

Annual Report 2019

**Breaking
new ground
when
realising
ambitions
together**

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Introduction

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

We managed to deliver a positive result and strong growth in 2019, despite the challenging circumstances in our industry. We continue to see the positive results of the restructuring and reorganisation which was done in the first two years after the take over by Rönesans. The following two years 2018 and 2019 prove that Ballast Nedam is healthy, restructured, result-oriented and entrepreneurial with highly qualified, experienced and motivated employees. Together we achieve our goals, as we have been doing for over 140 years. This makes me proud: Ballast Nedam is extremely committed and passionate to continue to grow and to take on new challenges. We are able to adapt to complex and different circumstances and to find creative solutions to continuously improve ourselves. This will always be an important part of our corporate culture.

Financial results

Looking at the financial results, our revenue has grown by over 18%, up to € 874.1 million. This is primarily realised from our construction activities, utility buildings and mobility. In addition, the Development- and Heavy Industry divisions made a strong contribution. The profit for the year of € 12.8 million improved the shareholders' equity to € 77.1 million. The working capital ratio of Ballast Nedam improved to 1.27 and the cash position of the company at year end amounted to € 201.0 million (2018: € 146.2 million).

We realised an increased quality of the order intake and a solid order book of € 1.5 billion. Therefore, under ordinary circumstances a significant part of the 2020 revenue is already secured and continued growth is possible. The completion of legacy projects, enhancement of risk management, the current cash surplus and further improved quality of the 'design and engineering' provide management with additional flexibility in its operations and execution of its strategy.

Continuous improvements

We manage the process of selective and strategic tendering, from contract negotiations up to the execution. We are also able to oversee risks, assess their possible impact and have more control over what we do. Our international excellence in Building Information Modeling is one of the methods that makes this possible. Better cooperation and transparency in what we do creates better results as we come to smarter and more efficient decision-making. With small expert teams and strong leaders in the right places, we can accomplish the most complex project assignments.

Footprints and safety

We focus on minimising the footprints we leave on our environment and we take actions to embrace our corporate social responsibility. Sustainability has become a commonality in many aspects of our company and continues to have our attention. Safety has had our special attention for we want to keep our promise to all people who work for Ballast Nedam: to arrive home safely at the end of the day.

Uncertain factors in the future

One of the uncertainties we face is new case law and legislation in the field of nitrogen and PFAS. We do not currently expect this to have a significant impact on sales and performance in 2020. The virus COVID-19 has become a pandemic disease and, as a result, the whole of the Netherlands is experiencing macro-economic uncertainty. The virus disrupts economic activity and harms society. It is still difficult to estimate the extent to which this will have an effect. Ballast Nedam will continue to follow the policy and advice of the Dutch National Institute for Public Health and the Environment (RIVM). We will do our utmost best to continue our business operations and construction sites as well as possible. The most important thing is to keep our people safe and healthy.

Outlook: challenging market expectations

If the impact of the macro-economic situation remains under control, we expect to grow further, both nationally and internationally. Several institutions predict pressure on the growth in the Dutch construction industry in the coming years, ranging from a limited growth to a decrease. We plan to grow in upcoming years due to the added value we have created with our international network, contracts and supply chain and our ability to accept and execute projects abroad. We benefit from our close relationship with our parent company Rönesans. We believe that the industry requires a much

more international approach. We would even state that the Dutch construction industry can only expand by embracing an international approach to executing projects.

In the coming years we will continue to improve all aspects of our company, for we will always strive for the better version of ourselves. We will also continue on the path we have set out on. We will accomplish this by our way of working and with our bold entrepreneurial spirit. We seek flexible solutions together with our clients; that way we remain a preferred partner within the industry.

Chapter 1

Profile of Ballast Nedam

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1. Profile of Ballast Nedam

We operate in a diverse and complex environment in which many aspects influence our daily work. Governmental legislation, economic circumstances, rapidly technological development and digitalisation influence how we operate. Moreover, we are aware of our impact on society, the ecological footprints we leave behind and our social responsibility. Ultimately, we focus on meeting our clients' needs. We proactively seek to interact and work together with our clients, partners and society. To operate in the complexity of our environment, we need a flexible and solution-driven organisation. Like previous years, we have succeeded in doing so by further improving our added value and our operational excellence.

In the next paragraph 'About our company' we explain our profile, our mission and vision, company values, and ambitions. Paragraph 1.2 explains which stakeholders are important to us and paragraph 1.3 provides insight into developments and trends in our macro-economic environment. Together these three paragraphs highlight the environment we operate in.

1.1 About our company

Ballast Nedam N.V. (together with its subsidiaries 'Ballast Nedam' or the 'Group') has been a dedicated construction and development company since 1877. We build and develop future-proof buildings and infrastructure: from dream to realisation. Our projects are our core business, our people our core asset. Ballast Nedam is proud to be part of the Rönésans group (Rönésans Holding A.Ş. and its subsidiaries 'Rönésans' or 'Rönésans Group') which reinforces our international strengths and global presence. We benefit from the international knowledge and experience Rönésans provides. This international influence, combined with our national experience and expertise, makes us a strong and diverse company.

1.1.1 Ballast Nedam – Mission

We build trust. Trust is the foundation of our relationship with stakeholders. This way, we can support our clients in realising development, building, infrastructure and heavy industrial goals. Trust we earn by our people and our way of working in our projects. We offer expert solutions on a local level while operating in a global environment. We take pride in our entrepreneurial spirit that enables us to do better and stand out in our industry.

1.1.2 Ballast Nedam – Vision

Our aim is to be the preferred partner to our stakeholders based on our ability to offer suitable solutions. We remain dedicated to build and protect trust. We aspire to be well known for our ability to deliver sustainable complex landmarks. Always working closely with local communities, with respect for the environment and carried out by our ambitious people. We want to be a desirable company to work with and to work for. We invite you to join our building journey and to create the future together.

1.1.3 Company – Values

Our company culture is a combination of local, national and international influences. What characterises us at Ballast Nedam are our core company values. They define what values we live by within and outside our company, in contact and cooperation with our stakeholders.



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 groundbreaking 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. This is why 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.

1.1.4 Ambitions

Our ambitions are formulated in five pillars:

Focus on people

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

Strong client and partner relationships

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

Financially healthy business

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

International growth

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

Sustainable & responsible to society

We aim to perform our work as sustainably and considerately as possible for society and our environment. We incorporate the United Nations Sustainable Development Goals in our business strategy and apply our corporate social responsibility standards. We proudly adhere to the Bewuste Bouwers norms ('Bewuste Bouwers', the Considerate Constructors Scheme), which guide builders to be aware of projects' neighbours and professionalise the management of the environment.

1.2 About our stakeholders

1.2.1 Internal stakeholders

Employees

Our workforce consists of ambitious, diverse and talented people. Their drive, experience and high level of knowledge and expertise help us to complete the complex assignments from our clients. We offer young and ambitious people high levels of responsibility. Also, international influences have led to great diversity in our staff, which helps us to successfully work all around the world by leveraging our network and expertise.

Rönesans

Rönesans is, in fact, one of our internal stakeholders. It supervises and supports us and it makes our scope broader in terms of access to a larger network, supplies, knowledge and experience.

1.2.2 External stakeholders

Clients and potential clients

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

Potential employees

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

Financial institutions

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

Partners

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

Governmental, provincial and municipal authorities

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

Society

As a company, we have an obligation to take responsibility for our society. We increasingly take measures to contribute to a sustainable, safe and healthy future. This is expressed in our company goals, as shown in Chapter 6.

Suppliers

The Dutch market is highly competitive. In the Dutch market, Ballast Nedam has solid partnerships because of its long history of excellence and reliability in the industry. To be able to offer the right materials with high demands on sustainability, costs and in-time delivery, Ballast Nedam has the advantage of an international supply chain. Our global company helps us to have access to

international suppliers and to import products from other countries. Our larger number of suppliers, when compared to competitors, reduces costs and offers higher quality.

1.3 About our environment

Ballast Nedam is influenced by the socio-economic situation we operate in.

1.3.1 Ecology

Climate change has increased our awareness of sustainability. The demand for healthy, future-proof materials and construction methods have led to a focus on sustainability. It is integrated into our focus points, our decision-making, our choice of materials and our working methods.

In the construction industry, the 'EMVI criteria' (Economically Most Advantageous Tender) are critically important in public tenders. We support these criteria, where quality plays a bigger role in tenders besides just the aspect of price. For Ballast Nedam, the quality criteria include innovation, sustainability, impact on society (avoiding disturbances to the neighbourhood) and cooperation with the client. Our clients can then assess the full picture, weighing both price and quality.

1.3.2 Politics

One of the biggest challenges the Dutch construction market is now currently facing is new case law and legislation in the fields of nitrogen and PFAS.

As of 29 May 2019, the Dutch Council of State declared the 'Programma Aanpak Stikstof ('PAS')' invalid. PAS (Programme to Reduce Nitrogen or 'PAS') was considered unsuitable to reducing the level of nitrogen sufficiently. Therefore, all new building permits were postponed until they would meet the standard.

Together with PAS, also new PFAS (Poly- en perfluoralkylstoffen, 'PFAS') norms makes construction assignments more complex. PFAS have been used in many products whose substances have ended up in the environment and are now found in the soil, dredging and surface water, and elsewhere. From 29 November 2019, the national standard for the reuse of land with PFAS in agriculture and nature of 0.8 microgram per kg of dry matter applies to PFAS. These new standards give more room for earthmoving.

In 2019, the effects of the PAS ruling had a limited impact on the current business of Ballast Nedam, for most building permits had already been issued. However, there will be an impact in particular on the velocity of the future order book of infra-related and development projects. For the year to come, it is still difficult to predict what further influence this legislation will have on our order book and expected revenue. A lot depends on government action. In paragraph 3.4.1, the impact and risks of new legislation on sustainability are explained in further detail.

1.3.3 Demographics

Our population density is extremely high, which challenges our way of working. Population growth puts pressure on finding creative and smart ways to use our scarce land. To Ballast Nedam, our specialism in constructing complex high-rise buildings is suited to meet the market demands on effective use of square metres. Our advantage is that we have regional businesses throughout the country which help us to understand and meet local interests well. We subscribe to the Bewuste Bouwers norms and apply these with the aim of causing as little nuisance as possible to the surroundings and neighbours of a project we execute.

1.3.4 Technology

Due to demands on sustainability, risk reduction and control, the demands for digitalisation and technological developments have also increased. The market shows a tendency towards the use of modular and prefab building applications and the use of new technologies (virtual reality, 3D laser scanning, robotics, artificial intelligence, Internet of Things). BIM4Project, data management and asset management are solutions for this demand. Within Ballast Nedam, the use of these technological applications has become common practice. For example, the business unit Ballast Nedam Building Projects was the first to receive the international certification 'ISO 19650 BIM Design and Construction BSI Kitemark™'. Also, in-house we developed the Q2Field application, which is used to perform quality and safety registrations and to make quality analyses. Ballast Nedam has invested in people

with high levels of technical knowledge. Also, collaboration with third parties and international knowledge is used to diversify our technological knowledge base.

1.3.5 Economics

In general, the economic situation in the Netherlands has shown an upward trend. There has been a slight increase in spendable income of Dutch households. This has had a positive impact on the demand for houses and building projects, but yet, margins remain low.

Construction in general had an average growth of approximately 4.0% in 2019. Several institutions predict pressure on the growth in the construction industry in the coming years ranging from a limited growth (Economic Institute for the Construction Industry ('EIB'), press announcement January 2020) to a decrease of 2.0% (ABN AMRO, 10 December 2019). Due to relief measures in regard to PAS and PFAS, it is expected that the effect of these measures will materialise in 2022-2024. Also, under ordinary market conditions, the expectation is that the construction volume will even increase in this period, by an average of 3.5% (EIB).

The Netherlands is one of the four strongest performing countries in housing construction and building renovation. The development of ground, water and road construction production in the Netherlands is on average at European level. See also paragraph 3.4.1.

Chapter 2

Business Review

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2. Business Review

This chapter gives a general overview of 2019. The outlook for 2020 gives insight into the expectations Ballast Nedam has for the coming year.

2.1 Overview of 2019

2.1.1 General view

The year 2019 can be described as a diverse year. Diverse in terms of the projects Ballast Nedam was working on and in the way Ballast Nedam continued to evolve. Our projects ranged widely: from local small-scaled building solutions to high-rise and extremely complex landmarks. The international influence, coming from Rönésans Group, led to more diversity in Ballast Nedam's staff. People from more than 25 countries work for Ballast Nedam and bring with them their own different knowledge and experience. It is this diversity that is beneficial to Ballast Nedam's clients, because it creates diverse and creative business solutions.

Market conditions are still challenging. Although the economic situation is improving, the construction industry still struggles with low profit margins due to negative risk allocations in contracts and most recently from pressure coming from PAS and PFAS. That is why Ballast Nedam's strategy of selective and strategic tendering, which it implemented four years ago, is still effective. The Group has managed a strong and healthy order book at € 1.5 billion. Also, the quality of Ballast Nedam's projects has improved. Ballast Nedam has established a reputation as the construction company that is able to realise large-scale and complex constructions.

Ballast Nedam consists of four divisions that contribute to the overall results (see paragraph 4.1.2 for more information). The Group's building and infrastructure projects remain its biggest line of work. And Ballast Nedam Development (the development division) has taken large strides, not only in numbers, but also in establishing a name in the industry as a supplier of innovative sustainable concepts, which follow market demands. Ballast Nedam Industries has an excellent number of 0 incidents, which has been an outstanding safety performance for years now. In the last few years, the Group has taken important steps to restructure and stabilise its business. This process remains ongoing. Ballast Nedam continuously seeks to improve its processes and way of working. Ballast Nedam aims to expand and optimise, which is shown in our investments and in scope: beyond country borders. In line with this ambition, the Ballast Nedam Parking business unit acquired a majority share in United Kingdom-based Stripe Consulting Ltd. in 2019.

The Group aspires to be the employer of choice. Its recruitment department has grown in the last 1.5 years in order to attract new staff: in 2019, Ballast Nedam hired over 250 new employees. Ballast Nedam offers employees challenging jobs for our challenging projects. Also, it offers young people high levels of responsibility and the possibility to grow. To ensure safety, Ballast Nedam's safety programme Always Be Careful (ABC) has been reinforced, with a new campaign that started in early 2020. For more information see paragraph 6.6. The goal is to increase awareness and the safety of all employees and to reduce risks in the working field.

In 2019, Ballast Nedam continued to focus on operational excellence. This meant expanding the use of digitalisation in our processes and creating efficiency, where possible. For the international standard of BIM, Ballast Nedam received the BSI Kitemark™ as the first construction company in the Netherlands. Also, our Q2Field system helps the Group to raise quality standards by the use of new technology. Operational excellence does not only apply to quality, costs and efficiency, but also to the soft skills involved in Ballast Nedam's working methods. Clients appreciate Ballast Nedam for our accessibility, low hierarchy and no-nonsense mentality created by the Group's business DNA. Ballast Nedam's focus on building strong stakeholder relationships has led to trust as the basis of doing business together.

Corporate Social Responsibility (CSR)

Within all business units, Ballast Nedam considers sustainability, also in our operations. An important momentous occasion was the opening of Asphalt Productie Tiel (APT) in March 2019. Ballast Nedam is a shareholder of this most sustainable asphalt installation in the Netherlands. Also, Ballast Nedam built Shell's most energy-efficient petrol station in Tilburg, which was opened in 2019. It uses several sustainable solutions, such as solar panels, insulated glass and energy-sufficient equipment to reduce energy consumption and ultimately also CO₂ emissions.

The Ballast Nedam Development division is at the forefront of sustainability. It is not only developing real estate, but it also focuses on convenient lifestyles and healthy urban living and working. In tenders and current projects, there is a great focus on net-zero energy buildings, circular materials, biodiversity, nature-inclusive neighbourhoods, active lifestyles and social connectivity/group cohesiveness.

Projects

The critical and selective tendering approach is reflected in the Group's order book. High-quality profile projects were newly acquired in 2019 and in the first months of 2020. These include:

- the HES Hartel Tank Terminal Project in Rotterdam and Shin-Etsu PVC in Rotterdam (both by Ballast Nedam Heavy Industries)
- Apartments Suytkade in Helmond (by Ballast Nedam Zuid)
- P&R Gennepark Parken Eindhoven (Ballast Nedam Parking)
- Kavel 1N2 'Gare Du Nord' in Amsterdam and Building De Biesbosch in Amstelveen (both projects of Heddes Bouw & Ontwikkeling)
- Holland Casino in Venlo and Centre Céramique in Maastricht (both projects of Laudy Bouw & Ontwikkeling)
- Feringa Building: a new large building at the RUG (University of Groningen) which will hold the research department of the Faculty of Science and Engineering (Ballast Nedam Building Projects)
- Tuinbuurt Vrijlandt in Rotterdam (Ballast Nedam Development)
- S-Bahntunnel in Munich (Ballast Nedam Marine & Civil).

2.2 Financial results

2.2.1 Revenue

The revenue increased in 2019 by € 134.1 million to € 874.1 million. This 18% growth is better than estimated in Ballast Nedam's business plan and is visible in all divisions. The revenue from joint ventures realised for 2019 is € 134.1 million, which results in € 1,008.2 million total revenue for the company if the joint ventures were to be consolidated proportionally.

The revenues from construction activities are mainly from the execution of projects in residential and non-residential building and mobility. The revenue from Construction activities from building and infra works amounts to € 477.9 million and € 289.4 million. The revenue of Ballast Nedam Development is € 101.8 million, which reflects the general, primarily positive trends in the housing market. The Group remains firmly focused on enhancing its project portfolio and under ordinary market circumstances further healthy growth in the upcoming years.

