Annual Report 2018 Ballast Nedam

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Report of the Board of Management

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Introduction

I am pleased and proud to report that we have found our way up, not only in terms of results, but also in various other important areas. We are breaking new ground together, both in the international as well as the domestic market.

Our order book has not been this full in years. Winning interesting, high-quality and innovative projects positively impacts the spirit and motivation of our employees. This also attracts new hires, who do not back away from a challenge and wish to become part of our team to work on our ground-breaking projects. We welcome such new employees, who add knowledge, experience and skills, which we need in order to execute our projects.

Three years ago, we implemented our strategy of selective and strategic tendering, where our ambition was to enhance the volume, profitability and quality of our order intake. This strategy is now paying off. In 2018, our order book significantly increased to over € 1.5 billion. Besides the size, also the quality has considerably improved. We won several solid and interesting new projects. As a result, our order book shows a higher percentage of projects with healthier profit and risk margins. 2018 was also a year in which we strengthened and normalised our financial situation, further enhanced our solvency ratio and liquidity position, as well as re-negotiated the terms and conditions of our financing agreements leading to less stringent covenants and undertakings.

Within the Rönesans Group we capitalise on each other's expertise, whereby we constantly strive to achieve synergies. We, as Ballast Nedam, use the knowledge and experience of other Rönesans companies in high-rise buildings and heavy industries for our projects. Examples include the Cool Tower and the Galaxy Tower projects in the heart of Rotterdam and Utrecht respectively, which we won in 2018, as well as the HES Hartel Tank Terminal project in Rotterdam which we won this year. Vice versa, Rönesans makes use of our expertise in large-scale infrastructure, water supply and offshore projects. Being part of the Rönesans Group has made it possible to increasingly work in international teams and supply chains. This distinguishes us and makes us less dependent on the local markets. We have established a solid basis to further increase our market share and profitability in 2019 and beyond and will continue to explore opportunities in the international market where Ballast Nedam and Rönesans can work together.

Our Development division has shown a strong growth of revenues and profit in 2019. With our redefined focus on developing healthy and sustainable urban projects we have been able to win projects such as Cartesius Driehoek (Utrecht). Several major projects such as Food Center Amsterdam, Urban Interactive District (UID) and Maastricht will contribute to the further growth of our development activities by capitalising on the positive market conditions.

Our society is facing several challenges as a result of the continuous growth of our worldwide population and economic prosperity. We have expanded our focus on renewables and will continue to invest in new circular and energy efficient methods to construct and develop new places where people work safely and live and work a healthy life.

The last few years have been years of recovery, restructuring and reorganisation, where we reported on our focus to improve our (cost) efficiency and operational excellence. During 2018 we again took significant steps towards our goal to be the most cost-efficient, inclusive and competitive player in the Dutch market. Our main focus remains on effectiveness, efficiency and creating added value. We constantly revise our structure for this purpose.

We will further reap the benefits of our achievements during the last years and continue to focus on a strong order book and creating bigger positive impact on our society. On behalf of the Board of Management, I would like to thank all employees, Rönesans and our other stakeholders for their ongoing commitment and support.

Cenk Düzyol Chairman

1 Profile of Ballast Nedam

1.1 Vision, mission and values

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

Vision

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

Mission

Our mission is to engage our clients 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.

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.

Integrity

We are open, reliable and honest in our relationships with clients, colleagues, subcontractors, suppliers and partners. We work together, accept responsibilities and are consistent. We build trust.

Safety

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

Teamwork

We can only be successful by working in teams. These teams include clients, partners, subcontractors, suppliers and colleagues. In this way, we jointly seek and achieve the best solution. We respect each other and act accordingly.

Passion for the profession

We are true professionals. We love our profession and we love a challenge. That unites us, and gives us the energy to push boundaries. It's the driving force for continuous improvement and innovation. As a result, we understand the complex challenges and interests of our clients and partners. It gives us the ability to offer innovative and sustainable solutions.

Down to earth

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

1.2 Core activities and organisational structure

Although the most significant organisational changes have taken place in previous years, Ballast Nedam optimises its organisation continuously, including enhancing its management structure.

Ballast Nedam strives for the leanest possible organisational structure and has completely redesigned the tendering and bidding processes. In 2018, Ballast Nedam made further investments to enhance its risk management and the quality of the design, calculations and tender functions by attracting new employees with additional skills, experience and knowhow. Properly recognising risks and other implications of a project timely makes it possible to prepare the organisation and project team for what lies ahead and execute the project more efficiently and effectively. These investments will enable the order book to keep developing in the upcoming years and make the organisation ready for the future. Ballast Nedam also continuously reviews opportunities in the market and where it sees new opportunities that can be better utilised, it invests in them.

The divisions of Ballast Nedam are Construction, Development, Industrial and Concessions. These divisions exist within the current holding structure of Ballast Nedam.



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

- Ballast Nedam Bouw & Ontwikkeling Holding B.V.
- Ballast Nedam Infra Corporate B.V.
- Ballast Nedam Development Holding B.V. (the holding company of the Development division)
- Ballast Nedam Concessies B.V. (the holding company of the Concessions division)
- Ballast Nedam Industriebouw B.V.

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

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

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

Construction focuses on successfully acquiring and executing complex, integrated projects in residential and non-residential building and mobility areas as main contractor but also in specialised areas as a subcontractor. Construction continues to explore opportunities in the international market where Ballast Nedam and Rönesans can work together. In addition, Ballast Nedam is exploring opportunities for renewable energy projects.

Last but not least, Industrial is a specialist in foundations, civil and architectural construction, and infrastructure above and below surface level.

1.3 Composition of the Board of Management

C. Düzyol (Chairman)

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

S.R. Lefevre

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

O.P. Padberg

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

Ö. Canbaş

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

H. Koçak

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

2 Business review and strategy

2.1 **Overview of 2018**

Three years ago, we implemented our strategy of selective and strategic tendering, where our ambition was to enhance the volume, profitability and quality of our order intake. This strategy is now paying off. In 2018, our order book significantly increased to over € 1.5 billion. Besides the size, also the quality has considerably improved. We won several solid and interesting new projects. As a result, our order book shows a higher percentage of projects with healthier profit and risk margins. 2018 was also a year in which we strengthened and normalised our financial situation, further enhanced our solvency ratio and liquidity position, as well as re-negotiated the terms and conditions of our financing agreements leading to less stringent covenants and undertakings.

This year Ballast Nedam achieved a result of € 12.3 million. We continued investing in our organisation during 2018, to enable the organisation to be ready for the future. These investments are made, for example, in the quality of the design, estimates, risk management and tender departments, to be able to let the order book develop even further in 2019 and the years after. These investments are now starting to pay off.

The basic principle remains that Dutch construction and infrastructure projects are the core of the company. Ballast Nedam's ultimate goal is to be the most cost-efficient and competitive player in the Dutch market. The organisation aims to achieve this by implementing improvements in the operational process, financial forecasting and working capital and by focusing on specific markets that fit the experience, staff and size of the various business units. Being part of the Rönesans Group has made it possible to increasingly work in international teams and supply chains. This way our procurement can achieve benefits and efficiency in direct and indirect costs.

Further strengthening the organisation

Enhancing the order portfolio with solid projects is one of our key objectives. To achieve this, the Tendering department has been strengthened by hiring staff with additional skills, experience and knowhow. In addition, the Risk Management Office is involved in the tendering process to further increase the quality of the tenders.

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

During the first half of 2018, the ultimate shareholder decided to combine the economic ownership of its Heitkamp group and Ballast Nedam (Heitkamp group becoming a subsidiary of Ballast Nedam). This was one of the steps towards further synergies in the European Operations of the Rönesans Group and strengthening Ballast Nedam's equity. In the second half of 2018, the ultimate shareholder made an assessment of its decision and concluded that the benefits for Ballast Nedam were not as expected. Consequently, the share premium contribution in kind was reversed and additionally the shareholder contributed an amount of \in 45 million share premium in cash to strengthen the equity position of Ballast Nedam.

Critical and selective tendering approach

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

A critical and selective approach to the selection of projects is crucial. Only projects in which Ballast Nedam can add value and can be distinctive in order to generate higher profitability, are selected. As a result of this selective choice, the projects which we tendered for were limited. The positive results that were achieved in acquiring new projects strengthen Ballast Nedam in realising this vision.

Order book

The order book increased significantly in 2018, to over \in 1.5 billion, although the tender policy has been more selective. We expect that the turnover in 2019 will increase to \in 1 billion. In addition, the quality of the order book increased considerably due to the selective tender policy. This is evident, for example, from a qualitatively better tender process, a larger percentage of projects with a lower risk profile and healthier profit and risk margins. Moreover, the percentage of legacy projects from before the takeover dropped to less than 6% in the current order book.

Solid projects

The critical and selective tendering approach is reflected in our order book. High-quality profile projects were newly acquired, such as the A24 Blankenburg connection in the Rotterdam Region, Airside pier at Schiphol, the Galaxy Tower in Utrecht and the Cool Tower in Rotterdam. In our Regions business unit, selective tendering has also resulted in strong new acquisitions, such as the restoration of the St. Lambertus church in Nederweert, 67 houses without gas in Maastricht and mixed-use project 'West Beat'in Amsterdam.

Also many projects were completed to our clients' satisfaction, such as Erasmus Medical Center in Rotterdam, the government office building Rijkskantoor De Knoop in Utrecht, the renovation of the Johan Cruijff ArenA, Cycle Bridge and Wildlife Corridor in Nigtevecht, Deutersestraat Transferium in 's-Hertogenbosch, circular pavilion The Green House in Utrecht, Werenfridus College in Hoorn, Conscious Hotel Westerpark in Amsterdam, apartment block CalandTwo in The Hague, residential complex Havenhof in Eindhoven, expansion of SAMCO Aircraft Maintenance at Maastricht-Aachen Airport and the restoration of a Roman bathhouse at the Thermenmuseum.

The Development division enlarged its portfolio in 2018 to approximately 8,000 residential units. It added the Cartesius triangle project to its portfolio: the former NS work and shunting yard in Utrecht will be transformed into an urban area that is sustainable, green and low in traffic. In the future, approximately 2,600 homes, a large park, a school, a supermarket, restaurants and bars and several other facilities will be developed.

Refinancing secured

In May 2018, Ballast Nedam paid the € 45 million Rabobank loan, eight months before its due date of 31 December 2018 using the new DenizBank loan facility.

Ballast Nedam also refinanced its syndicated guarantee facility at ING and Rabobank, by replacing it with bilateral facilities with a new maturity date of 31 December 2020 with less stringent covenants and undertakings. Moreover, Ballast Nedam entered into a syndicated bonding facility with several financial institutions led by Zurich Insurance.

Improving the financial position

In 2018, the cash position also improved by 20.8% to \in 146.2 million. The shareholder's equity increased to \in 64.7 million, resulting improved solvency ratio of 11.1%.

Corporate Social Responsibility (CSR)

Ballast Nedam Development actively works towards a healthier living environment and likes to take the lead in doing so. In September, Ballast Nedam Development took the next step in launching its Pure Air concept. The Pure Air concept cleans the air before it enters the house. It consists of a balance ventilation system that recovers the heat and guides the CO2, this improves the air quality inside the house significantly. The Pure Induct is combined with the Evap air humidification system and connected to the balance ventilation system. This keeps the dangerous particulate matter outside the house. Pure Induct is, a smart system 'ionisation', that 'charges' the particulate matter, which makes them stick to a 'collector'. This keeps all incoming ventilation air free of particulate matter.

Mechanical and Engineering integration

Ballast Nedam is continuing its strategy to operate as one integrated construction and infrastructure company. The further development and professionalisation of the technical installation activities within the project contracts is a part of that strategy. In 2018, we continued to further shape the mechanical and engineering (M&E) activities of Ballast Nedam by integrating all skills and knowledge in the different phases of a project, from initial start to completion.

Rönesans Group

Within the Rönesans Group we capitalise on each other's expertise, whereby we continuously strive to achieve synergies. We, as Ballast Nedam, use the knowledge and experience of other Rönesans companies in high-rise buildings and heavy industries for our projects. Examples include the Cool Tower and the Galaxy Tower projects in the centre of Rotterdam and Utrecht respectively, which we won in 2018, as well as the HES Hartel Tank Terminal project in Rotterdam which we won this year. Vice versa, Rönesans makes use of our expertise in large-scale infrastructure, water supply and offshore projects. Being part of the Rönesans Group increased opportunities in working with international teams within broader markets with broader experience and knowhow. This distinguishes us and makes us less dependent on the local markets. We have established a solid basis to further increase our market share and profitability in 2019 and beyond and will continue to explore opportunities in the international market where Ballast Nedam and Rönesans can work together.

2.2 Financial results

Results for the year

2018 was a successful year that resulted in an income from operating activities of \in 11.5 million and net result of \in 12.3 million. During 2018, cost monitoring improved with stronger reassessment and analysis of general cost components and with the deeper involvement of the central procurement department.

Revenue

Total revenue for 2018 was EUR € 740.1 million. The revenue of the Construction division was € 714.5 million, which included revenue from the initial start milestones of the Blankenburg project. The revenue of the International Business Unit was € 36.7 million mainly consisting of Curacao, Saint Lucia and St. Maarten projects. The revenue of the Development division increased by 62% to € 96.1 million due to positive trends in the housing market.

Gross margin

The overall gross margin increased from 3.1% to 3.5% due to more efficient cost control, selective tendering, completion of legacy projects with negative trends and profitable new projects in 2018.

Order book

The order book increased with an amount over € 1.5 billion (2017: € 624 million). The increase in the Construction division was mainly driven by a higher order intake of infrastructure projects (i.e. Blankenburg) and building projects such as Airside pier Schiphol, Cool Tower Rotterdam, Galaxy Tower and WTC Amsterdam. The order book of the International Business Unit increased due to amongst others a new project in Sri Lanka. The increase in the Development division is driven by projects such as the Delft - Van Leeuwenhoekkwartier, Almere – Noorderplassen and Eindhoven Berckelbosch projects and others.

Shareholder's equity and cashflows

Shareholder's equity increased to € 64.7 million (2017: € 14.1 million) mainly by the € 45 million share premium contribution and the net profit for the year, accordingly solvency increased to 11.1% (2017: 2.94%).

The net cashflow for 2018 was \in 25.1 million positive, compared to the \in 10.3 million positive cashflow of 2017.

The cashflow from operating activities amounted to \in 56.9 million negative (2017: 631 thousand). The cashflow from investing activities amounted to \in 24.7 million negative, which is realised mainly due to (temporary) funding of joint ventures and associates and investments in PPE. No material investments were made in research and development or planned.

The positive cashflow from financing activities of \in 106.8 million consists of \in 50.6 million of repayment of loans, addition of external loans of \in 115.6 million, interest payment of \in 3.1 million and a share premium contribution of \in 45 million.

Assets and liabilities

Total assets increased by € 102.1 million to € 583.4 million. Working capital amounted to € 26.3 million as of 2018 year end as a result of amongst others the cash and cash equivalents position € 146.2 million (mainly due to a share premium contribution of € 45 million). Capital employed increased by € 98.6 million to € 151.1 million.

Financing and shareholder's equity

During the 2018, the company obtained new loans amounting to \in 115 million, \in 45 million share premium contribution and the current year profit strengthened equity. Solvency ratio increased to 11.1%. In addition variety of bilateral bonding lines and a syndicated bonding facility with various financial institutions were arranged. Information regarding our financing is included in section 3.4.2 under Financing risk.

Outlook for 2019

We will continue working on the improvements achieved during 2018 and will stay focused on the measures taken and on the realisation of our business plan. We will continue with our selective tendering philosophy and will continue to reduce tender costs with strong controls.

Markets and businesses: Our divisions will mainly stay the same. Our divisions with their business units will continue operating within the clearly defined segments (geographical, expertise and commercial). The Dutch construction operations will maintain the core business of the company, albeit organised in a leaner structure. We will keep exploring international opportunities together with other Rönesans group companies. Industrial will continue expanding its client portfolio and its business volume with its existing client portfolio. 2019 will be an important year for the Development division, which will focus on expanding its activities with the support of the stronger financing of the company. Concessions will pursue and support future PPP projects.

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

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

Financing: We will continue to obtain further financing facilities with better financing possibilities. Information regarding our financing is included in section 3.4.2 under Financing risk.

3 Risk and risk management

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

In this section we explain how risk management and the risk control process are organised within Ballast Nedam, and what our focus will be for risk management in 2019. We also detail the specific risks arising in the environment in which Ballast Nedam operates. We close this section by considering a number of specific risks to which Ballast Nedam is exposed.

3.1 Outline of risk management

3.1.1 Principles

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

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

3.1.2 Risk philosophy

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

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

At the same time, a thorough risk management process alone cannot prevent projects being derailed as we have experienced in recent years. A set of thorough and all-encompassing actions are being taken with the aim to prevent future large project losses with the help of Rönesans. Specific actions include following a more solid tender procedure by taking a staged approach whereby approval is required for each stage of a tender from the Tender Committee before the next stage can be started. Other actions include a centralised and tightened project control and centralised procurement.

