



## Introduction

# 2022: a focus on operational excellence

The year 2022 can be characterised by growth as a result of seizing entrepreneurial opportunities and a strong focus on operational excellence. We are passionate about finding solutions and shaping our business to meet the needs of our clients and align with market conditions.

As I write about business performance, my thoughts are with all the people affected by the earthquakes in Turkey and Syria. Many of our colleagues have friends and family in the region, where there is unimaginable devastation. Our hearts go out to all those affected, and we are proud that our Turkish parent company Rönesans Holding A.Ş. is providing an incredible amount of help in the region, offering resources including machinery, shelter, people, food and all kinds of first aid materials.

The situation reminds us once again that everything in life becomes insignificant when we lose our health and safety. Our well-being is our highest goal and remains our top priority. That's why we launched our new safety campaign in 2022: Take Care. With this campaign, we focus on showing genuine care for each other. We challenge and empower each other to act responsibly and to improve safety in the workplace. The campaign is fully visible on Ballast Nedam's construction sites and offices with posters and banners featuring our own colleagues. Through regular discussions and toolboxes on safety, we stay alert and we continuously improve our safe working practices. As a result, our people go to work healthy in the morning and come home safe in the evening.

## About our industry

Even though the sector is looking for ways to industrialise construction, it is still a labour-, energy-, and resource intensive industry where margins are low and the rewards and risks can be unbalanced. This is why you have to love this industry to be successful in it, and only through hard, diligent work you can make a profit.

We are working hard to refine our processes, make them leaner and develop repetitive construction methods, but it is impossible to fine-tune all processes to the smallest detail to get the same results over and over again as in a factory setting. Next to the demands related to construction methods, developments in the sustainability domain also continue to challenge us. Corporate sustainability has gained unprecedented momentum following the





upcoming legislative requirements associated with the EU's Green Deal. Climate change is forcing our sector to move towards low or zero-carbon alternatives, and the ongoing global depletion of natural resources puts pressure on the availability and affordability of raw materials, nudging us towards a more circular and nature-inclusive way of working. As a result, it influences the way we plan, execute and manage our projects. It is forcing us to continuously be aware of how our ambitions have an effect on the world around us.

Construction is mainly a service business, and our core values and the sense of ownership embedded in our teams define the success of our projects. That is why everything we do is based on our people. We trust each other, we embrace challenges, we celebrate our successes and we learn from our mistakes together.

Looking back at 2022, the importance of this becomes even clearer. We want to recognise how hard our teams worked to deliver the wind turbine project in Maasvlakte 2 after we returned to the renewable energy market. How we won the tender for the A27 project, enabling us to create a future landmark project with our partners. We made great strides in the delivery of major projects such as CoolTower and Tower Ten WTC Amsterdam. Our regional companies

also pushed the boundaries of their organisations to grow, securing prestigious projects such as Hyde Park in Hoofddorp. Meanwhile, our international teams grew and developed to deliver challenging projects all over the world such as the Hemmathagama water supply project in Sri Lanka. We worked together with our new family members Willems Bouwbedrijf and Mouwrik Waardenburg to support and help each other, and we thought outside the box to invest in sustainability and innovation, including robots, unique materials and electrification. And finally, how we improved and adapted our strategy in order to remain healthy and profitable.

### **Business units strengthen each other**

Ballast Nedam has many business units, each with its own culture and strengths. We see the holding structure as a platform that acts as an enabler for all our companies. We want to preserve their culture and simultaneously allow them to stretch themselves to a point beyond what they thought was possible. You can see them as communities that help and complement each other.

Of course, being part of this larger community requires a hands-on entrepreneurial spirit, full transparency and trust, and strict financial and risk management practices. With the acquisition of road construction company







Mouwrik Waardenburg in the Netherlands and healthcare construction specialist Avenue Building Company Ltd. in the United Kingdom, we continued to expand our company in 2022.

