

Integrated Report

2015



bam



Royal BAM Group nv

Key figures

(x € million, unless otherwise stated)

	2015	2014	
	Continuing operations		
	Revenue	7,423	7,314
	Adjusted result before tax	88.2	62.2
	Result before tax	13.3	(122.4)
	Net result attributable to the shareholders of the Company	10.2	(108.2)
	Earnings per share (in €1)		
	- Continuing operations	0.04	(0.40)
	- Discontinued operations	-	-
	Dividends per ordinary share (in €1)	0.02	-
	Dividend payout (in %)	50	-
	Number of shares as at 31 December (x 1,000)	270,394	270,999
	Share closing price as at 31 December (in €1)	5.13	2.58
	Equity attributable to the shareholders of the Company	902.1	827.4
	Capital base	1,026.5	951.9
	Total assets	4,852.2	4,956.0
	Order book	11,480	10,268
	Net investment in property, plant and equipment	41.7	39.0
	Depreciation charges	66.5	79.6
	Amortisation charges	4.0	3.2
	Impairment charges	39.1	115.9
	Cash flow before dividend	119.8	90.5
	Ratios		
	- Adjusted result before tax from continuing operations as % of revenue	1.2	0.9
	- Net result attributable to the shareholders of the Company as % of revenue	0.1	-
	- Net result attributable to the shareholders of the Company as % of average equity	1.2	-
	Solvency ratios		
	- Equity attributable to the shareholders of the Company as % of total assets	18.6	16.7
	- Capital ratio	21.2	19.2
	People		
	Average number of employees (in FTE)	21,916	23,325
	Number of employees as at 31 December (in FTE)	21,248	23,137
	Training costs per employee (in €1)	509	579
	Female/male (in %)	14/86	14/86
	Safety		
	Incident frequency (IF)	4.5	5.0
	Safety Awareness Audits (SAA)	75.4	74.2
	CO₂ and energy		
	CO ₂ emissions (in kilotonnes)	230	242
	CO ₂ emissions intensity (in tonnes per € million revenue)	30.9	33.0
	Energy (in terra joules)	3,356	3,410
	Waste		
	Waste (in million tonnes)	2.4	4.8
	Construction and office waste (in kilotonnes)	161	182
	Construction waste separation (in %)	29	33

Adjusted result before tax

Result before tax excluding restructuring costs and other exceptional costs, impairment charges and pension one-off.

Capital base

Equity attributable to the shareholders of the Company plus subordinated debt.

Capital ratio

Capital base divided by total assets.

Incident frequency (IF)

The total number of industrial accidents leading to absence from work per million hours worked on construction sites.

BAM at a glance

Royal BAM Group nv (BAM or the Group) is a European construction group that unites operating companies in five home markets with the corporate centre in the Netherlands and is listed at Euronext Amsterdam. With approximately 21,500 employees, BAM is active in the construction and mechanical and electrical services, civil engineering, property and public private partnerships (PPP) sectors.

The Group ranks among the largest construction companies in Europe. BAM has leading market positions in the Netherlands, Belgium, the United Kingdom, Ireland and Germany. The Group undertakes specialist construction and civil engineering projects in niche markets worldwide.

One of BAM's prominent features is its widespread regional network of offices, meaning that the company is always close to its clients.

BAM's philosophy is to offer real value to its clients and work with them in close and lasting collaboration that provides outstanding performance in relation to the maintenance, innovation and expansion of built environments. BAM is recognised and acknowledged for the quality and reliability of its products and services as well as for the commitment, knowledge and experience of its employees.



Front cover:

The Arnhem Central Public Transport Terminal in the Netherlands celebrated its grand opening on 19 November 2015. Bus terminal and train station are combined into a new type of complex - an integrated public transportation area, designed by UNStudio. The transfer hall shelters the facilities and waiting areas for the trains,

trolley buses and bus station, as well as commercial areas and a conference centre, and serves as the linking hub between these transportation modes, the city centre, the underground car park and the office plaza of the Public Transport Terminal in Arnhem. The Public Transport Terminal was built by BAM Bouw en Techniek, in joint arrangement with Ballast Nedam. BAM Infra was involved in the civil works near the terminal, including the square for the trolley buses. See also pages 50-51.

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1. Message from the CEO

Building the present, creating the future

'I am pleased with the major advances we made in 2015 to successfully implement the Back in Shape programme. With our 21,500 people working together, we delivered on demanding targets. Our results for the year show we are turning around our performance, and there is more potential to be unlocked.

Our full year results featured a strong rebound in margins at Civil engineering. Construction and M&E services was still held back by a loss at the Dutch non-residential activities. The result at Property was driven by commercial property divestments. There was a non-cash impairment of Dutch property due to the twin-track housing market and the subdued retail sector. PPP had a solid year with good project wins. Our total order book increased in the year.

BAM is continuously improving the Group's safety performance. In 2015 BAM succeeded in reducing the Incident frequency (IF), which reflects the number of lost-time incidents per million worked hours, to 4.5 (2014: 5.0). The Group intensified the Safety Awareness Audits (SAA) conducted across and between operating companies, and held its annual Worldwide BAM Safety Day where attendance is mandatory for all employees and subcontractors on site. BAM reduced the absolute CO₂ emissions by 17 per cent compared to the level of 2009, which is better than the targeted improvement of 15 per cent.