3.2 Internal control of risks

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

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

A bottom-up approach to risk control

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

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

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

Use of support instruments

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

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

Involvement of the Tender Committee

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

3.2.2 Second line: supporting functions

Lawyers and contract managers

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

Insurance

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

Compliance

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

Safety

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

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

ICT

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

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

Main examples of the various control measures are:

- The Code for Information Security (an international standard for information security in organisations)
- Authentication access measures
- Firewall technology for access from the Internet

- External audits to identify deficiencies
- Specific access portals requiring a combination of username and password
- Management software for mobile hardware to erase devices remotely
- Introduction of a new (role based) access control procedure
- Regular internal publications to increase (cyber) security awareness within the organisation.

3.2.3 Third line: monitoring

Business control and treasury

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

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

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

3.2.4 Fourth line: the Supervisory Board and the Audit Committee

The Supervisory Board and the Audit Committee

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

3.3 Evaluation

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

3.4 Relevant risks

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

- Strategy risks
- Financial risks
- Operating risks
- Compliance risks.

3.4.1 Risks related to our strategy

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

Economic conditions in the market

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

The annual analysis by the Economic Institute for the Construction Industry (EIB) reports a growth in the construction industry of 6.5%. It estimates the growth in the construction of residential buildings at 6% and for Infra structural works at 5%. It also reports that continued growth is expected in the upcoming years.

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

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

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

Risk of loss of reputation

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

This has resulted in positive news coverage about the projects which we acquired in 2018. Examples include the Blankenburg, Cool tower and WTC Amsterdam projects, and also several projects for other companies within the Group such as Heddes, Laudy, Industry and Parking.

3.4.2 Financial risks

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

Ballast Nedam continued implementing the measures taken since the acquisition by Rönesans. The treasury activities were further centralised. Treasury's objectives are to create and maintain the best possible financial conditions for the operating activities. The majority of the bank accounts are held in a bank in a cash pool arrangement, which allows the efficient use of funds (for wholly-owned activities). The Group only works with banks which have high credit ratings. In addition, the centralisation of certain accounting activities continued with the improvement of the systems, including further harmonisation of the financial system and transaction flow approvals and further centralisation of accounting activities, which strengthened the control environment.

Credit risk

Credit risks are risks of financial loss to Ballast Nedam, or our counterparty, of a financial instrument that fails to meet its contractual obligations, and arises principally from the Group's receivables from clients and investments in debt securities. The carrying amount of financial assets represents the maximum credit exposure. Ballast Nedam actively pursues a policy designed to minimise credit risks. Creditworthiness assessments are performed for all clients requiring credit. Ballast Nedam uses prepayments, guarantees and collaterals on projects under construction in order to limit the credit risk on instalments and trade receivables. At year-end 2018, there was no concentration of credit risks among debtors for substantial amounts. See also section 7 (*Consolidated Financial Statements*, Note 33 (financial risk management)).

Liquidity risk

A liquidity risk is defined as the risk that Ballast Nedam will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset. Ballast Nedam's approach to managing liquidity is to ensure that we have sufficient liquidity to meet our liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Ballast Nedam controls the liquidity risk through weekly cashflow forecasts followed by adequate corrective measures and monitoring. See also section 7 (*Consolidated Financial Statements*, Note 31 (financial risk management)).

Market risk

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

Exchange risk

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

Forward exchange contracts with highly rated banks may be contracted to hedge the transaction risk on cashflows generated by ordinary business activities. At year-end 2018, Ballast Nedam had no outstanding forward exchange contracts recognised at fair value in the statement of the financial position. See also section 7 (*Consolidated Financial Statements*, Note 31 (financial risk management)).

Interest risk

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

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

Financing risk

During the year 2018 Ballast Nedam paid loans amounting to \in 45 million the company obtained new loans amounting to \in 115 million (refer to note 15) and further the shareholder made an additional share premium contribution of \in 45 million in cash, to improve the working capital and strengthen the cash position of the company.

The share premium contribution and profit for the year improved the shareholder's equity to \in 64.7 million (2017 \in 14 million). With the current cash position, management forecasts that it has sufficient means to finance its ongoing operations. The existing financing package, consisting of loan

agreements with multiple financial institutions was approximately \in 156 million at year-end 2018. An amount of \in 75 million with one of our financial institutions will mature on or before 31 December 2019, of these short-term borrowings already \in 40 million has been prolonged until after 31 December 2019. Ballast Nedam also expects to exercise the prolongation option for the remaining \in 35 million loan, which is the second tranche of the \in 75 million financing facility.

3.4.3 Operating risks

Employees

The trend of hiring ambitious talented, high skilled employees continued during the year, we believe Ballast Nedam is perceived as a great place to work with its increasing financial strength, investment in its human capital and its ability to provide possibility to work in challenging and unique projects. The general issue in the market is that companies are competing against each other for the available talented individuals and that the required quality and experience of employees in relation to the ongoing higher demands of our projects are more difficult to find. This will be even more challenging in the expected strengthened economic conditions. More details of the control measures taken in this area can be found in section 6.5 (*Human resources*).

Knowledge management

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

Safety

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

Project

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

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

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

Claims and legal proceedings

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

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

3.4.4 Compliance and integrity risks

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

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

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

4 Corporate Governance

4.1 Management and control structure

4.1.1 Dutch Corporate Governance Code

Ballast Nedam has been inspired by the principles of the Dutch Corporate Governance Code (the Code) in structuring our corporate governance framework, including our articles of association and regulations of our internal bodies. Dutch listed companies are required to report on compliance with the Code, but as Ballast Nedam does not have a public listing, it is not required to follow the Code and explain any deviations from the best practice provisions of the Code. The company applies the Code as much as possible to the extent feasible, desirable and applicable, but does not adhere to the Code and will not set out and explain any non-compliance in this annual report or elsewhere. For example, the company's website does not contain convocation materials and minutes of its General Meetings, as that is not relevant for a privately-owned company such as Ballast Nedam.

4.1.2 Management

The company has a Supervisory Board and a Board of Management. The Board of Management requires Supervisory Board approval for certain important decisions. The Board of Management also requires the approval of the General Meeting for, amongst other things, important changes in the identity or character of the company or the business. The remuneration of members of the Supervisory Board and the Board of Management is commensurate with their term of office, further details note 33.

4.1.3 Supervisory Board

The Supervisory Board supervises the policy of the Board of Management and the affairs of the company and its business, and supports the Board of Management with advice. The Supervisory Board performs its tasks keeping the interests of Ballast Nedam N.V. and the associated business in mind. The Supervisory Board has a minimum of three seats, and consisted of four members for the main part of 2018: Ms İ. Ilıcak Kayaalp, Mr H.A. Akvardar, Mr E. Baki and Mr P.R.H.M. van der Linden, who acceded to the Supervisory Board as member on 26 February 2018. Mr Akvardar resigned in January 2019 and was succeeded by Mr K. Arslan, who acceded to the Supervisory Board as member on 8 February 2019.

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 Management of Rönesans Holding A.Ş. She also holds Executive Board Member positions in various subsidiaries of the Rönesans Group. She is a member of the Rönesans Education Foundation. She was appointed to the Supervisory Board of Ballast Nedam in 2015. Her current term of office ends on 20 November 2019.

Mr E. Baki

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

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

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

Mr K. Arslan

Kaan Arslan was born in 1966. He is a Turkish national. Mr Arslan began his career at Interbank and he assumed different roles in this bank between the years 1990-1998. After working as the General Manager of Commercial Banking at Bayındır Bank from 1998 until 2001, he assumed several positions as Executive Vice President of Ziraat Bankası and Finansbank before he joined Rönesans Holding and he acts as the Member of the Executive Board and Member of the Board of Directors at Rönesans Holding since 2010. Mr. Arslan was appointed to the Supervisory Board of Ballast Nedam on 8 February 2019. His current term of office ends on 8 February 2021.

Duties and regulations

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

4.1.4 Board of Management

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

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

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

4.1.5 General Meeting

Rönesans Holding A.Ş., via Renaissance Infrastructure B.V., has control of 100% of the shares in Ballast Nedam N.V.

4.1.6 Balanced allocation of seats

The company does not comply with Section 166 of Book 2 of the Netherlands Civil Code with regard to the seats on the Supervisory Board as one out of the four members (the Chairperson) is female, which results in 25% of the seats in the Supervisory Board being taken by female members and 75% by male members instead of the 30%/70% division. The seats on the Board of Management are currently also not allocated in a balanced way as referred to in the aforementioned section of the Civil Code (100% male members). The company is striving for a balanced allocation of seats on the Board of Management and the Supervisory Board, but it is not easy to achieve this allocation in view of the industry the company is in and the specific composition and knowledge of the members of Ballast Nedam and its subsidiaries and the evident suitability and experience of the candidates for the seats on these bodies were paramount considerations in the selection of candidates. In future appointments Ballast Nedam will again strive for a balanced allocation, but other important criteria referred to above will again be considered.

4.1.7 Independent statutory auditor

During their review of the 2017 annual accounts, the Supervisory Board and the Audit Committee met with Deloitte Accountants B.V., which was the independent statutory audit firm for year ended 31 December 2017. Deloitte Accountants B.V. attended the Annual General Meeting to answer any questions about the auditor's opinion as to whether the 2017 financial statements present a true and fair view.

The Audit Committee and the Supervisory Board were involved in the selection of the 2018 statutory auditor. The General Meeting granted an engagement to PricewaterhouseCoopers Accountants N.V. to conduct an audit of the 2018 financial statements of the company. PricewaterhouseCoopers Accountants N.V. in Turkey audits Rönesans Holding's 2018 annual financial statements.

The external auditor also attended the meetings of the Audit Committee and the Supervisory Board at which the annual figures were discussed and attended several other meetings of the Audit Committee. The external auditor reports to the Supervisory Board and the Board of Management and ultimately addresses the auditor's opinion to the General Meeting. PricewaterhouseCoopers Accountants N.V. will attend the next Annual General Meeting in which the 2018 financial statements will be discussed.

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

Nieuwegein, 18 March 2019

Board of Management,

C. Düzyol

S.R. Lefevre

H. Koçak

Ö. Canbaş

O.P. Padberg

5 Supervisory Board

5.1 Report of the Supervisory Board

In each meeting of the Supervisory Board in 2018, the Supervisory Board discussed financial developments, and reviewed the operations within the Group and market trends, using the various management reports and other information as input. Memoranda from the Board of Management were also discussed at the meetings, as were Board of Management decisions requiring the Supervisory Board's approval. Moreover, the Supervisory Board was also kept updated by email and granted approvals for matters in writing. Major subjects in which the Supervisory Board was frequently involved include the development of financial figures compared to the business plan, the liquidation of dormant legal entities, compliance and the status of major ongoing and potential projects.

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

Financial reporting was discussed at the Audit Committee meetings in 2018. The Audit Committee has discussed the internal control and financial reporting with the CFO and the Board of Management. In addition, the Supervisory Board discussed interim financial figures, the annual financial statements and results of the statutory audit.

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

The Audit Committee

Mr Baki is the member of the Audit Committee

The Audit Committee acquired relevant knowledge and experience of financial matters via various input, prepared by amongst others the Board of Management, the Chief Financial Officer, the Chief Compliance Officer and the company's internal auditor. The Audit Committee held several meetings in 2018. The independent auditors were present at most of those meetings.

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

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

The Audit Committee and the Supervisory Board discussed the findings of the independent auditor, the interim observations for 2018 and the follow-up to the findings with the independent auditor.

Supervision of quality assurance in procedures and financial reporting: internal auditor

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

5.2 Financial statements and recommendation to the General Meeting

The Supervisory Board hereby submits the Annual Report for the 2018 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 PricewaterhouseCoopers Accountants N.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 discharge be granted to the members of the Board of Management and of the Supervisory Board for their management and supervision respectively in 2018.

Nieuwegein, 18 March 2019

Supervisory Board

İ. Ilıcak Kayaalp

E. Baki

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

K. Arslan (appointed on 8 February 2019)

6 Corporate Social Responsibility (CSR)

6.1 **Position of CSR in the organisation**

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

Starting in 2017, the CSR policy of Ballast Nedam is based on the 17 Sustainable Development Goals (SDGs) and the targets are in line with these goals. By joining the SDGs we brought the various CSR objectives closer to the business and associated them more with the projects. The goals are related to poverty, health, education, clean water, but also renewable energy, less inequality and taking action to deal with climate change.

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

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

Our CSR policy is organised as follows:

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

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

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

6.2 CSR objectives and results

At Ballast Nedam we believe that every project presents an opportunity to make a positive contribution to the world of today and tomorrow. As a company we are therefore keen to do more and have fully embraced sustainability. We are changing our approach from one based on sustainable projects to one that revolves around sustainable operations.

We are applying the 17 SDG goals as much as possible to our development projects. In 2018 we even launched the first project that will see all 17 of these goals put into practice. Furthermore, in line with our target, all (100%) of the homes we sold were natural gas-free. More than 70% of the houses developed by Ballast Nedam were constructed as energy-neutral and/or zero-energy buildings. We have also signed up to the Maastricht Energy Agreement with the Municipality of Maastricht, in which concrete targets are defined to achieve a significant energy reduction.



Ballast Nedam does not want to develop and construct buildings that do not meet the demands of the future.

In 2019 we expect we will again be involved in the development, engineering, construction and management of onshore and offshore wind and solar farms, both nationally and internationally. BN Renewables is the business unit responsible for renewable energy projects within our parent company Rönesans Group. With support from Rönesans, we have the drive and passion needed to contribute to the renewable energy transition, also in emerging markets. Our ambition is to realise renewable energy projects and speed up the transition to fossil-free energy production.

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

TARGETS / ACTIONS

	Target	Results in 2018	KPI 2019
7 AFFORDABLE AND CLEAN ENERGY	Our ambition is to construct energy-neutral buildings only and invest in large- scale wind and solar projects.	 Installation of 6082 solar panels on houses sold 	 Installation of at least 5,000 solar panels on houses sold. Operate our wind turbine assets Investigate further optimising the installed capacity to enhance our green energy production
	To develop and sell sustainable and energy- efficient homes.	 100% natural gas-free homes sold in 2018. 70% ground bounded houses sold are energy -neutral. 	 100% natural gas-free homes sold in 2019. 70% ground bounded houses sold are energy-neutral.

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

	CSR subject	Intended goal	KPI	Result in 2017	Objective for 2018	Result in 2018	Objective for 2019
13 CLIMATE	Energy, CO ₂	Energy efficiency and use of sustainable energy	CO ₂ (scopes 1&2) / Dutch revenue	53.7%	55% reduction compared to 2008	58.9%	57% reduction compared to 2008
	and air quality		Initiatives in the value chains of activities	2	2	2	2 initiatives
12 RESPONSIBLE CONSUMPTION		Reducing material	Waste segregation	63%	65%	71%	67%
AND PRODUCTION	Waste management, recycling and	consumption and increasing separation percentage	Waste segregation incl. subsequent separation	89.9%	92%	88.8%	92%
	materials		Use of Madaster, the kadaster of materials	n/a	2	2	2 projects
8 DECENT WORK AND ECONOMIC GROWTH	Human	A healthy, safe and motivating working	Percentage of absenteeism	4.43	4.2%	4.6	4.2%
1	resources	environment for all employees.	Held performance appraisals	85%	>90%	70%	>95%
3 GOOD HEALTH AND WELL-BEING	Cofety	An injury-free Ballast Nedam	Injury frequency excluding subcontractors	4.97	<6	3.45	<6,0
-/\/\ \$	Safety		Injury frequency including subcontractors	5.29	<6	5.42	<6.0
16 PEACE JUSTICE AND STRONG INSTITUTIONS	Business ethics & integrity	Creation of a secure environment for the reporting of abuses	Rollout of a new internal report scheme combined with an awareness campaign (ready in 2019)	50%	100%	80%	100%

6.3 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.

Our policy aims to achieve a reduction in CO_2 emissions of 2% per year. Our objective for 2018 was a CO_2 reduction of at least 55% relative to the reference year 2008, as a proportion of revenues from our Dutch businesses. This target relates to our own CO_2 emissions (scope 1 and 2).

Following the reorganisation within Ballast Nedam, 2019 looks set to be a stable and representative year that can serve as a new base year for our long-term targets for 2030 and beyond. New (longer-term) targets will therefore be set for 2020.

Objectives and results

In 2018, Ballast Nedam achieved a 58.9% reduction in CO2 relative to the reference year 2008.

Overview of CO ₂ emission reduction				
	2008	2016	2017	2018
CO ₂ footprint (Dutch activities in tonnes)	72,867(*)	28,110	16,016	15,109
Revenue from Dutch activities (millions of euro)	1,349	740	641	681
CO ₂ emissions (tonnes) per million of revenue in euro	54.0	38.0	25.0	22.2
Percentage relative to reference year	100%	70.4%	46.3%	41.1%
Reduction relative to reference year		29.6%	53.7%	58.9%

(*) Adjusted for comparison purposes. On 1 January 2015, the conversion method was changed in accordance with the CO_2 performance ladder.