2.2.2 Results for the year

Ballast Nedam continued its strategy to run a healthy company by continuously improving operational excellence which in 2019 results in an income from operating activities including results from joint ventures of € 11.7 million (2018: € 13.8 million). The EBITDA is € 21.7 million including the effect of adoption of IFRS 16 € 7.0 million (2018: € 16.6 million) The net result for continuing operations is € 12.8 million (2018: € 9.7 million). The result for 2019 was realised despite the loss from legacy projects of € 12.2 million; it is not expected that any further losses will be incurred on these projects. The result for continuing operations includes fair value gains from investment property of € 2.8 million (2018: € 6.5 million).

The net result for tax is € 8.7 million (2018: € 9.8 million). The enhanced performance of Ballast Nedam has resulted in the recognitions of a deferred tax asset of € 4.4 million for the Dutch fiscal unity.

The market conditions for construction companies, despite a significant demand for residential units, requires that the Group continues to be firmly focused on improvement projects around risk management, cost control and strategic tendering to enable, under ordinary market conditions, a healthy growth in the upcoming years.

2.2.3 Order book

The order book is stable at around € 1.5 billion. Ballast Nedam expects that in 2020, € 780.2 from the projects in the current order book will be realised. The tender policy continues to be selective. The quality of the order book increased, which 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. The margin on the new order book intake continued to improve and is within the strategic target margins of Ballast Nedam. Moreover, the percentage of legacy projects from before the takeover by Rönésans dropped to less than 2% in the current order book.

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

2.2.4 Shareholders' equity and cashflows

Shareholders' equity increased by € 12.4 million to € 77.1 million (2018: € 64.7 million); mainly by the net profit for the year, the solvency amounts to 10.7% (2018: 11.1%). Due to the limited increase in shareholders' equity and the higher balance sheet total (amongst others due to recognition of rights of use asset € 17.1 million), solvency slightly decreased in 2019.

The net cashflow for 2019 was € 54.8 million positive, compared to the € 25.1 million positive cashflow of 2018.

The cashflow from operating activities is € 35.9 million positive (2018: € 56.9 million negative). The cashflow from investing activities is € 7.2 million positive, which was realised mainly due to (temporary) funding of joint ventures and associates and investments in property, plant and equipment ('PPE'). No material investments were made or planned in research and development.

The positive cashflow from financing activities of € 11.7 million consists of € 6.0 million of repayment of loans, additional external loans of € 31.1 million and interest payments of € 6.4 million.

2.2.5 Assets and liabilities

Total assets increased by € 142.4 million to € 725.7 million (2018: € 583.4 million). Working capital was € 124.9 million as of 2019 year-end as a result of amongst others the cash and cash equivalents position of € 201.1 million. Capital employed increased by € 105.1 million to € 256.2 million.

2.3 Outlook for 2020

Ballast Nedam will continue to work on the improvements achieved during 2019 and will remain focused on the measures taken and on the realisation of its business plan. We will continue with our selective tendering philosophy and reduction of tender costs with strong controls.

2.3.1 Markets and businesses

Under ordinary market conditions, our divisions will mainly stay the same. The divisions along with their business units will continue to operate 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. Ballast Nedam will keep exploring international opportunities together with other Rönésans Group companies. As set out in paragraph 1.3.5, several institutions predict pressure on the growth in the construction industry in the coming years ranging from a limited growth to a decrease. Ballast Nedam, however, believes that we will continue to grow due to the added value we have created with our international network, supply chain and ability to accept and execute projects abroad. Furthermore, Ballast Nedam believes that the industry and Dutch market require a much more international approach, by using international contract conditions, suppliers and partners. The Group already benefits from these in several of its projects.

Ballast Nedam Heavy Industries will continue expanding its client portfolio and its business volume with its existing client portfolio. 2020 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.

The Group 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 remain committed to strong procurement in our existing business lines. Ballast Nedam will continue to utilise the synergy with Rönésans Group, which is already showing its impact: a spread to wider international areas, a combined technical expertise and efficiency in direct and indirect costs.

Subsequent to year-end 2019, COVID-19 has grown to a pandemic disease and causes disruption to business and economic activity. The scale and duration of COVID-19 remain uncertain and are expected to impact Ballast Nedam's future performance. Ballast Nedam will continue to follow RIVM's policy and advice and in parallel will do our utmost to continue our operations and construction sites in the best and safest way possible without jeopardizing the health of our people. We refer further to paragraph 3.4.1. for more details regarding our assessment and possible impact.

2.3.2 The Group's human capital

The Group continuously revisits its structure and remains focused on effectiveness and efficiency of all its employees and their positions. We will continue to provide a healthy, safe and motivating working environment for all its employees. Ballast Nedam will continue to invest in training and development programmes for our human capital.

2.3.3 Financing

The Group will continue to obtain further financing facilities with better financing possibilities. Information regarding its financing is included in paragraph 3.4.2.

Chapter 3

Risk Management

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3. Risk Management

Ballast Nedam is focused on market opportunities and being constantly alert to any associated risks. The Group takes a good balance into account between growth opportunities and associated risks to ensure long-term business sustainability. The aim of the Group's risk control framework is to manage risks within an acceptable risk level while working on achieving objectives.

This chapter explains how risk management and risk control process are organised within Ballast Nedam and what Ballast Nedam's focus will be for risk management in 2020. The chapter concludes by considering a number of specific risks to which Ballast Nedam is exposed.

3.1 Outline of risk management

3.1.1 Principles

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

- risk management is an integral part of all business activities and has to be monitored within the entire organisation
- our aim is to manage risks within an acceptable risk level while working on achieving business objectives as described in our strategy and business plan
- 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 different types of products and activities. The divisions' managements apply the Group's risk management policy at the division and the business unit level.

3.1.2 Risk philosophy

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

Ballast Nedam considers the management of risks to be a core competence that is embedded in the various projects we execute. Both in individual projects and across all projects as a whole, the Group applies various methodologies that are commonly used in the construction and infrastructure sectors. 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 becoming loss-making, as the Group has experienced in recent years. A set of thorough and all-encompassing actions are being taken, with the help of Rönescans Group, aimed at preventing future large project losses. Specific actions include following a more solid tender procedure by taking an approach based on stages. Approval is thereby required for each stage of a tender from the Group's tender committee (Tender Committee) before the next stage of the tender can be entered. Other actions include a centralised and tightened project control and a centralised procurement process.

3.2 Internal control & risks

This paragraph outlines the structure of risk management in Ballast Nedam on the basis of the 'three lines of defence' model.

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

A bottom-up approach to risk control

Project managers are responsible for managing the risks related to their projects. They identify, 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, hundreds of risks may be recorded in a relational database and monitored in each phase of the project. The risks in a simple project, by contrast, are controlled using a checklist. Ballast Nedam applies the 'fit for purpose'

principle in its project risk management. The same applies in principle for joint venture projects, albeit how risk management is incorporated depends on the administrative procedures agreed by the relevant joint venture partners.

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

In some cases, the expertise required for a project is not available within Ballast Nedam. For such projects, the Group collaborates 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, Ballast Nedam aims to assign the risks for each area of expertise to the party best able to control them.

Use of support instruments

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

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

Involvement of the Tender Committee

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

- the contract value exceeds certain thresholds
- projects include internationally complex contracts
- certain types of bank guarantees or other collateral are required
- liabilities for the contracts are uncapped.

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, capital requirement, ability of the proposed team to execute the project, cashflow, legal aspects, foreign currency, tax, labour law requirements and political aspects.

3.2.2 Second line: monitoring

Business control and treasury

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

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

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

Board of Management and internal authorisations required

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

3.2.3 Third 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 of the Supervisory Board and the Audit Committee. In these meetings they discuss the financial state of affairs of the Group and audit findings. Their activities are described in paragraph 5.1.

3.3 Risk mitigation

Risk management assessment and improvement of systems and processes is an ongoing process within Ballast Nedam.

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

3.3.1 Lawyers and contract managers

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

3.3.2 Insurance

Insurance is responsible for arranging and managing insurance policies for Ballast Nedam. 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 of the benefit and necessity of insurance.

3.3.3 Compliance

Ballast Nedam requires our employees, as well as our suppliers and subcontractors, to conduct themselves with integrity. Ballast Nedam has a zero-tolerance policy for non-compliance with our code of conduct. The Chief Compliance Officer investigates any possible violations that are reported. If violations have occurred, immediate measures are taken. In order to uphold the organisation's integrity, the Group continually evaluates the compliance policy and makes adjustments, where necessary. Further details can be found in paragraph 6.7.

3.3.4 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. Paragraph 6.6 identifies 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 controlling safety risks is Dibec, an organisation with specialists in the field of environment, safety, materials, science and surveying. This business unit develops safety plans and conducts safety audits.

3.3.5 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. With the implementation of these technologies, Ballast Nedam has achieved as much uniformity as possible across the business units to prevent disruptions. In view of the 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. The Group's ICT infrastructure is based on a wide range of services, modern communication technology and advanced virtualisation techniques for data storage and processing. This enables Ballast Nedam to continuously achieve and monitor the required capacity and availability of the systems to support our business processes.

3.3.6 Procurement

Ballast Nedam's centralised procurement approach supports ensuring the quality of suppliers' and others' products purchased, acts as a control, monitors efficiency of costs, and assists in preventing possible conflicts of interests.

3.4 Relevant risks

The Board of Management has the overall responsibility for the establishment and oversight of the company's risk profile.

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 the Group's strategy

The most relevant risks in relation to the Group's strategy arise from economic circumstances in the sector and loss of reputation resulting from a negative reputation.

Economic conditions in the market

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

The annual analysis by EIB reports a minimal growth in the construction industry. It estimates the growth in the construction of residential buildings at 0% - 2% in 2020. It also reports that due to PFAS in particular it expects even more pressure on growth in the sector in the years thereafter.

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

In addition, subsequent to year-end 2019, COVID-19 has grown to a pandemic disease and we have seen macro-economic uncertainty which causes disruption to economic activity which affects society as a whole. The scale and duration of this pandemic remain uncertain but is expected to impact our liquidity position depending on the duration. Management seeks to obtain the best possible information to enable us to assess these risks and implement appropriate measures to respond, including support made available by the Dutch government. We monitor the development of the COVID-19 virus, including short term lock down, by crisis management and by implementing business continuity measures for short-, mid- and long-term scenario's. As of today, we do not expect a liquidity shortage and as a result Ballast Nedam will be able to operate as a going concern. However the COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time there will be a material uncertainty related to the

consequences of this COVID-19 virus and this may cast significant doubt on the company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The objective of market risk management is to manage and control market risk exposures due to macro-economic or political developments within acceptable parameters, while optimising return. The Group closely monitors new regulations imposed on the sector and within a team of experts assesses the consequences of these new regulations for our businesses. Where possible and applicable, Ballast Nedam changes its business processes, adjusts contracts or creates new business opportunities.

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

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. Ballast Nedam controls this risk by establishing our liabilities at an early stage in the project and agreeing price compensation with our clients, where possible.

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.

3.4.2 Financial risks

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

Credit risk

Credit risks are risks of financial loss to Ballast Nedam – or its counterparty – of a financial instrument that fails to meet its contractual obligations. For the Group this arises principally from receivables from clients 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 (rights of retention) on projects under construction in order to limit the credit risk on instalments and trade receivables. At year-end 2019, there was no concentration of credit risks among debtors for substantial amounts. See also Chapter 7 paragraph financial risk management.

Liquidity risk

A liquidity risk is defined as the risk that Ballast Nedam will encounter in not meeting the obligations on time associated with its financial liabilities that are settled by delivering cash or another financial asset. Ballast Nedam's approach to managing liquidity is to ensure that the Group has sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Ballast Nedam controls the liquidity risk through weekly cashflow forecasts followed by adequate corrective measures and monitoring. See also Chapter 7 the paragraph on financial risk management.

Exchange risk

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

Forward exchange contracts with highly rated banks may be contracted to hedge the transaction risk on cashflows generated by ordinary business activities. At year-end 2019, Ballast Nedam had no outstanding forward exchange contracts recognised at fair value in the statement of the financial position. See also Chapter 7 the paragraph on financial risk management.

Interest risk

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

Although long-term PPP (public private partnership) contracts do not form a significant part of the Group's 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.

Financing risk

The existing financing package, consisting of loan agreements with multiple financial institutions amounted to € 181.2 million at year-end 2019 (2018: € 156.1 million). During the year 2019, Ballast Nedam obtained new loans amounting to € 31.2 million. An amount of € 24.8 million will mature on or before 31 December 2020.

The profit for the year improved the shareholders' equity to € 77.1 million (2018: € 64.7 million). With the current cash position, management forecasts that it has sufficient means to finance its ongoing operations. The working capital ratio (current ratio) of Ballast Nedam improved to 1.24 (2018: 1.08), and the cash position of the company at year-end amounted to € 201.0 million (2018: € 146.2 million). The current cash surplus, and the strengthened risk management activities, are expected to provide management with additional flexibility in its operations and execution of its business plans.

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

Ballast Nedam's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Ballast Nedam controls the liquidity risk through weekly cashflow forecasting followed by adequate corrective measures and monitoring. The Rönésans Holding A.S will continue to support and enable Ballast Nedam N.V. to complete the contemplated refinancing of, at a minimum, the existing loan values which are due on or before 31 December 2020, and obtain sufficient guarantee facilities for the 2020 order portfolio and recently awarded projects.

3.4.3 Operating risks

Employees

Ballast Nedam continued to hire ambitious talented, high skilled employees during 2019. Ballast Nedam believes that it is perceived as a great place to work with its increasing financial strength, investment in its human capital and its offers to work on challenging and unique projects. The general challenge 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 the construction and development projects are more difficult to find (the 'war on talent'). 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 paragraph 6.5.

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, the Group uses a performance measurement system in the realisation and management phases combined with thorough evaluation of projects. This is used to transfer the knowledge gained in these phases to 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. The Group's people are its capital and an asset we conserve with great care. This is why Ballast Nedam continues to take many measures to ensure the appropriate control of safety risks. Safety 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. Various safety officers are appointed in the business and/or projects to execute safety audits and implement improvements. Recently, the Group's safety programme has been reinforced. Further details of the control measures for safety in the chain can be found in paragraph 6.6.

Project

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

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

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

ICT

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

The main examples of the various control measures are:

- the Code for Information Security (an international standard for information security in organisations which Ballast Nedam adheres to)
- authentication access measures
- firewall technology for access from the Internet

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

Claims and legal proceedings

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

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

3.4.4 Compliance and integrity risks

Upholding and promoting a solid level of integrity is key 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 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 Group. Ballast Nedam integrates compliance into all aspects of our business activities. Fair, compliant, behaviour is safeguarded as much as possible by giving employees clear guidelines, by providing an accessible compliance organisation with supporting processes, reporting systems and appointing a compliance office headed by the Group's Chief Compliance Officer.

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

Various measures are in place to prevent compliance risks, including a decentralised team of compliance officers who are aware of compliance risks and easy to approach for the employees of Ballast Nedam, the Ballast Nedam Code of Conduct (BeNWiiser) and related sub-codes, managerial regulations that explicitly include an obligation to comply with applicable legislation and regulations, an internal authorisation matrix, a third-party screening process, a gift & invitations registration process, and an internal reporting policy/Speak Up line.

Risks in relation to third parties abroad

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

OECD and ILO principles

Compliance with the control measures in force is essential, partly in view of the increasing shortage on the labour market and partly because the government is becoming increasingly stricter in its enforcement of current legislation and regulations. Ballast Nedam works in accordance with the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises (MNE) and the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work and obliges our subcontractors and suppliers to comply with these guidelines and principles as well, as laid down in the BN CoC Subcontractors and Suppliers. This means that the Group and its suppliers and subcontractors, among other things, do not discriminate,

work in accordance with applicable laws and regulations concerning remuneration and working hours and do not make use of child labour and forced labour. In-house departments, including Legal, Human Resources, Procurement, Finance, and Compliance have an important role in monitoring compliance with the relevant laws and regulations.

Chapter 4

Corporate Governance

Breaking new
ground together



4. Corporate Governance

4.1 Management and control structure

4.1.1 Introduction

Ballast Nedam has been inspired by the principles of the Dutch Corporate Governance Code (the Code) in structuring its corporate governance framework, including its articles of association and regulations of its internal bodies. 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 comply with the Code and explain any deviations from the Code's best practice provisions. The company applies the Code as much as possible to the extent we believe this to be feasible, desirable and applicable, but does not comply with the Code and will not set out and explain any non-compliance in this annual report or elsewhere.

The company has a Supervisory Board and a Board of Management. The Board of Management requires Supervisory Board approval for certain important decisions. The Board of Management also requires the approval of the General Meeting for, amongst other things, important changes in the identity or character of the company or the business. The remuneration of members of the Supervisory Board (if any) and the Board of Management is commensurate with their term of office. See note 7.6.34 for further details. Further details on the company's corporate bodies can be found below.

4.1.2 Managerial structure

Ballast Nedam's managerial structure is composed of four divisions: Construction, Development, Heavy Industries and Concessions. The divisions are subdivided in several business units, because of their specific capabilities or regional presence. In addition, Ballast Nedam's organisation includes several shared services that support the various business units, such as Insurance, Legal, Human Resources, HSE and Compliance.

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

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

Each holding company has several direct and indirect subsidiaries, joint operations, associates and joint ventures. For more information about the direct and indirect subsidiaries, please see paragraph 7.6.2, and see paragraph 7.6.34 for an 'Overview of joint operations' and 'Overview of associates and joint ventures'. A full list of the subsidiaries included in the consolidation has been filed with the Trade Register at the offices of the Dutch Chamber of Commerce in Utrecht.

Construction

Construction is Ballast Nedam's largest division. Its business units demonstrate a large variety of activities and expertise, in particular in relation to construction, utilities and infrastructure. Examples of specific expertise include parking, onshore and offshore wind, concrete, marine and civil works and foundation solutions.

