	2016	2015
Financial liabilities	678	75.849
Total financial liabilities	78,703	111,102

Financing risk

Ballast Nedam, in a number of its loans, is subject to a number of certain key performance indicators. On the basis of the new covenant and its forecasts, Board of Management closely monitors the covenant compliance. The term of these loans include certain covenants; EBITDA floor, guaranteed capital floor, net cash and loan to value (these covenants differ from GAAP terminology). The company has commitment to share financial information with the banks.

Fair value estimates

As at 31 December 2016, Ballast Nedam had a number of derivatives recognized at fair value. The carrying amount of cash, receivables, current loans and other current liabilities approximates the fair value, due to the short term of these instruments.

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

The above values are based on level 2 of the valuation methods described in the following section. The loans with fixed interest rates and the PPP receivables are discounted at the relevant interest rate curve as at 31 December 2016 plus the relevant risk margin.

Valuation methods

The valuation method of the financial instruments, including derivatives, are categorized in three levels. Level 1 refers to (unadjusted) market prices in active markets for identical assets or liabilities.

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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 cash flow models.

There were no transfers from Level 1 to Level 2 or 3, or vice versa, in 2016 (2015: idem). Changes in the value of other fair value investments are recognized in the statement of income.

Commitments

Guarantees

	<u>31 December 2016</u>	<u>31 December 2015</u>
Letters of guarantees given	<u>154,818</u>	<u>195,158</u>

Letters of intent and guarantees issued on Ballast Nedam's behalf by financial institutions in connection with the execution of projects and for prepayments received are included in 'Guarantees'.

In addition, assets amounting to 65,087 thousand euro (2015: 97,000 thousand euro) are pledged as collateral with respect to the bank borrowings.

Fair value

	<u>31 December 2016</u>		<u>31 December 2015</u>	
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Carrying amount</u>	<u>Fair value</u>
Financial debt (bank loans)	76,538	76,538	108,680	108,680
Bank overdrafts	2,165	2,165	2,422	2,422
Trade payables	173,586	173,586	211,511	211,511
Income tax payables	1	1	-	-
Due to customers under constructions contracts	103,235	103,235	88,166	88,166
Prepayments on inventories	1,413	1,413	6,148	6,148
Other liabilities	<u>76,761</u>	<u>76,761</u>	<u>97,000</u>	<u>97,000</u>
	<u>433,699</u>	<u>433,699</u>	<u>513,927</u>	<u>513,927</u>

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<u>Lease and rental commitments</u>	31 december 2016			31 December 2015		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
Other operating assets	4,678	6,208	-	5,307	7,396	-
Offices	4,321	6,669	7,151	3,748	13,311	6,047
Land purchases	24,112	23,684	-	39,358	12,848	5,314
Other	-	-	-	-	-	-
PPPs	-	-	-	2,000	13,000	-
Total	<u>33,111</u>	<u>36,561</u>	<u>7,151</u>	<u>50,413</u>	<u>46,555</u>	<u>11,361</u>

The Group has contingent liabilities concerning land acquisition rights amounting to 123,700 thousand euro (2015: 124,577 thousand euro). These rights include a composition of conditional and not yet certain payment commitments (depending on factors such as zoning change, decision to develop, decision to exercise certain rights).

Other commitments

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

Fully owned and consolidated subsidiaries form a tax fiscal unity, for Dutch corporate income tax and vat, head of which is Ballast Nedam NV. All members of the fiscal unity hold joint and several liabilities for this.

Capital contribution commitments

There were no unconditional capital contribution commitments at as 31 December 2016 (2015: 21,000 thousand euro) in PPP projects.

33 Related Party Transactions

The parties related to Ballast Nedam are Rönensans 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 subsidiaries statutory directors and senior officials of these entities.

The main task of Stichting Pensioenfonds Ballast Nedam is to implement the pension scheme for the employees of Ballast Nedam. Stichting Pensioenfonds Ballast Nedam uses the services of employees of Ballast Nedam companies. The actual expenses are recharged. Ballast Nedam buys and sells goods and services from and to various related parties in which Ballast Nedam holds an interest of 50% or less, or with natural or legal persons holding at least 10% of the Ballast Nedam shares.

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The table below gives an overview of the receivables and payables on reporting date outstanding to intercompany parties with in Rönésans group, joint ventures/associates and total of joint operations.