CO₂ footprint measurement system and verification

In its footprint Ballast Nedam reports the emissions in Scope 1 (natural gas, petrol, CNG, cokes, diesel, LPG, kerosene, propane and business travel) and Scope 2 (electricity, terrestrial heat and business use of private cars and flight movements) of the Dutch operations. The criteria have been established in accordance with the Greenhouse Gas Protocol – Revised edition and 'Handboek CO₂-prestatieladder version 3.0' of SKAO. We use the IFRS demarcation criteria, with participating interests of 50% or higher and consortia being proportionally included in the footprint. If any monthly consumption figures are not known, estimates are made at the year-end based on the revenue trend. We calculate the CO₂ emissions on the basis of the conversion factors in SKAO performance ladder 3.0. The 2018 verification of the emission inventory was provided by DNV.

We succeeded in our reduction aims in 2018. This is due to the initiatives taken in projects. The consumption of green electricity on the projects increased in 2018 from 39% to 65%. The promoted consumption of green electricity, resulted in the total consumption of 72.5% green electricity, 93% of our offices and 65% of the building sites.

	Office	Building site	Factory	Mobility	Total
Scope 1	556	3,864	952	6,288	11,660
Natural gas	556	296	811		1,663
Diesel		3,490	141	4,199	7,830
Petrol		4		2,054	2,058
Cokes					
CNG				34	34
Other fossil fuels		74		1	75
Scope 2	139	1,063	479	1,768	3,449
Electricity	132	1,063	479		1,667
District heating	7				14
Business use of private cars				1,543	1,543
Flight Movements					
<700 km				4	4
700-2500 km				123	123
>2500 km				98	98
Scope 1 and 2	695	4,927	1,431	8,056	15,109

Projects awarded based on sustainability criteria

The chances to improve our energy consumption lies within our projects (Building sites) and Mobility. Projects that are CO_2 awareness awarded and projects that require BREEAM or LEED certification. These projects give us the chance to really implement energy saving and sustainability measures. In 2017 we renewed our car fleet for a fleet of cars with a 9% lower CO_2 emission in 2018 we continued our investments and we decided that all new commercial vehicles will have speed and acceleration limiters, which results in a 4% reduction in CO_2 emissions.

The Green House

In 2018 we opened the circular catering and meeting pavilion The Green House in Utrecht near Utrecht Central Station. The pavilion serves as a source of inspiration for a new, circular economy. The Green House was built in such a way that it can be fully reassembled. In addition, we recycle as many materials as possible.

Sustainable property

In 2018 we started to make own buildings even more sustainable. In 2018 solar panels were installed on our own property, the offices in Hoorn and Almere.

Sustainable and healthy homes

Reduction in CO₂ emissions and good air quality are essential if we want to ensure a good, sustainable, healthy future for our planet. We take responsibility by working to make homes even sustainable and healthier. By joining us as founding partner by the DGBC Woonmerk and by developing and applying the PURE AIR concept, we significantly improve air quality. In the area of biodiversity we sow seeds to create bee-friendly spaces, provide bee hotels and build living, green walls. We also believe in putting a new mobility concept into practice as part of our development projects: we create the necessary conditions and offer residents shared electric vehicles to replace their first or second car. This is 'Mobility as a Service' and we make this new mobility concept available to future residents of our development projects with a view to creating a sustainable and healthy living environment. As far as possible, Ballast Nedam only develops sustainable, healthy and energy-neutral homes.

Over the coming years we will also be focusing our attention on reducing the CO₂ emissions of our own fleets of vehicles.

CO₂ in the Ballast Nedam supply chain

The environmental impact of services and products in our supply chain (scope 3, purchase and sale of services and products) is determined on the basis of a lifecycle analysis (LCA). In 2016, we performed LCAs for our own asphalt mixes and these were approved/accepted in 2017. In 2018, we carried out the first of our own LCAs for the Blankenburg project. Our aim is to perform LCAs together with our suppliers/subcontractors for more products. After all, energy savings will not be achieved by focusing only on our own consumption. We will need to work together with the chains in which we are active to find concrete ways to bring consumption down.

6.4 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 precluding 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 optimising waste management procedures where possible. Circularity is
 the motto here and tools like Madaster and openBIM will be supported.

Objectives and results

We have adopted a lifecycle approach to the use of materials: instead of accepting waste, we do everything we can to prevent it or, otherwise, ensure it is reused smartly. That not only means separating waste and disposing of it properly, but also designing, purchasing and building more smartly. We assess the environmental impact of materials and processes on the basis of an LCA.

Ballast Nedam has set the following targets:

- The percentage of construction and demolition waste (CDW) is a measure of the extent to which waste is separated on the construction site. A target separation rate should be set for each division or project. The target (KPI) for Ballast Nedam as a whole is a separation rate of 65% (100% minus %CDW and commercial waste). The percentage may vary from one project to another and depends on the materials used (or required), the space available on the construction site and the scope of the activities.
- In the case of projects where it is impossible to separate waste, agreements will be made with
 processors to separate waste at the processing site.

With a waste segregation of 71% Ballast Nedam scores above the objective of 65%. The waste segregation including subsequent separation is 88.8%.

Waste and materials in the chain

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

6.5 Human resources

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

Growth

Our ambition to become the most competitive construction company requires people. Getting the right people for the right job is one of our greatest challenges in a competitive labour market. By creating an entrepreneurial atmosphere, proving excellent (international) career opportunities for aspiring employees and by having a presence at schools and universities we build a strong employer brand that sets us apart from the competition.

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

Total employees	Male	Female
1.713	88%	12%

Focus in HR

Our business focus on effectiveness and cost efficiency was also applied to our human resources processes in 2018. Our current processes, procedures, systems and tools are under review and overall delivery of services our managers and employees have been strengthened.

6.6 Safety

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

Policy

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

Objectives and results

The injury frequency ("IF") for 2018 was 5.42 (2017: 5.29). We will continue to make every effort to reduce the number of accidents.

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

- the positive influence of the safety management system and Safety is as simple as ABC "Always be Careful" safety campaign.
- there were a relatively large number of expiring and starting projects in 2017. In these project phases, accidents occur less than in a project in progress. In 2018, more projects went into physical implementation. This increases the chance of an accident.

Responsibility

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

Leadership

Dialogue concerning safety is mandatory. The 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, personnel works 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 organisations.

Safety is as simple as ABC "Always be Careful"



We started our company-wide safety campaign in 2016. The philosophy behind the ABC campaign can be described as follows: ABC is the beginning of the alphabet. Safety is always a priority! Safe working must by default be simple and efficient: people work as efficiently as possible. We must ensure that the most efficient method is also safest one! Careful can be translated into the duty of care of the employer towards its employees: we

borrow the employee from his or her family and it is our responsibility to ensure he or she returns home safe every evening! Everyone should always be vigilant about the risks we run. The ABC safety campaign is not tied to a company name. This makes it suitable to be used by all Ballast Nedam companies and on all projects. The English text is easy to understand for various non-Dutch employees, contract partners and parent organisations.

In 2018, the following issues were developed in the context of the ABC campaign:

- A central HSE risk inventory database / system
- Project websites for registering and investigating accidents connected to analyze software
- ABC app for low-threshold reporting of unsafe situations and actions and accidents, linked to the project websites
- Participation in the national day safety in construction on 16 March 2018
- ABC communication in the form of newsletters, toolbox meetings, ABC alerts and information boards
- Some articles for positively rewarding safe behavior
- More deployment of safety experts on projects.

Governance Code 'Safety in the Construction Industry'

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

Ballast Nedam actively participates in the Governance Code for Safety in the Construction Industry.

The following national initiatives were taken in 2018 derived from the Governance Code on Safety in the Construction Industry:

- Knowledge sharing of accidents and best practices
- Developing a generic gate instruction for construction projects
- Initiating a national day of safety in construction every 3rd Friday of March of the year
- Developing harmonised working methods for safety in the tender phase
- Developing harmonised working methods for transporting excavation buckets
- Developing harmonised working methods for reversing protection for rolling equipment.

6.7 Business ethics and integrity

We at Ballast Nedam we apply an enhanced and consistent business ethics and compliance policybased on our corporate values and adherence to generally accepted standards.

Culture

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

Objectives and results

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

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

We take every report seriously and will take appropriate actions and measures and aim to have every report dealt with within 48 hours. For the year 2018, there were several individual investigations that were dealt with and completed on an individual case-by-case basis, and no legal action was taken on corruption or anti-competitive behaviour.

Compliance organisation

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

Third-party and transaction screening

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

7 Consolidated Financial Statements

7.1 **Consolidated statement of financial position**

ASSETS	Notes	31 December 2018	31 December 2017*
Current Assets		458,563	396,089
Cash and cash equivalents	3	146,192	121,052
Trade receivables	4	89,317	88,497
Other short-term receivables	5	56,462	34,752
Inventories	6	107,400	104,560
Short-term prepaid expenses	7	21,213	3,706
Contract assets	8	31,973	26,804
Assets classified as held for sale	9	6,006	16,718
Non-Current Assets		124,791	85,118
Investments accounted for using the equity method	10	13,579	9,214
Investment property	11	41,785	35,255
Property, plants and equipment	12	38,643	34,460
Intangible assets	13	3,079	3,200
Other non-current assets	14	27,705	2,989
TOTAL ASSETS		583,354	481,207

* Reference is made to Note 2.6 for the impact of presentation changes due to implementation of IFRS 15

LIABILITIES	Notes	31 December 2018	31 December 2017*
Current Liabilities		423,417	428,717
Short-term borrowings	15	-	88
Current portion of long-term borrowings	15	76,466	58,026
Trade payables	16	154,617	136,561
Other short-term payables	17	22,619	32,479
Contract liabilities	8	112,084	112,971
Prepayment received on inventories	6	-	7,887
Payables for employee benefits	18	10,973	11,083
Short-term provisions		37,579	46,155
 Provision related with employee benefits 	18	3,569	5,376
- Other short-term provisions	19	34,010	40,779
Corporate income tax liability	20	80	1,987
Other short-term liabilities	21	8,999	9,292
Liabilities directly associated with assets classified			
as held for sale	9	-	12,188
Non-Current Liabilities		95,215	38,324
Long-term borrowings	15	79,696	33,113
Long-term provisions		15,519	5,211
- Provision related with employee benefits	18	2,275	2,842
- Other long-term provisions	19	13,244	2,369
SHAREHOLDER'S EQUITY	23	64,722	14,166
Equity attributable to owners of the parent		64,643	14,086
Paid in capital		2,203	2,203
Share premium		333,870	291,497
Accumulated losses		(276,817)	(278,680)
Other reserves		6,530	-
Other accumulated comprehensive income / loss to			
be reclassified in profit or loss		(1,143)	(934)
Non controlling interest		79	80
TOTAL LIABILITIES AND SHAREHOLDER'S			
EQUITY		583,354	481,207

 * Reference is made to Note 2.6 for the impact of presentation changes due to implementation of IFRS 15

7.2 Consolidated statement of profit and loss

	Notes	1 January- 31 December 2018	1 January- 31 December 2017
- Revenue	24	740,052	740,560
- Cost of revenue	25	(714,005)	(717,363)
GROSS PROFIT		26,047	23,197
- General administrative expenses	26	(22,850)	(38,197)
- Other operating income/ (expense) from main activities	27	1.802	(9.098)
- Fair value gains and (losses) from investment property	11	6,530	(2,115)
OPERATING RESULT		11,529	(26,213)
 Share of investments valued using equity method profit / (loss) 	10	2,310	(15,646)
RESULT BEFORE FINANCE EXPENSES		13,839	(41,859)
- Financing expenses	28	(4,052)	(2,522)
RESULT FOR TAXATION		9,787	(44,381)
Tax expenses			
- Income tax expenses	29	(78)	(68)
NET RESULT FOR CONTINUING OPERATIONS		9,709	(44,449)
Net result from discontinued operations	30	2,627	-
NET RESULT FOR THE YEAR		12,336	(44,449)
Attributable to:			
Non-controlling interest		21	81
Owners of the parent		12,315	(44,530)
		12,336	(44,449)
7.3 Consolidated statement of comprehensive income

	1 January - 31 December 2018	1 January - 31 December 2017
Net result for the year	12,336	(44,449)
Other comprehensive income, net of tax to be reclassified to profit & loss in subsequent periods		
Foreign currency translation reserve	(51)	(20)
Share of other comprehensive income of investments accounted for using the equity method	(406)	337
Other comprehensive income for the period, net of tax	(457)	317
Total comprehensive income for the period	11,879	(44,132)
Owners of the parent	11,879	(44,207)
Non-controlling interest	-	75
Total comprehensive income for the period	11,879	(44,132)
Attributable to:		
Continuing operations	9,252	(44,132)
Discontinued operations	2,627	
	11,879	(44,132)

The other comprehensive income includes € nil thousands of tax (2017: € nil thousand).

7.4 **Consolidated statement of changes in equity**

	Paid in capital	Share Premium	Currency translation reserve	Other reserve	Accumulated losses	Non- controlling Interest	Total
Opening balance 1 January 2017	2,203	239,497	194	(1,452)	(234,150)	-	6,292
Net result for the year	-	-	-	-	(44,530)	81	(44,449)
Change in currency translation reserve	-	-	(13)	-	-	(7)	(20)
Change in legal reserve	-	-		337	-		337
Other comprehensive income			(13)	337		(7)	317
Total comprehensive income	-	-	(13)	337	(44,530)	75	(44,132)
Shares (emission)	-	-	-	-	-	6	6
Share premium	-	52,000	-	-	-		52,000
Closing balance 31 December 2017	2,203	291,497	181	(1,115)	(278,680)	80	14,166
Adjustment to retained earnings from adoption of IFRS 15 / Reclass prior year	-	-	-	226	(3,922)	-	(3,696)
Opening balance 1 January 2018 (after IFRS 15 adjustment)	2,203	291,497	181	(889)	(282,602)	80	10,470
Net result for the year	-	-	-	-	12,315	21	12,336
Change in currency translation reserve	-	-	(29)	-	-	(22)	(51)
Change in legal reserve		-		(406)	-		(406)
Other comprehensive income			(29)	(406)		(22)	(457)
Total comprehensive income	-	-	(29)	(406)	12,315	(1)	11,879
Fair value change investment property		-	-	6,530	(6,530)	-	-
Share premium in cash	-	45,000	-	-	-	-	45,000
Share premium contribution as a consideration for Heitkamp	-	26,950	-	-	-	-	26,950
Share premium distribution as a consideration for Heitkamp, recognised directly into equity	-	(29,577)	-	-	-	-	(29,577)
Closing balance 31 December 2018	2,203	333,870	152	5,235	(276,817)	79	64,722

7.5 **Consolidated statement of cashflows**

	Notes	1 January - 31 December 2018	1 January - 3 Decembe 201
Cashflow from operating activities			
Net result for the year		12,336	(44,449
Adjustments to reconcile net result			
Depreciation and amortisation of non-current assets	12,13	6,475	7,45
Impairment (in)tangible assets	12	504	93
Profit / (Loss) arising from change in fair value of investment properties	11	(6,530)	2,11
Interest expense/income	28	3,137	3,64
Gain/(Loss) on disposal of property, plant and equipment and intangible			
assets	12	(1,263)	3,77
Income tax expense	29	78	6
Share in profit and loss of investments valued using equity method	10	(2,310)	15,64
Adjustment related to provisions (non cash)	18,19	(1,835)	4.95
Other gains and losses	14	(2,886)	
Movements in working capital			
Movement in inventories	6	(10,727)	(3,25
Decrease/increase due to customers under construction contracts	8	19,116	29,67
Decrease/increase in trade receivables	4	(41,482)	21,16
Decrease/increase in prepaid expenses	7	(17,507)	(43
Decrease/increase in other current assets		(5,764)	,
Increase/decrease in other current liabilities		(2,304)	(30,02
Movement in (short-term) provisions and employee benefits	18	(1,917)	(6,18
Movement in (short-term) warranty and other provisions (reversals)	19	(2,093)	(4,34
Income taxes paid	20	(1,986)	(6)
Net cash from operating activities	_0	(56,958)	63
Cashflow from investing activities			
Intangible assets			
investments	13	(760)	(83
	13	(769)	(65
Property, plants and equipment	40	(7,700)	(4.00
investments	12	(7,790)	(4,92
income from disposals		2,075	
Financial assets			
Investments		(19,718)	(17,19
Dividend received		1,502	3,21
Investment property	11	-	(37,37
Proceeds from subsidiaries after deduction of disposed cash and cash equivalents			15,89
Net cash from investing activities		(24,700)	(41,21
Cashflow from financing activities			
Interest paid	28	(3,137)	(3,64
Proceeds from borrowings	15	115,616	41,00
Repayments of borrowings	15	(50,681)	(28,47)
Capital contribution sole shareholder	-	45,000	42,00
Net cash from financing activities		106,798	50,87
Net cash change		25,140	10,29
-			i
Cash at the beginning of the year		121,052	110,76
Cash at the end of the year		146,192	121,05

7.6 **Notes to the consolidated financial statements**

1. Organisation and operations of Ballast Nedam

Ballast Nedam N.V. (the "company") was incorporated in the Netherlands. The company's corporate seat is Nieuwegein, the Netherlands, its registered office is at Ringwade 71, Nieuwegein, the Netherlands, and it is registered in the Dutch Trade Register under number 33201106. The immediate parent company is Renaissance 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 2018 financial year comprise the parent company Ballast Nedam N.V. and its subsidiaries ("Ballast Nedam" or the "Group") and Ballast Nedam's interest in associates and joint operations.