Construction focuses on successfully acquiring and executing complex, integrated infrastructure projects as well as residential and non-residential buildings and mobility areas, locally, nationally and internationally. Construction acts as main contractor but also as a subcontractor in specialised areas.

Most international projects are executed from the Construction division. Its projects and activities are located in countries in Europe (the Netherlands, United Kingdom, Belgium, France, Sweden, Luxembourg, Turkey and Germany), Asia (Sri Lanka), and the Caribbean (Sint Maarten, Saint Lucia, Aruba and Curacao). It focuses on tenders in Europe, Asia, the Caribbean, Africa and the Middle East. Where possible, Construction continues to explore opportunities in the international market where Ballast Nedam and the rest of the Rönnesans Group can work together.

Development

Development redefines developing attractive working and living environments in urban areas. It creates integrated, creative and high-profile solutions for the building environment. It does this through investment, management and development of projects based on both public and private partnerships.

We believe that every one of Development's projects represents an opportunity to have a positive impact on the world – today's world, and the future. Important activities include development of projects with zero energy buildings, circular materials, improvement of biodiversity, enabling active lifestyles and improvement of social connectivity/group cohesiveness. A nationwide toolkit for nature-inclusive construction was launched in 2019.

Heavy Industries (Industriebouw)

Heavy Industries realises projects for industrial clients. Its clients are companies in the industrial market, for example in the (petro) chemical, oil and gas sector, steel industry, food processing and the energy market.

Concessions

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

4.1.3 Board of Management

The Board of Management manages the company and is responsible for the Group's objectives, strategy and policy and the consequent results. It considers the interests of the company and its stakeholders when adopting its resolutions, as well as the impact of its decisions on natural and social capital. In its meetings – of which minutes are prepared and adopted – the Board has often discussed material corporate social responsibility matters when discussing certain topics. These include the consequences or considerations of its decisions on human capital, the environment, safety and other matters. The minutes of the meetings of the Board of Management are not made public.

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 www.ballast-nedam.com.

The Board of Management consists of a group of six dedicated individuals. With a high level of involvement, Ballast Nedam was under the control of and guided by the members of the Board of Management during the past year to improve the company's operational processes, productivity and main focus themes. The composition of the Board of Management is as follows:

C. Düzyol (Chairman)

Mr Cenk Düzyol (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 Heavy Industries division and Construction division. Mr Düzyol joined Rönesans in 1999 and was previously CEO of Renaissance Construction Russia (2005-2015), a board member of Rönesans Holding A.Ş. (2016-2018) and has been a board member of Renaissance Construction Russia since 2015. 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. In the Annual General Meeting of 19 March 2020, it will be proposed to convert his term to an indefinite term of office.

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 master's degree in law from Erasmus University Rotterdam. In the General Meeting of 23 June 2017, Mr Padberg was appointed to the Board of Management for an indefinite term of office.

Ö. 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. 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 to the Board of Management for an indefinite 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 Renaissance Construction Russia. He received his degree in economics from the Middle East Technical University in Ankara in 2004. In the General Meeting of 23 June 2017, Mr Koçak was appointed to the Board of Management for an indefinite term of office.

A.K. Sağlam

Mr. Kemal Sağlam (Turkey, 1978) was appointed Chief Executive Officer of Ballast Nedam's Construction division as of 1 September 2019. He is responsible for the operations of all the business units within Construction, the organisation of departments as well as the establishment of new markets in line with Ballast Nedam's strategy. Mr. Sağlam joined Rönesans in 2008 and worked in various positions within Renaissance Construction Russia until 2013. After that, he took roles within Rönesans Energy as well as holding departments in Turkey. Before his appointment to Ballast Nedam, he was CEO and board member of Rönesans Healthcare Facilities Management Company and a board member of Heitkamp Ingenieur und Kraftwerksbau GmbH. He is an electrical-electronics engineer,

graduated from the Middle East Technical University in 1999, and completed his MBA degree in 2001. In the written resolution of the General Meeting dated 2 March 2020, Mr Sağlam was appointed to the Board of Management for an indefinite term of office.

4.1.4 Supervisory Board

The Supervisory Board supervises the policy of the Board of Management and the affairs of the company and its business, and supports the Board of Management with advice. The Supervisory Board performs its tasks keeping the interests of Ballast Nedam N.V. and the associated business in mind. The Supervisory Board has a minimum of three seats, and consisted of four members for the main part of 2019: Ms İ. İlicak Kayaalp, Mr H.A. Akvardar, Mr E. Baki, Mr P.R.H.M. van der Linden and Mr K. Arslan. 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. İlicak Kayaalp (Chairperson)

Mrs İpek İlicak 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 is a member of the Executive Board of various subsidiaries of the Rönesans Group, and a member of the Rönesans Education Foundation. She was first appointed to the Supervisory Board of Ballast Nedam in 2015 for a four-year term, which was extended in November 2019. Her current term of office ends on 20 November 2023.

Mr E. Baki

Mr Emre Baki was born in 1975. He is a Turkish national. Mr Baki joined Rönesans in 2006 and is a member of the 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 for a four-year term, which was extended in November 2019. His current term of office ends on 20 November 2023.

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

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

Mr K. Arslan

Mr Kaan Arslan was born in 1966. He is a Turkish national. Mr Arslan began his career at Interbank and he assumed different roles and branch manager in this bank between 1990 and 1998. After working as Vice President of corporate and commercial banking at Bayındır Bank from 1998 to 2001, he acted as Executive Vice President of Ziraat Bankası for corporate and commercial banking for 2001-2003. He was Vice-President for Turkish Capital Markets in Global Securities and Raymond James between 2003 and 2005 and then became Vice President for Finansbank in Private Banking from 2005 to 2010. In 2010 he joined Rönesans Holding and has been a 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.

Mr H.A. Akvardar (member until his resignation in January 2019)

Mr Hüseyin Avni Akvardar was born in 1965. He is a Turkish national. Mr Akvardar is President of Renaissance Construction. Mr Akvardar is also a board member of various subsidiaries of Rönesans Holding A.Ş. Mr Akvardar was appointed to the Supervisory Board of Ballast Nedam in 2015. His term of office ended in January 2019 because of his resignation at the time.

Audit Committee

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

4.1.5 General Meeting

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

4.2 Independent statutory auditor

The Audit Committee and the Supervisory Board were involved in the selection of the 2019 statutory auditor. The General Meeting granted an engagement to PricewaterhouseCoopers Accountants N.V. to conduct an audit of the 2019 financial statements of the company. PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. in Turkey has audited Rönesans Holding A.Ş.'s 2019 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 2019 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, 19 March 2020

Board of Management,

C. Düzyol

S.R. Lefevre

H. Koçak

Ö. Canbaş

O.P. Padberg

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

Chapter 5

Supervisory Board

Breaking new
ground together



5. Supervisory Board

5.1 Report of the Supervisory Board

The Supervisory Board discussed financial developments each time it met in 2019. It also reviewed operations within the Group and market trends, using the various management reports and other information as input. Memoranda from the Board of Management were also discussed at the meetings, as were Board of Management decisions requiring the Supervisory Board's approval. Moreover, the Supervisory Board was also kept updated by email and granted approvals for matters in writing. Major subjects in which the Supervisory Board was frequently involved 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 2019. The Audit Committee discussed internal control and financial reporting with the Chief Financial Officer. In addition, the Supervisory Board discussed interim financial figures, the annual financial statements and results of the statutory audit, matters on which the Audit Committee provided advice.

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

5.1.1 The Audit Committee

Mr Baki 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 2019. The independent auditors were present at most of those meetings.

The subjects the Audit Committee discussed at its meetings include:

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

The Audit Committee and the Supervisory Board discussed the findings of the independent auditor, the interim observations for 2019 and the follow-up to the findings with the independent auditor.

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

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

5.2 Financial statements and recommendation to the General Meeting

The Supervisory Board submits the Annual Report for the 2019 financial year to the General Meeting, including the consolidated and company financial statements of Ballast Nedam N.V., as prepared by the Board of Management and approved by the Supervisory Board. The financial statements have been audited by PricewaterhouseCoopers Accountants N.V. The independent auditor's report is

included in paragraph 8.1. 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 2019.

Nieuwegein, 19 March 2020

Supervisory Board,

İ. Ilıcak Kayaalp

E. Baki

P.R.H.M. van der Linden

K. Arslan (appointed on 8 February 2019)

Chapter 6

Corporate Social Responsibility

Breaking new
ground together



6. Corporate Social Responsibility (CSR)

6.1 Position of CSR in the organisation

Ballast Nedam recognises how important CSR is for the organisation and implements its CSR policy across the entire company, on both a national and international level. The Group focuses on creating a clear organisational structure, setting up and maintaining an efficient management information system and taking relevant actions that contribute positively to and have a positive impact on its organisation, stakeholders and environment.

Ballast Nedam is aware that our actions have an impact on the world of today and tomorrow. As an organisation, Ballast Nedam is well aware of this fact. We address our responsibilities in this area in an integrated way by acting in accordance with the UN's Sustainable Development Goals (SDGs). In 2015, 193 United Nations world leaders developed these 17 global goals, which aim to ensure that the world will be a fair, healthy and safe place to live in for everyone by 2030. Ballast Nedam signed the SDG Charter in April 2017, thus confirming that, together with other signatories, it wishes to contribute to the SDGs. The SDGs concern social aspects such as poverty, hunger, quality education and good health and well-being for all. They also include economic aspects relating to the promotion of sustainable production and consumption, as well as ecological aspects regarding the protection and management of sustainable resources.

The Group believes that a healthy living and working environment is essential for the quality of life. Ballast Nedam wants to be a modern and professional employer that is attentive to its employees. We seek to create conditions in which our employees can excel. Based on this belief, Ballast Nedam is committed to a healthy, safe and motivating working environment for all employees. Ballast Nedam also intends to add value to the working and living environment by aiming for better quality, more comfort and better health for our clients. Ballast Nedam not only focuses on the building level, but it also applies high standards to our urban development efforts where the health and well-being of future residents are concerned. Our own development efforts are inspired by areas dotted around the world where people are demonstrably living longer and healthier lives. Scientific research has shown why these areas are so successful and has summarised this in ten guiding principles.

In addition to the SDGs and aligned with Rönésans, Ballast Nedam has endorsed the IFC (International Finance Corporation, IFC) 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, the Group needs 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, the IFC Performance Standards are integrated in the SDGs.

The Group's CSR policy is organised as follows:

- involvement of the Board of Management
- the directors, including division 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 directors, including division directors. The target letter to management states that KPIs for non-financial matters must account for one-third of CSR results
- the 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 the Group's operations.

Ballast Nedam endorses the OECD Guidelines for MNE see also paragraph 3.4.4. Ballast Nedam also applies the following covenants, codes of conduct and certificates:

- Bewuste Bouwers / Considerate Constructors Scheme: guides builders to be aware of the community and the 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
- CO₂ awareness certificate level 5
- ISO 14001: standard applied for the establishment and certification of environmental management systems.

6.2 Targets and results of CSR

Ballast Nedom believes that every project presents an opportunity to make a positive contribution to the world of today and tomorrow. The Group is therefore keen to do more and has embraced sustainability. Ballast Nedom is changing its approach from one based on sustainable projects to one that revolves around sustainable operations: along the entire chain Ballast Nedom aims to work as sustainably as possible by integrating different means and supplies.

Sustainability is an integral part of Ballast Nedom's work. The Group believes that it owes it to future generations to focus on sustainability. The Group see this as an economic opportunity. Due to Ballast Nedom's urban development efforts (particularly Ballast Nedom

Development), we have a major impact on areas where people live. Ballast Nedom aims to integrate measures to promote nature, biodiversity, sustainable mobility and climate adaptation that are quite easy to integrate into our work where possible. Their impact is optimised if they are included in the Group's efforts simultaneously, rather than integrating them afterwards. The Group feels responsible for making innovative progress in both infrastructure and the built environment. Ballast Nedom uses the SDGs as guidance and translates these into a strong vision on health and well-being which we have applied to urban developments such as the Maastricht Groene Loper and the Cartesiusdriehoek in Utrecht. Ballast Nedom also developed and has applied the Pure Air concept, a method that guarantees cleaner indoor air. Our goal is to be at the forefront of sustainability in all our sectors and to inspire others.

To contribute to increasing biodiversity, Ballast Nedom creates nest boxes for birds and bats, sows seeds to create bee-friendly spaces, provides bee hotels and builds living, green walls. Our ambition for 2020 is that all homes developed by Ballast Nedom will be zero-energy. Where this is not possible because of urban development principles or the volume of the development, we will do our utmost to develop as energy efficiently as possible. Ballast Nedom is investigating the use of electric shared cars on various projects by fulfilling the preconditions and offering electric shared cars to replace people's first or second cars. The first agreements for this have been made. A covenant has been entered into with the Municipality of Eindhoven for making electric shared cars available at car parks in public areas.


The SDGs are being integrated into the Group's business operations more and more. In the past year,




the Group has shown some progress. In line with its target, all homes we sold were free of fossil gas. All homes developed by Ballast Nedam Development were constructed as zero-energy homes in 2019. Ballast Nedam also signed the Maastricht Energy Agreement with the Municipality of Maastricht, in which targets are defined to achieve a significant energy reduction.


6.2.1 Targets/Actions


The CSR targets of Ballast Nedam have been adjusted to correspond with the matching SDGs. In addition, Ballast Nedam has placed additional emphasis on two SDGs that are close to our business. These concern affordable and clean energy and sustainable cities and communities.


 7 AFFORDABLE AND CLEAN ENERGY	Target	Results in 2019	KPI 2020
	Ballast Nedam's ambition is to construct zero-energy buildings only and invest in large-scale wind and solar projects.	Zero-energy homes have been elevated/raised to standard. All homes were developed with solar panels.	Investigate further optimising the installed capacity to enhance the Group's green energy production


 11 SUSTAINABLE CITIES AND COMMUNITIES	Target	Results in 2019	KPI 2020
	To develop and sell sustainable and zero-energy homes.	100% of the homes sold were free of fossil gas in 2019. 100% ground-bounded developed homes are zero-energy (EPC 0 or lower). The average EPC of the apartments and ground-bounded homes sold together was 0.02.	The average EPC of the ground-bounded homes sold <0. Ballast Nedam will propose, develop and apply new sustainable mobility concepts in its projects.


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

 13 CLIMATE ACTION	CSR subject	Intended goal	KPI	Result in 2018	Objective for 2019	Result in 2019	Objective for 2020
	Energy, CO ₂ and air quality	Energy efficiency and use of sustainable energy	CO ₂ (scope 1&2) / Dutch revenue	58.9%	57% reduction compared to 2008	57.4%	2% reduction compared to 2019
Initiatives in the value chains of activities			2	2 initiatives	2 initiatives	2 initiatives	

12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	CSR subject	Intended goal	KPI	Result in 2018	Objective for 2019	Result in 2019	Objective for 2020
	Waste management, recycling and materials	Reducing material consumption and increasing separation percentage	Waste segregation	71%	67%	76.2%	70%
			Waste segregation incl. subsequent separation	88.8%	92%	93.3%	92%

8 DECENT WORK AND ECONOMIC GROWTH 	CSR subject	Intended goal	KPI	Result in 2018	Objective for 2019	Result in 2019	Objective for 2020
	Human resources	A healthy, safe and motivating working environment for all employees	Percentage of absenteeism	4.6%	4.2%	4.27%	4.1%
			Held performance appraisals	70%	>95%	84%	>95%

3 GOOD HEALTH AND WELL-BEING 	CSR subject	Intended goal	KPI	Result in 2018	Objective for 2019	Result in 2019	Objective for 2020
	Safety	An injury-free Ballast Nedam	Injury frequency excluding subcontractors	3.45	<6.0	3.07	<4.5
			Injury frequency including subcontractors	5.42	<6.0	4.67	<4.5

16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	CSR subject	Intended goal	KPI	Result in 2018	Objective for 2019	Result in 2019	Objective for 2020
	Business ethics & integrity	Create more awareness regarding compliance topics	Roll-out a new internal report scheme combined with an awareness campaign	80%	100%	100%	100%
			Roll-out a new code of conduct with an awareness campaign			50%	100%

6.3 Energy and CO₂

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

6.3.1 Policy

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

The policy was aimed at reducing CO₂ emissions by 30% by 2020 compared to the reference year 2008, in relation to the turnover of the Group's Dutch activities. After the reorganisation at Ballast Nedam, where amongst other things two production sites were sold, the reference year 2008 is no longer a realistic base and a new reference year will have to be determined. Therefore, we have set 2019 as the new reference year for our long-term objective for 2030.

This new objective relates to Ballast Nedam's own CO₂ emissions (scopes 1 and 2) resulting from energy use at our offices (electricity and heating/cooling), at our construction and production sites (electricity, gas and diesel) and for mobility (petrol, diesel and CNG).

The 2030 target for scope 1 (natural gas, diesel and other fuels) is a 50% CO₂ reduction compared to 2019. For scope 2 (electricity, district heating and air traffic), the Group aims to become completely CO₂ neutral in 2030 (i.e. 100% CO₂ reduction). The total reduction target for 2030 for scopes 1 and 2 together is 56% compared to 2019.

6.3.2 Targets and results of energy and CO₂

In 2019, Ballast Nedam achieved a 57.4% reduction in CO₂ relative to the reference year 2008.