BAM was again ranked within the top five of the leading Dutch sustainability index, the annual Transparency Benchmark. BAM's 2015 Integrated Report is the second report that is prepared in line with the Integrated Reporting (IR) Framework. Integrated Reporting provides insight on financial and non-financial value creation. By adopting the principles of Integrated Reporting and by application of the Global Reporting Initiative, G4 'Comprehensive', BAM will continue to provide more relevant information to all stakeholders.

Back in Shape has resulted in a solid foundation, on which we can build further to BAM's success in 2016 and beyond. During the year a BAM-wide representation of employees has contributed to our updated strategy for 2016-2020 – 'Building the present, creating the future'. In several sessions during an inspiring Edge Journey, external and internal specialists gave their views to think about future technologies and applications having impact on BAM's current and future business.

Our updated strategy for 2016-2020 will further improve the performance of our current project and business portfolio, and will position us for future opportunities. In a fragile macro-economic environment, our objective is to improve profitability and capital efficiency by 'doing things better'. This means a more disciplined focus on market segments and projects where we can use either scale or expertise as critical success factors. Secondly, we will



shape our business portfolio towards 'doing better things' by rationalising our propositions and developing new solutions for customers. Thirdly, we will invest in digitalisation to be an industry leader in how we build and what we build – 'doing new things'. Our target is to reach a double digit return on capital employed by 2020.

2016 will be a year of reinforcement with a top priority to implement 'Building the present, creating the future'. We are preparing further restructuring measures for Dutch Construction and Property to restore its profitability in the coming quarters. The de-risking of the project backlog will be largely completed by the end of 2016. For the full year 2016, we expect the adjusted result before tax to be higher than the level of 2015. We anticipate a restructuring charge of approximately €20 million, mainly related to the Dutch activities.

On behalf of Thessa Menssen, Erik Bax and myself, I would like to thank all our employees for their hard work and commitment throughout the year. We are very motivated for the challenge of the coming years, to continue to unlock the significant upside potential of BAM. We will work together to serve our clients better, improve our financial performance, and be a preferred employer and partner.

Bunnik, the Netherlands, 17 February 2016

Rob van Wingerden,
CEO,
Royal BAM Group nv

2. Value creation



2.1 Stakeholder engagement and material themes

Stakeholder engagement

BAM recognises that real business benefits can only be achieved with the involvement of its stakeholders. During 2015 BAM met with its clients, main suppliers and other stakeholders in multi-stakeholder forums to further align BAM's policies with stakeholder demands.

The Group has defined its stakeholders as those groups which significantly influence or are influenced by the economic, environmental and social performance of BAM. BAM has identified its stakeholders based on the risks and opportunities for its business performance, strategy execution and strategic objectives.

BAM continuously engages with its stakeholders to understand their priorities and concerns through benchmarking, sector meetings, client surveys and direct contracts. BAM's key stakeholder groups, and interactions with them, are:

Clients

BAM is in daily discussion with its clients and sustainability is an increasingly important topic in these discussions. In addition, BAM organises client meetings to share knowledge, best practices and innovation with its value chain. Some clients have developed their own sustainability benchmarks, including ProRail, the government task organisation that takes care of maintenance and extensions of the Dutch railway network infrastructure, with its CO₂ Performance Ladder. Positioning on the ladder forms part of the tender evaluation process and positively affects BAM's ability to win contracts. It is therefore important that BAM keeps itself informed of and is able to respond proactively to these initiatives.

Providers of financial capital

Communication with investors, financial institutions and the financial community in general, usually takes place through meetings, project visits, road shows, seminars, presentations, investment meetings and press releases. All dates and locations of road shows, seminars and other investor relations activities are published on the BAM website. The Group has also been responding to CDP's investor information requests since 2008.

Employees

BAM's most important asset are its employees. As part of BAM's performance management process, employees' personal learning and development plans are evaluated annually between manager and employee.

Suppliers and subcontractors

BAM's procurement responsables are in daily contact with suppliers and subcontractors to discuss responsible sourcing in relation to health and safety and environmental management. Supply chain partners are increasingly being involved at the early stages of the

bidding process and helping to develop and plan BAM's projects through lean planning meetings and optimising the efficiency of the build programme through the value chain. BAM involves its supply chain partners by investing in relationships.

Society

By its very nature, BAM's construction and civil engineering works have an impact on local communities, occupiers and other users of buildings and infrastructure and society as a whole. Chapter 3.2 of this report describes BAM's results and gives several examples of its community engagement activities in 2015.

Through its delivery of projects BAM has ongoing contact with local government bodies regarding the issuing of permits, compliance with regulations and supervision of its activities. BAM is involved in many governmental initiatives including several Green Deals in the Netherlands. In the UK, BAM responded to Government consultations on the Carbon Reduction Commitment (CRC) and Energy Efficiency Scheme (EES), among others.