## Financial results 2022

Ballast Nedam continued to grow with a healthy operating performance. Our revenue increased by 37% from €1,041.5 million in 2021 to € 1,430.8 million in 2022. The activities of Ballast Nedam are supported by sustainable demand for residential and non-residential buildings, infrastructure improvements and the energy transition. EBITDA amounted to €54.2 million (2021: €42.9 million). Ballast Nedam has a well-diversified project portfolio and the vast majority of the Business Units are positively contributing to the financial performance. 2022 also presented us with challenges and the financial performance includes the deteriorated result from some large construction projects in the Netherlands which could be characterized by an asymmetrical risk and reward balance which resulted in project cost overruns for these projects. One of the major projects is the well-known project in Zuidbroek. On 7 January 2023, Air Products sent a termination letter for the contract with Ballast Nedam Industriebouw for the subcontracted works regarding the nitrogen facility Zuidbroek. Ballast Nedam firmly believes that the

termination announced by Air Products does not have any effect and is unlawful. We recognise the social importance of this project and continue our discussion with Air Products in an attempt to reach an amicable agreement on all claims and disputes to enable us to complete our part of the project scope.

Ballast Nedam's working capital ratio is 1.2 (2021: ratio 1.3) and company's cash position at year-end amounted to €171.0 million (2021: €252.8 million). The solvency ratio of 24.9% (2021: ratio 24.3%) matches the level of our best years. Our order book of € 1.4 billion (2021: € 1.7 billion) is at a good level and we continue to focus on acquiring projects with a symmetric balance between risk and reward.

## Reflecting

The year 2022 also presented us with new challenges that kept us on our toes. Global issues such as the nitrogen crisis, the geopolitical conflicts in Eastern Europe, the shortage of staff and high inflation rates create uncertainty for our entire industry. At Ballast Nedam, these matters have also affected our profitability and operations. We cannot precisely predict its future impact and we continue to keep a close eye on these developments.

## Highlights

It was an exceptionally good year for Ballast Nedam International Projects. We started projects in Guinea and Luxembourg and continued our work in Sri Lanka and Sint Maarten. In the coming years, we will focus mainly on projects in Africa, the Caribbean and the Nordic countries. Internationally, we continue to take on large and complex construction projects that match our global resources and execution capabilities.

With the energy transition in full swing, we are proud to be back in the wind energy market. In 2021, we started two new wind turbine installation projects: Windpark Maasvlakte 2 and Windplanblauw. In 2022, Windpark Maasvlakte 2 was completed, and the work on Windplanblauw is proceeding well, focussing to achieve its milestones in 2023. Windpark Maasvlakte 2 is a real highlight in our portfolio, as the wind turbines on the soft sea wall have a foundation with monopiles. This is a first for the wind sector, as it is the first time a wind turbine was founded on a monopile on land.

## Outlook: towards a sustainable and profitable future

In 2023, we started our revised strategy for our construction activities in the Netherlands, which responds to the current market and better matches our capabilities.





In this adjusted strategy for the Netherlands, we focus on projects that are well-developed and repetitive in terms of construction methods, where our expertise can be (re) applied and risks can be better managed. We will continue to carry out large projects in the Netherlands, as long as they comply with our strategy. In line with our decentralised organisation, at the beginning of 2023 we decided to execute all our future building construction projects within our regional companies and wind down the central business unit Ballast Nedam Building Projects. We will relocate our people within our business units as much as we can and focus on regional growth with possible strategic acquisitions.

This important decision in our company strengthens our decentralised operating model and further empowers our regional business units. It enables us to better commit to operational excellence with our long-term partners – delivering what we promise, on budget and on time.

As we anticipate limited growth in the market in the coming years, operational excellence is of the utmost importance to prepare our company for the next phase of future growth. It will help us improve our operations and manage risks, in order to remain the healthy and profitable company we are today.

Ballast Nedam has been in business for over 145 years. With this heritage as a foundation and a responsibility, we are making decisions that will make our company both financially strong, meanwhile being responsible to the environment we work and live in.

We have evolved into a company with health and safety at its core. We have organised our business units with a structured and focused product-market mix, even though this means letting go of some opportunities that do not fit into our strategy.

We are focusing on operational excellence and lean and resilient business units. Our teams are better integrated than ever before and our core values are more deeply embedded in our organisation. With this foundation, we continue to work towards a sustainable and profitable future.

A. Kemal Sağlam, CEO Ballast Nedam