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

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 also comply with the financial reporting requirements included in Part 9 of Book 2 of the Dutch Civil Code, as far as applicable. The financial statements are prepared on a going concern basis.

The financial statements were authorised for issue by the Board of Management on 18 March 2019. The financial statements were approved and adopted by the General Meeting on 18 March 2019. With reference to the income statement of the company, use has been made of the exemption pursuant to section 402 of Book 2 of the Dutch Civil Code.

2.2 Basis of measurement and presentation

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

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

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

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

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

2.3 Financing and liquidity

During the year 2018 Ballast Nedam paid off its of \in 45 million financing package, eight months before its original maturity date of December 31st, 2018. To further strengthen the financial position, the company obtained new loans amounting to \in 115 million (refer to note 15) further the shareholder made an additional capital contribution of \in 45 million in cash, to improve the working capital and strengthen the cash position of the company.

The result of the year and the capital contribution further improved the equity position to \in 64.7 million (2017: \in 14 million). With the current cash position, management forecasts that it has sufficient means to finance its ongoing operations. The existing financing package, consisting of loan agreements with multiple financial institutions amounts to approximately \in 156 million. An amount of \in 75 million with one of our financial institutions will mature on or before 31 December 2019, of these short-term borrowings already \in 40 million has been prolonged until after 31 December 2019. Ballast Nedam also expects to exercise the prolongation option for the remaining \in 35 million loan, which is the second tranche of the \in 75 million financing facility.

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

The ultimate shareholder will continue to support and enable Ballast Nedam N.V. to complete the contemplated refinancing of, at a minimum, the existing loan values on or before 31 December 2019, and obtain sufficient guarantee facilities for the 2019 order portfolio and recently awarded projects.

2.4 Presentation comparative balances

A restatement has been made in the comparative balances to provide a more appropriate comparison.

In 2017 other short-term payables included a reservation for negative equity of joint ventures, total amount € 21,400 thousand, in 2018 this provision has been reclassed to provisions. The restatement has not changed the total liabilities on the face of the statement of financial position.

2.5 Critical accounting judgements and key sources of estimate uncertainty

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

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

In the current period, Ballast Nedam adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The standards were implemented applying the modified retrospective approach.

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

Project results

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

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

See also note 8, Contract assets and note 25, Costs of revenue.

The company manages these estimate uncertainties during the year based on experience and risk assessment models, including variance analysis. In 2018, the company continued investing in a number of more robust risk management activities for its more complex projects to enhance its estimate and assessment process. Including independent assessments from the management of the project, which assesses risks and their potential financial impact.

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

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

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

The adoption of IFRS 15 required changes in the Group's accounting policies and significant judgements and estimates are used in determining the impact of IFRS 15, such as the identification of performance obligations, assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assessment of the probability of contractual penalties and bonusses. In chapter 2.5 Adoption of the new and the revised International Financial Reporting Standards, we discuss the critical accounting judgements.

Land positions

Land positions are acquired for future development purposes and are recognised at the lower of cost and net realisable value. The net realisable value depends on the expected manner and timing of realisation. The net realisable value is the estimated revenue in the normal course of business less the estimated costs of completion and selling. The future cashflows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 7.2%, inflation has not been included for either revenues or costs, indices are only taken into account if contractually agreed and interest is not capitalised. See further explanation in note 6 Inventories.

Investment properties

Investment properties are stated at fair value. An external, independent valuator having appropriately recognised professional qualifications values the investment property at least annually. The independent valuation report was obtained at year end 2018. The method to determine the fair value which is applied is the income capitalisation approach, with the discounted cash flow method used as a second, sense check calculation. The fair value measurement for investment properties has been categorised as a Level 3 fair value. In the valuation approach assumptions are included amongst others on estimated net rental income, investments, inflation and discount 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 utilises judgement to decide the amount of deferred tax asset recognised due to accumulated losses. A deferred tax position is individually assessed by tax region.

Provisions

Provisions for onerous contracts, restructuring, warranties and associates and joint ventures are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. By their nature, provisions include uncertainty and if the actual outcome differs from the assumptions as to anticipated costs, the estimated provisions will be revised, and this could have an effect on the financial position and results of Ballast Nedam. For additional information concerning provisions, see note 19.

Onerous contracts IFRIC is discussing the measurement of provisions for onerous contracts, as the specific guidance under IAS 11 no longer applies. Ballast Nedam has taken the position that it will continue to apply its current approach based on the assessment of integral contract costs versus total contract revenues. Related to onerous contracts, the company considers the interaction between loss making performance obligations and profitable performance obligations within one contract.

2.6 Adoption of the new and the revised International Financial Reporting Standards Ballast Nedam has applied for the first time the following new standards which are effective commencing 1 January 2018:

IFRS 9 Financial Instruments

IFRS 15 Revenue from contracts with customers

In addition, multiple amendments to existing standards and interpretations came into effect on 1 January 2018. Management analysed these amendments and concluded that the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

IFRS 9 Financial Instruments

Ballast Nedam has adopted IFRS 9 Financial Instruments from 1 January 2018. The standard replaces IAS 39 Financial Instruments: Recognition and Measurement IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. Ballast Nedam does not apply hedge accounting. The comparative information has not been restated and continues to be reported under IAS 39.

The adoption of IFRS 9 required changes in the Group's accounting policies and judgements. Estimates are used in determining the impact of IFRS 9, such as the assessment of the expected credit losses. The adoption of IFRS 9 does not have a significant impact on the consolidated financial statements of Ballast Nedam NV in terms of classification and measurement, impairment and hedge accounting. Ballast Nedam did not identify any material adjustments to carrying amounts of financial assets or liabilities and consequently no adjustments are recognised at the beginning of the current reporting period.

(i) Classification and measurement

Under IFRS 9 classification of financial assets will be based on the characteristics of the financial asset and the business model under which the financial asset is held. The business model under which a financial asset is held is determined on the basis of how an entity manages such assets.

Ballast Nedam assessed which business models apply to the financial assets held and has classified its financial instruments into the appropriate IFRS 9 categories. As a result of this no reclassifications needed to be recognised. Furthermore Ballast Nedam did not identify a significant impact on its balance sheet or equity on applying the classification and measurement requirements of IFRS 9. Financial assets like loans and trade receivables previously accounted for at amortised costs continue to be measured at amortised cost under IFRS 9. These assets are held to collect contractual cashflows and are expected to give rise to contractual cashflows representing payments solely of principal and interest. Ballast Nedam continues measuring at fair value all financial assets previously held at fair value.

(ii) Impairment

IFRS 9 requires Ballast Nedam to record expected credit losses (ECL) on all of its loans and trade receivables. Ballast Nedam made use of the expected credit loss simplified approach which allows entities to recognise lifetime expected losses on all these assets without the need to identify significant increases in credit risk. Ballast Nedam utilised a practical expedient for calculating the estimate ECL and established a provision matrix to estimate ECL for these financial instruments. The approach had no material impact regarding the credit provisions, which under IAS 39 Financial Instruments were based on the incurred loss model. Ballast Nedam has limited credit risk on trade receivables mainly due to the type of clients (e.g. government), pre-financing on projects and retention rights.

IFRS 15 Revenue from Contracts with Customers

Ballast Nedam has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. IFRS 15 establishes a comprehensive framework, a five-step approach, for revenue recognition. The standard replaces IAS 18, Revenue, and IAS 11, Construction contracts and related interpretations, including IFRIC 15, Agreements for the construction of real estate. Ballast Nedam has applied IFRS 15 using the modified retrospective approach and applied the following available practical expedients:

- for completed contracts, an entity need not restate contracts that:
 - o begin and end within the same annual reporting period; or
 - $\circ\;\;$ are completed contracts at the beginning of the earliest period presented
- for contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications in accordance with IFRS 15 paragraphs 20–21. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:
 - \circ $\;$ identifying the satisfied and unsatisfied performance obligations;
 - o determining the transaction price; and
 - o allocating the transaction price to the satisfied and unsatisfied performance obligations.
- for all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue

The comparative information has not been restated and continues to be reported under IAS 11 and IAS 18. The effect of the implementation of IFRS 15 is therefore recognised in the opening balance of equity in 2018. This paragraph includes both the accounting policy and the effects of the change in the accounting policy.

The adoption of IFRS 15 required changes in the Group's accounting policies and significant judgements and estimates are used in determining the impact of IFRS 15, such as the assessment of the probability of customer approval of variations and acceptance of claims, estimation of project completion date and assessment of the probability of contractual penalties and bonusses.

The implementation impacted group equity at 1 January 2018 by approximately EUR -3,7m, mainly due to accounting of variable considerations as further explained, and affected the recognition, measurement and presentation of amounts recognised in the statement of profit or loss and the balance sheet as shown in the table below.

Construction contracts

Ballast Nedam evaluates if it is possible to account for a contract at the contract level as a single performance obligation or the promises in the contract are distinct and qualify as a separate performance obligation, (see paragraph *(i) performance obligations*). In determining the transaction price Ballast Nedam takes into account the variable considerations. The transaction price (and any subsequent changes in estimate of the transaction price) is allocated to each separate performance obligation based on the relative stand-alone selling price of each performance obligation. Variations in contract price like variation orders, claims and bonusses are included to the extent that its highly probable that no significant reversal of revenue will occur (see paragraph *(ii) variable considerations*).

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

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

Stage of completion is 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 (see paragraph *(iii) revenue recognition*).

In applying IFRS 15 Revenue from Contracts for Customers for construction contracts, amongst other items Ballast Nedam considered the following:

(i) Identification of performance obligations

At the contract level Ballast Nedam is required to identify the performance obligations. IFRS 15 includes additional guidance to determine if a performance obligation is distinct. In the construction industry due to the integrated nature of the contracting activities and the fact that individual goods and services are often highly dependent and inter-related, construction contracts promise are generally not distinct and accounted for as one performance obligation. Mainly contracts in which multiple performance obligations were identified are:

- Multiple year contracts which constitute environmental area developments. Area developments include the realisation of separate constructions works like residential buildings, leisure centres, commercial buildings and parking garages. The completion of these assets takes place in different timelines and are recognised as separate performance obligations. The revenue from the identified performance obligations is recognised during the construction period.
- Residential development projects which include components such as the sale of land and the
 realisation of residential buildings. These components are identified as separate performance
 obligations. The revenue from the sale of land is realised at the moment the civil law notary
 transfers the title, while the revenue from the buildings is realised during the construction period.
- Projects which include a Construction and Maintenance phase. These components qualify as separate performance obligations. Consistent with the current accounting of Ballast Nedam, under IFRS 15 these are accounted for as separate performance obligations and therefore we did not identify any changes in the allocation of the transaction price.

The identification of performance obligations has not led to amendments in the opening balance of equity in 2018.

(ii) Variable considerations

The main variable considerations identified in our contracts for specific performance obligations relate to penalties and bonus constructions. In addition, project estimates include the valuation of claims and variation orders. IFRS 15 requires the estimated variable consideration to be constrained, until it is highly probable that no significant reversal of revenue will occur, to prevent over-recognition of revenue. The overall contract profitability is not affected and impact is only on the timing of revenue recognition. Ballast Nedam evaluated the variable considerations with the new threshold. This resulted in a limited adverse effect on equity upon transition as shown in the overall impact table below.

(iii) Revenue recognition

Revenue is recognised as soon as control is transferred to the customer. Previous requirements for revenue recognition were based on an assessment of whether the risks and rewards of ownership of a good or service had been transferred to a customer. The company's construction contracts generally meet the criteria to recognise revenue over time, for each construction contract Ballast Nedam evaluates whether any of the criteria for recognition of revenue over time are met (see above). Therefore this change in the profile of revenue recognition has not led to a change in our accounting and Ballast Nedam continues to recognise revenue over time for its construction contracts. The stage of completion on projects is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. The stage of completion on our construction contracts excludes costs for uninstalled materials and costs that are incurred to fulfil a contract, such as mobilisation costs and costs incurred due to inefficiencies. Costs for mobilisation are recognised as a separate asset if these costs are expected to be recovered, no material mobilisation costs were identified. Ballast Nedam's current projects are predominately in the Netherlands and no significant mobilisation costs are identified. Ballast Nedam does not recognise revenue for costs incurred that are attributable to significant inefficiencies in the realisation of the project that were not reflected in the contract price since these costs do not contribute to any benefits for the customer. The progress measurement in revenue recognition has not led to amendments in the opening balance of equity in 2018. Furthermore if Ballast Nedam would have continued revenue recognition in 2018 under IAS 18 the recognised revenue would be at a similar level.

(iv) Onerous construction contracts

IFRS 15 Revenue from Contracts with Customers does not contain specific guidance for onerous contracts, and instead refers to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The assessment under IAS 37 takes place on the contract level. IAS 37 does not require the revenue recognition constraints in IFRS 15 to be applied when a contract gives rise to variable consideration, but for determining the onerous contract the definition of 'economic benefits to be received' is applicable. In addition the cost base under IAS 37 is prescribed to unavoidable costs, which can be interpreted as incremental costs or integral costs. Ballast Nedam in determining the onerous construction contracts applies for revenue base the 'economic benefits to be received' and for the cost base that the unavoidable costs qualified as integral costs. The integral costs approach is in line with the IFRS 15 definition regarding costs to fulfil a contract. The measurement of onerous construction contracts has not led to amendments in the opening balance of equity in 2018.

The International Financial Reporting Interpretations Committee has an ongoing discussion about onerous construction contracts. Ballast Nedam has taken the above positions and if the outcome of the Committee is known, the impact will be evaluated.

Under IFRS 15, the presentation of provision balances for onerous construction contracts has been changed compared to IAS 11. Ballast Nedam had included the net project position as either an asset (due from customers under construction contracts) or a liability (due to customers under construction contracts). The balance had been included in 'due from customers under construction contracts' as where cost incurred plus recognised profits (less recognised losses) exceed progress billings. A contract represents a liability where the progress billings exceed cost incurred plus recognised profits (less recognised losses). The reclassification made under IFRS 15 for the provisions of onerous construction contracts is from the net contract position to a distinct provision for onerous construction contracts. The provisions show the expected negative result of the contract, based on the progress of the project.

(v) Presentation of contract assets and contract liabilities,

In addition to the reclassification of the onerous construction contracts in the balance sheet IFRS 15 requires reclassification of 'due from customers under construction contracts' and 'due to customers under construction contracts' to respectively 'Contract assets' and 'Contract liabilities'.

(vi) Warranty options

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

(vii) Financing components

Ballast Nedam has multiple long term construction contracts. IFRS 15 requires that contract revenue reflect the time value of money whenever the contract includes a significant financing component. The effects of the time value of money must be recognised separately if due to the timing of the payments the client or Ballas Nedam gains a significant financing benefit. Ballast Nedam uses the practical exception which allows deviating from this rule if there is less than a year between payment and delivery. The requirement has not resulted in amendments, mainly due to the fact that for construction contracts invoicing is based on project milestones.

The details of the significant changes and the quantitative impact of the changes are set out below:

ASSETS	31 December 2017	IFRS 15 impact	1 January 2018
Current Assets	396.089	-	396.089
Cash and cash equivalents	121.052		121.052
Trade receivables	88.497		88.497
Other short-term receivables	34.752		34.752
Inventories	104.560	(958)	103.602
Short-term prepaid expenses	3.706		3.706
Contract assets	-	27.762	27.762
Due from customers under construction contracts	26.804	(26.804)	-
Other current assets	-		-
Assets classified as held for sale	16.718		16.718
Non-Current Assets	85.118	-	- 85.118
TOTAL ASSETS	481.207	<u> </u>	481.207

LIABILITIES	31 December 2017	IFRS 15 impact	1 January 2018
Current Liabilities	428.717	3.696	432.413
Short-term borrowings	88		88
Current portion of long-term borrowings	58.026		58.026
Short-term trade payables	136.561		136.561
Other short-term payables	32.479		32.479
Contract liabilities	-	93.229	93.229
Due to customers under construction contracts	112.971	(112.971)	-
Prepayment received on inventories	7.887	(7.887)	-
Payables for employee benefits	11.083		11.083
Short-term provisions	46.155	31.325	77.480
Current tax debts	1.987		1.987
Other short-term liabilities	9.292		9.292
Liabilities directly associated with assets classified			
as held for sale	12.188		12.188
Non-Current Liabilities	38.324		38.324
SHAREHOLDER'S EQUITY	14.166	(3.696)	10.470
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	481.207		481.207

Revenues generated from sale of flats or residential units

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

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

Rendering of services

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

Revenue is measured at the transaction price agreed under the contract taking into account the variable considerations. Consistent with construction revenue, incentives, variation orders, and claims are subject to the same higher threshold criteria and revenue is only recognised to the extent it is highly probable that a significant reversal of revenue will not appear. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management. Due to the nature of the services, this estimate uncertainty is limited.