Multi-stakeholder dialogue

In addition to its engagements with different stakeholders across its operating companies, the Group organises a yearly multi-stakeholder meeting. In 2015, as part of BAM's strategy defining process, BAM wanted to think together with its most important stakeholders about what the construction and civil engineering industry will look like in 2020 and how to anticipate on this. During the meeting, stakeholders attended a presentation on a BAM icon project and technology, big data and smart cities. The stakeholders reflected on industry impact, discussed the BAM's emerging 2020 vision and how BAM's stakeholders could be involved in this journey. The stakeholders selected for the dialogue comprised fifty management level representatives of clients, financial institutions, suppliers, architects, start-ups, NGOs, and knowledge institutes that are active with BAM and thirty executive representatives of the same organisations. BAM executives and internal stakeholders from BAM's operating companies attended the meeting as well. All were invited to participate in preparation of the meeting by means of a survey questionnaire. BAM used the key messages from this survey to strengthen its strategy.

During the 2015 meeting, stakeholders indicated the following cross industry trends for 2020 and beyond:

- Individualisation, personalisation, collaboration;
- Changing fundamentals: innovation, sharing economy, digitalisation;
- Population: aging, growth, migration.

For the construction industry in 2020 they listed the following dilemma's:

- Standardisation versus personalisation;
- the need for a higher quality of workforce and productivity;
- the need for collaboration and partnerships;
- the conservative character of the industry and low margins could hamper innovation.

This resulted in the following input from stakeholders for BAM towards 2020 and beyond:

- Offer a product that is dynamic, appealing and flexible;
- Move from offering goods to services;
- Specialise and create partnerships;
- Invest in innovation and ICT;
- For a better revenue model: expand the business and focus on added value;
- Become an open platform for knowledge and skills sharing.

The 2015 multi-stakeholder dialogue was a first step in integrating the construction value chain into an integrated platform.

Material themes

As part of the development of the strategic agenda for 2016-2020 and in keeping with BAM's aim to create an integrated approach that concentrates on matters that are critical to achieving BAM's goals and managing its impact on society, the Group has conducted a materiality assessment. Material themes are those that substantively affect BAM's ability to create value over the short, medium and long term.

As a first step in the process of identifying material themes, BAM selected relevant matters from a long-list of topics, based on their ability to affect financial, environmental and social value creation for

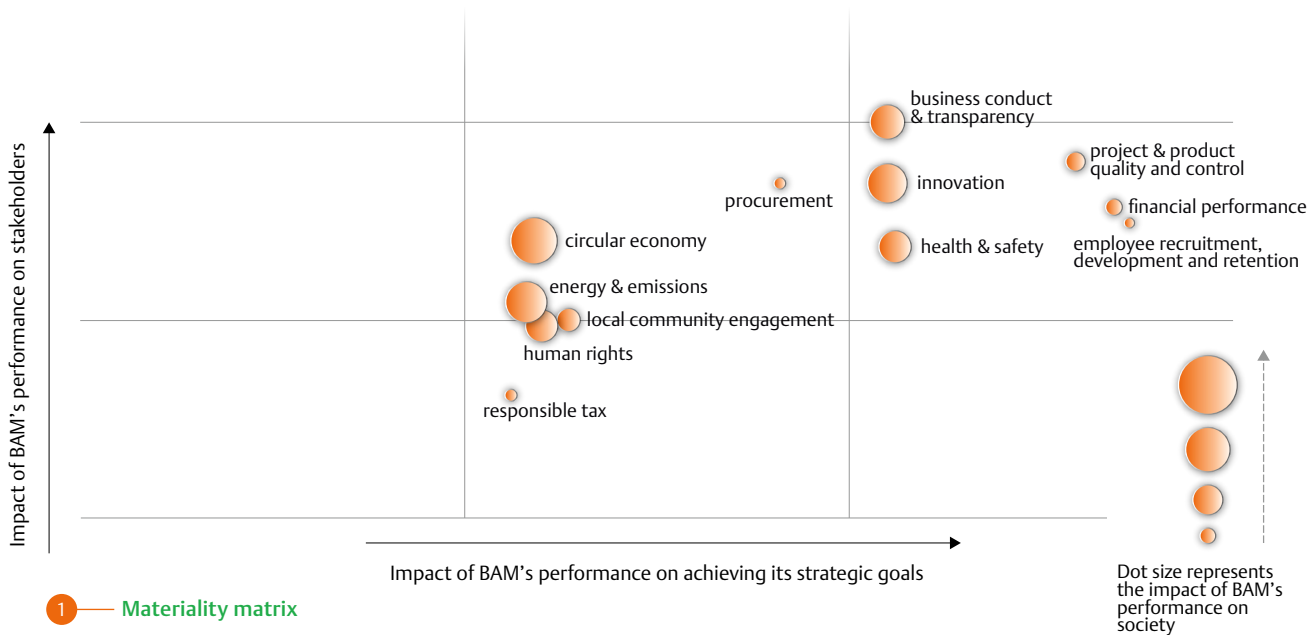
BAM's stakeholders. This long-list included aspects derived from the fourth edition of the Guidelines of GRI (Global Reporting Initiative), BAM's Group strategy, the results of research into stakeholders' interests and feedback from previous stakeholder dialogues and general meetings of shareholders.

A selection of BAM employees with a Group-wide presentation then evaluated the importance of these relevant matters in terms of their known or potential effect on BAM's activities, products, services and relations, both within and outside of BAM, within the timeframe 2016-2020. 'Effect' within BAM was defined as 'impact on BAM's balance sheet'.