Overview of CO₂ emission reduction

	2008	2017	2018	2019
CO ₂ footprint (Dutch activities in tonnes)	72,867(*)	16,016	15,109	19,311
19, Revenue from Dutch activities (millions of euro)	1,349	641	681	839
CO ₂ emissions (tonnes) per million of revenue in euro	54,0	25,0	22,2	23,0
Percentage relative to reference year	100%	46.3%	41.1%	42.6%
Reduction relative to reference year		53.7%	58.9%	57.4%

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

6.3.3 CO₂ footprint measurement system and verification

In its CO₂ footprint, Ballast Nedam reports the emissions in scope 1 (natural gas, petrol, CNG, cokes, diesel, LPG, kerosene, propane and business travel) and scope 2 (electricity, terrestrial heat and business use of private cars and flight movements) of the Dutch operations. The criteria have been established in accordance with the Greenhouse Gas Protocol – Revised edition and 'Handboek CO₂-prestatieladder version 3.0' of SKAO. The Group uses the IFRS demarcation criteria, with participating interests of 50% or higher and consortia being proportionally included in the footprint. If any monthly consumption figures are not known, estimates are made at the year-end based on the revenue trend. Ballast Nedam calculates the CO₂ emissions on the basis of the conversion factors in SKAO performance ladder 3.0. The 2019 verification of the amount and scope of emissions was provided by DNV.

Ballast Nedam succeeded in its reduction aims in 2019. This is due to the initiatives taken in projects, the consumption of green electricity and making offices more sustainable.

	Office	Building site	Factory	Mobility	Total
Scope 1	527	6,589	820	5,811	13,747
Natural gas	527	344	683		1,554
Diesel		6,088	137	3,309	9,534
Petrol		35		2,486	2,521
Cokes					
CNG				16	16
Other fossil fuels		122			122
Scope 2	26	3,195	385	1,958	5,564
Electricity	11	2,971	385		3,367
District heating	15	224			239
Business use of private cars				1,538	1,538
Flight Movements					
<700 km				131	131
700-2500 km				254	254
>2500 km				35	35
Scope 1 and 2	553	9,784	1,205	7,769	19,311

6.3.4 Projects awarded based on sustainability criteria

For Ballast Nedam, opportunities to improve energy performance will result from:

- acquiring projects in which sustainability and reducing CO₂ emissions are an important award criterion, as well as projects with BREEAM, LEED or CO₂ Aware certification
- cutting the CO₂ emissions of our own fleet of vehicles.

Ballast Nedam took the following measures in 2019 in relation to our fleet of vehicles: the fleet of commercial vehicles we are rolling out consists only of vehicles equipped with load-based speed and acceleration limiters. This measure will contribute to a significant reduction in CO₂ emissions. The first two hybrid plug-in company vans are scheduled to be delivered in 2020. Over the coming years the Group will be focusing its attention on further reducing the CO₂ emissions of its own fleets of vehicles.

For the reduction of Ballast Nedam's own footprint, the focus is on sustainability measures at the construction site itself and in the work environment both at our offices and in the site huts. Examples include CO₂-neutral delivery, energy-efficient lighting, the use of a highly sustainable site hut, as well as the sustainable use of its site huts.

A start has been made with the use of sustainable chain/switching units with high insulation, double glazing, light sensors and LED fixtures. These units are also cooled and heated using a sustainable heat pump. Of all the units, 15% - 20% have now been divested and replaced by these new more sustainable units.

Ballast Nedam International Product Management (as a business unit of Ballast Nedam) has built the most energy-efficient Shell station in the Netherlands, Shell Dalem. Various techniques have been incorporated into the construction so that energy consumption and CO₂ emissions can be reduced.

With a sustainable car wash and 125 square meters of integrated solar panels, it is the most modern station of Shell in the country. The station is also the very first in the Netherlands that is equipped with 150 kWh Shell Recharge charging units. Owners of a fully electric vehicle with fast-charging functionality can charge their batteries here within 15 minutes.

Ballast Nedam as one of the shareholders of APT, the most sustainable asphalt plant of the Netherlands, is proud that this plant can produce the most circular asphalt in the Netherlands. Energy can be saved, since the heated air is collected and reused. This results in a reduction in natural gas of 35% with an equally high reduction in CO₂. Toxic substances such as CO_x, NO_x and SO_x are immediately thermally re-incinerated, which reduces emissions substantially.

6.3.5 CO₂ in the Ballast Nedam supply chain

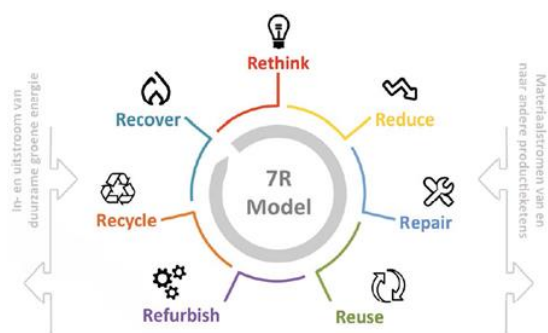
The environmental impact of services and products in the Group's supply chain (scope 3, purchase and sale of services and products) is determined on the basis of a lifecycle analysis (LCA). In 2018, Ballast Nedam carried out the first of its own LCAs for the Blankenburg Connection project. For 2019, more LCAs were made by the project and Ballast Nedam's aim is to perform LCAs together with our suppliers/subcontractors for even more products. After all, energy savings will not be achieved by focusing only on the Group's own consumption. It will need to work together with the chains in which the Group is active to find ways to bring consumption down, such as CO₂ neutral delivery of different materials.

6.4 Waste, recycling and materials

Ballast Nedam takes a whole-lifecycle view of waste. In order to combat climate change and further depletion of natural resources, Ballast Nedam seeks to change its working methods. This means that we aim to develop our buildings and infrastructure so that all raw and other materials will soon be reusable, and that generating waste during the building/production stages will be prevented.

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

- waste-free building sites in 2030, focusing on eliminating plastic and other packaging materials for single use, aiming at PUR-free building and avoiding toxic substances. This not only concerns separating and properly disposing of waste, but also smarter design, procurement and implementation. Any residual products that may still occur must be fully offered for reuse or recycling;
- build 50% circular in 2030. This means using renewable and/or secondary materials in order to prevent further depleting natural resources. Ballast Nedam plans to construct buildings where all the elements can be dismantled and reused where possible, but our preferred option is to build whole-life houses, so that buildings can be given different functions over time and will not need to be demolished or dismantled. Ballast Nedam is using the circularity ladder (7-R) to ensure the right focus; see the figure on the right. It will also fight pollution by no longer using any toxic substances. Ballast Nedam will try to make everything it uses suitable for future reuse. Circularity is Ballast Nedam's motto and this is supported by tools such as Madaster and openBIM.



6.4.1 Targets and results of waste, recycling and materials

Ballast Nedam has adopted a lifecycle approach to the use of materials. We assess the environmental impact of materials and processes on the basis of an LCA.

Ballast Nedam will turn circularity into action in 2020. We will apply the Building Circularity Index to the Cartesiusdriehoek project. In addition, we aim to fully develop one development project with an MPG

(environmental performance of constructions and civil engineering works) value of 20% below the standard rating next year.

Ballast Nedam has set the following targets for 2020:

- 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 70% (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 76.2% in 2019 Ballast Nedam scored above the objective of 70%. The waste segregation including subsequent separation was 93.3%.

6.4.2 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. The Group therefore engages in a dialogue with suppliers or subcontractors concerning packaging materials that have a major impact in order to assess whether the project could be conducted differently. This leads, for example, to 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 is committed to ensuring a healthy, safe and motivating working environment for all employees. This is the cornerstone of Ballast Nedam's HR policy and is fully supported by Röneseans.

6.5.1 Aspiring to be the employer of choice

To enable Ballast Nedam's growth ambitions, we continuously require new inflow of young talented professionals and skilled employees. The Group was very successful in getting the right people for the right jobs in 2019, despite the very competitive labour market. 279 new employees were welcomed in 2019 and the attrition rate dropped to a relatively low rate of 8.5%.

Challenging projects, an entrepreneurial atmosphere and excellent (international) career opportunities have proven to be distinctive reasons to attract and retain an increasingly diverse population. With 24 nationalities represented and a 2 percent point increase of the number of women in Ballast Nedam's employee population in 2019, Ballast Nedam can truly say that it takes diversity seriously.

With Ballast Nedam's increased presence at schools and universities, our employer brand is strengthened and talent pools for the future are being built. The 120 internships completed in 2019 (+36% versus 2018) are a reflection of Ballast Nedam's success in finding talent.

Total employees	Male	Female
Ballast Nedam payroll 2018: 1653 2019: 1709	87%	13%
External 2018: 225 2019: 323	92%	8%
Total 2018: 1878 2019: 2032	88%	12%

6.5.2 Productivity

A focus on productivity is a prerequisite to remaining competitive. A consistent approach to performance management, training and education, and leadership development initiatives support this objective. HR processes, procedures and tools have been further optimised to better enable managers and employees to do their jobs effectively.

Investments made in preventing sick leave, in establishing a safe and healthy working environment and consistently following up on re-integration from absenteeism have led to a decrease in absenteeism to market average rate.

6.6 Safety

For Ballast Nedam safety is a promise, a promise to all colleagues that we guarantee their safety at all times working at Ballast Nedam and a promise to bring colleagues home safely at the end of the day.

It is the Group's obligation to provide a safe working environment for all employees working at Ballast Nedam. We aspire to be an injury-free Ballast Nedam. This is why it is important to be aware of the life-critical activities and eliminate or reduce safety risks to the most minimum level possible. The main principle at Ballast Nedam is: *Work safely or not at all!*

6.6.1 Policy

Safety is a core value at Ballast Nedam. Nevertheless, the Group regrets that it is not always able to keep its promise. It is the Group's policy to create a proactive safety culture and a safe working environment. The leadership of senior and middle management as well as the commitment to safety of all employees working at Ballast Nedam is essential to achieving this goal.

6.6.2 Targets and results on safety

The injury frequency (IF) for 2019 was 4.67 (2018: 5.42, 2017: 5.29). Ballast Nedam will continue to make every effort to reduce the number of accidents.

The IF ratio is based on the number of lost time accidents per one million worked hours, suffered by employees and hired staff. In 2019 there was a slight decrease of the IF ratio. However, the Board of Management has decided to take further action to more strongly decrease the number of lost time injuries and create a steep downward trend.

However, as a conclusion, it is Ballast Nedam's aim to substantially reduce the number of incidents on our projects.

Therefore the strategy on safety and achieving the reduction of the number of incidents will be drastically changed starting in 2020, where also the safety strategy will be fully aligned with Röneseans.

In 2019, Ballast Nedam deeply regretted two fatal incidents. One accident was related to assembly works where a subcontractor employee fell down with the steel structure and became trapped. In the second incident, a Ballast Nedam employee was involved who drove a shovel that tilted and became trapped under the shovel. Both incidents were thoroughly investigated by root cause analysis after which measures were taken to prevent such accidents from happening again.

6.6.3 Safety is as simple as ABC 'Always Be Careful'



Ballast Nedam communicates its safety actions along with the safety campaign ABC, Always Be Careful. 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 should by default be simple and efficient: people work as efficiently as possible. It has to ensure that the most efficient method is also the safest method. Careful can be translated into the promise of the employer to its employees to return home safely at the end of the day.

6.6.4 Safety initiatives in 2019

In 2019, the following actions were initiated:

- transparent ABC communication by using safety alerts, newsletters, toolbox meetings, ABC alerts and information boards
- participation in the National Safety Day in construction on 20 March 2019
- increase of deployment of safety professionals on Ballast Nedam sites
- decision to launch a renewed and reinforced ABC-NEXT programme for 2020 and beyond
- initiation of a Gap analysis as a starting point for further improvement
- initiation of a safety leadership and commitment programme on safety
- initiation of fully aligning with Rönésans Safety Management System to be implemented in 2020.

6.6.5 Safety improvement plan

Improving safety means creating a safer, more open and healthier working environment and together making a stronger commitment putting safety first. It also means no more serious accidents and drastically reducing the number of (lost time) injuries.

As a first step in December 2019, the Board of Management put a new team together, the ABC NEXT team, who will guide the organisation through this improvement process. However, safety starts with Ballast Nedam itself and its own leadership.

6.6.6 Leadership, Commitment and Responsibility

Within Ballast Nedam, everyone should feel responsible for safety. An increase in leadership and commitment at senior and middle management level, being the leading example, and being fully responsible for safety is important to make steps in improving safety within Ballast Nedam.

6.6.7 Gap analysis

In December 2019, a gap analysis was initiated to create an overview of the maturity level of safety at Ballast Nedam (Gap analysis). For this step, in close cooperation with Rönésans' HSE department, the international safety company DEKRA will conduct an audit of safety commitment and hygiene at Ballast Nedam's sites. From this Gap analysis, an inventory of the best practices and recommendations will be reported. The outcome of this Gap analysis in combination with Rönésans' proven safety strategy forms a starting point for a renewed safety programme, ABC NEXT, to be rolled out throughout the entire organisation in 2020 and beyond.

6.6.8 Safety in the supply chain

Ballast Nedam makes no distinction between its own employees and the employees of subcontractors with regard to safe working. At its construction sites, the Group urges all personnel, including subcontractors, to work safely or not at all. It encourages personnel to work safely by applying the policy in full to its projects. This means that the Group engages in a dialogue with all employees working on its sites and at the same time supervises compliance with the safety standards as agreed in the risk assessment.

6.6.9 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 2019 derived from the Governance Code on Safety in the Construction Industry:

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

6.7 Business ethics and Integrity

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

6.7.1 Culture

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

6.7.2 Targets and results in business ethics and integrity

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

The Group applies a zero-tolerance policy, which means that we do not allow any behaviour or actions which can be considered unethical, a breach of integrity or a breach of our values and norms as laid down in our Code of Conduct whether by our own employees or by third parties. By ongoing training and learning, awareness campaigns and stimulating discussion of dilemmas, the Group aims to keep all employees aware of the importance of fair and ethical behaviour. In addition, the Group has a new joiners' introduction/on-boarding training in compliance and ethics and requires all our new-joiners to complete the compliance e-learning. The Code of Conduct and underlying sub-codes are made available for all staff and suppliers/subcontractors to ensure that everyone operates according to the same principles. Ballast Nedam considers queries, complaints, reports or investigations on possible incidents or breaches as tools to measure effectiveness of our compliance and integrity framework. For this reason, Ballast Nedam has an internal reporting policy in place, an external Speak Up line, and a gifts & invitations registration tool.

Ballast Nedam takes every report seriously and will take appropriate actions and measures and aims to have every report dealt with within 48 hours. For the year 2019, there were several individual investigations that were dealt with and completed on an individual case-by-case basis, and no legal action was taken concerning corruption or anti-competitive behaviour.

6.7.3 Compliance organisation

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

6.7.4 Third-party and transaction screening

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

Chapter 7

Consolidated Financial Statements

Breaking new
ground together



7. Consolidated Financial Statements

7.1 Consolidated statement of financial position

Amounts expressed in thousands of euro (€)

Assets	Notes	31 December 2019	31 December 2018
Current Assets		594,352	458,563
Cash and cash equivalents	7.6.3	201,020	146,192
Trade receivables	7.6.4	130,593	89,317
Other short-term receivables	7.6.5	92,189	56,462
Inventories	7.6.6	90,435	107,400
Short-term prepaid expenses	7.6.7	31,488	21,213
Contract assets	7.6.8	38,873	31,973
Assets classified as held for sale	7.6.9	9,754	6,006
Non-Current Assets		131,377	124,791
Investments accounted for using the equity method	7.6.10	18,898	13,579
Investment property	7.6.11	44,540	41,785
Property, plants and equipment	7.6.12	37,635	38,643
Right of use assets*	7.6.13	17,059	-
Intangible assets	7.6.14	5,901	3,079
Deferred tax assets	7.6.22	4,364	-
Other non-current assets	7.6.15	2,980	27,705
TOTAL ASSETS		725,729	583,354

* IFRS 16 has been implemented as per 1 January 2019. Reference is made to Note 7.6.2 for the impact due to implementation of IFRS 16. No adjustments have been made to the comparative figures.

Amounts expressed in thousands of euro (€)

Liabilities	Notes	31 December 2019	31 December 2018*
Current Liabilities		469,445	423,417
Current portion of long-term borrowings	7.6.16	24,800	76,466
Lease liabilities*	7.6.13	4,481	-
Trade payables	7.6.17	176,910	154,617
Other short-term payables	7.6.18	28,721	22,619
Contract liabilities	7.6.8	145,349	112,084
Payables for employee benefits	7.6.19	7,073	10,973
Short-term provisions		40,131	37,579
<i>Provision related to employee benefits</i>	7.6.19	3,373	3,569
<i>Other short-term provisions</i>	7.6.20	36,758	34,010
Other short-term liabilities	7.6.21	23,327	9,079
Liabilities directly associated with assets classified as held for sale	7.6.9	18,653	-
Non-Current Liabilities		179,152	95,215
Long-term borrowings	7.6.16	156,473	79,696
Lease liabilities*	7.6.13	12,940	-
Long-term provisions		9,739	15,519
<i>Provision related to employee benefits</i>	7.6.19	2,129	2,275
<i>Other long-term provisions</i>	7.6.20	7,610	13,244
Shareholders' equity	7.6.23	77,132	64,722
Equity attributable to owners of the parent		76,722	64,643
<i>Paid in capital</i>		2,203	2,203
<i>Share premium</i>		333,870	333,870
<i>Accumulated losses</i>		(266,878)	(276,817)
<i>Other reserves</i>		9,285	6,530
<i>Other accumulated comprehensive income / loss to be reclassified in profit or loss</i>		(1,758)	(1,143)
Non-controlling interest		410	79
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		725,729	583,354

* IFRS 16 has been implemented as per 1 January 2019. Reference is made to Note 7.6.2 for the impact due to implementation of IFRS 16. No adjustments have been made to the comparative figures.