While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component. Ballast Nedam did not identify any changes to service contracts since previously revenue also was recognised according to maintenance progress.

Contract costs

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

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

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

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

Cost of revenue includes, but is not limited to, personnel expenses, raw materials and supplies expenses, worksite expenses, subcontractor expenses, transportation and customs expenses, cost from sale of residential units, consultancy expenses, office administration expenses, flight operations expenses, depreciation and amortisation expenses, insurance expenses, machinery, equipment and

other rent expenses, energy and fuel expenses, tax and legal expenses, travel expenses, cost of goods sold, provision for doubtful receivables, provision for impairment of inventories, cost of electricity sold, energy transmission and distribution expenses, maintenance and repair expenses, outsourcing expenses, operating expenses, heating expenses, other utilities expenses etc.

New and revised IFRS in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019. The Group has not applied the following relevant new and revised IFRS 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 16

Leases – effective 1 January 2019

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 16 Leases

Ballast Nedam has a small portfolio of leases. The current lease commitments are disclosed in notes 32. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a way similar to finance leases under IAS 17 with recognition of exemptions for leases of 'low-value' assets and short-term leases. These exemptions are expected to be applied. Lessees recognise a liability to pay rent with a corresponding asset in the consolidated statement of financial position, and recognise interest expense and depreciation separately in the consolidated statement of profit and loss. Reassessment of certain key considerations (e.g., lease term, indexes, discount rate) by the lessee is required upon certain events. The Company does not expect any significant impact from this reassessment. 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.

IFRS 16 will have an effect on key balance sheet metrics such as leverage and finance ratios and statement of income, such as earnings before interest, taxes, depreciation and amortisation and earnings before interest, tax, depreciation and amortisation (EBITDA). Under IFRS 16 a front-loaded expense profile arises since Ballast Nedam will recognise a right of use asset which will be amortised on a straight line basis and a financial liability for the future rental payment obligations. Also, the statement of cashflows will be affected as payments for the principal portion of the lease liability will be presented within financing activities. Ballast Nedam continues to assess the impact of IFRS 16. Based on current views, Ballast Nedam will apply the modified retrospective approach utilising practical expedients and comparative information will not be restated. Ballast Nedam will, for leases previously classified as operating leases, measure the lease liability as the present value of the remaining lease payments. The right-of-use asset will be equal to the lease liability as of adoption date. The current lease portfolio has some extension options, since it's not reasonably certain Ballast Nedam will exercise the options to extend these have not been included in determination of the lease assets and liabilities. The management use judgement to determine the lease period, whereby extension options will not be utilised. The increase in the balance sheet total is expected to be in a range of 3% - 4%. The impact on solvency due to the recognition of new assets and liabilities will be limited. IFRS 16 will not impact the profitability of Ballast Nedam over the full lease term, although EBITDA will slightly increase due to changes in the classification. Under IAS 17 Ballast Nedam recognised lease expenses in EBITDA, this changes under IFRS 16, except for the expenses related to the short-term and low value leases for which practical expedient will be used, since expenses, for which IFRS 16 will be applied, will be classified as depreciation and interest expense. Therefore EBITDA is expected to increase by an amount comparable to lease commitments excluding the impact of short-term and low value lease expenses for which practical expedients will be used, for 2019 disclosed in note 32.

2.7 Consolidation principles

Subsidiaries

Subsidiaries are entities in which Ballast Nedam directly or indirectly has control. Control exists if Ballast Nedam has power over the entity, is exposed or has rights to variable returns because of its involvement with the entity; and can use its power over the entity to affect the size of these returns. These subsidiaries are consolidated in full and minority interests and where applicable, are separately disclosed. These entities are included in the consolidated financial statements from the date on which control commences until the date on which the control ceases.

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

Associates and joint ventures

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

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

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

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

Joint operations

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

Elimination of transactions for consolidation purposes

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

2.8 Significant accounting policies

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost less a provision for expected credit losses. In measuring the amount of the provision for expected credit losses, Ballast Nedam made use of the simplified approach involving consistent recognition of an allowance at an amount equal to lifetime expected credit losses. To calculate the expected credit losses Ballast Nedam established a provision matrix which is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Contract assets and liabilities

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

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

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

Inventories

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

Land positions are acquired for future development purposes and are recognised at the lower of cost and net realisable value. The net realisable value depends on the expected manner and timing of realisation. The net realisable value is the estimated revenue in the normal course of business less the estimated costs of completion and selling. The future cashflows are estimated using scenario and sensitivity analyses. The present value estimates are based on a discount rate of 7.2%. In principle these holdings are not 'in production' and development costs are consequently not capitalised. Interest is capitalised subject to meeting the conditions for capitalising finance expense and at the time the land position is actively developed. The associated costs are expensed. Planning permits and building permits are included in landholdings.

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

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

Finished goods are measured at the lower of cost and net realisable value. The cost of finished goods is based on the first-in, first-out (FIFO) principle. The cost includes interest subject to meeting the

conditions for capitalising finance expense. The cost of finished goods includes directly attributable indirect costs on the basis of normal production capacity.

Assets and liabilities held for sale and discontinued operations

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

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

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

Investment properties

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

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

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

Property, plant and equipment

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

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

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. In 2018 and 2017, there are no capitalised borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

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

Goodwill

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

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

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

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

Intangible assets

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

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

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

Computer software

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

Impairment of tangible and intangible assets other than goodwill

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

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

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

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

Financial assets

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial assets are classified as either 'debt instruments at amortised costs' or 'financial assets at fair value through profit and loss. The Company does not have any "derivative financial instruments".

The financial assets include receivables in respect of Public-Private Partnership (PPP) agreements, trade and other receivables, cash and cash equivalents. These financial assets are carried at amortised cost since these financial assets are assets with the objective to collect contractual cash flows of the debt instruments and the contractual terms of the financial asset give rise on certain dates to cash flows exclusively concerning repayments of principal and interest payments on the outstanding amount. On initial recognition, the amount of financial assets is measured at fair value. Subsequently the financial assets are carried at amortised cost using the effective interest method and are subject to impairment.

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

Trade and other payables

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

Current tax

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

Current and deferred tax for the period

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

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

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

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

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

Long-term loans

On initial recognition, long-term loans are measured at fair value less attributable transaction costs. Interest-bearing loans are subsequently carried at amortised cost, with any difference between the cost and the amount repayable recognised in the income statement over the term of the loans on the basis of the effective interest method. Borrowing costs are capitalised only when they are attributable to qualifying assets (none in 2017 and 2018).

Pensions

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

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

Employee benefits other than pensions

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

Provisions

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

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

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

Equity

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

Dividends

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

Rental income from investment properties

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

Net finance expense

The net financing expense comprises the interest income and expense including those on borrowings calculated using the effective interest method. The interest component of the financial lease instalments is recognised in the income statement using the effective interest method.

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

Income tax expense

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

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

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

Statements of cashflows

Current period statements of cashflows are categorised and reported as operating, investing and financing. Cashflows from operating activities show that cashflows provided from Group's operations. Cashflows from investing activities summarise the Group's cashflows used in or generated from investing activities (fixed and financial investments). Cashflows from financing activities summarise the Group's cashflows from liabilities and the back payments of these liabilities benefited in financing needs of the Group.

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

The cashflow statement is prepared utilising the indirect method.

2.9 Related parties

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

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

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

3 Cash and cash equivalents

Balances consists of bank balances available on demand without restrictions.

4 Trade receivables

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

Current trade receivables	31 December 2018	31 December 2017
	00 515	77 400
Contract receivables	80,515	77,402
Retention held by clients	104	103
Trade receivables	8,699	13,378
Trade receivables from related parties	1,840	47
Allowance for doubtful trade receivables (-)	(1,841)	(2,433)
	89,317	88,497

The Group uses prepayments, guarantees and collateral on projects under construction in order to limit the credit risk on the above categories of instalments and trade receivables. The average collection period is 45 days (2017: 46 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 31. The aging of overdue receivables is as follows:

	31 December 2018	31 December 2017
Overdue by 1-30 days	19.206	13.685
Overdue by 1-3 months	3,245	3,722
Overdue by 3-12 months	2,716	3,896
Overdue by 1-2 years	2,394	5,921
Total overdue receivables	27,561	27,224

Movements on the Group's provision for allowance of trade receivables are as at 31 December 2018 and 31 December 2017 as follows:

Movement of allowance for doubtful receivables	1 January - 31 December 2018	1 January - 31 December 2017
Balance at the beginning of the period	(2,433)	(2,606)
Charge for the period	(826)	(301)
Reversal	483	-
Collections	935	474
Balance at end of the period	(1,841)	(2,433)

5 Other short-term receivables

Other short-term receivables	31 December 2018	31 December 2017
Non-trade receivables from related parties	35,775	23,418
VAT receivable	5,764	-
Other receivables	14,923	11,334
	56,462	34,752

Non-trade receivables from related parties include receivables from joint ventures and associates. Other receivables include primarily the Group's share of receivables of partners in the joint operations, totalling \in 8,362 thousand (2017: \in 6,458 thousand).

6 Inventories

	31 December 2018	
Raw materials	6,539	2,644
Lands to be developed for projects	92,426	93,532
Residential units to be sold	3,639	1,980
Residential units under development	-	958
Finished goods	4,891	5,541
Allowance for inventory	(95)	(95)
-	107,400	104,560

The accumulated impairment recognised within land to be developed for projects amounts to \in 12,623 thousands (2017: \in 19,182 thousands). In 2018, reversal of the impairment due to a number of land positions to lower net realisable value amounted to \in 3,434 thousands (2017: \in 878 thousand impairment). The remaining movement in impairments recognised \in 3,125 is due to sale of impaired land plots against book value during the year. The allowance for inventory amounts to \in 95 thousands (2017: \in 95 thousands).

7 Short-term prepaid expenses

Prepaid expenses of the amount \in 21,213 thousand (2017: \in 3,706 thousand) are mainly related to the general administrative expenses and include mainly prepayments for insurance and rent costs.

8 Contract assets and contract liabilities

	3	1 December 20	18
	Contract assets	Contract liabilities	Net position
Cost less provisions for losses and risks, plus profit based on percentage of completion	370,609	602.166	
completion	370,009	002,100	
Less: progress billings	(338,636)	(714,250)	
Total	31,973	(112,084)	(80,111)

Ballast Nedam has adopted IFRS 15 as of 1 January 2018 and applied IFRS 15 using the modified retrospective approach (with utilizing some available practical expedients). The impact and practical expedients applied are outlined in section 2.6 and therefore table above does not disclose prior year comparative numbers.

The value of contract assets and liabilities is assessed periodically for each project by the project manager and the management of the entity concerned. Estimates are an inherent feature of this process and the assessment is made on the basis of records in project files, cost monitoring, including estimates of financial settlements of projects such as contract variations and claims. It may turn out at a later stage that actual results differ from the estimates. This is particularly relevant for long-term projects that include considerable customisation. It can also occur if there are unsettled claims or discussions with clients about additional work that are still continuing on the closing date. Further consideration about project estimates are included in paragraph 2.5.

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

The contract assets and liabilities predominantly have a term of less than 12 months. The revenue recognised that was included in the contract liability balance at the beginning of the period amounts to 112,971.

Transaction price remaining performance obligations

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

	2019	2020	After 2020	Total
Expected revenue from (partially) unsatisfied performance obligations with original expected duration of > 1 year	812,767	393,544	452,101	1,658,412

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

Ballast Nedam measures assets classified as held for sale at the lower of carrying amounts and fair value less costs to sell.

Assets classified as held for sales includes assets of IQ Woning. The impact on the consolidated statement of financial position of Ballast Nedam is shown in the table below.

	31 December 2018	31 December 2017
Property, plants and equipment	6,006	15,182
Inventories	-	-
Trade receivables	-	1,536
Financial assets	-	-
Total assets	6,006	16,718
Current liabilities	-	(11,534)
Non-current liabilities		(654)
	-	(12,188)
Net assets of assets held for sale	6,006	4,530

Prior year balances included Ballast Nedam Environmental Engineering, assets of IQ Woning and Hotel Merici . Ballast Nedam Environmental Engineering has been transferred to property, plant and equipment since the management no longer has the intention to sell it.

10. Investments accounted for using the equity method

At 31 December 2018 the joint venture IXAS Gaasperdammerweg B.V., in opinion of management, is material to the group. This entity is listed below and has share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. In general, the payment of dividend and/or depositing of temporary liquidity surpluses from joint ventures depends on the authorisations of other shareholders.

Set out below is the joint venture of the Group as at 31 December 2018 that is individually material to the Group.

Nature of investment in the joint venture in 2018 and 2017:

	Principal activity	Country of incorporation	% Inte	erest
			31 December 2018	31 December 2017
IXAS Gaasperdammerweg B.V.	Construction	Netherlands	33.33%	33.33%

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

	IXAS Gaasperdammerweg B.V.		
	31 December 2018	31 December 2017	
Cash and cash equivalents	7,660	8,497	
Other current assets	<u>10,322</u>	<u>10,725</u>	
Current asset	17,982	19,222	
Non-current asset	0	0	
Current liabilities	(11,461)	(53,312)	
Non-current liabilities	0	0	
Net Assets	6,521	(34,090)	
Revenue	88,161	190,944	
Net result	17,340	(18,222)	
Share in result	5,780	(6,074)	
Net assets	6.521	0	
Share in equity	33.33%	33.33%	
Carrying amount	2,174	0	

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

The Group's share in the joint venture IXAS Gaasperdammerweg B.V. is based on its share in the members' capital. Net negative value of the joint venture € 11,363 in 2017 is presented as part of the provision for negative joint venture balances (refer for further details to note 19).

Set out below is the aggregate information to the Group. Note that the net result composes of profit or loss from continuing operations and equals to total comprehensive income.

	31 December 2018	31 December 2017
Share in net result joint venture that is material to the Group	5,780	(6,074)
Share in net result joint ventures that are not individually material to the Group	(5,166)	(11,648)
Share in net result associates that are not individually material to the Group	1,696	2,076
	2,310	(15,646)

	31 December 2018	31 December 2017
Share in equity joint venture that is material to the Group	2,174	0
Share in equity joint ventures that are not individually material to the Group	5,481	3,847
Share in equity associates that are not individually material to the Group	5,924	5,367
	13,579	9,214

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

Investments	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance	9.214	13.188
Share on profit / loss of investments valued using equity method	(3.470)	(9.572)
Dividends received	(1.502)	(3.214)
Disposals	(197)	(5.762)
Transfer to provision negative joint ventures	(4.601)	92
Funding joint ventures	11.961	14.482
	-	
Closing balance	11.405	9.214

11 Investment property

	31 December 2018	31 December 2017
Investment properties	41,785	35,255
	41,785	35,255
Investment property	1 January -	1 January -
	31 December 2018	31 December 2017
Opening balance	31 December 2018 35,255	31 December 2017 5,412
Opening balance Investments		
		5,412
Investments		5,412 37,370

The investment property relates to the Rotterdam Building which was acquired during fourth quarter of 2017. The net income from operational leases is limited and extension of mainly short-term leases depends on future development of the Rotterdam Building. Ballast Nedam utilises an external, independent valuator who having the appropriately recognised professional qualifications, values the investment property at least annually. The independent valuation report was obtained at year end 2018. The method to determine the fair value which is applied is the income capitalisation approach, with the discounted cash flow method used as a second, sense check calculation. The fair value measurement for investment properties has been categorised as a Level 3 fair value. The main level 3 inputs are rental values, square meters, discount rates (7%), inflation rate (1.5%) and internally based budgets based on management's experience and knowledge of property construction and market conditions.