Stakeholders were asked to identify and prioritise the potential impact of these matters on themselves and on society. Most relevant for the clients group were 'health and safety' and 'project and product quality and control'. The group of employees specifically indicated 'employee recruitment, development and retention' as a material theme. Providers of financial capital indicated that BAM's performance on 'circular economy' is most relevant to their organisations. BAM's subcontractors and suppliers as well as the group representing society (NGO's, government and knowledge institutes) specifically indicated 'business conduct and transparency' as the most material theme. They were also asked to introduce and assess matters that were omitted from BAM's initial materiality assessment. No new topics were added.

The materiality matrix displays the prioritisation of the matters based on their relative importance to BAM and to BAM's stakeholders. It should be noted that opinions of various stakeholders and appreciation in BAM's home markets may differ.

This report addresses BAM's performance in relation to the following topics that are positioned in the materiality matrix:



Health and safety

Definition: Health and safety (zero accidents) of all employees and subcontractors and everyone involved with BAM's activities, including the general public.

Impact: 'BAM borrows its employees from their families', is how BAM expresses its responsibility for everyone who works with and for BAM. There is nothing more important than everyone returning home safely. Occupational health and safety contributes to the satisfaction of the Group's employees and their relatives, BAM's subcontractors, its supply chain partners and others involved with BAM's construction sites. Safety also affects BAM's clients and BAM's reputation.

Management approach: A Group-wide guideline for safety management provides BAM's operating companies with a framework within which their safety management system must comply. BAM has started an international safety campaign 'Making BAM a safer place' to move towards an open safety culture, where BAM's employees actively call each other to account on unsafe behaviour. Three safety principles (respect, comply and intervene) underpin ten safety rules that encourage employees to hold each other to account on safety.

At the annual Safety Awareness Audit (SAA), BAM monitors the extent to which the safety management systems of operating companies comply with the guideline and the extent to which employees are aware of the safety risks inherent in their projects. The audits also highlight areas where the safety management system can be improved.

While the SAA score gives an indication of the extent to which risks and hazards are managed, the BAM incident frequency (IF BAM) can be seen as the result of effort. The IF is an indicator which is used to establish an organisation's actual safety performance. In the absence of an internationally recognised indicator, BAM has introduced its own definition, which the operating companies use to compare their performances.

From 2015 onwards BAM's safety targets will extend focus on BAM's responsibility towards its value chain. Safety statistics will include accidents involving absence of BAM employees, hired employees, subcontractors and other third parties involved with BAM's activities. BAM is in the process of enhancing the reporting process for worked hours of subcontractors and it is expected to report this information and therefore the 'IF Total' of BAM including the IF for subcontractors in the 2016 Integrated Report. The Group is working to obtain reliable information for example by implementing automated on-site entrance systems as tourniquets, fingerprint readers, iris scans and card systems.

When a fatal industrial accident occurs, involving a BAM employee or a subcontractor, the following actions take place:

1. The operating company informs the Executive Board and the Corporate Safety Officer (CSO) directly after the accident;

2. The first details of the accident are communicated within 24 hours of the accident;
3. No later than the day following the fatal accident, a message will be published on BAM's intranet;
4. If the accident occurred in Western Europe, the COO, assisted by the CSO, will pay a visit to the operating company within 15 days after the accident;
5. For accidents occurring outside Western Europe: video-conference; and
6. Three weeks after the accident a 'safety start' takes place in the country where the fatality occurred; A safety presentation/ bulletin has been produced highlighting the lessons learned and who must have intervened. This has to be briefed out to all operatives.

More insidious than the fatal and serious industrial accidents is the number of workers who suffer impaired health or long-term illness caused or made worse at work. Many of these illnesses only manifest themselves years after exposure and many are ultimately fatal. BAM believes that all injuries, deaths and illnesses can and should be prevented. BAM has yet to develop a management approach for health. However, within ENCORD, Europe's forum for industry-led research, development and innovation in the construction industry, the Group has put on the agenda research and development regarding quartz dust and asbestos inhalation, diabetes and skin cancer.

> For BAM's performance, see pages 53-55.

Project and product quality and control

Definition: Quality of tender process, efficient project management and effective project execution with the aim to meet or exceed clients' expectations.

Impact: To exceed clients' expectations, BAM needs to continuously improve the (perceived) performance of BAM's products. Product quality means that BAM does what it has promised to do, within the budget and on time. Product responsibility compliance, contract management and innovation are key value drivers. Operational performance is crucial to realising the appropriate level of financial and non-financial results on construction projects.

Management approach: Since 2014 BAM has increased its efforts to improve the quality of its tender process in order to safeguard its current and future results arising from construction projects. BAM has continued to cascade its internal risk management framework down through the Group. In addition, the evaluation of BAM's internal governance framework has resulted in the update of Company Principles and Management Guidelines, including strengthening BAM's project selection and tendering process for large and high-risk projects. In connection with this development, peer reviews on project estimates are undertaken under the leadership of the Tender Desk Director.