	31 December 2016								
	Receivables				Payables				
	Short term		Long term		Short term		Long term		
	Trade	Non trade	Trade	Non trade	Trade	Non trade	Trade	Non trade	
Balances with related parties									
Renaissance infrastructure BV	-	-	-	-	-	1,456	-	-	10,000
Volga Diş Ticaret ve Danışmanlık Ltd. Şti.	-	-	-	-	130	-	-	-	-
Rönésans MEA İnşaat A.Ş.	-	-	-	-	119	-	-	-	-
BLD Investments BV	387	-	-	-	-	-	-	-	-
Heitkamp IKB GMBH	-	-	-	-	20	-	-	-	-
Rönésans Proje müh.mim.dan.yön. A.Ş.	-	-	-	-	14	-	-	-	-
BN Concessies BV	-	-	-	-	-	-	-	-	-
Cuxhaven JV (BN - Heitkamp)	-	-	-	-	-	2,115	-	-	-
Comb. Versterken bruggen	-	-	-	-	-	1,773	-	-	-
IXAS –SAA A9- Gaasperdammerweg.	-	-	-	-	-	3,000	-	-	-
Mossenest II	-	569	-	-	-	-	-	-	-
VOF Dijkzone	-	-	-	-	-	780	-	-	-
Groote Dok Oost VOF	-	-	-	-	-	241	-	-	-
OMC	-	87	-	-	-	-	-	-	-
Haagse Veste	-	28	-	-	-	-	-	-	-
Oud Beijerland oost CV	-	6,323	-	-	-	71	-	-	-
OC Oud Beijerland Oost Beheer BV	-	-	-	-	-	24	-	-	-
Vof Grondbank Langedijk	-	3,933	-	-	-	38	-	-	-
VOF De Vijfde Stad	-	232	-	-	-	-	-	-	-
OC Olympia Beheer BV	-	-	-	-	-	7	-	-	-
OC Olympia CV	-	315	-	-	-	4	-	-	-
OC Coberco kwartier CV	-	4,214	-	-	-	-	-	-	-
OC Oud Beijerland Zuid Beheer BV	-	-	-	-	-	17	-	-	-
OC Oud Beijerland Zuid CV	-	4,257	-	-	-	-	-	-	-
HEEH BV	-	191	-	-	-	-	-	-	-
VOF Bedrijventerrein Zuid	-	338	-	-	-	-	-	-	-
IJ2 Holding BV	-	4,035	-	-	-	-	-	-	-
IJsseloord 2 Parking BV	-	60	-	-	-	-	-	-	-
IJsseloord 2 Projecten BV	-	-	-	-	-	251	-	-	-
Nieuw Vennepe CV	-	-	-	-	-	1	-	-	-
Marktkwartier CV	-	158	-	-	-	-	-	-	-
Marktkwartier Amsterdam Beheer BV	-	-	-	-	-	5	-	-	-
Riederwaard CV	-	75	-	-	-	-	-	-	-
VOF De Leidse Schans	-	-	-	-	-	1,830	-	-	-
Bouwcombinatie Avans 2	-	35	-	-	-	-	-	-	-
Oosterheem VOF	-	-	-	-	-	641	-	-	-
Onderhoudscombinatie BNB-West/BAM	-	25	-	-	-	-	-	-	-
BC IJsseloord 2 v.o.f. (50%)	-	48	-	-	-	-	-	-	-
BC BAM / Bouwborg - Arena	-	71	-	-	-	-	-	-	-
Bouwcomb. PPS Komfort	-	2	-	-	-	-	-	-	-
OVT Breda	-	237	-	-	-	-	-	-	-
OVT Arnhem	-	46	-	-	-	-	-	-	-
R Creators DBMO VOF - DB	-	-	-	-	-	2,855	-	-	-
Bouwcomb. Erasmus MC Rdam	-	-	-	-	-	655	-	-	-
Expl. Maatschappij Komfort BV	-	-	-	-	-	1,453	-	-	-
Expl. Maatschappij DC16 BV	-	781	-	-	-	-	-	-	-
	<u>387</u>	<u>26.060</u>	<u>-</u>	<u>-</u>	<u>283</u>	<u>17.217</u>	<u>-</u>	<u>-</u>	<u>10.000</u>

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The table below gives an overview of the receivables and payables on reporting date 2015 outstanding to intercompany parties with in Rönesans Group, joint ventures/associates and total of joint operations.

Balances with related parties	31 December 2015							
	Receivables				Payables			
	Short term		Long term		Short term		Long term	
	Trade	Non trade	Trade	Non trade	Trade	Non trade	Trade	Non trade
Avenue2 Koepel VOF	-	3,986	-	-	-	7,971	-	-
Avenue2 Infra VOF	-	418	-	-	-	836	-	-
Comb. DARK VOF	-	806	-	-	-	800	-	-
Comb. Katwijk kustversterking VOF	-	175	-	-	-	42	-	-
Waldwei RW 31 VOF	-	167	-	-	-	333	-	-
Mossenest II	-	852	-	-	-	-	-	-
VOF Dijkzone	-	667	-	-	-	1,333	-	-
Groote Dok Oost VOF	-	213	-	-	-	425	-	-
Oud Beijerland oost CV	-	3,847	-	-	-	-	-	-
Vof Grondbank Langedijk	-	4,075	-	-	-	-	-	-
VOF De Vijfde Stad	-	225	-	-	-	-	-	-
OC Olympia CV	-	158	-	-	-	-	-	-
OC Coberco kwartier CV	-	2,152	-	-	-	-	-	-
OC Oud Beijerland Zuid CV	-	2,312	-	-	-	-	-	-
HEEH B.V.	-	96	-	-	-	-	-	-
VOF Bedrijventerrein Zuid	-	273	-	-	-	-	-	-
IJ2 Holding BV	-	1,473	-	-	-	-	-	-
IJsseloord 2 Projecten BV	-	126	-	-	-	251	-	-
VOF De Leidse Schans	-	1,250	-	-	-	4,343	-	-
Bouwcombinatie Avans 2	-	150	-	-	-	-	-	-
Oosterheem VOF	-	529	-	-	-	1,058	-	-
Onderhoudscombinatie BNB-West/BAM	-	25	-	-	-	-	-	-
BC IJsseloord 2 v.o.f. (50%)	-	47	-	-	-	-	-	-
BC Bam Ballast Arnhem Centrum	-	634	-	-	-	1,268	-	-
BC BAM / Bouwborg - Arena	-	71	-	-	-	-	-	-
Bouwcomb. PPS Komfort	-	25	-	-	-	-	-	-
Babylon Den Haag	-	111	-	-	-	-	-	-
OVT Breda	-	3,970	-	-	-	7,940	-	-
OVT Arnhem	-	28	-	-	-	55	-	-
Bètacampus Leiden	-	82	-	-	-	163	-	-
R Creators DBMO VOF - DB	-	900	-	-	-	1,800	-	-
Bouwcombinatie JUBI Den Haag	-	35	-	-	-	-	-	-
Bouwcomb. Erasmus MC Rdam	-	625	-	-	-	5,820	-	-
Expl. Maatschappij Komfort BV	-	1,375	-	-	-	2,750	-	-
Expl. Maatschappij DC16 BV	-	780	-	-	-	-	-	-
Comb. Vesterken bruggen	-	-	-	-	-	3,450	-	-
	-	32,651	-	-	-	40,638	-	-

The table below shows the revenue/costs of the Rönesans Group in 2016. Rönesans also provides certain guarantees to third parties to enable the Company to obtain bank financing and bank guarantee facilities and to enter certain tenders. In 2015 there were no transactions between intergroup parties. The Revenue/costs of the joint ventures can be found in note 10.