12 Property, plants and equipment

	Buildings	Machinery and equipment	Other tangible assets	Total
Cost				
Opening balance 1 January 2018	42,331	111,622	13,208	167,161
Additions	2,674	4,009	1,107	7,790
Disposals	(776)	(4,828)	(8)	(5,612)
Assets held for sale	3,483	737		4,220
Closing balance 31 December 2018	47,712	111,540	14,307	173,559
Accumulated depreciation and				
impairment 0010	(05.000)	(24.224)	(40,004)	(100 704)
Opening balance 1 January 2018 Cum, depreciation - disposals	(25,639) 479	(94,981) 4,321	(12,081)	(132,701) 4,800
Assets held for sale	(675)	(251)	-	4,800 (926)
Depreciation	(1,662)	(3,551)	(372)	(5,585)
Impairment	(1,002)	(3,331)	(372)	(5,583)
Exchange rate fluctuation input	(121)	(303)	-	(304)
Closing balance 31 December 2018	(27,618)	(94,845)	(12,453)	(134,916)
Carrying value as of 31 December 2018	20,094	16,695	1,854	38,643
	Buildings	Machinery and equipment	Other tangible assets	Total
Cost				
Opening balance 1 January 2017	53,352	118,169	15,189	186,710
Additions	1,374	2,811	743	4,928
Disposals	(1,644)	(5,520)	(2,724)	(9,888)
Assets held for sale	(10,751)	(3,838)	<u> </u>	(14,589)
Closing balance 31 December 2017	42,331	111,622	13,208	167,161
Accumulated depreciation and impairment				
Opening balance 1 January 2017	(27,210)	(96.856)	(14,333)	(138,399)
Cum, depreciation - disposals	1,067	4,476	2,718	8,261
Assets held for sale	2,560	2,729	-	5,289
Depreciation	(2,028)	(4,412)	(451)	(6,891)
Impairment	(28)	(893)	(15)	(936)
Exchange rate fluctuation input		(25)		(25)
Closing balance 31 December 2017	(25,639)	(94,981)	(12,081)	(132,701)
Carrying value as of 31 December 2017	16,692	16,641	1,127	34,460

Other tangible assets mainly include lease hold improvements and ICT hardware. Impairments are mainly related to asset held for sale fair value adjustment. The immaterial movement of discontinued operations of property, plants and equipment has not been included in above table.

There are no property, plants and equipment are pledged as collateral under the bank loan agreements (2017: € 14,525 thousand).

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.

From the total depreciation of \in 5,585 thousand (2017: \in 6,891 thousand) \in 4,577 thousand was charged to costs of revenue (2017: \in 3,586 thousand) and \in 1,008 thousand to general costs (2017: \in 3,305 thousand).

13 Intangible assets

Cost	Rights	Other	Goodwill	Total
Opening balance 1 January 2018 Addition	4,987 231	8,804 538	1,023	14,814 769
Closing balance 31 December 2018	5,218	9,342	1,023	15,583
Accumulated Amortisation				
Opening balance 1 January 2018	(3,867)	(7,747)	-	(11,614)
Amortisation	(609)	(281)	-	(890)
Closing balance 31 December 2018	(4,476)	(8,028)	-	(12,504)
Carrying balance as of 31 December 2018	742	1,314	1,023	3,079

Cost	Rights	Other	Goodwill	Total
Opening balance 1 January 2017	4,718	8,242	1,023	13,983
Addition	269	562	-	831
Closing balance 31 December 2017	4,987	8,804	1,023	14,814
Accumulated Amortisation				
Opening balance 1 January 2017	(3,504)	(7,542)	-	(11,046)
Amortisation	(363)	(205)	-	(568)
Closing balance 31 December 2017	(3,867)	(7,747)	-	(11,614)
Carrying balance as of 31 December 2017	1,120	1,057	1,023	3,200

Rights consist of the concessions for high-grade primary raw materials in the Netherlands. Amortisation is proportionate to extraction. The remaining weighted average amortisation period for concessions at year end was approximately 20 years (2017: 20 years). Ballast Nedam incurred no significant exploration costs in 2018 for raw materials and minerals with unproven technical or commercial extraction potential. The immaterial movement of intangible assets of discontinued operations has not been included in above table.

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

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

The amortisation of € 890 thousand was included in the cost of revenue (2017: € 568 thousand).

Goodwill

Goodwill is allocated at acquisition date, to the cash-generating units. An impairment test is performed annually, or earlier if there are indications of impairment. The recoverable amount of the cash-generating unit was determined based on projections for 2018 – 2020. The key assumptions for the value-in-use calculations are those regarding discount rate, revenue growth rate and profit before tax margin. There are no current or accumulated impairment losses on goodwill.

14 Other non-current assets

The balance includes long-term receivables from related parties. In 2018 this amount was € 27,645 thousand, see note 33 for further details. (2017: nil).

15 Short- / long-term borrowings

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

Net debt	31 December 2018	31 December 2017
Cash and cash equivalents	146,192	121,052
Borrowings - repayable within one year	(76,466)	(58,114)
Borrowings - repayable after one year	(79,696)	(33,113)
Net debt	(9,970)	29,825
Cash and cash equivalents	146,192	121,052
Gross debt - fixed interest rates	(60,170)	(20,835)
Gross debt - variable interest rates	(95,992)	(70,392)
Net debt	(9,970)	29,825

Net assets

Net debt and cash as at 1 January	Cash/ short- term financial debt	Finance leases repayable within one year	Borrowings - repayable within one year	Borrowings - repayable after one year	Total
2017	110,760	(15)	(16,803)	(61,900)	32,042
Cash flow movement	10,292	15	(41,311)	28,787	(2,217)
Net debt and cash as at 31 December 2017 	121,052	<u> </u>	(58,114)	(33,113)	29,825
Restatement on adoption of IFRS 9 Net debt and cash as at 1 January	-	-	-	-	-
2018	120,964		(58,114)	(33,113)	29,825
Cash flow movement	25,140	-	(18,352)	(46,583)	(39,795)
Net debt and cash as at 31 December 2018 =	146,192		(76,466)	(79,696)	(9,950)

Liabilities from financing activities

Applicable margin of the bank loans which are fixed interest rate is between 1% and 3.8%, floating interest rate is between 2.3% and 4.5%. The majority of the loans have floating interest rates (Euribor + margin). Assets amounting to \in 28,000 thousand (2017: \in 68,740 thousand) are pledged as collateral with respect to the bank borrowings. Borrowings to be repaid within the one year amount to \in 76,466 thousands. An amount of \in 75 million will mature on or before 31 December 2019, of these short-term borrowings already \in 40 million has been prolonged until after 31 December 2019. Ballast Nedam also expects to exercise to prolongation option for the other \in 35 million loan. Borrowings to be repaid between 1-2 years amount to \in 37,600 thousands. Borrowings to be repaid between 3-4 years amount to \in 40,000 thousands. Borrowings to be repaid after 5 years amount to \in 2,096 thousands.

16 Trade payables

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

Current trade payables	31 December 2018	31 December 2017
Trade payables	149,982	132,247
Trade payables to related parties	286	935
Other trade payables	4,349	3,379
	154,617	136,561

Average maturity for trade payables is approximately 53 days (31 December 2017: 50 days).

Risk characteristics and fair values of trade receivables and trade payables are disclosed in note 31.

17 Other short-term payables

Other short-term payables	31 December 2018	31 December 2017
Non-trade payables to related parties	10,551	10,953
Other short-term payables	12,068	21,526
	22,619	32,479

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

Other short-term payables include the group share of the payables of the partner(s) in the joint operations, total amount \in 3,364 thousand (2017: \in 10,006 thousand), accruals for invoices to be received \in 4,773 thousand (2017: 3,810 thousand) and other items which are individually immaterial. The negative equity joint venture amount, which was presented under other short-term payables in 2017, is reclassified to other provisions (see note 19) in 2018 due to change in presentation.

18 Payables for employee benefits

Short-term payables	31 December 2018	31 December 2017
Salary payable to personnel	1,229	1,568
Social security premiums payable	8,354	8,214
Other payables for employee benefits	1,390	1,301
	10,973	11,083
Short-term payable related to employee benefits	31 December 2018	31 December 2017
Unused vacation pay liability	3,569	5,376
-	3,569	5,376
Long-term provisions related to employee benefits	31 December 2018	31 December 2017
Other long-term provisions related to employee benefits	2,275	2,842
_	2,275	2,842

Other long-term employee benefits consist of long-term illness and long-service bonuses. The discount rate of the provision for long-term illness and long-service bonuses was 1.5% (2017: 1.5%). In addition the long-service bonus includes expectation on retention rate 94% and salary increases consistent with collective labour agreements.

Pensions

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

The coverage ratio of the industry pension scheme for the building industry (bpfBouw) is accounted for as a defined contribution pension scheme was estimated as 118.3% for the year 2018 (2017: 115.1%). The coverage ratio for pension scheme Bpf Betonproductenindustrie also accounted for as a defined contribution pension scheme was estimated as 102.4% for the year 2018 (2017: 102.0%)

Short-term provisions	31 December 2018	31 December 2017
Warranty provisions	5,229	6,498
Other short-term provisions	2,626	1,829
Provision for joint ventures	5,396	21,400
Provision onerous contracts	19,168	-
Restructuring provisions	1,591	11,052
	34,010	40,779
Long-term provisions	31 December 2018	31 December 2017
Warranty provisions	1,158	218
Other long-term provisions	682	651
Provision onerous contracts	8,800	
Restructuring provisions	2,604	1,500
	13,244	2,369

19 Other short-term and long-term provisions

The company expects that all the provisions will be substantively used within one to five years. The net movement of provisions of discontinued operations around 2 million has not been included above.

Movements of warranty provisions	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance 1 January	6,716	7,602
Transfer from contract liabilities	2,610	1,736
Charge for the year	2,327	3,548
Utilisation	(4,020)	(4,361)
Reversal	(1,246)	(1,809)
Closing balance 31 December	6,387	6,716
< 1 year	5,229	6,498

The provision for warranty claims represents the present value of the management's best estimate of the future outflow of economic benefits that will be required under Ballast Nedam's warranty program for construction contracts. In 2018, the addition to warranty provisions from completed projects amounted to \in 2,610 thousand (2017: \in 1,736 thousand). The warranty costs provided for is partly dependent on the estimated allocation of the claim to the related construction partners. It is expected that most of the warranty costs will occur in the upcoming two years.

Movements of other provisions	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance 1 January	2,480	4,252
Reclassification	1,681	114
Charge for the year	66	520
Utilisation	(824)	(1,182)
Liabilities held for sale	654	(654)
Reversal	(749)	(570)
Closing balance 31 December	3,308	2,480
< 1 year	2,626	1,829

The reclassification of \in 1,681 thousand (2017: \in 114 thousand) consists of a transfer from contract liabilities to provisions. The possible financial risk of the claims cannot be predicted with certainty, however Ballast Nedam believes that based on (external) advisors and information received the amounts included in the provision are the best estimate. Ballast Nedam also takes into account whether or not financial risks are covered by the insurance policies. The charge for the year of \in 66 thousand was included in the statement of profit and loss (2017: \in 520 thousand). The utilisation of \in 824 thousand (2017: \in 1,182 thousand) related to the settlement of claims.

Movements of provision for joint ventures	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance 1 January	21,400	17,905
Addition	1,375	3,495
Reversal	(17,379)	
Closing balance 31 December	5,396	21,400
< 1 year	5,396	21,400

The provision for joint ventures relates to to joint ventures in which Ballast Nedam's share is negative. The decrease in this provision in 2018 has mainly to do with capital contributions.

Movements of provision for onerous contracts	1 January - 31 December 2018
Opening balance 1 January	31,325
Addition	36,743
Utilisation	(40,100)
Closing balance 31 December	27,968
< 1 year	19,168

Consequently to the implementation of IFRS 15 provisions for onerous contracts, loss provision for construction contracts, are separately disclosed. The amounts were previously included in work in progress. The provision is determined based on estimates from project team to assess the result of a performance obligation and the future progress on the project.

Movements of restructuring provisions	1 January - 31 December 2018	1 January - 31 December 2017
Opening balance 1 January	12,552	12,317
Reclassification	140	57
Charge for the year	2,655	7,868
Utilisation	(6,832)	(5,410)
Reversal	(4,320)	(2,280)
Closing balance 31 December	4,195	12,552
< 1 year	1,591	11,052

The € 2,655 thousand is related to the reorganisation, which include costs related to certain staff compensation and restructuring which continued in 2018 (2017: € 7,868 thousand). A provision for reorganisation is only recognised once the decision to execute a reorganisation is concluded. The reversal in 2018 relates to both partly release of onerous contract provision buildings and reorganisation provision.

20 Corporate income tax liability

Corporate income tax liability	31 December 2018	31 December 2017
Taxes and dues payable	80	1,987
	80	1,987

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

21 Other short-term liabilities

Other short-term liabilities	31 December 2018	31 December 2017
VAT payable	8,999	9,292
	8,999	9,292

22 Deferred tax assets and liabilities

As at 31 December 2018 no deferred tax asset or liability for temporary differences have been recognised in the financial statements. The fair value change in Investment Properties has not been recognised as a deferred tax liability, since can be off set with carry-forward losses. Consistent with prior years, management has determined that the Dutch tax group has approximately € 396.7 million of carry-forward losses (2017: approximately € 409 million), for which no deferred tax has been recognised. These losses can be carried forward between one and nine years.

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

23 Shareholder's equity

	3	1 December	3	1 December
The name of shareholder	%	2018	%	2017
Renaissance Infrastructure B.V.	100%	2,203	100%	2,203
Total paid in capital	100%	2,203	100%	2,203

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

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

The hedging reserve comprises the cumulative net movement in the fair value of derivative financial instruments for which the hedged transaction has yet to take place. The Board of Management proposed that the net result for the year will be added to the accumulated losses within the shareholder's equity.

24 Revenue

Revenue	1 January - 31 December 2018	1 January - 31 December 2017
Revenue from construction activities	714,494	679,698
Revenue from maintenance services	6,884	8,265
Trading and other revenue	18,674	52,597
	740,052	740,560

The revenues from construction activities are mainly from the execution of projects in residential and non-residential building and mobility. The revenue in construction activities from Building, Infra Works and Development amount to \in 363,4 million, \in 242,4 million and \in 96,1 million respectively.

The revenue from services rendered mainly related to maintenance services. The trading and other revenues relate to revenues from rentals of materials and buying and selling of construction materials.

The revenue realised in the Netherlands amounts to € 681,3 million, other European countries € 12 million and outside Europe € 46,7 million.

The revenue joint ventures realised, accounted for as "share on profit / loss of investments valued using equity method", for the year amounts to EUR 186,1m which results in EUR 853,7m total revenue for the company if the joint ventures were consolidated proportionally.

Timing of revenue recognition

The timing of revenue recognition in 2018 was as follows;

	1 January -
	31 December 2018
At a point in time	92,564
Over time	
Total	740,052

25 Cost of Revenue

Cost of revenue	1 January - 31 December 2018	1 January - 31 December 2017
Employee benefit expenses	(131,837)	(134,146)
Raw materials and supplies expenses	(90,284)	(96,507)
Worksite expenses	(15,401)	(27,121)
Subcontractor expenses	(402,173)	(360,896)
Depreciation and amortisation expenses	(5,467)	(4,155)
Machinery, equipment and other rent expenses	(38,499)	(35,481)
Cost of goods sold	(12,659)	(46,868)
Other costs of revenue	(17,685)	(12,189)
	(714,005)	(717,363)

Employee benefit expenses	1 January - 31 December 2018	1 January - 31 December 2017
Wages and salaries	(106,471)	(107,982)
Social security costs	(14,702)	(14,879)
Pension charges	(10,664)	(11,285)
	(131,837)	(134,146)

The total number of employees is 1,713 (2017: 1,747) of which 15 (2017: 19) are employed abroad. The total number of employees at the head office is 113 (2017: 21) and in the operational entities is 1,600 (2017: 1,246). The number of employees in Building is 666 (2017: 675) and total number of employees in Infra is 838 (2017: 425).
26 General administrative expenses and Marketing, Selling and Distribution expenses

	1 January - 31 December 2018	1 January - 31 December 2017
General administrative expenses	(22,781)	(38,071)
Marketing, selling and distribution expenses	(69)	(127)
	(22,850)	(38,198)

Details of general administrative expenses	1 January - <u>31 December 2018</u>	1 January - 31 December 2017
Employee benefit expenses	(15,994)	(20,784)
Consultancy expenses	(786)	(1,164)
Depreciation and amortisation expenses	(1,008)	(3,304)
Office administration expenses	(1,690)	(2,154)
Rent expenses	(1,132)	(2,161)
Representative expenses	(46)	(78)
Transportation and travelling expenses	(987)	(1,592)
Insurance expenses	(878)	(989)
Other general administrative expenses	(260)	(5,845)
	(22,781)	(38,071)

Personnel expenses	1 January - 31 December 2018	1 January - 31 December 2017
Wages and salaries	(13,130)	(16,730)
Social security costs	(1,660)	(2,306)
Pension costs	(1,204)	(1,748)
	(15,994)	(20,784)

27 Other operating income/expenses from main activities

The other operating income/ expense from main activities amounts to € 1,802 (2017: € 9,098) includes additions to and reversal of provisions. Further details on provisions are included in note 19 Other short-term and long-term provisions.

Additionally, it includes other operating income and expenses from main activities \in 2,6 million and \in (3,1) million respectively. Other operating income includes multiple small items such as settlement of subcontractors. Other operating expense includes various small costs including legal restructuring.

28 Financing expenses

Financing Expenses	1 January - 31 December 2018	1 January - 31 December 2017
Interest expenses Foreign exchange losses from financing activities	(3,137) (299)	(3,128) (606)
Bank commission expenses	(616) (4,052)	(3,734)

The interest expenses are charged for interest on the outstanding loans in 2018 and 2017.