7.2 Consolidated statement of profit and loss

Amounts expressed in thousands of euro (€)

	Notes	1 January- 31 December 2019	1 January- 31 December 2018
Revenue	7.6.24	874,138	740,052
Cost of revenue	7.6.25	(856,305)	(714,005)
Gross Profit		17,833	26,047
General administrative expenses	7.6.26	(24,749)	(22,850)
Other operating income and (expense) from main activities	7.6.27	(2,461)	1,802
Fair value gains from investment property	7.6.11	2,755	6,530
Operating result		(6,622)	11,529
Share of investments valued using equity method profit / (loss)	7.6.10	18,272	2,310
Result before finance expenses		11,650	13,839
Financing income	7.6.28	1,043	-
Financing expenses	7.6.28	(3,986)	(4,052)
Result for taxation		8,707	9,787
Income tax expenses	7.6.29	(288)	(78)
Deferred tax income	7.6.22	4,364	-
Net result for continuing operations		12,783	9,709
Net result from discontinued operations	7.6.30	-	2,627
Net result for the year		12,783	12,336
Attributable to:			
Non-controlling interest		89	21
Owners of the parent		12,694	12,315
Net result for the year		12,783	12,336

7.3 Consolidated statement of comprehensive income

Amounts expressed in thousands of euro (€)

	1 January – 31 December 2019	1 January – 31 December 2018
Net result for the year	12,783	12,336
Other comprehensive income / (expense), net of tax to be reclassified to profit & loss in subsequent periods		
Foreign currency translation reserve	213	(51)
Share of other comprehensive expense of investments accounted for using the equity method	(834)	(406)
Other comprehensive expense for the period, net of tax	(621)	(457)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,162	11,879
Attributable to:		
Owners of the parent	12,079	11,879
Non-controlling interest	83	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,162	11,879
Attributable to:		
Continuing operations	12,162	9,252
Discontinued operations		2,627
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	12,162	11,879

The other comprehensive expense includes nil thousand of tax (2018: € nil thousand).

7.4 Consolidated statement of changes in equity

Amounts expressed in thousands of euro (€)

	Paid in capital	Share Premium	Currency translation reserve	Other reserve	Accumulated losses	Non-controlling interest	Total
Opening balance 31 December 2017 (before IFRS 15 adjustment)	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 expense	-	-	(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
Opening balance 1 January 2019	2,203	333,870	152	5,235	(276,817)	79	64,722
Net result for the year	-	-	-	-	12,694	89	12,783
Change in currency translation reserve	-	-	219	-	-	(6)	213
Change in legal reserve	-	-	-	(834)	-	-	(834)
Other comprehensive income	-	-	219	(834)	-	(6)	(621)
TOTAL COMPREHENSIVE INCOME	-	-	219	(834)	12,694	83	12,162
Share capital	-	-	-	-	-	248	248
Fair value change investment property	-	-	-	2,755	(2,755)	-	-
Closing balance 31 December 2019	2,203	333,870	371	7,156	(266,878)	410	77,132

For further details on shareholders' equity please see note 7.6.23.

7.5 Consolidated statement of cashflows

Amounts expressed in thousands of euro (€)

	Notes	1 January – 31 December 2019	1 January – 31 December 2018
Cashflow from operating activities			
Net result for the year		12,783	12,336
Adjustments to reconcile net result			
Depreciation and amortisation of non-current assets	7.6.12, 13,14	13,061	6,475
Impairment (in) tangible assets	7.6.14	-	504
Profit / (Loss) arising from change in fair value of investment properties	7.6.11	(2,755)	(6,530)
Interest expense/income	7.6.28	2,426	3,137
Gain/(Loss) on disposal of property, plant and equipment and intangible assets	7.6.12	(2,461)	(1,263)
Income tax expense	7.6.29	(4,076)	78
Share in profit and loss of investments valued using equity method	7.6.10	(18,272)	(2,310)
Adjustment related to provisions (non-cash)	7.6.20	6,482	(1,835)
Other gains and losses		411	(2,886)
Movements in working capital			
Movement in inventories	7.6.6	16,964	(10,727)
Decrease/increase due to customers under construction contracts	7.6.8	21,066	19,116
Decrease/increase in receivables	7.6.4	(52,278)	(47,246)
Decrease/increase in prepaid expenses	7.6.7	(10,275)	(17,507)
Increase/decrease in other current liabilities		58,969	(2,304)
Movement in (short-term) provisions and employee benefits	7.6.19	(4,363)	(1,917)
Movement in (short-term) warranty and other provisions (utilisation)	7.6.20	(1,563)	(2,093)
Income taxes paid	7.6.22	(251)	(1,986)
Net cash from operating activities		35,868	(56,958)
Cashflow from investing activities			
Intangible assets			
investments	7.6.14	(629)	(769)
acquisitions	7.6.33	(3,213)	
income from disposals		627	
Property, plants and equipment			
investments	7.6.12	(9,794)	(7,790)
acquisitions		(65)	
income from disposals		5,030	2,075
Financial assets			
Investments		(1,155)	(19,718)
Dividend received		12,439	1,502
Interest received	7.6.28	4,009	867
Net cash from investing activities		7,249	(23,833)
Cashflow from financing activities			
Interest paid	7.6.28	(6,435)	(4,004)
Proceeds from borrowings	7.6.16	31,126	115,616
Repayments of borrowings	7.6.16	(6,016)	(50,681)
Lease payments	7.6.13	(6,964)	-
Capital contribution sole shareholder		-	45,000
Net cash from financing activities		11,711	105,931
Net cash change		54,828	25,140
Cash at the beginning of the year		146,192	121,052
Cash at the end of the year		201,020	146,192

7.6 Notes to the consolidated financial statements

7.6.1 Organisation and operations of Ballast Nedam

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

The consolidated financial statements of Ballast Nedam N.V. for the 2019 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.

7.6.2 Basis of presentation of the consolidated financial statements

Basis of preparation

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

The financial statements were authorised for issue by the Board of Management on 19 March 2020. The financial statements were approved and adopted by the General Meeting on 19 March 2020. With reference to the income statement of the company, use has been made of the exemption pursuant to Section 2:402 of the Dutch Civil Code.

Basis of measurement and presentation

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

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

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

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

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

Financing, liquidity and going concern

The existing financing package, consisting of loan agreements with multiple financial institutions amounted to € 181.2 million at year-end 2019 (2018: € 156.1 million). During the year 2019, Ballast Nedam obtained new loans amounting to € 31.2 million. An amount of €24.8 million will mature on or before 31 December 2020.

The profit for the year improved the shareholders' equity to € 77.1 million (2018: € 64.7 million). With the current cash position, management forecasts that it has sufficient means to finance its ongoing operations. The working capital ratio (current ratio) of Ballast Nedam improved to 1.24 (2018: 1.08), and the cash position of the company at year-end amounted to € 201.0 million (2018: € 146.2 million). The current cash surplus, and the strengthened risk management activities, are expected to provide management with additional flexibility in its operations and execution of its business plans.

Ballast Nedam has access bank guarantee and bonding 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. The forecast is based on current tenders and expectations regarding the discharge of existing bank guarantees. Based on this access to guarantee facilities and forecasts, Ballast Nedam expects it will be able to issue guarantees in the ordinary course of business.

Ballast Nedam's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Ballast Nedam controls the liquidity risk through weekly cashflow forecasting followed by adequate corrective measures and monitoring. Rönésans Holding A.S. will continue to support and enable Ballast Nedam N.V. to complete the contemplated refinancing of, at a minimum, the existing loan values which are due on or before 31 December 2020, and obtain sufficient guarantee facilities for the 2020 order portfolio and recently awarded projects.

Impact of COVID-19 on going concern assumption

Subsequent to year-end 2019, COVID-19 has grown to a pandemic disease and we have seen macro-economic uncertainty which causes disruption to economic activity which affects society as a whole. The scale and duration of this pandemic remain uncertain but is expected to impact our liquidity position depending on the duration. Management seeks to obtain the best possible information to enable us to assess these risks and implement appropriate measures to respond. We have taken a number of measures to monitor and prevent the effects of the COVID-19 virus. This includes, but is not limited to safety and health measures of our people (like social distancing and working from home), communication to our stakeholders, in-dept contract reviews in regard of the consequences of COVID-19 and project financing by our customers to support continuity of our operations. Planned actions include, when required, short term lock down of locations, use of support made available by the Dutch government and other crisis management and business continuity measures for short-, mid- and long-term scenarios.

As of today, we do not expect a liquidity shortage and as a result Ballast Nedam will be able to operate as a going concern. However, the COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time there will be a material uncertainty related to the consequences of this COVID-19 virus and this may cast significant doubt on the company's ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Critical accounting judgements and key sources of estimate uncertainty

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

Management judgements regarding the application of EU-IFRS, which have significant consequences for the financial statements and estimates involving an appreciable risk of material change in the following year, are disclosed in the notes. If changes in the accounting estimates are related to only

one period, they are applied in the current year; if they are related to the future period, they are applied both in current and future periods. In the current period, Ballast Nedam has no significant changes to the accounting estimates.

In the current period, Ballast Nedam adopted IFRS 16 Lease Accounting. 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, bonuses, penalties and claim situations.

See also note 7.6.8, Contract assets and note 7.6.25, Costs of revenue.

The company manages these estimate uncertainties during the year based on experience and risk assessment models, including variance analysis. In 2019, the company continued investing in a number of more robust risk management activities for its more complex projects to enhance its estimate and assessment process. This included independent assessments from the management of the project, which assesses risks and their potential financial impact.

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

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

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

Land positions

Land positions are acquired for future development purposes and are 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 7.6.6 Inventories.

Investment properties

Investment properties are stated at fair value. An external, independent valuator having appropriately recognised professional qualifications values the investment property at least annually. The independent valuation report was obtained at year end 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 losses, deferred tax assets arising from cumulative tax losses can only be recognised to the extent that it is probable that future taxable amounts will be available to utilise 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 7.6.20.

Onerous contracts IFRIC discusses 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.

Adoption of the new and the revised International Financial Reporting Standards

Ballast Nedam has applied for the first time the following new standard which became effective on 1 January 2019:

IFRS 16 Lease accounting

In addition, multiple amendments to existing standards and interpretations came into effect on 1 January 2019. 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 16 Lease

Ballast Nedam has adopted IFRS 16 Lease accounting as of 1 January 2019 in line with the transition provisions of the standard. The objective of the standard IFRS 16 Leases is to specify the rules for recognition, measurement, presentation and disclosure of leases and replaces the standard IAS 17 Leases. Significant accounting policies and the evaluation of the impact of the standard is included below.

Ballast Nedam has chosen to apply IFRS 16 using the modified retrospective approach option 2. The cumulative effect of initially applying the new standard was recognised on 1 January 2019. Previously

Ballast Nedam accounted for leases under the principles of IAS 17 and classified its leases at inception as either a finance lease or an operating lease. Ballast Nedam classified its leases as operating leases since the leases did transferred substantially all the risks and rewards incidental to ownership of the leased asset to Ballast Nedam. The accounting for the operating lease payments included recognition of the rental expenses during the lease term on a straight-line basis in the statement of profit and loss. If lease incentives were received to enter into operating leases, such incentives were recognised as a liability. The aggregate benefit of incentives was recognised as a reduction of rental expense on a straight-line basis. The respective leased assets were included in the balance sheet based on their nature. Lease income from operating leases where Ballast Nedam is a lessor were recognised in income on a straight-line basis over the lease term.

Following the adoption of IFRS 16 Ballast Nedam for its operational leases calculated its right-of-use assets and lease liabilities. Subject to certain adjustments, the right-of-use asset is equal to the lease liability. These liabilities are measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranges depending on the nature of the leased asset between 3.5% and 4.5%. The interest expense and depreciation related to the leases are separately recognised in the consolidated statement of profit and loss, instead of operating lease expense under IAS 17. The comparative information has not been restated and continues to be reported under IAS 17 as permitted under the specific transition provisions in the standard and no impact on the retained earnings are applicable.

Ballast Nedam applied the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of accounting for low value operating leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- to 'grandfather' the previous assessment of which existing contracts are, or contain, leases was performed applying IAS 17 and IFRIC 4.

Ballast Nedam has lease agreements for land and buildings, equipment and motor vehicles as disclosed in note 7.6.12. The lease terms in these agreements are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Lease contracts are typically made for fixed periods but may have extension options. Extension and termination options are included in several property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The extension and termination options held are exercisable only by Ballast Nedam and not by the respective lessor. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, Ballast Nedam did not revise its estimates regarding extension and termination options in the lease agreements. Lease contracts for motor vehicles include a final settlement at the end of the lease contract linked to usage. The relative magnitude of the final settlement at end of the contract of the motor vehicle is limited.

Adoption of IFRS 16: financial impact of transition on statement of profit and loss and balance sheet

As indicated above, Ballast Nedam has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. Ballast Nedam recognised right-of-use assets of € 25.9 million and correspond lease liabilities of € 25.9 million for lease agreements previously classified as 'operating leases' under the principles of IAS 17 Leases. The nature of the right-of-use assets is

shown in note 7.6.13. The table below reconciles the operating leases at 31 December 2018 to the lease liabilities recognised on adoption of IFRS 16:

Operating lease commitments disclosed as at 31 December 2018	25,763
Discounted using the group's incremental borrowing rate of 3.5 - 4.5%	(3,471)
(Less): Non-lease components	(1,432)
Add/(less): adjustments as a result of a different treatment of extension and termination options	4,990
Lease liability recognised as at 1 January 2019	25,850

The effect of the adoption of IFRS 16 on the statement of financial position is included in table below:

	Right-of-use assets	Lease liabilities
Opening balance as of 1 January 2019	25,850	25,850

In relation to the leases under IFRS 16, Ballast Nedam has recognised depreciation and interest costs, instead of operating lease expense. During the financial year ended 31 December 2019, the company recognised € 7 million of depreciation charges and € 0.9 million of interest costs from these leases. The net result was impacted € 7.9 million.

In the statement of cash flows the interest paid related to these leases is presented as part of the cash flow from operating activities € 0.9 million, while the repayments of the principal portion of the lease liabilities are presented as part of the cash flows from financing activities € 6.9 million.

The significant accounting policies for leases are disclosed in paragraph 7.6.2 significant accounting policies.

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 Rönésans 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.

Business combinations

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

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

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

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

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

Significant accounting policies

Cash and cash equivalents

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

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

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

Contract assets and liabilities

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

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

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

Inventories

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

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

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

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

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

Assets and liabilities held for sale and discontinued operations

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

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

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

Investment properties

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

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

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

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 (IFRS 16)

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

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

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

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

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

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

The company remeasures the right of use asset:

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

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

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

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

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

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

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

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

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

Goodwill

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

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

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

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

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

Intangible assets

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

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

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

Computer software

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

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

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

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

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

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

Financial assets

Financial assets are classified as assets that are:

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

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

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

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

Impairment losses are recognised in profit or loss in the period they occur. Impairment of financial assets is determined utilising the simplified approach based on the expected lifetime credit losses. Given that there is no significant decline in the credit risk, the credit loss provision continues to be measured at the amount of the lifetime expected credit losses. A financial asset is fully impaired when there is no reasonable expectation of recovering the contractual cash flows. Regarding trade receivables and work in progress assets the simplified approach has been used as, referred to in paragraph 7.6.4 Trade receivables.

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

Financial liabilities

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

Trade and other short-term payables

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

Current tax

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

Current and deferred tax for the period

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

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

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

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

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

Borrowings

On initial recognition, long-term loans are measured at fair value less attributable transaction costs. Interest-bearing loans are subsequently carried at amortised cost, with any difference between the cost and the amount repayable recognised in the income statement over the term of the loans on the basis of the effective interest method. Borrowing costs are capitalised only when they are attributable to qualifying assets (none in 2018 and 2019).

Pensions

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

Ballast Nedam's building site employees are covered by the compulsory industry-wide pension scheme for the building industry (bpfBOUW). Under IAS 19 this pension scheme is accounted for as a defined contribution scheme. Ballast Nedam pays contributions to administered pension insurance plans and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Employee benefits other than pensions

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

Provisions

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

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

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

Equity

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

Dividends

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

Onerous construction contracts

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

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

Financing components

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

Revenues generated from sale of flats or residential units

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

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

Rendering of services

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

Trading and other revenue

Rental income from equipment

Revenue is measured at the transaction price agreed under the rental contract. Lease income from operating leases where Ballast Nedam is a lessor are recognised in income on a straight-line basis over the lease term. Further details refer to paragraph 7.6.13 Leases.

Rental income from investment properties

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

Income from selling of construction equipment and materials

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

Contract costs

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

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

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

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

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

Net finance expense

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

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

Income tax expense

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

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

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

Statements of cashflows

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

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

The cashflow statement is prepared utilising the indirect method.

Related parties

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

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

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

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

7.6.3 Cash and cash equivalents

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

7.6.4 Trade receivables

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

Current trade receivables	31 December 2019	31 December 2018
Contract receivables	104,079	80,515
Retention held by clients	5,537	104
Trade receivables	16,062	8,699
Trade receivables from related parties	6,781	1,840
Loss allowance for trade receivables (-)	(1,866)	(1,841)
TOTAL CURRENT TRADE RECEIVABLES	130,593	89,317

Contract and trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. These transactions were made on normal commercial terms and conditions. The Group uses prepayments, guarantees and collateral (rights of retention) on projects under construction in order to limit the credit risk on the above categories of instalments and trade receivables. The average collection period is 45 days (2018: 45 days). References are made to note 7.6.34 with respect to receivables from related parties. The nature and level of the risks on trade receivables are disclosed in note 7.6.31.