In order to comply with product responsibility, BAM makes sure that all projects where its operating companies are responsible for

Projects 2015

	January	20
Technical University of Denmark (DTU) commissions BAM Danmark construction of new biotechnology research centre.		
	February	11
BAM Infraconsult signs licence agreement for the application of Xbloc breakwater armour units in Mundra LNG project (first Xbloc application in India).		
	March	19
Oberbürgermeister (mayor) Gerold Noerenberg officially opens the new shopping centre Glacis-Galerie in Neu-Ulm, built by BAM Deutschland.		
	April	2
BAM Clough joint arrangement completes fifth iron ore loading berth at Anderson Point Facility (AP5) in Port Hedland, Western Australia for Fortescue Metals Group.		
	May	7
BAM Deutschland wins contract for 110-metre-high office tower WINX in Frankfurt am Main		
	May	13
BAM Construction wins major contract for No.1 Spinningfields, Manchester.		
	June	15
A1/28 joint venture (BAM, Van Oord) and partner ARCADIS win Rijkswaterstaat tender for Hoevelaken junction.		
	July	25
Official opening city tunnel Luise-Kiesselbach in Munich.		
	August	4
Microsoft Ireland awards contract for office facility with value in excess of €100 million to BAM Contractors Ltd.		
	September	10
BAM Deutschland wins €88-million hospital contract in Stuttgart.		
	October	16
BAM Nuttall principal contractor for €225-million upgrade of the Aberdeen-Inverness rail line.		
	November	27
BAM wins contract major road project Rotterdamsebaan, The Hague.		
	December	28
BAM-PGGM reaches financial close on the Courts Bundle PPP Project, Ireland.		

design and construction are certified. In other projects (PPP projects) BAM uses verification and validation methods. Each operating company has a quality manager who is responsible for the quality control of the operating company's processes. Quality managers have company-wide meetings in which they discuss findings and evaluate their management systems. System audits are conducted by third parties. On all levels, outcomes are assessed by the senior management of BAM's operating companies.

> For BAM's performance, see pages 58-61.

Business conduct and transparency

Definition: Openness regarding, and adherence to, generally accepted standards and values and compliance with local statutory and other rules and regulations, particularly with respect to the acquisition and performance of contracts.

Impact: BAM's reputation and licence to operate depend on responsible business conduct, by stimulating dialogue on dilemmas. Ensuring compliance with anti-corruption legislation enhances efficiency by reducing transaction costs for BAM and for BAM's stakeholders. Furthermore, BAM believes that doing business honestly is vital to increasing competitiveness for BAM and for BAM's partners. Competitive behaviour contributes to innovation and collaboration. It creates an environment in which the best products will win and where BAM's stakeholders will get the best products for the best price. The Group believes that by providing financial and non-financial information on the achievement of BAM's strategic goals, it can continuously improve the reporting process as well as its performance.

Management approach: Chapter Business conduct on page 40 describes BAM's management measures related to business conduct as part of BAM's management approach related to specific risks.

> For BAM's performance, see pages 56-59.

Financial performance

Definition: Overall financial health, including balance sheet, profit and loss, property divestment and working capital improvement.

Impact: A healthy financial performance provides BAM with the means to undertake transactions with its supply chain partners, which leads to the opportunity to develop new activities and to pay BAM's employees and shareholders.

Management approach: Continuous focus is put on strengthening BAM's balance sheet by improving its financial processes to ensure a solid track record on project execution and margin stability, including close monitoring of its cost base in line with BAM's portfolio. Additionally, working capital management and the execution of a property divestment programme are key elements.

> For BAM's performance, see pages 39-51.

Employee recruitment, development and retention

Definition: Stimulating employees to use their competencies, capabilities and experience in a way that adds value to the business, providing personal growth, technical innovation and profit.



Engineering, procurement and construction (EPC) of a petroleum jetty for client Petrojetty Ltd at the Kissy Oil Terminal of Freetown in Sierra Leone. BAM International (in joint arrangement); hose tower, firefighting system and piping and electrical part by BAM Infra.

Impact: BAM increases its intellectual capital and the human capital of its stakeholders by investing in employee development. While the impact of employee development on wider society is minimal, within BAM, employee development contributes to employee engagement and lifelong learning. BAM recognises the importance of Group-wide development and implementation of the talent strategy and agenda, succession planning and internal mobility, based on BAM's organisational development and strategic aims. Talent management allows BAM to attract, develop, motivate and retain productive, engaged employees, now and in the future. BAM is committed to the principles of equal opportunity and diversity. The Group believes that diverse teams connect better to the wishes and expectations of its clients and to society in all BAM markets. In line with its vision on diversity BAM aims to attract people with different profiles and backgrounds in order to build teams that are fit for future challenges and will contribute to achieving BAM's strategic goals.

Management approach: The Group's development approach is to encourage the employees to take ownership of their development with the manager / company adopting a supportive / facilitating role. The employee's personal development is captured in a personal Learning and Development Plan. These plans are evaluated annually between manager and employee. BAM offers employees various tools that can be used in their personal development, all accessible via the internal My BAM Career site. Across the Group, BAM works

with a number of universities externally and internally with the Group's training centres to ensure BAM continues to offer high-quality training and development programmes.