Transactions with related parties	Purchases	Sales	Interest received	Interest given	Other income	Other expense
BLD Investments BV	-	-	-	-	387	54
Rönesans Proje Mühendislik Mimarlık Danışmanlık Yönetim A.Ş.	14	-	-	-	-	-
Renaissance Infrastructure B.V.	-	-	-	1,456	-	-
Heitkamp Ingenieur Und Kraftwerksbau Gmbh Finland Branch	20	-	-	-	-	-
Rönesans MEA İnşaat A.Ş.	119	-	-	-	-	-
Volga Dış Ticaret ve Danışmanlık A.Ş.	130	-	-	-	-	-
Total	283	-	-	1,456	387	54

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

	<u>31 December 2016</u>	<u>31 December 2015</u>
Non-current assets	3,055	6,045
Current assets	39,580	62,884
Non-current liabilities	(2,018)	(6,159)
Current liabilities	<u>(39,776)</u>	<u>(62,384)</u>
Net assets and liabilities	<u>841</u>	<u>386</u>

The revenue and the cost of sales relating to the share in joint operations amounted to approximately 14% (2015: 24%) of total revenue and cost of sales. The total liabilities to third parties of companies for which Ballast Nedam holds joint and several liabilities, such as partnerships, excluding bank guarantees issued by those companies, amounted to 114,986 thousand euro at the end of 2016 (2015: 259,000 thousand euro), of which the 41,794 thousand euro portion of Ballast Nedam (2015: 68,543 thousand euro) is included in the consolidated statement of financial position. The entities below were included in the consolidation of the statement of financial position and statement of income of Ballast Nedam in 2016. 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 at the commercial register, at the offices of the Chamber of Commerce in Utrecht. Details of the significant joint ventures and associates in which Ballast Nedam has participating interest is included in note 5.

In general, the payment of dividend and/or depositing of temporary liquidity surpluses from joint ventures and associates depends on the authorizations of other shareholders.

The main joint operations are determined on the basis of their revenue contribution, risk profile, strategic importance and contribution to results.

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Overview of principal joint operations

<u>Name of joint operation</u>	<u>Place of incorporation and operation</u>	<u>Principal activity</u>	<u>Effective ownership ratio</u>	<u>2016 Voting power held</u>	<u>Effective ownership ratio</u>	<u>2015 Voting power held</u>
Mossenest II	Netherlands	Development	11.30%	11.30%	11.30%	11.30%
VOF Dijkzone	Netherlands	Development	33.33%	33.33%	33.33%	33.33%
Groote Dok Oost VOF	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Maarserbrug locaties	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Vof Grondbank Langedijk	Netherlands	Development	27.50%	27.50%	27.50%	27.50%
VOF Bedrijventerrein Zuid	Netherlands	Development	60.00%	60.00%	60.00%	60.00%
VOF De Leidse Schans	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Ballast-Van Oord Grondstoffen	Netherlands	Extraction raw materials	50.00%	50.00%	50.00%	50.00%
Echten VOF	Netherlands	Extraction raw materials	25.00%	25.00%	25.00%	25.00%
Bouwcomb. PPS Komfort	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Babylon Den Haag	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
OVT Breda	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
OVT Arnhem	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bétacampus Leiden	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
R Creators DBMO VOF - DB	Netherlands	Construction	45.00%	45.00%	45.00%	45.00%
Hart van Zuid DBMO	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie JUBI Den Haag	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcomb. Erasmus MC Rdam	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Comb. Katwijk kustversterking	Netherlands	Construction	75.00%	75.00%	75.00%	75.00%
Comb. Versterken bruggen	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%
G3 Woontorens v.o.f.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
VOF Entreegebied Ter Borch	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Kiosken	Netherlands	Development	33.33%	33.33%	33.33%	33.33%
Haagse Veste	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
VOF De Vijfde Stad	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
BC MM	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
BC Ijsseloord 2 v.o.f. (50%)	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Avans 2	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Comb. BN Infra/Bam Wegen	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
N 11 Consortium	Netherlands	Construction	16.67%	16.67%	16.67%	16.67%
Waldwei RW 31 Vof	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
Grondverenigingscombinatie RCR	Netherlands	Recycling	50.00%	50.00%	50.00%	50.00%
BC BAM / Bouwborg - Arena	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Merbouw Onrust BV	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Oosterheem VOF	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
VOF Campus plus	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
De Leidse Schans VOF (Bouwcombinatie)	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Onderhoudscombinatie BNB-West/BAM	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Onderhoudscombinatie Erasmus MC	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Babylon VOF	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%

Ballast Nedam N.V. – Consolidated Financial Statements 2016

(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

Overview of principal 100% subsidiaries:

<u>Name of subsidiary</u>	<u>Place</u>	<u>Main activity</u>	<u>Share 2016</u>	<u>Share 2015</u>
Ballast Nedam Infra BV	Nieuwegein	Construction	100%	100%
Ballast Nedam Parking BV	Nieuwegein	Construction	100%	100%
Ballast Nedam Industriebouw BV	Nieuwegein	Construction	100%	100%
Ballast Nedam International projects BV	Nieuwegein	Construction	100%	100%
Ballast Nedam Engineering BV	Nieuwegein	Engineering	100%	100%
Ballast Nedam Bouw & Ontwikkeling Holding BV	Nieuwegein	Construction	100%	100%
Ballast Nedam Bouw & Ontwikkeling BV	Nieuwegein	Construction	100%	100%
Ballast Nedam Ontwikkelingsmaatschappij BV	Nieuwegein	Development	100%	100%
Heddes Bouw & Ontwikkeling BV	Hoorn	Construction	100%	100%
Laudy Bouw & Ontwikkeling BV	Sittard	Construction	100%	100%
IQ Woningen BV	Weert	Concrete factory	100%	100%
Ballast Nedam Concessies BV	Nieuwegein	Development	100%	100%
Ballast Nedam Beheer BV	Nieuwegein	Maintenance	100%	100%
Ballast Nedam Bouw & Ontwikkeling Speciale projecten Nederland BV	Nieuwegein	Construction	100%	100%
Ballast Nedam Bouw & Ontwikkeling Speciale projecten BV	Nieuwegein	Construction	100%	100%
Ballast Nedam Specialismen & Toelevering corporate BV	Nieuwegein	Holding	100%	100%
Ballast Nedam Specialismen Holding BV	Nieuwegein	Holding	100%	100%
Ballast Nedam Specialistisch Grondverzet BV	Maarsse	Construction	100%	100%
Ballast Nedam Infra Specialiteiten BV	Leerdam	Construction	100%	100%
Ballast Nedam International Product Management BV	Leerdam	Trade	100%	100%
Ballast Nedam Milieutechniek BV	Nieuwegein	Construction	100%	100%
Ballast Nedam Funderingstechniek BV	Maarsse	Construction	100%	100%
Ballast Nedam Materieel BV	Almere	Construction	100%	100%
Dibec BV	Nieuwegein	Construction	100%	100%
Ballast Nedam Holding Toelevering BV	Nieuwegein	Holding	100%	100%
Haitsma Beton BV	Kootstertille	Concrete factory	100%	100%
Hoco Beton BV	Weert	Concrete factory	100%	100%