The aging of overdue receivables is as follows:

	31 December 2019	31 December 2018
Overdue by 1-30 days	17,389	19,206
Overdue by 1-3 months	7,178	3,245
Overdue by 3-12 months	2,994	2,716
Overdue by 1-2 years	1,508	2,394
TOTAL OVERDUE RECEIVABLES	29,069	27,561

Movements on the Group's provision for loss allowance of trade receivables are as at 31 December 2019 and 31 December 2018 as follows:

Movement of loss allowance of trade receivables	1 January - 31 December 2019	1 January - 31 December 2018
Balance at the beginning of the period	(1,841)	(2,433)
Charge for the period	(1,508)	(826)
Reversal	432	483
Collections	1,051	935
Balance at end of the period	(1,866)	(1,841)

7.6.5 Other short-term receivables

Other short-term receivables	31 December 2019	31 December 2018
Non-trade receivables from related parties	54,891	35,775
VAT receivable	11,171	5,764
Other receivables	26,127	14,923
	92,189	56,462

Non-trade receivables from related parties include receivables from joint ventures and associates. The activities in joint ventures include the assignment and financing of land as well as carrying out construction contracts. In addition, non-trade receivables from related parties include loans to renaissance group companies. These transactions were made on normal commercial terms and conditions. Other receivables include primarily the Group's share of receivables of partners in the joint operations, totalling € 9,875 thousand (2018: € 8,362 thousand) and funds on an escrow account totalling € 2,249 (2018: € 0).

7.6.6 Inventories

	31 December 2019	31 December 2018
Raw materials	2,617	6,539
Lands to be developed for projects	77,294	92,426
Residential units to be sold	4,170	3,639
Finished goods	6,502	4,891
Allowance for inventory	(148)	(95)
	90,435	107,400

The accumulated impairment recognised within land to be developed for projects amounts to € 10,546 thousand (2018: € 12,623 thousand). In 2019, no reversal of impairments of land positions has taken place (2018: € 3,434 thousand impairment). The remaining movement in impairments recognised € 2,077 thousand is due to sale of impaired land plots against book value during the year. The allowance for inventory amounts to € 148 thousand (2018: € 95 thousand).

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

7.6.7 Short-term prepaid expenses

Prepaid expenses of the amount of € 31,488 thousand (2018: € 21,213 thousand) are mainly related to the general administrative expenses and include mainly prepayments on project, for insurance and rent costs.

7.6.8 Contract assets and contract liabilities

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

	31 December 2018		
	Contract assets	Contract liabilities	Net position
Cost less provisions for losses and risks, plus profit based on percentage of completion	370,609	602,166	
Less: progress billings	(338,636)	(714,250)	
TOTAL	31,973	(112,084)	(80,111)

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 7.6.2.

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

The contract assets and liabilities predominantly have a term of less than 12 months. The revenue recognised that was included in the contract liability balance at the beginning of the period amounts to € 112,084 thousand.

Transaction price remaining performance obligations

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

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

31 December 2018	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

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

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

	31 December 2019	31 December 2018
Property, plants and equipment	6,469	6,006
Trade receivables	3,285	-
TOTAL ASSETS	9,754	6,006
Current liabilities	(17,153)	-
Non-current liabilities	(1,500)	-
TOTAL LIABILITIES	(18,653)	-
Net assets of assets held for sale	(8,899)	6,006

Prior year balances included IQ Woning. Ballast Nedam Environmental Engineering has been transferred to assets held for sale and is expected to be sold within 12 months.

7.6.10 Investments accounted for using the equity method

At 31 December 2019 the joint venture IXAS Gaasperdammerweg B.V., in the opinion of management, is material to the Group. This entity is listed below and has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also the principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. In general, the payment of dividend and/or depositing of temporary liquidity surpluses from joint ventures depends on the authorisations of other shareholders'.

Set out below is the joint venture of the Group as at 31 December 2019 that is individually material to the Group. Nature of investment in the joint venture in 2019 and 2018:

	Principal activity	Country of incorporation	% Interest	
			31 December 2019	31 December 2018
IXAS Gaasperdammerweg B.V.	Construction	Netherlands	33.33%	33.33%

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

IXAS Gaasperdammerweg B.V.

	31 December 2019	31 December 2018
Cash and cash equivalents	8,535	7,660
Other current assets	12,961	10,322
Current asset	21,496	17,982
Current liabilities	(24,215)	(11,461)
Net Assets/ (Liabilities)	(2,719)	6,521
Revenue	62,220	88,161
Net result	22,330	17,340
Share in result	7,443	5,779
Net assets/ (Liabilities)	(2,719)	6,521
Share in equity	33.33%	33.33%
Carrying amount	-	2,174

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

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

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

	31 December 2019	31 December 2018
Share in net result joint venture that is material to the Group	7,444	5,780
Share in net result joint ventures that are not individually material to the Group	8,634	(5,166)
Share in net result associates that are not individually material to the Group	1,596	694
Share in net result associates without significant influence	598	1,002
	18,272	2,310

	31 December 2019	31 December 2018
Share in equity joint venture that is material to the Group	-	2,174
Share in equity joint ventures that are not individually material to the Group	8,976	5,481
Share in equity associates that are not individually material to the Group	6,797	2,651
Share in equity associates without significant influence	3,125	3,273
	18,898	13,579

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

Investments	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	11,405	9,214
Share on profit / loss of investments valued using equity method	10,828	(3,470)
Dividends received	(1,969)	(1,502)
Disposals	(837)	(197)
Transfer to provision negative joint ventures	(1,739)	(4,601)
Funding joint ventures	1,210	11,961
	18,898	11,405
Closing balance	18,898	11,405

7.6.11 Investment property

Investment property	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance	41,785	35,255
Change in fair value	2,755	6,530
	44,540	41,785
Closing balance	44,540	41,785

The net income from operational leases of investment property is limited and extension of mainly short-term leases depends on future development of the investment property. Ballast Nedam utilises an external, independent valuator who, having the appropriately recognised professional qualifications, values the investment property at least annually. The independent valuation report was obtained at year-end 2019. The method to determine the fair value which is applied is the income

capitalisation approach, with the discounted cash flow method used as a second, sense check calculation. The approach is sensitive to changes in parameters and is subject to numerous variables (positive or negative) like planning permission, market conditions, or delay to start of construction. The fair value measurement for investment properties has been categorised as a Level 3 fair value. The main Level 3 inputs are rental values, square meters, discount rates (7%), inflation rate (2%) and internally based budgets based on management's experience and knowledge of property construction and market conditions. A change in construction costs or estimated rental value of $\pm 5\%$ result in a change of the fair value of the property with about 10%.

7.6.12 Property, plants and equipment

	Buildings	Machinery and equipment	Other tangible assets	TOTAL
Cost				
Opening balance 1 January 2019	47,712	111,540	14,307	173,559
Additions	1,356	6,485	1,953	9,794
Disposals	(967)	(6,549)	(6,362)	(13,878)
Assets held for sale	(3,483)	(674)	-	(4,157)
Acquisitions	-	65	-	65
Closing balance 31 December 2019	44,618	110,867	9,898	165,383
Accumulated depreciation and impairment				
Opening balance 1 January 2019	(27,618)	(94,845)	(12,453)	(134,916)
Cum, depreciation - disposals	267	4,958	6,084	11,309
Assets held for sale	904	296	-	1,200
Depreciation	(1,226)	(3,617)	(498)	(5,341)
Closing balance 31 December 2019	(27,673)	(93,208)	(6,867)	(127,748)
Carrying value as of 31 December 2019	16,945	17,659	3,031	37,635
	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				
Opening balance 1 January 2018	(25,639)	(94,981)	(12,081)	(132,701)
Cum, depreciation - disposals	479	4,321	-	4,800
Assets held for sale	(675)	(251)	-	(926)
Depreciation	(1,662)	(3,551)	(372)	(5,585)
Impairment	(121)	(383)	-	(504)
Exchange rate fluctuation input	-	-	-	-
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

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

There are no property, plants and equipment pledged as collateral under the bank loan agreements (2018: € 0). 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	2-10 years

From the total depreciation of € 5,341 thousand (2018: € 5,585 thousand) € 4,031 thousand was charged to costs of revenue (2018: € 4,577 thousand) and € 1,310 thousand to general costs (2018: € 1,008 thousand).

7.6.13 Leases

Movement schedule right-of-use assets:

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

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

From the total depreciation of € 7,327 thousand € 1,825 thousand was charged to costs of revenue and € 5,502 thousand to general costs.

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

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

The total cash outflow for leases in 2019 was € 8,025 thousand.

7.6.14 Intangible assets

	Rights	Computer software	Goodwill	TOTAL
Cost				
Opening balance 1 January 2019	5,218	9,342	1,023	15,583
Addition	-	629	-	629
Acquisitions of subsidiaries	-	-	3,213	3,213
Divestments	(3,710)	(4,238)	-	(7,948)
Closing balance 31 December 2019	1,508	5,733	4,236	11,477
Accumulated Amortisation				
Opening balance 1 January 2019	(4,476)	(8,028)	-	(12,504)
Divestments	3,122	4,199	-	7,321
Amortisation	(19)	(374)	-	(393)
Closing balance 31 December 2019	(1,373)	(4,203)	-	(5,576)
Carrying balance as of 31 December 2019	135	1,530	4,236	5,901
Cost				
Opening balance 1 January 2018	4,987	8,804	1,023	14,814
Addition	231	538	-	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

In 2018 rights consist of the concessions for high-grade primary raw materials in the Netherlands. The useful lives used in the calculation of amortisation for intangible assets are as follows:

	Useful Life
Rights	30 years
Computer software	3-5 years

The amortisation of € 393 thousand was included in the cost of revenue (2018: € 890 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 CGU is the lowest level within the Group at which goodwill is monitored for internal management purposes. Goodwill relates to 3 entities, of which Stripe Consulting € 3.2 million is the most significant.

The recoverable amount of goodwill for impairment testing purposes is based on a value in use calculation by means of the discounted cash flow method. The method uses cash flow projections based on historical performance and the forecasts which are based on the Business Plan cycle 2020-2024, as approved by the Board, after which a terminal value is used at an average rate of 2%. The

key assumptions for the value-in-use calculations are those regarding revenue growth rate 20% in 5 year, profit before tax margin 17.8%% in 5 year, weighted average cost of capital 7.2%, based on the market participants' view on rates of return required for investments equivalent to those in the company. There are no current or accumulated impairment losses on goodwill.

The results of the goodwill impairment test calculation at 31 December 2019 revealed that the recoverable amount of Stripe Consulting exceeded the carrying amount. The impairment test and sensitivity analysis around the key assumptions have indicated sufficient headroom for all other CGUs and as such a reasonably possible change in any of the assumptions would not cause the recoverable amount to be less than the carrying value. Based on both quantitative and qualitative factors management has concluded that for those CGUs an impairment is not necessary.

7.6.15 Other non-current assets

The balance sheet mainly includes long-term receivables from related parties. As at 31 December 2019 this amount was € 2,920 thousand, see note 7.6.34 for further details. (2018: € 27,645 thousand).

7.6.16 Short- / long-term borrowings

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

Net debt	31 December 2019		31 December 2018			
Cash and cash equivalents	201,020		146,192			
Borrowings – repayable within one year	(24,800)		(76,466)			
Borrowings – repayable after one year	(156,473)		(79,696)			
Lease liabilities – repayable within one year	(4,481)		-			
Lease liabilities – repayable after one year	(12,940)		-			
Net debt	2,326		(9,970)			
Cash and cash equivalents	201,020		146,192			
Gross debt - fixed interest rates	(98,568)		(60,170)			
Gross debt - variable interest rates	(100,126)		(95,992)			
Net debt	2,326		(9,970)			
	Net assets		Liabilities from financing activities			
	Cash/ short-term financial debt	Lease liabilities repayable within one year	Leases liabilities repayable after one year	Borrowings - repayable within one year	Borrowings - repayable after one year	TOTAL
Net debt and cash as at 1 January 2018	121,052	-	-	(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)	(9,970)
Restatement on adoption of IFRS 16	-	(6,460)	(19,390)	-	-	(25,850)
Net debt and cash as at 1 January 2019	146,192	(6,460)	(19,390)	(76,466)	(79,696)	(35,820)
Cash flow movement	54,828	1,979	6,450	51,666	(76,777)	38,146
Net debt and cash as at 31 December 2019	201,020	(4,481)	(12,940)	(24,800)	(156,473)	2,326

The applicable margin of the bank loans with a fixed interest rate is between 1% and 4.4%, and the floating interest rate is between 2.5% and 4.8%. The majority of the loans have floating interest rates (Euribor + margin). Assets amounting to € 47,600 thousand (2018: € 28,000 thousand) are pledged as collateral with respect to the bank borrowings. Borrowings to be repaid within one year amount to € 24,800 thousand. An amount of € 19 million will mature on or before 31 December 2020. Borrowings to be repaid between 1 and 2 years amount to € 88,300 thousand, borrowings to be repaid between 2 and 3 years amount to € 68,126 thousand and borrowings to be repaid after 5 years amount to € 47 thousand.

7.6.17 Trade payables

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

Current trade payables	31 December 2019	31 December 2018
Trade payables	171,531	149,982
Trade payables to related parties	94	286
Other trade payables	5,285	4,349
	176,910	154,617

Average maturity for trade payables is approximately 42 days (31 December 2018: 53 days). Risk characteristics and fair values of trade receivables and trade payables are disclosed in note 7.6.31. These transactions were made on normal commercial terms and conditions.

7.6.18 Other short-term payables

Other short-term payables	31 December 2019	31 December 2018
Non-trade payables to related parties	19,497	10,551
Other short-term payables	9,224	12,068
	28,721	22,619

Non-trade payables to related parties (see note 7.6.34).

Other short-term payables include the Group's share of the payables of the partner(s) in the joint operations, total amount € 3,329 thousand (2018: € 3,364 thousand), accruals for invoices to be received € 2,780 thousand (2018: € 4,773 thousand) and other items which are individually immaterial. These transactions were made on normal commercial terms and conditions.

7.6.19 Payables for employee benefits

Short-term payables employee benefits	31 December 2019	31 December 2018
Salary payable to personnel	950	1,229
Social security premiums payable	4,643	8,354
Other payables for employee benefits	1,480	1,390
	7,073	10,973

Short-term provisions related to employee benefits	31 December 2019	31 December 2018
Unused vacation pay liability	3,373	3,569
	3,373	3,569
Long-term provisions related to employee benefits	31 December 2019	31 December 2018
Other long-term provisions related to employee benefits	2,129	2,275
	2,129	2,275

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% (2018: 1.5%). In addition, the long-service bonus includes expectation on retention rate of 94% and salary increases consistent with collective labour agreements.

Pensions

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

The coverage ratio of the industry pension scheme for the building industry (bpfBouw) is accounted for as a defined contribution pension scheme and was estimated as 112.4% for the year 2019 (2018: 118.3%). The coverage ratio for pension scheme Bpf Betonproductenindustrie also accounted for as a defined contribution pension scheme was estimated as 103.1% for the year 2019 (2018: 102.4%).

7.6.20 Other short-term and long-term provisions

Short-term provisions	31 December 2019	31 December 2018
Warranty provisions	5,011	5,229
Other short-term provisions	8,005	2,626
Provision for joint ventures	4,564	5,396
Provision onerous contracts	17,435	19,168
Restructuring provisions	1,743	1,591
	36,758	34,010

Long-term provisions	31 December 2019	31 December 2018
Warranty provisions	1,870	1,158
Other long-term provisions	480	682
Provision onerous contracts	5,233	8,800
Restructuring provisions	27	2,604
	7,610	13,244

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

Movements of warranty provisions	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance 1 January	6,387	6,716
Transfer from contract liabilities	2,203	2,610
Charge for the year	1,581	2,327
Utilisation	(1,842)	(4,020)
Reversal	(1,448)	(1,246)
Closing balance 31 December	6,881	6,387
< 1 year	5,011	5,229

The provision for warranty claims represents the present value of the management's best estimate of the future outflow of economic benefits that will be required under Ballast Nedam's warranty programme for construction contracts. In 2019, the addition to warranty provisions from completed projects amounted to € 2,203 thousand (2018: € 2,610 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 2019	1 January - 31 December 2018
Opening balance 1 January	3,308	2,480
Reclassification	21	1,681
Charge for the year	11,334	66
Utilisation	(3,730)	(824)
Liabilities held for sale	(1,500)	654
Reversal	(948)	(749)
Closing balance 31 December	8,485	3,308
< 1 year	8,005	2,626

The reclassification of € 21 thousand (2018: € 1,681 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 € 11,334 thousand was included in the statement of profit and loss (2018: € 66 thousand) and refers mainly to claims positions. The utilisation of € 3,730 thousand (2018: € 824 thousand) relates to the settlement of claims.

Movements of provision for joint ventures	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance 1 January	5,396	21,400
Addition	2,178	1,375
Reversal	(3,010)	(17,379)
Closing balance 31 December	4,564	5,396
< 1 year	4,564	5,396

The provision for joint ventures relates to joint ventures in which Ballast Nedam's share is negative. The decrease in this provision in 2019 had mainly to do with capital contributions and results of joint ventures.

Movements of provisions for onerous contracts	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance 1 January	27,968	31,325
Addition	37,307	36,743
Utilisation	(37,207)	(40,100)
Reversal	(5,400)	-
Closing balance 31 December	22,668	27,968
< 1 year	17,435	19,168

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

Movements of restructuring provisions	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance 1 January	4,195	12,552
Reclassification	-	140
Charge for the year	3,181	2,655
Utilisation	(3,616)	(6,832)
Reversal	(1,990)	(4,320)
Closing balance 31 December	1,770	4,195
< 1 year	1,743	1,591

The € 3,181 thousand is related to the reorganisation, which include costs related to certain staff compensation and restructuring which continued in 2019 (2018: € 2,655 thousand). A provision for reorganisation is only recognised once the decision to execute a reorganisation is concluded. The reversal in 2019 relates to both partly release of onerous contract provision buildings and reorganisation provision.