Employee development at BAM is enhanced by the performance management process, in which the consequences of – among other things – commercial goals are translated in terms of individual contributions (and targets). Continuous performance management creates a learning loop for the individual and a learning environment for the entire company.

With BAM Business School, BAM offers an integrated approach to support employees in achieving their goals. The training portfolio allows employees to keep their professional knowledge up to date and to further develop the wider skills related to their role. In this way, BAM Business School also supports the various career paths that can be realised within the organisation. The training courses support the focus on collaboration between different disciplines, promote synergy between subsidiaries and play an important role in knowledge management within the Group. These courses include topics like integrity, entrepreneurship, commerce, new contract forms, project development, risk management, procurement and financial management. The Group aims to foster an open culture of learning and exchanging knowledge in the form of training and education, building on the knowledge and expertise available.

➤ For BAM's performance, see pages 59-60.

January 5

Steve Fox, BAM Nuttall's Chief Executive, is awarded a CBE (Commander of the British Empire) for services to Civil Engineering and Construction in the New Years Honours List.

February 4

The Irish Minister for Education and Skills, Jan O'Sullivan TD, turns the sod on St Joseph's Secondary School in Tulla, County Clare, providing state-of-the-art educational facilities for 650 students.

March 20

Chancellor of the Exchequer George Osborne officially opens the £61-million National Graphene Institute (NGI) at The University of Manchester

April 29

Wietze Potze (Counsellor Municipality of Vlagtwedde) and Gerard Bakker (Chairman of the Board of the Central Agency for the Reception of Asylum Seekers, COA) mark the official start of the redevelopment and the multiannual management and maintenance of the refugee centre in Ter Apel (in the province Groningen, in the north of the Netherlands).

May 19

His Majesty King Willem-Alexander officially opens Sluiskil tunnel near Terneuzen, built by BAM Infra and Wayss & Freytag Ingenieurbau (in joint arrangement).

June 5

BAM's Contracts Manager Darren Devane receives the Gold Medal Award for his management of the Newlands Cross Flyover Project in Dublin during the Chartered Institute of Building 2015 Construction Manager of the Year Awards in Dublin.

July 16

Tom Moore IEng MICE (BAM Nuttall) receives the Baroness Platt of Writtle Award 2015, presented by the Worshipful Company of Engineers, a prestigious annual national award recognising the achievements of a newly registered Incorporated Engineer (IEng).

August 6

Comic illustrator Will Morris and graphic designer David Mackenzie design a giant 150-metre-long comic strip illustrating the brilliance of design at the waterfront construction site of V&A Museum of Design Dundee.

**Energy and emissions**

Definition: Energy consumption for BAM's direct activities and the entire lifecycle of its products, and the CO₂ emissions as a result of this energy consumption.

Impact: The Group's energy consumption contributes to a significant amount of its costs and is an indicator of the efficiency of its processes. As a large player in an industry with a relatively high energy consumption versus other industries, its energy usage has a great impact on society. Business conduct and transparency account for 40 per cent of European Union (EU) final energy demand. The renovation of existing buildings represents more than 17 per cent of the primary energy saving potential of the EU up to 2050. Through the Energy Agreement for Sustainable Growth and the Agreement for Energy Saving for Corporations (Convenant Energiebesparing corporatiesector), the Dutch government has set the following targets for the construction industry: From 2020 onwards, all newly built houses and buildings should be energy neutral; From 2050 onwards, all existing buildings should be energy neutral; In 2021, all 2.4 million houses owned by housing corporations should be retrofitted into an average energy label B standard. Emissions that relate to the Group's energy usage, are relevant to BAM due to risks driven by changes in regulation, mainly in the case of the EU Emissions Trading System regarding the Group's asphalt plants. Buildings account for 30 per cent of EU CO₂ emissions. The operation of a building accounts for 80 per cent of the total CO₂ emissions through the building's life cycle. Most of

Station at Herstal. Architect: ARJM.
BAM Belgium (Galère).



those existing today will still be standing in thirty years' time; the rate of new construction continues to remain low. In the field of energy and emissions, BAM can create value by building energy efficient buildings and by renovating buildings to higher energy performance standards.

Management approach: BAM innovates and works with value chain partners to identify possible reductions in both upstream and downstream manufacturing and operational processes.

BAM has calculated its carbon footprint in order to identify the main influences and therefore the key areas for potential reduction of emissions. The Group has set targets for both absolute and relative reduction of emissions. BAM monitors and benchmarks progress on these targets on a quarterly basis for different activities within the company. BAM focuses on reducing its direct CO₂ emissions by lowering energy use during the construction process. The Group uses renewable energy.

By joining the Dutch Climate Coalition (Nederlandse Klimaat Coalitie), BAM has committed to: Having climate neutral operations in 2050 at the latest; Providing insights into its carbon footprint; Setting interim targets for climate neutrality; Becoming an ambassador of the Dutch Climate Coalition within the construction industry; If desired, playing a role in the 2015 World Climate Summit.

> For BAM's performance, see pages 64-68.

9 September

Her Majesty Queen Elizabeth officially opens the Borders Railway on the day that she becomes Britain's longest-serving Monarch.