Ballast Nedam N.V. – Consolidated Financial Statements 2016

(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

Remuneration costs of the board of management and Supervisory Board

	2016				2015				
	Gross salary	Pension charges & social security costs	Reimbursement	Total	Gross salary	Severance compensation	Pension charges & social security costs	Reimbursement	Total
Board of Management									
E. van der Noordaa 1)	241	22	6	269	592	-	32	5	629
P.van Zwieten	-	-	-	-	423	517	38	4	982
T.A.C.M. Bruijninx	-	-	-	-	-	64	-	-	64
C. Düzyol 2)	57	7	-	64	-	-	-	-	-
S. Altuntop 3)	83	10	1	94	-	-	-	-	-
S. Lefevre 3)	138	13	4	155	-	-	-	-	-
	519	52	11	582	1,015	581	70	9	1,675
Supervisory Board									
L.W.A.M. van Doorne	30	-	-	30	43	-	-	2	45
C.M. Insinger 4)	10	-	-	10	35	-	-	2	37
J. Bout	-	-	-	-	27	-	-	2	29
J.S.T. Tiemstra	-	-	-	-	31	-	-	2	33
İ. İlicak Kayaalp	-	-	-	-	-	-	-	-	-
H. A. Akvardar	-	-	-	-	-	-	-	-	-
E. Baki	-	-	-	-	-	-	-	-	-
	40	-	-	40	136	-	-	8	144
Total	559	52	11	622	1,151	581	70	17	1,819

1) Member of the Board of Management until 31 May 2016

2) Chairman of the Board of Management as of 1 January 2016

3) Member of the Board of Management between 17 May 2016 and 31 December 2016

4) Member of the Supervisory Board until 14 April 2016

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

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

34 Events after the reporting date

On 11 January 2017, the Group sold its subsidiaries TBS Soest B.V. and Rademakers Gieterij B.V. to an investment company with the same value as included in the consolidated financial statement.

Ballast Nedam N.V. – Consolidated Financial Statements 2016

(Amounts expressed in thousands of euro ('€') unless otherwise indicated)

35 Disposals

During the year Ballast Nedam Grondstoffen B.V. and a number of PPP projects were disposed off.

Overview of disposals

Financial assets	7,798
Intangible assets	9,340
Property, plant and equipment	4,089
Inventories	356
Receivables	8,497
Trade payables	(7,388)
Derivatives	(50)
Provisions	(194)
Loan	<u>(51)</u>
Net assets and liabilities	<u><u>22,397</u></u>
Considerations received in cash	24,050
Disposed cash and cash equivalents	<u>(2,895)</u>
Net cash-inflow	<u><u>21,155</u></u>

7 Company financial statement

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

ASSETS	Note	31 December 2016	31 December 2015
Current assets		93,024	11,316
Cash and cash equivalents		91,782	326
Receivables		88	755
Prepaid expenses		135	-
Receivables from subsidiaries		1,019	10,235
Non-Current Assets		246,570	317,818
Financial fixed assets	2	246,570	275,547
Long term receivables from subsidiaries	2	-	17,471
Escrow accounts at banks		-	24,800
TOTAL ASSETS		339,594	329,134
LIABILITIES			
Current liabilities		317,052	278,837
Trade payables		2,806	4,447
Other liabilities		1,894	12,931
Due to customers construction contracts		5,412	4,874
Provisions	3	4,593	-
Payables to subsidiaries		302,347	256,585
Non-current liabilities		16,250	29,071
Provisions	3	6,250	1,192
Loan payable to majority shareholder		10,000	27,879
Shareholders' equity	4	6,292	21,226
Paid in capital		2,203	2,203
Share premium		239,497	179,397
Currency translation reserve		194	212
Legal reserve		8,608	22,000
Hedging reserve		(1,452)	(2,249)
Accumulated loss		(166,945)	(139,432)
Net result for the year		(75,813)	(40,905)
TOTAL LIABILITIES AND EQUITY		339,594	329,134

7.2 Company statement of profit and loss

	<u>2016</u>	<u>2015</u>
Result of subsidiaries after tax	(46,448)	(16,326)
Other results after tax	<u>(29,365)</u>	<u>(24,579)</u>
Net result for the year	<u><u>(75,813)</u></u>	<u><u>(40,905)</u></u>

7.3 Notes to the company financial statements

1. Basis of preparation and significant accounting policies

The company financial statements of Ballast Nedam N.V. have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with sub 8 of article 362, Book 2 of the Dutch Civil Code, the company 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. In case no other policies are mentioned, we refer to the accounting policies as described in the accounting policies as set out on pages 75 - 85 in the consolidated financial statements of this Annual Report. For an appropriate interpretation, the company financial statements of Ballast Nedam N.V. should be read in conjunction with the consolidated financial statements.