29 Income tax expenses

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

Income tax recognised in profit or loss	1 January - 31 December 2018	1 January - 31 December 2017
Current tax expense	(78)	(68)
Deferred tax income / (expense)		
	(78)	(68)

The numerical reconciliation of income tax expense for 2018 is included in below table

Numerical reconciliation of income tax expense

Result before tax	12,414
Total	12,414
Applicable income tax rate	25%
Tax calculated at Dutch tax rate	3,104
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	
- Tax losses set off against taxable income	(3,026)
Income tax expense	78
Net Result	12,336
Effective tax rate	0.63%

30 Discontinued operations

During the first half of 2018, the ultimate shareholder decided to combine the economic ownership of its Heitkamp Group and Ballast Nedam (Heitkamp Group becoming a subsidiary of Ballast Nedam). This was one of the steps towards further synergies in the European Operations and strengthening Ballast Nedam's equity. In the period the Heitkamp Group realised a revenue of \in 66,5 million, expenses of \in 63,2 million, pre-tax profit of \in 3,3 million and tax of \in 0,7 million. The net cash flows attributable to the operating, investing and financing activities are \in -13,9 million, \notin 5,0 million and \notin 9,9 million respectively.

In the second half of 2018, the ultimate shareholder made an assessment of its decision to combine the economic ownership of its Heitkamp Group and Ballast Nedam and concluded that the benefits for Ballast Nedam were not as expected. Consequently, the share premium contribution in kind was

reversed and additionally the shareholder contributed an amount of \in 45 million share premium in cash to improve the working capital and strengthen the equity position of Ballast Nedam.

From an accounting point of view, Ballast Nedam was able to exercise control on the Heitkamp Group during the second half of 2018, accordingly the second half-year results of the Heitkamp Group are included in the net result from discontinued operations in the income statement. As there was no cash consideration involved in this transaction, the net result from this operation is presented under shareholder's equity as a transaction with the shareholder.

31 Financial risk management

General

The Board of Management has the overall responsibility for the establishment and oversight of the company's risk management framework. One component of the overall risk framework is the financial risk; the categories identified and result of the assessment are disclosed in the following paragraphs. During 2018, certain measures were taken. The treasury activities were centralised and the objectives going forward are to create and maintain the best possible financial conditions for the operating activities. The majority of the bank accounts are held in a bank in two cash pool arrangements which allows the efficient use of funds (for wholly owned activities). The Group works with banks which have high credit ratings or banks with a lower credit rating if they have a long-term relationship with the Rönesans group. In addition, centralisation of certain accounting activities continued with the improvement of the systems and transaction flow approvals, and the centralisation of accounting activities also continued, which strengthen the control environment. The Internal Audit department continued implementing a plan to carry out both regular and ad hoc reviews of controls and procedures.

Credit risk

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

Credit risk exposure based on financial instrument categories	Trade Recei	vables	Other recei	vables	Bank deposits
31 December 2018	Related party	Third party	Related party	Third party	
Maximum credit risk exposure at balance sheet date	1,840	87,477	35,775	14,923	146,192
Net book value of not due financial assets	1,840	59,916	35,775	14,923	146,192
Net book value of assets that are due	-	27,561	-		-
Credit risk exposure based on financial instrument categories	Trade Rec	ceivables	Other rec	eivables	Bank deposits
31 December 2017	Related party	Third party	Related party	Third party	
Maximum credit risk exposure at balance sheet date	47	88,450	23,418	11,334	121,052
Net book value of not due financial assets	47	61,226	23,418	11,334	121,052
Net book value of assets that are due		27,224		-	-

Periodically the credit risk for receivables is measured and analysed, amongst others based on aging and liquidity of the debtor, by our business units. The aging of receivables will increase for example in circumstances when our clients withhold payments, which are invoiced in line with the agreed payment schedule, due to the fact that the perception on realisation of milestones differ or documentation requirements, however the client is not disputing the invoice. Aging schedule of trade receivables included provision is shown in below table:

	Gross Receivables 2018	Provision		Gross Receivables 2017
Not past due	63,597	100	0.16%	63,706
Past 01-30 days	19,206	202	1.05%	13,685
Past 31-90 days	3,245	173	5.33%	3,722
Past 91-364 days	2,716	511	18.81%	3,896
Past 1-2 years	2,394	855	35.71%	5,921
Total	91,158	1,841	2.02%	90,930
Doubtful provision	(1,841)			(2,433)

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 2018 Ballast Nedam paid off its \in 45 million financing package, eight months before its original maturity date of 31 December 2018. The company obtained new loans amounting to \in 115 million (refer to note 15) and further the shareholder made an additional capital contribution of \in 45 million in cash, to improve the working capital and strengthen the cash position of the Company.

The result of the year and the share premium contribution further improved the equity to \in 64.7 million (2017: \in 14 million). With the current cash position, management forecasts that it has sufficient means to finance its ongoing operations. The existing financing package, consisting of loan agreements with multiple financial institutions amounts to approximately \in 156 million. An amount of \in 75 million with one of our financial institutions will mature on or before 31 December 2019, of these short-term borrowings already \in 40 million has been prolonged until after 31 December 2019. Ballast Nedam also expects to exercise the prolongation option for the remaining \in 35 million loan, which is the second tranche of the \notin 75 million financing facility.

This resulted in a net cash position of € 146 million. The current cash surplus, and the strengthened risk management activities, are expected to provide management with additional flexibility in its operations and execute its business plans.

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

The statement for <1 year and 1-5 years includes the repayments of loans of \in 40,000 thousand (April 2019), \in 35,000 thousand (September 2019), \in 40,000 thousands (July 2022), the loan of \in 19,400 thousand for acquiring Rotterdam Building (January 2020), and other bank loans of \in 9,000 thousand (November 2020) and of \in 10,000 thousand (May 2020).

31 December 2018

31 December 2018		Cash outflows	Less			
Due date on agreement	Carrying value	according to agreements	than 3 months	3-12 months	1-5 year	More than 5 years
Bank loans	156,162	172,846	1,491	79,873	88,812	2,670
Trade payables (including related parties)	154,617	154,617	154,617	-	-	-
Other payables	22,618	22,618	22,618			
Total liabilities	333,397	350,081	178,726	79,873	88,812	2,670
	Carrying	Cash outflows according to	Less than 3	3-12	1-5	More than
Due date on agreement	value	agreements	months	months	year	5 years
Bank loans	91,227	95,212	690	60,072	29,672	4,778
Trade payables (including related parties)	136,561	136,561	136,561	-	-	-
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Other payables	61,766	61,766	61,766	<u> </u>		

The contractual cashflows that will occur within one year amount to € 79,873 thousand, including amongst others an amount of € 800 thousand of the mortgage loan. Regarding the remaining liabilities € 178,726 thousand is due within approximately three months (2017: € 199,017 thousand).

Market risk

Exchange risk

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

Forward exchange contracts with highly rated banks may be contracted to hedge the transaction risk on cashflows generated by ordinary business activities. At year-end 2018, Ballast Nedam had no outstanding forward exchange contracts recognised at fair value in the statement of financial position. Ballast Nedam is exposed to the following foreign currency translation risks in nominal amounts:

	2018 average	Exchange rate on	2017 average	Exchange rate on
EUR / foreign currency	exchange rate	31 December 2018	exchange rate	31 December 2017
Exchange rates				
USD	1,176	1,146	1,129	1,198

Foreign currency translation risk

USD	31 December 2018	31 December 2017
Due from customers under construction contracts	2,036	17,158
Total assets	2,036	17,158
Non-monetary other liabilities	749	676
Due to customers under construction contracts	18,609	28,990
Short-term liabilities	19,358	28,979
Net foreign currency asset/ (liabilities) position	(17,322)	(12,508)
Monetary items net foreign currency assets/ (liabilities)	(16,843)	(12,057)

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

	31 December 20 Profit / Loss	18	
-	Appreciation of foreign currency	Depreciation of foreign currency	
	If US Dollars, 10% appreciated/depreciated vs euro		
US Dollars net assets/(liabilities)	(1,684)	1,684	
	31 December 2017		
	Profit / Loss		
	Appreciation of foreign currency	Depreciation of foreign currency	
	If US Dollars, 10% appreciated,	/depreciated vs euro	
US Dollars net assets/(liabilities)	(1,206)	1,206	

Interest risk

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

Interest rate position table

Floating rate financial instruments	31 December 2018	31 December 2017
Financial liabilities	95,992	70,392
Fixed rate financial instruments	31 December 2018	31 December 2017
Financial liabilities	60,170	20,835
Total financial liabilities	156,162	91,227

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

	31 December 2018	31 December 2017		
Interest rates - increases by 100 basis points	(960)	(704)		
Interest rates - decreases by 100 basis points	960	704		

Capital risk

Ballast Nedam has the objective to ensure an optimal capital structure with sufficient availability of credit which enables to company to provide returns for the shareholder and benefits for other stakeholders.

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

With the current cash position, management forecasts that it has sufficient means to finance its ongoing operations. The existing financing package, consisting of loan agreements with multiple financial institutions amounts to approximately \in 156 million. An amount of \in 75 million will mature on or before 31 December 2019, of this short-term borrowings already \in 40 million has been extended until after 31 December 2019.

Fair value estimates

As at 31 December 2018, Ballast Nedam had a number of derivatives recognised at fair value. The carrying amount of cash, receivables, current loans and other current liabilities approximates the fair value, due to the short term of these instruments. The fair value of long-term loans with variable interest approaches the amortised cost. The above values are based on level 2 of the valuation methods described in the following section. The fair value of investment property is primarily based on the present value of the estimated future cash flows discounted with the effective interest rate (see note 11 Investment property).

Valuation methods

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

There were no transfers from Level 1 to Level 2 or Level 3, *or vice versa*, in 2018 (2017: also no transfers). Changes in the value of other fair value investments are recognised in the statement of income.

Commitments

Guarantees

	31 December 2018	31 December 2017
Letters of guarantees given	205,027	145,958

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 € 28,000 thousand (2017: € 68,740 thousand) are pledged as collateral with respect to the bank borrowings. Ballast Nedam received guarantees amounting to € 15,199 thousands from its subcontractors.

Fair value

	31 December	2018	31 December 2	2017	
	Carrying amount	Fair value	Carrying amount	Fair value	
Borrowings	156,152	156,152	91,139	91,139	
Bank overdrafts	-	-	88	88	
Trade payables	154,331	154,331	135,626	135,626	
Other liabilities	42,670	42,670	78,611	78,611	
	353,153	353,153	305,464	305,464	

32 Off-balance sheet commitments

	31 December 2018			31	017	
Off-balance sheet commitments	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
Leased other operating assets	4,642	2,845	284	5,017	6,155	4
Leased offices	3,983	11,229	2,780	2,033	6,945	7,998
Land purchases	5,341	6,738	-	21,905	5,939	-
Total	13,966	20,812	3,064	28,955	19,039	8,002

Ballast Nedam has contingent liabilities concerning land acquisition rights amounting to € 105,231 thousand (2017: € 111,791 thousand). These rights include a composition of conditional and not yet certain payment commitments (depending on factors such as changes in zoning, decision to develop, decision to exercise certain rights).

Other commitments

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

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

Capital contribution commitments

There were no unconditional capital contribution commitments as at 31 December 2018 (2017: nil) in PPP projects.

33 Related Party Transactions

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

A major part of the construction activities of Ballast Nedam is executed in joint ventures/associates and joint operations and Rönesans group companies. The activities of these entities include the financing and construction of land developments as well as construction contracts. The table below gives an overview of the receivables and payables as at reporting date outstanding to intercompany parties:

	31 December 2018								
		Receiv	vables		Payables				
	Short	term	Long	term	Short	term	Long term		
	Trade	Non- trade	Trade	Non- trade	Trade	Non- trade	Trade	Non- trade	
Markwartier C.V. ⁽²⁾	-	15,775	-	-	-	189	-	-	
Oud Beijerland oost C.V. (2)	-	5,703	-	-	-	398	-	-	
Riederwaard C.V. ⁽²⁾	-	4,790	-	-	-	-	-	-	
BAAK Blankenburg ⁽¹⁾	-	-	-	14,411	-	-	-	-	
VOF Leidse Schans (1)	-	-	-	-	-	4,551	-	-	
Other joint ventures and associates	-	6,715	-	3,036	-	161	-	-	
Other joint operations	-	2,542	-	0	-	5,222	-	-	
Other Renaissance group companies	1,840	250	-	10,198	286	30	-	-	
Total	1,840	35,775	-	27,645	286	10,551	<u> </u>		

	31 December 2017							
		Receiv	ables			Payab	les	
	Shor	t term	Long	term	Short	term	Long term	
	Trade	Non- trade	Trade	Non- trade	Trade	Non- trade	Trade	Non- trade
Markwartier C.V. ⁽²⁾	-	5,484	-	-	-	189	-	-
Oud Beijerland oost C.V. ⁽²⁾	-	5,703	-	-	-	398	-	-
VOF Leidse Schans ⁽¹⁾	-	-	-	-	-	2,400	-	-
Other joint ventures and associates	-	8,741	-	-	-	1,431	-	-
Other joint operations	-	3,459	-	-	-	6,502	-	-
Other Renaissance group companies	47	29	-	-	935	33	-	-
Total	47	23,418			935	10,953	<u> </u>	<u> </u>

(1) Joint ventures and associates

(2) Joint operations

The table below shows the revenue/costs of the Rönesans Group in 2018. The revenue/costs of the joint ventures can be found in note 10.

Transaction with related parties	Purchases	Sales	Interest received	Interest given	Other income	Other expense
Rönesans Holding A.Ş.	882	-	-	-	517	-
Transactions with other Rönesans Group companies	1,489	16	48	(2)	2,067	88
Total	2,371	16	48	(2)	2,584	88

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

_	31 December 2018	31 December 2017
Non-current assets	2,710	2,813
Current assets	58,935	46,241
Non-current liabilities	(1,943)	(1,932)
Current liabilities	(57,246)	(55,504)
Net assets and liabilities	2,456	(8,382)

The revenue and the cost of sales relating to the share in joint operations amounted to approximately 13% (2017: 15%) 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 \in 182.716 thousand at the end of 2018 (2017: \in 158.178 thousand), of which the \in 59.190 thousand portion of Ballast Nedam (2017: \in 57.436 thousand) is included in the consolidated statement of financial position.

The entities below were included in the consolidation of the statement of financial position and statement of income of Ballast Nedam in 2018. The entities relate to joint operations. Only the principal active entities are included for practical reasons. A full list of the subsidiaries included in the consolidation has been filed with the Commercial Register at the offices of the Dutch Chamber of Commerce in Utrecht. Details of the material joint ventures and associated interests in which Ballast Nedam has participating interests can be found in note 5.