30 September

Kristin Alheit (Minister for Social Affairs, Health, Science, and Equality of the Federal State of Schleswig-Holstein) and Prof. Dr. Jens Scholz (Chairman Universitätsklinikum Schleswig-Holstein, UKSH) mark start of construction University hospital PPP project in Lübeck.

13 October

His Majesty King Willem-Alexander officially opens EnTranCe, Energy Academy and Hanze University's open-innovation testing facility in Groningen. BAM Nuttall's event to celebrate its 150th anniversary includes a keynote speech from broadcaster and former politician Michael Portillo.

20 November

Sharon Dijksma, the Dutch State Secretary for Infrastructure and the Environment, officially opens Arnhem Station.

16 December

Minister for Regional Development Michelle McIlveen visits Magherafelt bypass in Northern Ireland.

Circular economy

Definition: An economy which aims to keep materials, components and products at their highest utility and value, at all times.

Impact: Globally the construction industry accounts for 40-50 per cent of natural resource use and 25 per cent of all timber use. BAM has a continuous need for raw materials, water and energy. This means primary processes are affected by increasing volatility in raw material and energy prices. The products produced by the Group must also meet current and future demands, where the impact of changing laws and regulations, in particular, has proved to be very significant. Waste production affects BAM's licence to operate and is an indicator of the efficiency of BAM's processes. Also, waste incurs costs due to the low value of residual material. Activities involved in the construction process generate approximately 25-30 per cent of total waste within the European Union. As a large construction company, the Group's waste production affects society. As approximately 80 per cent of materials are recycled, it concerns large amounts of materials that are to be reused. BAM has identified opportunities for innovation based on changing client requests, particularly in relation to a greater focus on the recycling of materials and the use of sustainable materials, including timber sourced from sustainable forests.

Management approach: Firstly, BAM innovates to reduce material consumption during the design process;

The Group works with its supply chain partners to identify more sustainable alternatives both in the upstream and downstream of manufacturing and operational processes; BAM focuses on improving the percentage of recycled materials used as well as renewable materials, by asking its main suppliers to provide an insight into the source of the materials; BAM has set targets for both waste reduction and recycling. The Group monitors and benchmarks progress on these targets on a quarterly basis for different activities within the company.

> For BAM's performance, see pages 68-76.

Local community engagement

Definition: The relationships with the communities surrounding BAM's activities.

Impact: By its very nature, the Group's construction and renovation work has an impact on the local community, occupiers and other users of buildings and infrastructure and society as a whole.

Community engagement affects the Group's licence to operate and allows BAM to build faster, which directly leads to results.

The Group's impact on its surroundings immediately affects its employees and local suppliers. And BAM's community engagement improves jobs and education in its environment, contributing to society as well. This requires a constant focus on everything BAM does to minimise the Group's negative impact and create value for local communities by implementing community engagement programmes. BAM considers that community engagement and involvement of less privileged

employees are an opportunity to create value. This is known as 'social return' and BAM actively supports its implementation. People who have been unemployed due to various causes, such as physical handicaps, unfinished educations or lack of opportunity to be employed in or outside the industry for a longer period of time, are considered to benefit from social return initiatives.

Management approach: On many of its projects, BAM makes an inventory of local interests and, based on this, opts for the best approach to increase its licence to operate (which could be participation in local events). In addition, BAM participates in the Considerate Constructors Scheme in the United Kingdom and in Dutch Considerate Constructors (Bewuste Bouwers) in the Netherlands.

BAM manages social return on a project basis and considers social return a part of its office operations, since in both cases it creates human capital and license to operate in local communities. Social return may never lead to a reduction of safety for all involved, and therefore no compromises are made on required skills and trainings before job sites are open to people who are contracted under social return conditions.

> For BAM's performance, see page 61.

Procurement

Definition: Selecting and stimulating suppliers to practise their skills and products in a way that adds long-term value to BAM and its suppliers, providing technical innovation and profit.

Impact: Labour practices of the Group's suppliers affect BAM's reputation and are associated with the risk of losing work. The Group's suppliers have to bring their practices at least to BAM standards to be able to work for the company and in doing so will have a good influence outside of the Group as well.

Management approach: To develop the Group's supply chain and incorporate its values, BAM seeks added value, long-term, mutually beneficial relationships with partners who can help improve the Group's supply chain. The challenge is to select supply chain partners, products and services that really make a difference. Suppliers are assessed against five different themes (safety, quality, total cost, logistics and engineering and process). If the score is lower than required, BAM starts a dialogue to improve their performance. If they are not willing and / or able to improve their performance, they will be excluded from future work with BAM.

> For BAM's performance, see page 61.

Innovation

Definition: The exploration of new solutions as well as the application of better solutions that meet new requirements, anticipated and existing market needs.

Impact: Ability to adapt to changing market needs, competitiveness with current competition and future entrants into our market.

Management approach: BAM is creating a future portfolio by delivering construction services using a digital construction platform. BAM intends to be at the forefront of digitalisation by using cutting edge design and visualisation tools and keeping close to customers' evolving requirements. BAM will facilitate this transition by investing in innovation to create an attractive environment for partnerships and rapid prototyping to shorten time to market.

> For BAM's performance, see pages 28-29.

Human rights

Ensuring compliance within the entire value chain regarding the basic rights and freedoms to which all humans are considered to be entitled, often held to include the rights to equality, a fair trial, freedom from slavery and freedom of thought and expression.