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

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

2. Subsidiaries

	Interests in subsidiaries	Long-term receivables from subsidiaries	Total
Opening balance 1 January 2015	288,873	17,471	306,344
Result for the year	(16,326)	-	(16,326)
Investments	-	-	-
Disposals	-	-	-
Acquisition of non-controlling interest	-	-	-
Conversion of capital	-	-	-
Repayment	-	-	-
Dividend received	-	-	-
Net changes in hedging reserve	3,000	-	3,000
Foreign currency translation differences	-	-	-
Closing balance 31 December 2015 / opening balance 1 January 2016	275,547	17,471	293,018
Result for the year	(46,448)	-	(46,448)
Investments	-	-	-
Disposals	-	-	-
Acquisition of non-controlling interest	-	-	-
Conversion of capital	17,471	(17,471)	-
Repayment	-	-	-
Dividend received	-	-	-
Net changes in hedging reserve	-	-	-
Foreign currency translation differences	-	-	-
Closing balance 31 December 2016	246,570	-	246,570

The interests in subsidiaries are direct interests, of which are included in the list of principal 100% subsidiaries in note 33. A list of interests as referred to in section 379 of Book 2 of the Netherlands Civil Code has been filed at the Commercial Register in Utrecht. The list of the significant subsidiaries is included in the consolidated financial statements.

3. Provisions

	Reorganization	Other	Total
31 December 2014	1,000	5	1,735
Addition	-	-	-
Interest accrual	-	-	-
Reversals	-	-	-
Utilization	(282)	261	(543)
31 December 2015	718	474	1,192
Addition	14,591	-	14,591
Interest accrual	-	-	-
Reversals	-	-	-
Utilization	(4,834)	(106)	(4,940)
31 December 2016	<u>10,475</u>	<u>368</u>	<u>10,843</u>

Current (< 1 year)

31 December 2015	-	-	-
31 December 2016	4,593	-	4,593

4. Shareholders' equity

	Paid in capital	Share premium	Currency translation reserve	Hedging reserve	Legal reserve	Accumulated (loss)*	Shareholders' equity
Opening Balance 1 January 2015	20,000	114,000	118	(4,732)	33,000	(150,432)	11,954
Net result for the year						(40,905)	(40,905)
Currency translation reserve			94				94
Change in hedging reserve				(1,595)			(1,595)
Change in hedging instruments associates				4,078			4,078
<i>Other comprehensive income</i>	-	-	94	2,483	-	-	2,577
Shares (emission)	-	47,600					47,600
Change in legal reserve					(11,000)	11,000	-
Change in nominal value	(17,797)	17,797					
Closing balance 31 December 2015	2,203	179,397	212	(2,249)	22,000	(180,337)	21,226
Opening balance 1 January 2016	2,203	179,397	212	(2,249)	22,000	(180,337)	21,226
Result current year						(75,813)	(75,813)
Currency translation reserve			(18)				(18)
Change hedging reserve				797			797
<i>Other comprehensive income</i>	-	-	(18)	797	-	-	779
Shares (emission)	-						-
Repurchased own shares	-	100					100
Share premium (increase)		60,000					60,000
Change in legal reserves					(13,392)	13,392	(8,812)
Closing balance 31 December 2016	2,203	239,497	194	(1,452)	8,608	(242,758)	6,292

* 2016 result is subject to appropriation by the General Meeting.

Further details on the movement schedule are included in the consolidated financial statement. 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 articles of associations.

5. Off-balance-sheet commitments

Letter of guarantees

	<u>31 December 2016</u>	<u>31 December 2015</u>
Letters of guarantees given	<u>154,818</u>	<u>195,158</u>

Letters of intent and guarantees issued on the Group's behalf by financial institutions in connection with the execution of projects and for prepayments received are included in 'Guarantees'.

In 2016, 154,818 thousand euro of guarantees were outstanding (2015: 195,158 thousand euro), of which 62,000 thousand euro relate to joint ventures (2015: 79,000 thousand euro).

Other Liabilities

Ballast Nedam N.V. has filed a declaration of joint and several liability as referred to in section 403, paragraph 1(f), of Book 2 of the Netherlands Civil Code with the office of the Commercial Register of the Chamber of Commerce in favour of Ballast Nedam ICT B.V. and Ballast Nedam Beheer B.V. Ballast Nedam N.V. is thereby liable for the obligations of Ballast Nedam ICT B.V. and Ballast Nedam Beheer B.V. to a maximum of 10,419 thousand euro.

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

Ballast Nedam N.V. has issued guarantees for a number of subsidiaries' contracts, totalling approximately 2.6 billion euro (2015: approximately 1.9 billion euro). This often involves the entire contract sum for long-term projects.

Fiscal unity

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

6. Audit fees

The fees agreed with Deloitte Accountants B.V. for 2016 by the company and its subsidiaries, as set down in section 382a of Book 2 of the Netherlands Civil Code are as follows:

<u>Payments to Deloitte Accountants B.V.</u>	<u>2016</u>
Audits	830
Other assurance assignments	<u>23</u>
Total	<u>853</u>

The total payments of the audit fees to Ernst & Young Accountants LLP were 2 million euro in 2015.

7. Employees

Number of employees as of 31 December 2016 is 22 (2015: 183).

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

Remuneration of the Supervisory directors and the members of the Board of Management, is included in transactions with related parties in the Group's consolidated financial statements.

9. Events after the reporting date

On 11 January 2017, the Group sold its subsidiaries TBS Soest B.V. and Rademakers Gieterij B.V. to an investment company with the same value as included in the consolidated financial statement.

The Supervisory Board members have signed the financial statements in fulfilment of their legal obligation pursuant to section 101, paragraph 2, of Book 2 of the Netherlands Civil Code and the managing directors have signed the financial statements in fulfilment of their legal obligation pursuant to section 101, paragraph 2, of Book 2 of the Netherlands Civil Code and section 5:25c, paragraph 2c, of the Financial Supervision Act.

Nieuwegein, 6 April 2017

Originally signed by
Board of Management,

C. Düzyol

S. Lefevre

O. P. Padberg (joined the Board of Management on 1 August 2016)

Ö. Canbaş (joined the Board of Management on 2 January 2017)

H. Koçak (joined the Board of Management on 2 January 2017)

Originally signed by
Supervisory Board,

İ. Ilıcak Kayaalp

L.W.A.M van Doorne

H. A. Akvardar

E. Baki

8 Other information

8.1 Independent auditor's report

To the General Meeting of Ballast Nedam N.V.