7.6.21 Other short-term liabilities

Other short-term liabilities	31 December 2019	31 December 2018
VAT payable	23,210	8,999
Corporate income tax liabilities	117	80
	23,327	9,079

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

7.6.22 Deferred tax assets and liabilities

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

Deferred tax assets	1 January - 31 December 2019	1 January - 31 December 2018
Opening balance 1 January	-	-
Recognition of carry-forward losses	4,364	-
Closing balance 31 December	4,364	-

The deferred tax assets to be recovered within and after more than 12 months amount to € 1.2 million and € 3.2 million respectively. The recognised deferred tax assets relate to the tax losses available to the fiscal unity in the Netherlands. The unused tax losses relate to years 2012 to 2017 inclusive. A relatively small number of mainly large infra projects produce these losses. Ongoing measures are taken to prevent such losses. The recognised tax losses from prior years are subject to a loss carry forward period of 9 years. The Dutch corporate tax rates applicable in 2020 and from 2021 are 25% and 21.7% respectively.

A deferred tax asset is recognised to the extent that it is probable, based on Business Plan forecasts approved by the Board, that sufficient taxable profits will be available in the Netherlands that can be utilised towards realising the deferred asset. The forecasts are based on the Business Plan cycle 2020-2024, extrapolated using growth rates for revenue and profit that take external market data and historical performance into account. No specific tax planning opportunities have been taken into account.

The fair value change in Investment Properties in 2018 has not been recognised as a deferred tax liability, since that liability can be set off with carry-forward losses. Consistent with prior years, management has determined that the Dutch tax group has approximately € 395.9 million of carry-forward losses (2018: approximately € 396.7 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 € 64 thousand from foreign permanent establishments which are eligible for set-off to prevent double taxation.

7.6.23 Shareholders' equity

The name of shareholder		31 December 2019	%	31 December 2018
Renaissance Construction B.V.	100%	2,203	100%	2,203
TOTAL PAID IN CAPITAL	%	2,203	100%	2,203

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

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

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

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

7.6.24 Revenue

Revenue	1 January - 31 December 2019	1 January - 31 December 2018
Revenue from construction activities	849,979	714,494
Revenue from maintenance services	8,990	6,884
Trading and other revenue	15,169	18,674
	874,138	740,052

The revenues from construction activities are mainly from the execution of projects in residential and non-residential building and mobility. The revenue from Construction activities from building and infra works amounts to € 477.9 million and € 289.4 million. The revenue of Ballast Nedam Development is € 101.8 million

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

The revenue realised in the Netherlands was € 838.8 million, other European countries € 7.6 million and outside Europe € 27.7 million.

The revenue joint ventures realised, accounted for as 'share on profit / loss of investments valued using equity method', for the year was € 134.1 million which results in € 1,008.2 million total revenue for the company if the joint ventures were consolidated proportionally.

Timing of revenue recognition

The timing of revenue recognition in 2019 was as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
At a point in time	134,637	92,564
Over time	739,501	647,488
TOTAL	874,138	740,052

7.6.25 Cost of Revenue

Cost of revenue	1 January - 31 December 2019	1 January - 31 December 2018
Employee benefit expenses	(129,101)	(131,837)
Raw materials and supplies expenses	(113,472)	(90,284)
Worksite expenses	(26,119)	(15,401)
Subcontractor expenses	(477,813)	(402,173)
Depreciation and amortisation expenses	(6,249)	(5,467)
Machinery, equipment and other rent expenses	(46,860)	(38,499)
Cost of goods sold	(5,004)	(12,659)
Other costs of revenue	(51,687)	(17,685)
	(856,305)	(714,005)

Employee benefit expenses	1 January - 31 December 2019	1 January - 31 December 2018
Wages and salaries	(105,349)	(106,471)
Social security costs	(14,862)	(14,702)
Pension charges	(8,890)	(10,664)
	(129,101)	(131,837)

The total number of employees is 1,623 (2018: 1,633) of which 14 (2018: 15) are employed abroad. The total number of employees at the head office is 91 (2018: 97) and in the operational entities is 1,532 (2018: 1,536). The number of employees in Building is 627 (2018: 634) and total number of employees in Infra is 812 (2018: 808).

7.6.26 General administrative expenses

Details of general administrative expenses	1 January - 31 December 2019	1 January - 31 December 2018
Employee benefit expenses	(13,494)	(15,994)
Consultancy expenses	(728)	(786)
Depreciation and amortisation expenses	(6,812)	(1,008)
Office administration expenses	(1,669)	(1,690)
Rent expenses	(678)	(1,132)
Representative expenses	(51)	(46)
Transportation and travelling expenses	(326)	(987)
Insurance expenses	(830)	(878)
Other general administrative expenses	-	(260)
Marketing, selling and distribution expenses	(161)	(69)
	(24,749)	(22,850)
Personnel expenses	1 January - 31 December 2019	1 January - 31 December 2018
Wages and salaries	(11,012)	(13,130)
Social security costs	(1,553)	(1,660)
Pension costs	(929)	(1,204)
	(13,494)	(15,994)

7.6.27 Other operating income/ (expenses) from main activities

The other operating expense from main activities was € 2,461 thousand (2018: € 1,802 thousand) including additions to and reversal of provisions. Further details on provisions are included in note 7.6.19 Other short-term and long-term provisions.

Additionally, this includes other operating income and expenses from main activities € 4.2 million and € 2.9 million respectively. Other operating income includes multiple small items such as settlement of subcontractors. Other operating expense includes various small costs from multiple business units.

7.6.28 Financing income and expenses

Financing income and expenses	1 January - 31 December 2019	1 January - 31 December 2018
Financing income	1,043	-
Interest expenses	(6,435)	(4,004)
Interest income	2,966	867
Foreign exchange losses from financing activities	(140)	(299)
Bank commission expenses	(377)	(616)
	(2,943)	(4,052)

The interest expenses are charged for interest on the outstanding loans in 2019 and 2018.

7.6.29 Income tax expenses

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

Income tax recognised in profit or loss	1 January - 31 December 2019	1 January - 31 December 2018
Current tax expense	(288)	(78)
Deferred tax income / (expense)	4,364	-
	4,076	(78)

The numerical reconciliation of income tax expense for 2019 and 2018 is included in the table below.

Numerical reconciliation of income tax expense	2019	2018
Result before tax	8,707	12,414
TOTAL	8,707	12,414
Applicable income tax rate	25%	25%
Tax calculated at Dutch tax rate	2,177	3,104
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Previously unrecognised tax losses used to reduce deferred tax expense	(4,364)	-
Tax losses set off against taxable income	(1,953)	(3,026)
Different tax rates of subsidiaries operating in other jurisdiction	64	-
Income tax expense (income)	(4,076)	78
Net Result	12,783	12,336
Effective tax rate	-46.8%	0.63%

7.6.30 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 € 66.5 million, expenses of € 63.2 million, pre-tax profit of € 3.3 million and tax of € 0.7 million. The net cash flows attributable to the operating, investing and financing activities are € -13.9 million, € 5.0 million and € 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 € 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 over 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 shareholders' equity as a transaction with the shareholder.

7.6.31 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. The centralisation of certain accounting activities continued with the improvement of the systems and transaction flow approvals, and the centralisation of accounting activities also continued, which strengthen the control environment. The Internal Audit department continued implementing a plan to carry out both regular and ad hoc reviews of controls and procedures.

Credit risk

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

The key objective of Ballast Nedam's counterparty credit risk management is to minimise the risk of losses as a result of failure of an individual counterparty that could negatively impact the company's results. The carrying amount of financial assets represents the maximum credit exposure. Ballast Nedam actively pursues a policy designed to minimise credit risks. Credit risks consist of the risk that counterparties will not be able to meet contractual obligations relating to a financial instrument. Creditworthiness assessments are performed for all other clients requiring credit. Ballast Nedam uses prepayments, guarantees and collateral (rights of retention) on projects under construction in order to limit the credit risk on instalments and trade receivables.

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

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

With regard to trade receivables, the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 36 months as per 1 January 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the clients to settle the receivables.

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

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

Credit risk exposure based on financial instrument categories	Trade Receivables		Other receivables and non-current assets		Contract assets	Bank deposits
	Related party	Third party	Related party	Third party		
31 December 2019						
Maximum credit risk exposure at balance sheet date	6,781	123,812	57,811	26,187	38,873	201,020
Net book value of not due financial assets	6,781	96,609	57,811	26,187	38,873	201,020
Net book value of assets that are due but not impaired	-	27,203	-	-	-	-
Over due (gross book value)	-	1,866	-	-	-	-
Impairment (-)	-	(1,866)	-	-	-	-
31 December 2018						
Maximum credit risk exposure at balance sheet date	1,840	87,477	63,420	14,983	31,973	146,192
Net book value of not due financial assets	1,840	61,757	63,420	14,983	31,973	146,192
Net book value of assets that are due but not impaired	-	25,720	-	-	-	-
Over due (gross book value)	-	1,841	-	-	-	-
Impairment (-)	-	(1,841)	-	-	-	-

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

	Gross Receivables 2019	Provision	Gross Receivables 2018	Provision
Not past due	103,390	(74)	63,597	(100)
Past 01-30 days	17,389	(78)	19,206	(202)
Past 31-90 days	7,178	(123)	3,245	(173)
Past 91-364 days	2,994	(230)	2,716	(511)
Past 1-2 years	1,508	(1,361)	2,394	(855)
TOTAL	132,459	(1,866)	91,158	(1,841)

Liquidity risk

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

The existing financing package, consisting of loan agreements with multiple financial institutions amounted to € 181.2 million at year-end 2019 (2018: € 156.1 million). During the year 2019, Ballast Nedam obtained new loans amounting to € 31.2 million. An amount of €24.8 million will mature on or before 31 December 2020.

The profit for the year improved the shareholders' equity to € 77.1 million (2018: € 64.7 million). With the current cash position, management forecasts that it has sufficient means to finance its ongoing operations. The working capital ratio (current ratio) of Ballast Nedam improved to 1.24 (2018: 1.08), and the cash position of the company at year-end amounted to € 201.0 million (2018: € 146.2 million). The current cash surplus, and the strengthened risk management activities, are expected to provide management with additional flexibility in its operations and execution of its business plans.

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

Ballast Nedam's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Ballast Nedam controls the liquidity risk through weekly cashflow forecasting followed by adequate corrective measures and monitoring. The Rönnesans Holding A.S will continue to support and enable Ballast Nedam N.V. to complete the contemplated refinancing of, at a minimum, the existing loan values which are due on or before 31 December 2020, and obtain sufficient guarantee facilities for the 2020 order portfolio and recently awarded projects.

The statement for <1 year and 1-5 years includes the repayments of matured loans of € 19,000 thousand (2020), € 75,000 thousand (2021) and 87,226 thousand (2022).

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

31 December 2018						
Due date on agreement	Carrying value	Cash outflows according to agreements	Less than 3 months	3-12 months	1-5 year	More than 5 years
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	-	-	-
Contract liabilities	112,084	112,084	112,084	-	-	-
Other payables	22,618	22,618	22,618	-	-	-
TOTAL LIABILITIES	445,481	462,165	290,810	79,873	88,812	2,670

The contractual cashflows that will occur within 3-12 months' amount to € 33,404 thousand, including an amount of € 29,891 thousand of the mortgage loan. Regarding the remaining liabilities € 353,933 thousand (including an amount of € 1,783 thousand of the mortgage loan) is due within approximately three months (2018: € 290,810 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 2019, Ballast Nedam had no outstanding forward exchange contracts recognised at fair value in the statement of financial position. Ballast Nedam is exposed to the following foreign currency translation risks in nominal amounts:

€ / foreign currency	2019 average exchange rate	Exchange rate on 31 December 2019	2018 average exchange rate	Exchange rate on 31 December 2018
Exchange rates USD	1,119	1,120	1,176	1,146

Foreign currency translation risk	31 December 2019	31 December 2018
USD		
Due from customers under construction contracts	-	2,036
Trade receivables	1,066	-
TOTAL ASSETS	1,066	2,036
Non-monetary other liabilities	1,033	749
Due to customers under construction contracts	-	18,609
Short-term liabilities	1,033	19,358
Net foreign currency asset/ (liabilities) position	33	(17,322)
Monetary items net foreign currency assets/ (liabilities)	-	(16,843)

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

	31 December 2019 Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
	If US Dollars, 10% appreciated/depreciated vs euro	
US Dollars net assets/(liabilities)	3	(3)

	31 December 2018 Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
US Dollars net assets/(liabilities)	(1,684)	1,684

Interest risk

Ballast Nedam's interest policy is to limit the impact of interest rate changes on the company's results. Management believes that the interest risk is not significant. Although long-term PPP contracts do not form a significant part of the interest risk related transactions, Ballast Nedam limits exposure with interest rate swaps for PPPs. Cashflow hedge accounting is applied to derivative financial instruments where the hedge relationship is effective. Ballast Nedam has loans both with a fixed rate 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		
	31 December 2019	31 December 2018
Floating rate financial instruments		
Financial liabilities	100,126	95,992
Fixed rate financial instruments		
Financial liabilities	98,568	60,170
TOTAL FINANCIAL LIABILITIES	198,694	156,162

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 2019	31 December 2018
Interest rates - increases by 100 basis points	(1,001)	(960)
Interest rates - decreases by 100 basis points	1,001	960

Capital risk

Ballast Nedam has the objective to ensure an optimal capital structure with sufficient availability of credit which enables the company to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders. In order to maintain or adjust the capital structure, the Group may sell assets to reduce debt, obtain new loans to increase debt and adjust the amount of return capital to shareholders. The net debt to equity ratio increased from -15% to 26%.

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 € 181.2 million. An amount of € 24.8 million will mature on or before 31 December 2020.

Fair value

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

Fair value	31 December 2019		31 December 2018	
	Carrying amount (amortised cost)	Fair value	Carrying amount (amortised cost)	Fair value
Cash and cash equivalents	201,020	201,020	146,192	146,192
Trade receivables	130,593	130,593	89,317	89,317
Other receivables	92,189	92,189	56,462	56,462
Contract assets	38,873	38,873	31,973	31,973
Other non-current assets	2,980	2,980	27,705	27,705
TOTAL FINANCIAL ASSETS	465,655	465,655	351,649	351,649

Fair value	31 December 2019		31 December 2018	
	Carrying amount (amortised cost)	Fair value	Carrying amount (amortised cost)	Fair value
Borrowings	181,273	181,273	156,152	156,152
Trade payables	176,816	176,816	154,331	154,331
Other liabilities	59,121	59,121	42,670	42,670
TOTAL FINANCIAL LIABILITIES	417,210	417,210	353,153	353,153

Valuation methods

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

There were no transfers from Level 1 to Level 2 or Level 3, or vice versa, in 2019 (2018: also no transfers). Changes in the value of other fair value investments are recognised in the statement of income.

Ballast Nedam has no financial assets or liabilities measured at fair value. The fair value of investment property is primarily based on the present value of the estimated future cash flows discounted with the effective interest rate (see note 7.6.11 Investment property). The fair value assets classified as held for sale was determined using the expected sales price derived from market information.

Commitments

Guarantees

	31 December 2019	31 December 2018
Letters of guarantees given	250,511	205,027

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

In addition, assets amounting to € 47,600 thousand (2018: € 28,000 thousand) are pledged as collateral with respect to the bank borrowings. Ballast Nedam received guarantees amounting to € 37.637 thousand (2018: € 15,199 thousand) thousand from its subcontractors.

7.6.32 Off-balance sheet commitments

Off-balance sheet commitments	31 December 2019			31 December 2018		
	< 1 year	1 - 5 years	> 5 years	< 1 year	1 - 5 years	> 5 years
Leased other operating assets	59	235	-	4,642	2,845	284
Leased offices	42	11	-	3,983	11,229	2,780
Land purchases	3,120	5,556	-	5,341	6,738	-
TOTAL	3,221	5,802	-	13,966	20,812	3,064

Ballast Nedam has contingent liabilities concerning land acquisition rights amounting to € 105,231 thousand (2018: € 105,231 thousand). These rights include a composition of conditional and not yet certain payment commitments (depending on factors such as changes in zoning, decision to develop, and decision to exercise certain rights).

Other commitments

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

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

Capital contribution commitments

There were no unconditional capital contribution commitments as at 31 December 2019 (2018: nil) in PPP projects.

7.6.33 Business combinations

On 1 August 2019 Ballast Nedam acquired 75% of the issued share capital of Stripe Consulting, a leading multi-disciplinary design and survey company specialised in the field of car park structures in the United Kingdom. The remaining non-controlling interest will be acquired in the period 2021-2025; the purchase consideration is based on criteria on revenue and profit before tax. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	1 August 2019
Cash paid	3,958
Contingent consideration	-
TOTAL PURCHASE CONSIDERATION	3,958

The assets and liabilities recognised as a result of the acquisition are as follows:

	1 August 2019
Cash and cash equivalents	549
Other current assets	817
Non current assets	65
Current liabilities	(438)
Net identifiable assets acquired	993
Less: Non-controlling interest	(248)
Add: Goodwill	3,213
Net assets acquired	3,958

The purchase consideration, the cash outflow to acquire Stripe Consulting

	1 August 2019
Cash consideration	3,958
Less: balances acquired	(549)
TOTAL PURCHASE CONSIDERATION	3,409

The goodwill is attributable to the expected synergies, employees and the high profitability of the acquired business. It will not be deductible for tax purposes.

The acquired business contributed revenues of € 1.4 million and net profit of € 312 thousand to Ballast Nedam for the period from 1 August to 31 December 2019.

7.6.34 Related Party Transactions

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

A major part of the construction activities of Ballast Nedam is executed in joint ventures/associates and joint operations and Rönésans Group companies. The activities of these entities include the financing and construction of land developments as well as construction contracts. The related party transactions with Rönésans Group companies include charges for construction activities and in addition a loan. The table below gives an overview of the receivables and payables as at reporting date outstanding to intercompany parties:

31 December 2019

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

31 December 2018

	Receivables				Payables			
	Short term		Long term		Short term		Long term	
	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade	Trade	Non-trade
Markwartier C.V. ⁽²⁾	-	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	-	-	-	5,222	-	-
Other Rönesans Group companies	1,840	250	-	10,198	286	30	-	-
TOTAL	1,840	35,775	-	27,645	286	10,551	-	-

⁽¹⁾ Joint ventures and associates

⁽²⁾ Joint operations

The table below shows the revenue/costs of the Rönesans Group in 2019. The revenue/costs of the joint ventures can be found in note 7.6.10.