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

Overview of joint operations

Name of Joint Operation	Place of incorporation and operation	Principal activity	Effective ownership ratio	2018 Voting power held	Effective ownership ratio	2017 Voting power held
V.O.F. Ontwikkelingscombinatie Mossenest II	Netherlands	Development	11.30%	11.30%	11.30%	11.30%
Dijkzone V.O.F.	Netherlands	Development	33.33%	33.33%	33.33%	33.33%
Groote Dok Oost V.O.F.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
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%
V.O.F. De Leidse Schans	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
VOF Entreegebied Ter Borch	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Ballast Van Oord Grondstoffen V.O.F.	Netherlands	Extraction raw materials	50.00%	50.00%	50.00%	50.00%
V.o.f. Zandexploitatiemaatschappij Echten	Netherlands	Extraction raw materials	25.00%	25.00%	25.00%	25.00%
OVT Breda VOF	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie OV Terminal Arnhem V.O.F	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
R Creators DBMO vof	Netherlands	Construction	45.00%	45.00%	45.00%	45.00%
Hart van Zuid Vof	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie voor de nieuwbouw Erasmus MC v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Comb. DARK	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
A-Lanes A15 Mobility V.o.f.	Netherlands	Construction	10.00%	10.00%	10.00%	10.00%
Mava Rail vof	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
Combinatie Versterken Bruggen V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie G3 Woontorens V.O.F.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Centrumgebied Amsterdam Zuidoost B.V.	Netherlands	Development	33.33%	33.33%	33.33%	33.33%
Haagse Veste Holding B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
De Vijfde Stad V.O.F.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Laudy-Van Wijnen Sittard V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Ontwikkel- en Bouwcombinatie LAUDY - Strukton V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie LAUDY - ENGIE V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Resource House V.O.F.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Bouwcombinatie Duurzaam Eindhoven V.O.F.	Netherlands	Construction	50.00%	20.00%	50.00%	20.00%
Bouwcombinatie Avans Lovensdijkstraat	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
,	Netherlands	Construction	50.00%	50.00% 50.00%	50.00% 50.00%	50.00% 50.00%
Wegenbouw BAM Ballast Combinatie (WBBC) V.O.F. BNRA Gladheid v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Wâldwei V.O.F.		Construction				
	Netherlands		33.33%	33.33%	33.33%	33.33%
Reiniging Combinatie Randstad V.O.F.	Netherlands	Recycling	50.00%	50.00%	50.00%	50.00%
THV Franki-Ballast Nedam	Belgium	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie BAM-Bouwborg V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Merbouw Onrust B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Zoetermeer Oosterheem V.O.F.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Bouwcombinatie Campus V.O.F	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie De Leidse Schans V.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Onderhoudscombinatie BNB-West/BAM	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Onderhoudscombinatie EMC V.O.F.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Bouwcombinatie New Babylon v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
VOF Ontwikkelingscombinatie Veld 9	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
De Beeldbouwers vof	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
BN-TAV Joint Venture vof	Netherlands	Construction	50.00%	50.00%	0.00%	0.00%
ABT vof (A-pier MEP)	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
MaVa Mobility vof	Netherlands	Construction	10.00%	10.00%	10.00%	10.00%
BAAK Blankenburg EPCM VOF	Netherlands	Construction	45.00%	45.00%	0.00%	0.00%
Comb. ProN329	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
R Creators DBMO VOF – MO	Netherlands	Construction	45.00%	45.00%	45.00%	45.00%
Hart van Zuid Maintain	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Kiosken	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
BC MM	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Comb. BCBG	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Teamsport Zuiderpark VOF	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%

Overview of associates and joint ventures

Name of associate / Joint venture	Place of incorporation and operation	Principal activity	Effective ownership ratio	Effective ownership ratio	2018 Voting power held	2017 Voting power held
A-Lanes Management Services B.V.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
BNC IXAS SPC Holding B.V.	Netherlands	Construction	20.00%	20.00%	20.00%	20.00%
Ontwikkelingsmaatschappij G4 Beheer B.V.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Venneppark N207 C.V.	Netherlands	Construction	62.40%	62.40%	62.40%	62.40%
POM Vikingsite B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Marktkwartier C.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Marktkwartier Amsterdam Beheer B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Riederwaard Beheer BV	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Riederwaard C.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Wind Invest B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
BNC A-Lanes A15 Holding B.V.	Netherlands	Construction	20.00%	20.00%	20.00%	20.00%
Coeur du Sud B.V.	Netherlands	Construction	2.50%	2.50%	2.50%	2.50%
Coöperatie Ballast Nedam Infra Materieel Lease U.A.	Netherlands	Construction	45.00%	45.00%	45.00%	45.00%
J.V. Siemens Cuxhaven	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
IXAS Gaasperdammerweg B.V.	Netherlands		33.33%	33.33%	33.33%	33.33%
Ursem Modulaire Bouwsystemen B.V.	Netherlands	Construction Construction	41.00%	41.00%	41.00%	41.00%
Exploitatie Maatschappij Komfort B.V.			50.00%	50.00%	50.00%	50.00%
Exploitatie Maatschappij DC 16 B.V.	Netherlands Netherlands	Construction Construction	50.00%	50.00%	50.00%	50.00%
Ontwikkelingsmaatschappij G4 C.V.	Netherlands		25.00%	25.00%	25.00%	25.00%
Gebiedsontwikkeling Oud-Beijerland Oost C.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Oost Beheer B.V.		Construction	50.00%	50.00%	50.00%	50.00%
Olympia Beheer B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Olympia C.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Coberco Kwartier C.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Coberco Kwartier Beheer B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Zuid Beheer B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Zuid C.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
IJ2 Projecten B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Asfalt Productie Tiel (APT) B.V.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
Traffic Service Nederland B.V.	Netherlands	Construction	25.17%	25.17%	25.17%	25.17%
Asfalt Productie Amsterdam (APA) B.V.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Nederlandse Frees Maatschappij B.V.	Netherlands	Construction	16.67%	16.67%	16.67%	16.67%
Asfalt Productie Rotterdam Rijnmond (APRR) B.V.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Graniet Import Benelux B.V.	Netherlands	Construction	8.75%	8.75%	8.75%	8.75%
Exploitatie Maatschappij A-Lanes A15 B.V.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
Ontwikkelingsmaatschappij Centrumgebied Amsterdam Zuidoost B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Stadion Amsterdam C.V.	Netherlands	Construction	5.55%	5.55%	5.55%	5.55%
GEM Vleuterweide Beheer B.V.	Netherlands	Construction	14.00%	14.00%	14.00%	14.00%
N.V. Stadsherstel Breda	Netherlands	Construction	5.80%	5.80%	5.80%	5.80%
GEM Vleuterweide C.V.	Netherlands	Construction	5.80%	13.44%	5.80%	5.80%
BAAK Blankenburgverbinding B.V.	Netherlands	Construction	15.00%	13.44%	13.44%	13.44%
5 5	Netherlands	Construction				50.00%
HEEH B.V.	Netherlands	Construction	50.00% 62.40%	50.00% 62.40%	50.00% 62.40%	50.00% 62.40%
Nieuw Vennep Beheer BV	Netherlands	Construction				
OCW Engelse Park Beheer B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Grondreinigingcombinatie V.o.f.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%

Overview of principal 100% subsidiaries

Name of subsidiary	Place	Main activity	Share 2018	Share 2017
Ballast Nedam Infra B.V	Nieuwegein	Construction	100%	100%
Ballast Nedam Parking B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Industriebouw B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam International projects B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Engineering B.V.	Nieuwegein	Engineering	100%	100%
Ballast Nedam Bouw & Ontwikkeling Holding B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Bouw & Ontwikkeling B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Ontwikkelingsmaatschappij B.V.	Nieuwegein	Development	100%	100%
Heddes Bouw & Ontwikkeling B.V	Hoorn	Construction	100%	100%
Laudy Bouw & Ontwikkeling B.V.	Sittard	Construction	100%	100%
IQ Woning B.V.	Weert	Concrete factory	100%	100%
Ballast Nedam Concessies B.V.	Nieuwegein	Development	100%	100%
Ballast Nedam Beheer B.V.	Nieuwegein	Maintenance	100%	100%
Ballast Nedam Bouw & Ontwikkeling Speciale Projecten Nederland B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Bouw & Ontwikkeling Speciale Projecten B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Specialismen & Toelevering Corporate B.V.	Nieuwegein	Holding	100%	100%
Ballast Nedam Specialismen Holding B.V.	Nieuwegein	Holding	100%	100%
Ballast Nedam Specialistisch Grondverzet B.V.	Maarssen	Construction	100%	100%
Ballast Nedam Infra Specialiteiten B.V.	Leerdam	Construction	100%	100%
Ballast Nedam International Product Management B.V.	Leerdam	Trade	100%	100%
Ballast Nedam Milieutechniek B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Funderingstechnieken B.V.	Maarssen	Construction	100%	100%
Ballast Nedam Materieel B.V.	Almere	Construction	100%	100%
Dibec B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Holding Toelevering B.V.	Nieuwegein	Holding	100%	100%
Haitsma Beton B.V.	Kootstertille	Concrete factory	100%	100%
Hoco Beton B.V.	Weert	Concrete factory	100%	100%

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

The total remuneration of members of the Board of Management in 2018 was € 1,241 thousand (2017: € 676 thousand).

	1 January - 31 December 2018	1 January - 31 December 2017
Gross Salary	1,143	598
Pension charges & social security costs	94	70
Other	4	8
Total	1,241	676

The total remuneration of the Supervisory Board in 2018 was € 75 thousand (2017: € 32 thousand). The remuneration of members of the Supervisory Board and the Board of Management is commensurate with their term of office. Members of the Board of Management are entitled to the use of a company car. No loans were granted to members of the Board of Management or the Supervisory Board.

34 Events after the reporting period.

No events after the reporting period.

8 Company Financial Statements

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

ASSETS	Notes	31 December 2018	31 December 2017
Non-Current Assets	2	287,860	241,829
Current Assets		228,901	162,919
Cash and Cash equivalents		110,498	79,171
Receivables	3	118,403	83,748
TOTAL ASSETS	-	516,761	404,748
LIABILITIES			
SHAREHOLDERS' EQUITY	4	- 64,643	14,086
Paid in capital		2,203	2,203
Share premium		333,870	291,497
Currency translation reserve		152	181
Legal reserve		16,656	5,950
Accumulated losses		(288,238)	(285,745)
Provisions	5	4,144	12,131
Long-term provisions		3,064	1,584
Short-term provisions		1,080	10,547
Non-Current Liabilities	6	80,570	30,570
Current Liabilities	7	367,404	347,961
TOTAL LIABILITIES AND EQUITY	-	516,761	404,748

8.2 Company statement of income

	1 January - 31 December 2018	1 January - 31 December 2017
Result of subsidiaries after tax	24,124	(30,315)
Other results after tax	(11,809)	(14,215)
Result for the period	12,315	(44,530)

8.3 Notes to the Company Financial Statements

1. Basis of preparation and significant accounting policies

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

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

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

Presentation comparative balances

Certain restatements have been made in the comparative balances to provide a more appropriate comparison for the netting of loans to subsidiaries in previous years and consolidation of Ballast Nedam Bouw and Ontwikkeling B.V. in the company financial statements. Receivables for subsidiaries has increased with \notin 49,9 million, payables to subsidiaries decrease with \notin 13,9 million, the investment in subsidiaries decreased with \notin 42,4 million and long term debt to subsidiaries increased with \notin 21,6 million.

2. Subsidiaries

	Investments in subsidiaries
Opening balance 1 January 2017	246,570
Result group participations	(30,315)
Investments	25,249
Change in hedging reserve	337
Currency translation effect	(12)
Closing balance 31 December 2017	241,829
Impact of change in accounting policies (IFRS15)	(3,696)
Opening balance 1 January 2018	238,133
Result group participations	24,124
Investments	28,724
Divestments	(2,686)
Change in hedging reserve	(406)
Currency translation effect	(29)
Closing balance 31 December 2018	287,860

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

3. Receivables

31 December 2018	31 December 2017
264	996
118,139	82,752
118,403	83,748
	2018 264 118,139

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

4. Shareholder's equity

	Paid in capital	Share Premium	Currency translation reserve	Legal reserve	Accumulated losses	Total
Opening balance 1 January 2017	2,203	239,497	194	7,156	(242,758)	6,292
Net result for the year	-	-	-	-	(44,530)	(44,530)
Change in currency translation reserve	-	-	(13)	-	-	(13)
Change in legal reserve	-	-		337	-	337
Other comprehensive income			(13)	337		324
Total comprehensive income	-	-	(13)	337	(44,530)	(44,206)
Change in legal reserve	-	-	-	(1,543)	1,543	-
Share premium	-	52,000	-	-	-	52,000
Closing balance 31 December 2017	2,203	291,497	181	5,950	(285,745)	14,086
Adjustment to retained earnings from adoption of IFRS 15 / Reclass prior year	-	-	-	-	(3,696)	(3,696)
Opening balance 1 January 2018 (after IFRS 15 adjustment)	2,203	291,497	181	5,950	(289,441)	10,390
Net result for the year	-	-	-	-	12,315	12,315
Change in currency translation reserve	-	-	(29)	-	-	(29)
Change in legal reserve	-	-	-	(406)	-	(406)
Other comprehensive income	-	-	(29)	(406)	-	(435)
Total comprehensive income	-	-	(29)	(406)	12,315	11,880
Fair value change investment property		-	-	6,530	(6,530)	-
Change in legal reserve	-	-	-	4,582	(4,582)	-
Share premium	-	45,000	-	-	-	45,000
Share premium contribution from the owner as a consideration for Heitkamp Share distribution to the owner as a consideration for	-	26,950	-	-	-	26,950
Heitkamp, recognised directly into equity		(29,577)				(29,577)
Closing balance 31 December 2018	2,203	333,870	152	16,656	(288,238)	64,643

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

2018 result is subject to appropriation by the General Meeting. It is proposed to add the the net profit for 2018 to the accumulated losses within the shareholder's equity (general reserves) as stated in the profit appropriation and dividend policy, please refer to section 9.2 for further details.

5. Provisions

	Reorganisation	Other	Total
1 January 2017	10,475	368	10,843
Addition	7,868	-	7,868
Interest accrual	-	-	-
Reversals	(1,466)	(284)	(1,750)
Utilisation	(4,830)	-	(4,830)
31 December 2017	12,047	84	12,131
Addition	2,408	492	2,900
Interest accrual	-	-	-
Reversals	(4,119)	-	(4,119)
Utilisation	(6,768)		(6,768)
31 December 2018	3,568	576	4,144
Current (< 1 year)			
31 December 2017	10,547	-	10,547
31 December 2018	1,080	-	1,080

6. Non-current liabilities

Long-term debt	31 December 2018	31 December 2017
Long-term financial debts	59,000	9,000
Long-term debt to subsidiaries	21,570	21,570
	80,570	30,570

The majority of the long- term debts, \in 40 million, from financial institutions is due in 2022. Refer to note 15 of the Consolidated financial statements for further details

7. Current liabilities

Current liabilities	31 December 2018	31 December 2017
Current portion of long term borrowings	75,000	40,452
Trade and other payables	3,478	3,742
Payables to subsidiaries	288,926	303,767
	367,404	347,961

Refer to note 15 of the Consolidated financial statements for further details about current portion of long term borrowings. The payables to group companies mainly relate to short-term financing by means of current accounts. Ballast Nedam makes use of cash-pooling.

8. Off-balance sheet commitments

Letter of guarantees

	31 December 2018	31 December 2017
Letters of guarantees given	205,027	145,958

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 2018, € 205,027 thousand of guarantees were outstanding (2017: € 145,958 thousand), of which € 23,531 thousand relate to joint ventures (2017: € 20,699 thousand).

Other liabilities

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

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

Ballast Nedam N.V. issued guarantees for a number of subsidiaries' contracts, totalling approximately € 572 million in 2018 (2017: approximately € 3.3 billion). This often involves the entire contract sum for long-term projects.

Fiscal unity

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

9. Audit fees

The audit fees recorded by the company and its subsidiaries are mainly from our external auditor, PricewaterhouseCoopers Accountants N.V., as set out in section 382a of Book 2 of the Dutch Civil Code are as follows:

Recognised audit fee	1 January – 31 December 2018	1 January – 31 December 2017
Audits	1,046	865
Other audit assignments	-	19
Other non-audit assignments	-	-
Total	1,046	884

Of the total fees billed € 53 thousand relates to statutory audits performed by Deloitte Accountants B.V.

10. Employees

Number of employees as of 31 December 2018 is 113 (2017: 21).

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

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

12. Events after the reporting date No events after the reporting date.

Nieuwegein, 18 March 2019

Board of Management,

C. Düzyol

S.R. Lefevre

H. Koçak

Ö. Canbaş

O.P. Padberg

Supervisory Board,

İ. Ilıcak Kayaalp

E. Baki

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

K. Arslan (appointed on 8 February 2019)

9 Other Information

9.1 Independent auditor's report

To: the general meeting of Ballast Nedam N.V.

Report on the financial statements 2018

Our opinion

In our opinion:

- Ballast Nedam N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018 and of its result and cash flows for the year then ended 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;
- Ballast Nedam N.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2018 of Ballast Nedam N.V., Nieuwegein ('the Company'). The financial statements include the consolidated financial statements of Ballast Nedam N.V. together with its subsidiaries ('the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the following statements for 2018: the consolidated statement of profit and loss and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2018;
- the company statement of income for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

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

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

Independence

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

Report on the other information included in the annual report

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

- the report of the board of management;
- the report of the supervisory board;
- the corporate social responsibility;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is 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 in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our 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 such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

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

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board 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 responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 18 March 2019 PricewaterhouseCoopers Accountants N.V.

J. van Meijel RA

9.2 **Appropriation of result and dividend policy**

Sections of the articles of association concerning appropriation of the result

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

- 1. The company may make distributions to the shareholders' and to other persons entitled to the profits eligible for distribution only up to a sum not exceeding the amount of the distributable reserves.
- 2. Distribution of profits will be done after the adoption of the Annual Accounts from which it appears that it is allowed.
- From the profits made evidenced by the adopted Annual Accounts, a part to be determined by the Board of Management will be reserved.
 The part of the profit remaining after application of the previous sentence shall be at the free.

The part of the profit remaining after application of the previous sentence shall be at the free disposal of the General Meeting.

- 4. In calculating the profit appropriation, the shares held by the company in its own capital shall not count, unless a usufruct has been created on these shares.
- 5. Insofar as profit is available in the company, the Board of Management may resolve upon payment of an interim dividend on account of the dividend to be expected, provided that the provisions laid down in paragraph 1 of this article have been satisfied, evidenced by an interim capital statement as referred to in article 2:105 paragraph 4 of the Dutch Civil Code.
- 6. Upon a motion by the Board of Management the General Meeting may resolve to make a distribution against the distributable reserves.
- 7. The (interim) dividend shall be made payable on a day to be determined by the Board of Management, no later than 14 days after the determination of the (interim) dividend.

Dividend Policy

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

Proposal of appropriation of 2018 result

It is proposed to add the the net profit for 2018 to the accumulated losses within the shareholder's equity (general reserves).

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

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