Our Opinion

We have audited the financial statements 2016 of Ballast Nedam N.V. ("the Company"), based in Nieuwegein, the Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The consolidated financial statements included in this annual report give a true and fair view of the financial position of Ballast Nedam N.V. as at December 31, 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The company financial statements included in this annual report give a true and fair view of the financial position of Ballast Nedam N.V. as at December 31, 2016, and of its result for 2016 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2016.
2. The following statements for 2016: the consolidated statement of profit and loss, the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company statement of financial position as at December 31, 2016.
2. The company statement of profit and loss for 2016.
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Ballast Nedam N.V. in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence

regulations in the Netherlands. Furthermore, we have complied with the “Verordening gedrags- en beroepsregels accountants” (VGBA).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 7.6 million. The materiality is based on 1% of consolidated revenues. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We will report to the Board of Management and the Supervisory Board all misstatements in excess of EUR 0.4 million, which are identified during the audit, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Ballast Nedam N.V. is the parent company of a group of companies. The financial information of this group is included in the consolidated financial statements of Ballast Nedam N.V.

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

We performed a substantial part of the audit procedures for significant component ourselves. Furthermore, we performed audit procedures for several other entities and corporate topics such as consolidation, joint venture accounting, restructuring, litigation, taxation and divestments. Specialists were involved in the area of land property valuation, compliance, valuation of large and complex projects, information technology, and debt covenant compliance.

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

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

Our key audit matters

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

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

Valuation of large and complex construction contracts

Inherent to the business the Company's net result is affected by large and complex construction contracts; especially by contracts that carry a higher risk than others due to the type of contract, technical complexities, size and phase of the project. The valuation of these contracts, and the related recognition of results, involves a high degree of Board of Management estimate in relation to contract complexities, costs to complete, technical progress, and the settlement of significant variation orders and claims. The inherent uncertainty around these Board of Management estimates is critical from a risk and financial impact perspective, and therefore the valuation of these construction contracts is considered a key audit matter. We emphasize this risk for the users of these financial statements and draw your attention to Note 2.3 on page 51 and 52 to the financial statements which describes the uncertainties related to these risks. Our opinion is not qualified in respect of this matter.

How our audit addressed the matter:

Our audit procedures included an evaluation of Ballast Nedam N.V.'s key project controls (including the recently implemented controls performed by the Risk Board of Management Office), retrospective reviews, site visits and challenged Board of Management's estimate. We involved technical engineering expertise to evaluate technical progress, valuation of uncertainties and the anticipated result from larger and more complex construction contracts. We performed substantive procedures on the valuation of claims and variation orders and validated compliance with revenue recognition and loss provision criteria. We challenged Board of Management's assumptions at various levels of Board of Management in order to assess the reasonableness and consistency of the forecasted project result.

Liquidity and financing

Restructuring efforts and project losses incurred on large and complex construction contracts put a strain on future cash availability. Also the existing financing was up for renewal in the fourth quarter of 2016. As to assure appropriate liquidity levels, the Company obtained subordinated shareholder funding for an amount of EUR 70 million from its majority shareholder; subsequently converted to share premium for an amount of EUR 60 million. In addition, the Company partially repaid and extended the loan agreements, obtained additional new loan facilities and increased its guarantee facilities. The release of restricted cash, and the funding obtained resulted in a substantial unrestricted cash position as of December 31, 2016. The availability of funds and compliance with among others LTV and EBITDA covenants is important for the execution of the Company's business plans, and therefore we consider this a key audit matter.

How our audit addressed the matter:

We evaluated internal procedures and controls around the treasury process. Among other substantive audit procedures, we reviewed the loan extension agreements, new loan agreements signed with the Company's corporate lenders. We reviewed Board of Management's assessment of debt covenant compliance (primarily LTV and EBITDA based), compliance with arrangements in the loan agreements and involved financial advisory specialists in the performance of these procedures. In addition, we performed sensitivity analyses and evaluated compliance with debt covenants.

Valuation of land bank

The valuation of the land bank (held for residential property development) is based on the historical cost or lower net realizable value. The assessment the net realizable values involves assumptions relating to future market developments, decisions of governmental bodies, discount rates and future changes in costs and selling prices. These estimates involve various terms and are sensitive to scenarios and

assumptions used. The estimation uncertainty for land positions in non-core regions in the Netherlands is therefore considered to be a key audit matter.

How our audit addressed the matter:

We performed an assessment of the calculations of net realisable values and challenged the reasonableness and consistency of the assumptions and model used by Board of Management. We verified that Board of Management's assumptions around the possibilities for future residential property development are consistent with documentation which include the plans and decisions of government bodies and with the information included in external sources. We compared Board of Management's assumptions concerning the development of house prices with independent market references of external parties and institutions. Expected future costs and interest expenses are assessed based on reasonableness. We involved a valuation specialist to assess the underlying assumptions and methodologies used.

Valuation of litigations and claims

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

How our audit addressed this matter:

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

Initial audit engagement

There are additional considerations involved in performing initial audit engagements. After being appointed as the Company's auditors in 2016, we have to ensure an effective transition from the predecessor auditor. In our first year as auditors we have to:

- Build on our knowledge of Ballast Nedam N.V. by understanding the Company's specific risks, controls, policies and processes. This enables us to identify the risks of material misstatement within the Company's financial statements and to determine the scope of our audit.
- Establish the appropriateness of corresponding amounts and the account balances at the beginning of the period being audited.
- Understand accounting policies applied by the Company to ensure that these are consistently applied between periods.

How our audit addressed this matter:

In order to develop an appropriate audit strategy and audit plan in the initial audit engagement at the Company, specific planning activities were necessary. These included, but were not limited, to:

- Obtaining an initial understanding of the Company and its business including background information, strategy, business risks, policies, procedures, ICT landscape and its financial reporting and internal controls framework, to assist in performing risk assessment procedures.
- Obtaining sufficient appropriate audit evidence regarding opening balances and the appropriate selection and consistent application of accounting policies.
- Communicating with the predecessor auditor, including reviews of audit working papers for previous periods.
- We prepared our audit plan in May 2016 and reported status updates, progress reports and key findings from our audit process on a regular basis.

The foregoing has been used as a basis for our audit plan and enables us to identify the risks of material misstatement within Ballast Nedam N.V.'s financial statements and to determine the scope of our audit.