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

Transaction with related parties (2018)	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 consisting of construction or development consortia, Ballast Nedam assumes its share of the assets, liabilities, revenues and costs. Ballast Nedam has recognised the following interests in joint operations in the consolidated statement of financial position.

	31 December 2019	31 December 2018
Non-current assets	1,840	2,710
Current assets	89,536	62,135
Non-current liabilities	-	(1,943)
Current liabilities	(81,979)	(60,446)
Net assets and liabilities	9,397	2,456

The revenue and the cost of sales relating to the share in joint operations was approximately 21% (2018: 13%) of total revenue and cost of sales. The total liabilities to third parties of companies for which Ballast Nedam holds joint and several liabilities, such as partnerships, excluding bank guarantees issued by those companies, was € 207,492 thousand at the end of 2019 (2018: € 182,716 thousand), of which the € 81,979 thousand portion of Ballast Nedam (2018: € 62,389 thousand) is included in the Consolidated statement of financial position.

The entities below were included in the Consolidated statement of financial position and Consolidated statement of income of Ballast Nedam in 2019. 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 7.6.34.

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

Overview of joint operations

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

Name of Joint Operation	Place of incorporation and operation	Principal activity	2019 Effective ownership ratio	2019 Voting power held	2018 Effective ownership ratio	2018 Voting power held
Tribune-Bouw V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Vof Grondbank Langedijk	Netherlands	Development	27.50%	27.50%	27.50%	27.50%
V.O.F. De Leidse Schans	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
V.O.F. Ontwikkelingscombinatie Mossenest II	Netherlands	Development	11.30%	11.30%	11.30%	11.30%
Dijkzone V.O.F.	Netherlands	Development	33.33%	33.33%	33.33%	33.33%
VOF Ontwikkelingscombinatie Veld 9	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Vof Planetenlaan/Eind	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
VOF Entreegebied Ter Borch	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
OVT Breda VOF	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
De Beeldbouwers V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Hart van Zuid Vof	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
BN-TAV Joint Venture v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
ABT MEP v.o.f.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
BAAK EPCM v.o.f.	Netherlands	Construction	45.00%	45.00%	45.00%	45.00%
A-Lanes A15 Mobility V.o.f.	Netherlands	Construction	10.00%	10.00%	10.00%	10.00%
A-Lanes Civil v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
A-Lanes Roads V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Pro N329 v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie G3 Woontorens v.o.f.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
R Creators DBMO vof	Netherlands	Construction	45.00%	45.00%	45.00%	45.00%
De Vijfde Stad V.O.F.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Laudy-Van Wijnen Sittard 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%	50.00%	50.00%	50.00%
Bouwcombinatie Wâldwei V.O.F.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
BNRA Gladheid v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Ballast Nedam / Van Rens v.o.f.	Netherlands	Construction	70.00%	70.00%	70.00%	70.00%
Combinatie BNOC v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Infracombinatie Hart van Zuid v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Ballast Nedam / Van Gelder v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie BAM-Bouwborg V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie Zoetermeer Oosterheem V.O.F.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Bouwcombinatie De Leidse Schans V.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
MLK Zoetermeer V.O.F.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Bouwcombinatie New Babylon v.o.f.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Reiniging Combinatie Randstad V.O.F.	Netherlands	Recycling	50.00%	50.00%	50.00%	50.00%
THV Franki-Ballast Nedam	Belgium	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	2019 Effective ownership ratio	2018 Effective ownership ratio	2019 Voting power held	2018 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	Development	25.00%	25.00%	25.00%	25.00%
De Vennep Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Venneppark N207 C.V.	Netherlands	Development	62.40%	62.40%	62.40%	62.40%
POM Vikingsite B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Marktkwartier C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Marktkwartier Amsterdam Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Riederwaard Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Riederwaard C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
OCW Engelse Park Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
OCW Engelse Park C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Wind Invest B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
BNC A-Lanes A15 Holding B.V.	Netherlands	Construction	20.00%	20.00%	20.00%	20.00%
Coeur du Sud B.V.	Netherlands	Construction	50.00%	2.50%	50.00%	2.50%
BAAK Blankenburg-Verbinding B.V.	Netherlands	Construction	15.00%	15.00%	15.00%	15.00%
Exploitatie Maatschappij A-Lanes A15 B.V.	Netherlands	Construction	50.00%	33.33%	50.00%	33.33%
J.V. Siemens Cuxhaven	Germany	Construction	50.00%	50.00%	50.00%	50.00%
IXAS Gaasperdammerweg B.V.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
Ursem Modulaire Bouwsystemen B.V.	Netherlands	Construction	41.00%	41.00%	41.00%	41.00%
Exploitatie Maatschappij Komfort B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Exploitatie Maatschappij DC 16 B.V.	Netherlands	Construction	50.00%	50.00%	50.00%	50.00%
Ontwikkelingsmaatschappij G4 C.V.	Netherlands	Development	25.00%	25.00%	25.00%	25.00%
Gebiedsontwikkeling Oud-Beijerland Oost C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Oost Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Olympia Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Olympia C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Coberco Kwartier C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Coberco Kwartier Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Zuid Beheer B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Gebiedsontwikkeling Oud-Beijerland Zuid C.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Impuls B.V.	Netherlands	Construction	22.50%	22.50%	22.50%	22.50%
Asfalt Productie Tiel (APT) B.V.	Netherlands	Construction	33.33%	33.33%	33.33%	33.33%
Traffic Service Nederland B.V.	Netherlands	Construction	25.17%	25.17%	25.17%	25.17%
Asfalt Productie Amsterdam (APA) B.V.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Nederlandse Frees Maatschappij B.V. ⁽¹⁾	Netherlands	Construction	16.67%	16.67%	16.67%	16.67%
Asfalt Productie Rotterdam Rijnmond (APRR) B.V.	Netherlands	Construction	25.00%	25.00%	25.00%	25.00%
Graniet Import Benelux B.V. ⁽¹⁾	Netherlands	Construction	8.75%	8.75%	8.75%	8.75%
Ontwikkelingsmaatschappij Centrumgebied Amsterdam Zuidoost B.V.	Netherlands	Development	50.00%	50.00%	50.00%	50.00%
Stadion Amsterdam C.V. ⁽¹⁾	Netherlands	Construction	5.55%	5.55%	5.55%	5.55%
GEM Vleuterweide Beheer B.V. ⁽¹⁾	Netherlands	Development	14.00%	14.00%	14.00%	14.00%
N.V. Stadsherstel Breda ⁽¹⁾	Netherlands	Development	5.80%	5.80%	5.80%	5.80%
GEM Vleuterweide C.V. ⁽¹⁾	Netherlands	Development	13.44%	13.44%	13.44%	13.44%

(1) An associate is an entity over which Ballast Nedam has significant influence, but does exercise control. Significant influence is presumed to exist when Ballast Nedam holds 20% of the voting rights. These entities comprise shares in (unlisted) investments over which Ballast Nedam is presumed not to have significant influence since it holds less than 20% of the voting rights. Limited balances of these entities are separately disclosed in note 7.6.10 as part of investment of associates and joint ventures.

Overview of principal 100% subsidiaries

Name of subsidiary	Place	Main activity	Share 2019	Share 2018
Ballast Nedam Infra B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Parking B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Industriebouw B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam International projects B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Bouw & Ontwikkeling Holding B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Bouw & Ontwikkeling B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Ontwikkelingsmaatschappij B.V.	Nieuwegein	Development	100%	100%
Heddes Bouw & Ontwikkeling B.V.	Hoorn	Construction	100%	100%
Laudy Bouw & Ontwikkeling B.V.	Sittard	Construction	100%	100%
Ballast Nedam Concessies B.V.	Nieuwegein	Development	100%	100%
Ballast Nedam Beheer B.V.	Nieuwegein	Maintenance	100%	100%
Ballast Nedam Bouw & Ontwikkeling Speciale Projecten B.V.	Nieuwegein	Construction	100%	100%
Ballast Nedam Specialistisch Grondverzet B.V.	Maarsse	Construction	100%	100%
Ballast Nedam Road Specialties B.V.	Leerdam	Construction	100%	100%
Ballast Nedam International Product Management B.V.	Leerdam	Trade	100%	100%
Ballast Nedam Funderingstechnieken B.V.	Maarsse	Construction	100%	100%
Ballast Nedam Materieel B.V.	Almere	Construction	100%	100%
Dibec B.V.	Nieuwegein	Construction	100%	100%
Haitsma Beton B.V.	Kootstertille	Concrete factory	100%	100%
Hoco Beton B.V.	Weert	Concrete factory	100%	100%

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

Key management includes members of the Board of Management and the Supervisory Board. The total remuneration of members of the Board of Management in 2019 was € 1,351 thousand (2018: € 1,241 thousand).

Board of Management	1 January - 31 December 2019	1 January - 31 December 2018
Short-term employee benefits	1,270	1,143
Post-employment benefits	77	94
Other	4	4
TOTAL	1,351	1,241

The total remuneration of the Supervisory Board in 2019 was € 75 thousand (2018: € 75 thousand). The remuneration of members of the Supervisory Board and the Board of Management is commensurate with their term of office. Members of the Board of Management are entitled to the use of a company car. No balances were outstanding and no loans were granted to members of the Board of Management or the Supervisory Board.

Chapter 8

Company Financial Statements

Breaking new
ground together



8. Company Financial Statements

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

Assets	Notes	31 December 2019	31 December 2018
Non-Current Assets	8.3.2	386,203	287,860
Investments accounted for using the equity method		300,043	287,860
Other long-term receivables		75,000	-
Right of use assets		6,796	-
Other non-current assets		4,364	-
Current Assets		190,261	228,901
Cash and Cash equivalents		137,910	110,498
Receivables	8.3.3	52,351	118,403
TOTAL ASSETS		576,464	516,761
Liabilities			
Shareholders' equity	8.3.4	76,722	64,643
Paid in capital		2,203	2,203
Share premium		333,870	333,870
Currency translation reserve		371	152
Legal reserve		19,036	16,656
Accumulated losses		(278,758)	(288,238)
Provisions	8.3.5	1,408	4,144
Long-term provisions		217	3,064
Short-term provisions		1,191	1,080
Non-Current Liabilities	8.3.6	159,389	80,570
Current Liabilities	8.3.7	338,945	367,404
TOTAL LIABILITIES AND EQUITY		576,464	516,761

8.2 Company statement of income

	1 January - 31 December 2019	1 January - 31 December 2018
Result of subsidiaries after tax	14,463	24,124
Other results after tax	(1,769)	(11,809)
Result for the period	12,694	12,315

8.3 Notes to the Company Financial Statements

8.3.1 Basis of preparation and significant accounting policies

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

Investments in subsidiaries are measured at net asset value. The net asset value is calculated using the accounting policies, as described in note 8.3.1 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.

8.3.2 Non-current assets

	Investments in subsidiaries
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
Opening balance 1 January 2019	287,860
Result group participations	14,463
Investments	149
Divestments	(1,814)
Change in hedging reserve	(834)
Currency translation effect	219
Closing balance 31 December 2019	300,043

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

8.3.3 Receivables

Receivables	31 December 2019	31 December 2018
Trade and other receivables	76	264
Receivables from subsidiaries	51,658	118,139
Short-term prepaid expenses	617	-
	52,351	118,403

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

8.3.4 Shareholders' equity

	Paid in capital	Share Premium	Currency translation reserve	Legal reserve	Accumulated losses	Total
Opening balance 31 December 2017 (before IFRS 15 adjustment)	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 expense	-	-	(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	-	26,950	-	-	-	26,950
Share distribution to the owner as a consideration for 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
Opening balance 1 January 2019	2,203	333,870	152	16,656	(288,238)	64,643
Net result for the year	-	-	-	-	12,694	12,694
Change in currency translation reserve	-	-	219	-	-	219
Change in legal reserve	-	-	-	(834)	-	(834)
Other comprehensive expense	-	-	219	(834)	-	(615)
TOTAL COMPREHENSIVE INCOME	-	-	219	(834)	12,694	12,079
Fair value change investment property	-	-	-	2,755	(2,755)	-
Change in legal reserve	-	-	-	459	(459)	-
Closing balance 31 December 2019	2,203	333,870	371	19,036	(278,758)	76,722

The paid in capital includes ordinary shares of the company. The legal reserves relate to profits and/or reserves of the associates and joint ventures which are subject to legal restrictions on distribution or restrictions imposed by the articles of association, hedge results from joint ventures and the fair value change in investment property. Further details on the movement schedule are included in the consolidated financial statements.

The 2019 result is subject to appropriation by the General Meeting. It is proposed to add the net profit for 2019 to the accumulated losses within the shareholders' equity (general reserves) as stated in the profit appropriation and dividend policy. Please see paragraph 9.6 for further details.

8.3.5 Provisions

	Reorganisation	Other	TOTAL
1 January 2018	12,047	84	12,131
Addition	2,408	492	2,900
Reversals	(4,119)	-	(4,119)
Utilisation	(6,768)	-	(6,768)
31 December 2018	3,568	576	4,144
Addition	2,658	6	2,664
Reversals	(1,799)	(296)	(2,095)
Utilisation	(3,225)	(80)	(3,305)
31 December 2019	1,202	206	1,408
Current (< 1 year)			
31 December 2018	1,080	-	1,080
31 December 2019	1,175	16	1,191

8.3.6 Non-current liabilities

Long-term debt	31 December 2019	31 December 2018
Long-term financial debts	132,500	59,000
Lease liabilities	5,319	-
Long-term debt to subsidiaries	21,570	21,570
	159,389	80,570

Refer to note 7.6.16 of the Consolidated financial statements for further details.

8.3.7 Current liabilities

Current liabilities	31 December 2019	31 December 2018
Lease liabilities	1,623	-
Current portion of long term borrowings	24,000	75,000
Trade and other payables	4,686	3,478
	338,945	367,404

Refer to note 7.6.16 of the Consolidated financial statements for further details about current portion of long-term borrowings. The payables to group companies mainly relate to short-term financing by means of current accounts. Ballast Nedam makes use of cash-pooling. The fair value of the "payable to subsidiaries" approximates the book value.

8.3.8 Off-balance sheet commitments

Letter of guarantees	31 December 2019	31 December 2018
Letters of guarantees given	250,511	205,027

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 2019, € 250,511 thousand of guarantees were outstanding (2018: € 205,027 thousand), of which € 58,906 off thousand relate to joint ventures (2018: € 23,531 thousand).

Other liabilities

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

Ballast Nedam N.V. issued guarantees for a number of subsidiaries' contracts, totalling approximately € 515.7 million in 2019 (2018: approximately € 572 million). This often involves the entire contract sum for long-term projects.

Fiscal unity

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

8.3.9 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 Article 2:382a of the Dutch Civil Code are as follows:

Recognised audit fee	1 January – 31 December 2019	1 January – 31 December 2018
Audits	1,033	1,046
Tax services	121	246
Other audit assignment	-	-
Other non-audit assignments	-	-
TOTAL	1,154	1,292

8.3.10 Employees

Number of employees as of 31 December 2019 is 91 (2018: 97).

8.3.11 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 paragraph on transactions with related parties in the notes to the consolidated financial statements.

8.3.12 Events after the balance sheet date

Subsequent to year-end 2019, COVID-19 has grown to a pandemic disease and we have seen macro-economic uncertainty. We monitor the development of the pandemic by a crisis management and by implementing business continuity measures, see paragraph 7.6.2.

Nieuwegein, 19 March 2020

Board of Management,

C. Düzyol

S.R. Lefevre

H. Koçak

Ö. Canbaş

O.P. Padberg

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

Supervisory Board,

İ. Ilıcak Kayaalp

E. Baki

P.R.H.M. van der Linden

K. Arslan (appointed on 8 February 2019)

Chapter 9

Other Information

Breaking new
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9. Other Information

9.1 Independent auditor's report

To: the general meeting and the supervisory board of Ballast Nedam N.V.

Report on the financial statements 2019

Our opinion

In our opinion:

- the consolidated financial statements of Ballast Nedam N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2019 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;
- the company financial statements of Ballast Nedam N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019 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 2019 of Ballast Nedam N.V., Nieuwegein. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the following statements for 2019: the consolidated statement of profit and loss, the consolidated statements of comprehensive income, changes in equity and cashflows; 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 2019;
- 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.

Material uncertainty related to going concern – COVID-19

We draw attention to note 7.6.2 (section: Impact COVID-19 on going concern assumption) in the financial statements in which management has described the possible impact and consequences of the COVID-19 (corona) virus as well as the measures taken and planned to deal with these events and circumstances. This note also indicates that significant uncertainties remain and that currently it is not reasonably possible to estimate the impact and consequences of the COVID-19 (Corona) virus on the going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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, Dutch Code of Ethics).

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:

- report of the board of management;
- report of the supervisory board;
- 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 board of management 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 board of management and the supervisory board for the financial statements

The board of management 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 board of management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of management is responsible for assessing the Company’s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of management should prepare the financial statements using the going-concern basis of accounting unless the board of management either intends to liquidate the

Company or to cease operations, or has no realistic alternative but to do so. The board of management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material 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, 19 March 2020
PricewaterhouseCoopers Accountants N.V.

Original has been signed by J. van Meijel RA

Appendix to our auditor's report on the financial statements 2019 of Ballast Nedam N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of management.
- Concluding on the appropriateness of the board of management's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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

9.2 Appropriation of result

Proposal of appropriation of 2019 result

It is proposed to add the net profit for 2019 to the accumulated losses within the shareholders' equity (general reserves).

Colophon

Photography

Charles Dumas Fotografie

John Gundlach | Flying Holland

De Zaak in Beeld by Marc Verbeek

Matthijs Keller Fotografie

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

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