We built upon the knowledge gained through these procedures as we undertook our audit work and refined our views on risks and scope accordingly. We considered the results of our 2016 audit, as it progressed, to provide further evidence in respect of opening balances.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

After appointment by the General Meeting, we were engaged by the Board of Management as auditor of Ballast Nedam N.V. on August 2, 2016, as of the audit for year 2016 and have operated as statutory auditor ever since that date.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of the Board of Management and the Supervisory Board for the financial statements

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

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

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board of Management.
- Concluding on the appropriateness of Board of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Eindhoven, April 6, 2017

Deloitte Accountants B.V.

Originally signed by
J. Hendriks

8.2 Profit appropriation and dividend policy

Sections concerning profit appropriation

Clause 23 of the Ballast Nedam N.V.'s 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 of which 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, subject to approval of the Supervisory Board, 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 in these shares, or depositary receipts therefor have been issued with the cooperation of the Company.
5. Insofar as profit is available in the Company, the Board of Management may, with the approval of the Supervisory Board, 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 Dutch Civil Code.
6. The resolutions to distribute (interim) dividends may entail that (interim) dividends will be wholly or partly distributed in cash or in shares in the Company.
7. Upon a motion by the Board of Management with the approval of the Supervisory Board, the General Meeting may resolve to make a distribution against the distributable reserves. The provision laid down in paragraph 6 shall apply mutatis mutandis in this respect.
8. 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.
9. (Interim) dividends which have not been collected within five years after they became payable, shall be for the benefit of the Company.

Dividend policy

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

8.3 Board members of the Ballast Nedam Administration Office

P.C. van der Linden (Chairman)

Mr Van der Linden was born in 1953. He served as chief executive officer (CEO) of the listed company Batenburg Techniek N.V. until April 2014. He has been chairman for the Employers in the branche pension fund Metaal and Techniek. He also held a number of supervisory directorships.

Mr Van der Linden is now chairman of the Supervisory Board of HW Wonen housing association and chairman of the Supervisory Board of Stichting Pensioenfonds voor Personeelsdiensten (StiPP).

Mr Van der Linden was appointed as a member and chairman of the board on 25 April 2014. His current term of office ends on 25 April 2018*.

W.F.C. Baars

Mr Baars was born in 1948. He has held various management positions at ABN AMRO Bank, Senior Executive President. His subsequent posts included chairmanship of NIVE and President of the Supervisory Board of Van der Hoop Bankiers.

During the reporting year Mr Baars was an independent consultant and is a member of the Financial Service Providers Disputes Committee.

Mr Baars was first appointed to the Board of the Administration Office on 1 June 2009. His position was vacant as of 19 May 2015 until his appointed on 25 February 2016. His current term of office ends on 29 June 2019*.

L.H. Keijts

Mr Keijts was born in 1952. He began his career as a public participation officer with the Provincial Council for Spatial Planning in Zuid-Holland. Since 1981 he has held various positions at the Ministry of Transport, Public Works and Water Management. Between 1996 and 1999 he was Deputy Director-General for Spatial Planning at the Ministry of Housing, Spatial Planning and the Environment. He then moved to the same position at the Ministry of Transport, Public Works and Water Management, later being appointed Director-General for Water in 2001.

From 2003 to 1 January 2010 he was Director-General for Public Works and Water Management at the Ministry of Transport, Public Works and Water Management. Mr Keijts has been Chairman of the Board of Management of the Portaal housing association since 1 January 2010.

Mr Keijts was first appointed to the Board of the Administration Office on 8 April 2010. He was reappointed on 25 April 2014 and his current term of office expires on 25 April 2018*.

* At least until the first General Meeting of Certificate Holders which will be held after four years have lapsed since his latest appointment.

8.4 Report of the Ballast Nedam Administration Office

This report complies with the provisions of section 15 of the Terms of Administration of the Ballast Nedam Administration Office (*Stichting Administratiekantoor van Aandelen Ballast Nedam*, referred to as 'the Administration Office') and best practice provisions IV.2.6 and IV.2.7 of the Dutch Corporate Governance Code.

In 2016, the Administration Office arranged for the performance of the customary administrative activities regarding the registered shares in the capital of Ballast Nedam N.V. as referred to below.

SGG Netherlands N.V. (P.O. Box 11063, 1001 GB Amsterdam), as the trust office of the Administration Office, performs the work associated with the administration of the shares. The Administration Office itself is located at the address of Ballast Nedam N.V.

The total costs of the activities of the Administration Office in 2016 were approximately 35,000 euros, including the fees paid to the members of the Board of the Administration Office and the costs for Euronext relating to the delisting. Pursuant to section 9.1 of the Terms of Administration of the Administration Office, these costs were borne by Ballast Nedam N.V.

8.4.1 Number of depositary receipts for shares

The nominal value of the shares is EUR 0.01 per share. The Administration Office held 2,686,462 registered shares in administration at 31 December 2016. In respect of these shares the same number bearer depositary receipts have been issued with the same nominal value. At year-end 2016, depositary receipts had been issued for 1.2194 % of the capital in issue of Ballast Nedam N.V.

The number of registered shares in the capital of Ballast Nedam N.V. in the custody of the Administration Office decreased as a result of the conversion of the depositary receipts held by Renaissance Infrastructure B.V. into shares.

8.4.2 Board

In accordance with section 4 of the articles of association of the Administration Office, the Board of the Administration Office consists of three independent members, and in 2016 the members of the Board of the Administration Office were:

- P.C. van der Linden (Chairman)
- W.F.C. Baars (vacancy between 19 May 2015 and 25 February 2016)
- L.H. Keijts

Mr. W.F.C. Baars was not an officially appointed board member between 19 May 2015 and 25 February 2016. All his actions however were endorsed with the adoption of a board resolution on 25 February 2016.

The main and secondary positions held by the members of the Board of the Administration Office are stated in section 8.3 (*Board members of the Ballast Nedam Administration Office*). In 2016 fees for members of the Board amounted to 7,500 euro per year and the fee for the chairman of the Board was 9,000 euro per year, excluding the annual indexation in accordance with the collective labour agreement for the building industry.

8.4.3 Board meeting

The Board had one meeting of the Board of the Administration Office in 2016, which was partially attended by the Board of Management at the invitation of the Board of the Administration Office. This meeting took place in preparation for the meeting of holders of depositary receipts for Shares and the Annual General Meeting of Shareholders. Furthermore, a meeting of holders of depositary receipts for shares was held prior to the Annual General Meeting of Shareholders of Ballast Nedam N.V.

8.4.4 Meeting of Holders of Depositary Receipts of the Administration Office held on 17 May 2016

The following items were on the agenda of the meeting of holders of depositary receipts:

- Commentary by the board on the annual report for 2016; and
- Statement on the proposed voting behaviour of the Board of the Administration Office at the Annual General Meeting of Shareholders of Ballast Nedam N.V.

8.4.5 Participation of the Board in the General Meeting of Shareholders

The Board of the Administration Office took part in discussions on the matters raised at the General Meeting of Shareholders held on 17 May 2016. The Board asked questions and voted on the agenda items and, in accordance with the objects set out in the articles of association of the Administration Office, based its voting behaviour primarily on the interests of holders of depositary receipts for shares. In exercising its voting right, it took account of the interests of Ballast Nedam N.V. and the business associated with the company. After careful consideration, the Board of the Administration Office resolved to support all the proposals made at the General Meeting of Shareholders.

Almost 100% of the persons entitled to vote in respect of the share capital were present or legally represented at this meeting. The Board of the Administration Office represented 2,686,462 depositary receipts for shares at the General Meeting of Shareholders held on 17 May 2016. That amounts to 1.2194 percent of the voting share capital.

Nieuwegein, 6 April 2017

Originally signed by
The Board

P.C. van der Linden

W.F.C. Baars

L.H. Keijts

8.5 Independent assurance report

Assurance report of the independent auditor with respect to the Carbon Footprint 2016

To: the Board of Management and the Supervisory Board of Ballast Nedam N.V.

We have performed assurance procedures on the Carbon Footprint 2016 from the Scope 1 and 2 emissions of the Dutch activities of Ballast Nedam N.V., Nieuwegein, for the period 1 January up to and including 31 December 2016 (hereinafter: Carbon Footprint). This Carbon Footprint is reported in section 4.3 (*Energy and CO₂*) in the Annual Report 2016 of Ballast Nedam N.V.

The Carbon Footprint contains an amount of emissions from Scope 1 and 2 of 28.110 tons CO₂-equivalents for the year 2016.

Limitations in our scope

Carbon Footprint quantification is inherently subject to uncertainty due to the use of variables such as emissions factors that are used in mathematical models to calculate CO₂ emissions, and the inability of those models to precisely characterize under all circumstances the relationships between various inputs and the resultant emissions because of incomplete scientific knowledge on this topic.

No assurance engagement was performed on the information of the Carbon Footprint for 2008 – 2015 that is presented in this Annual Report. We therefore do not provide assurance on the corresponding Carbon Footprint information for 2008 – 2015.

Criteria

Ballast Nedam N.V. has defined criteria to determine its Carbon Footprint. These criteria are described in subsection 'CO₂ footprint measurement system' of section 4.3 in this Annual Report 2016. The criteria have been developed in accordance with the GreenhouseGas Protocol – Revised edition and 'Handbook CO₂ performance ladder version 3.0' of Stichting Klimaatvriendelijk Aanbesteden en Ondernemen. We deem these reporting criteria suitable for our assurance engagement.

Board of Management's responsibility

The Board of Management of Ballast Nedam N.V. is responsible for the preparation of the Carbon Footprint in accordance with the criteria developed by the entity, as disclosed in subsection 'CO₂ footprint measurement system' of section 4.3 of this Annual Report 2016.

This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Carbon Footprint in accordance with the criteria that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion with a limited level of assurance on the Carbon Footprint from Scope 1 and 2 based on the procedures performed and the evidence obtained. We conducted our limited assurance engagement in accordance with Dutch law, including the Dutch Auditing Standard 3410 'Assurance engagements on emission reports'. This requires that we comply with ethical requirements, including requirements relating to our independence, and that we plan and perform this engagement to obtain limited assurance about whether the CO₂ emissions from Scope 1 and Scope 2 as presented in the Carbon Footprint are free from material misstatement.

The procedures performed in obtaining limited assurance are aimed on the plausibility of information which does not require exhaustive gathering of evidence as in engagements focused on reasonable

assurance. The performed procedures consisted primarily of making inquiries of management and others within the entity, as appropriate, applying analytical procedures and evaluating the evidence obtained.

Procedures performed

Our main procedures included the following:

- Evaluating whether the reporting criteria developed by the entity are suitable for the preparation of the Carbon Footprint and have been consistently applied;
- Evaluating the reasonableness of the (accounting) estimates made by management;
- Obtaining an understanding of the control environment and information systems relevant to emissions quantification and reporting, including the design of particular control activities such as consolidating data at corporate level;
- Evaluating the plausibility of the CO₂ emission data, mainly by:
 - performing analytical reviews of the data and trend explanations;
 - reconciliation of the data with underlying data systems and where relevant on a test basis with internal and external documentation that are the basis for the (calculation of the) CO₂ emission data;
 - Review the data collection methods, source data and relevant assumptions by interviewing relevant staff responsible for providing the data to be reported in the Carbon Footprint;
 - Evaluating the overall presentation of the Carbon Footprint.

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

Conclusion

Based on our procedures performed, and with due consideration of the limitations described in the paragraph 'Limitations in our scope', nothing has come to our attention that causes us to conclude that the Carbon Footprint 2016 is not prepared, in all material respects, in accordance with the criteria developed by Ballast Nedam N.V. as disclosed in subsection 'CO₂ footprint measurement system' in section 4.3 of the Annual Report 2016.

Eindhoven, April 6, 2017

Deloitte Accountants B.V.

Originally signed by
J. Hendriks

This Annual Report is published in the English language and can be read and downloaded on our website www.ballast-nedam.com.
Further information on this Annual Report can be obtained from the Communications department of Ballast Nedam.

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