Impact: Human rights practices within BAM and its supply chain affect the reputation of the Group and are associated with the risk of losing work. Subcontractors have to bring their practices at least to BAM standards to be able to work for the company and in doing so will have a good influence outside of the Group as well.

Management approach: In 2006, BAM and Building and Wood Workers' International (BWI), signed a framework agreement to promote and protect employee rights. By signing the agreement BAM agrees to recognise and respect:

- The fundamental principles of human rights as defined in the Universal Declaration of Human Rights;
- The ILO Declaration on Fundamental Principles and Rights at Work;
- The ILO Conventions in force;
- The ILO Tripartite Declaration of Principle concerning Multinational Enterprises and Social Policy;
- The OECD Guidelines for Multinational Enterprises.

Within the agreement BAM also endorses the need for fair negotiations with national trade unions and acknowledges that corruption, bribery and anti-competitive behaviour are not acceptable. BAM is committed to achieving social justice and sustainable development in its activities with its trading partners, subcontractors and suppliers. In that regard, BAM and BWI will work together to ensure that the following social criteria are effectively applied:

- A ban on forced labour;
- The right to equality and diversity in terms of ethnicity, race, gender, religion, political affiliation, nationality or other distinguishing characteristics;
- A ban on child labour;
- A safe and healthy working environment;
- The right to establish and join trade union organisations;
- The right of employees to receive fair pay and respect for the minimum wage;
- The right to suitable working conditions (working hours, facilities, learning and development, health and safety).

Regular meetings are held with management representatives from BAM and trade union organisations, including BWI, to monitor implementation of the agreement.

Sub-subcontractors ought to comply with labour conditions as BAM enforces them on subcontractors.

> For BAM's performance, see page 61.

Responsible tax

Definition: Compliance to the letter and spirit of tax laws resulting in paying an appropriate amount of tax according to where value is created within the normal course of business and being transparent about approach and outcome.

Impact: Tax is a relevant subject for BAM and its stakeholders. Tax payments to governments can contribute to the development of countries. On the other hand, optimisation of taxes is in the interest of the company and its financial position.

Management approach: Therefore, BAM strives to come to a responsible approach to tax and supports a responsible approach to tax as an integral part of its sustainability agenda.

Find BAM's responsible tax statement on its website www.bam.eu.

> For BAM's performance, see page 59.

2.2 Strategy

Strategy 2016-2020

The Executive Board launched the Back in Shape programme in late 2014 to unlock the Group's potential and turn around its performance. This programme was delivered successfully in 2015, creating a base for the updated Group strategy for 2016-2020 – 'Building the present, Creating the future' to position itself as leader in the digitalisation of the industry. The Executive Board engaged with the top 150 management and Young BAM representatives as ambassadors for the operating companies.

Three external forces are shaping prospects for the construction industry. Economic growth, currently vulnerable, will have a low to modest impact on construction volumes. Sustainability and mega trends such as urbanisation and energy efficiency are creating areas of higher growth. Digitalisation is increasingly transforming the construction industry and the built environment. Against this background, the main focus of strategy for 2016-2020 is to continue to restore profitability and improve capital efficiency. This underlines BAM's principle that margin is more important than volume. The strategy has three objectives: to focus the project portfolio, shape the business portfolio and create the future portfolio. These are supported by two foundations – culture and capabilities.

Objectives

BAM is focusing the project portfolio ('Doing Things Better') after a rigorous analysis of the project portfolio. Using either scale or differentiation to win projects will be the main drivers of performance improvement at the operating companies. In market segments characterised by price-led competition, BAM can achieve cost leadership through project bundling and industrialisation. For projects where requirements are more demanding, BAM will use its knowledge leadership, innovation and quality assurance as key differentiating factors. This greater focus will also lead to better planning and management of the fixed cost base.

Examples of project focus areas include near-shore marine works, energy-neutral home refurbishment, stadiums and tunnel-based infrastructure. In Property, BAM will focus on equity-light developments in the main urban areas and further integration of activities with construction to unlock synergies. PPP will continue to target contracts in home markets where payments are based on availability.

BAM is shaping the business portfolio ('Doing Better Things') by supporting the operating companies in developing new propositions in the home markets as extensions of projects along the lifecycle, and leveraging specialisms in international markets. These initiatives will be driven by investments in people and systems and developing partnerships. At the same time, BAM will

continue to de-emphasise or exit operational activities which do not offer sufficient opportunities to use scale or differentiation as critical success factors. BAM will continue to reduce its portfolio of Property assets.

BAM is creating the future portfolio ('Doing New Things') by delivering construction services using a digital construction platform. BAM intends to be at the forefront of digitalisation by using cutting edge design and visualisation tools and keeping close to customer's evolving requirements. BAM will facilitate this transition by investing in innovation to create an attractive environment for partnerships and rapid prototyping to shorten time to market.

Culture

The Group's culture will be strengthened further by scalable learning from tenders and projects, more predictable performance, working together in open collaboration and taking ownership of challenges and opportunities. BAM's people are fundamental to its success, project and business career will be aligned and a stronger culture will make the Group more attractive as an employer and partner of choice. BAM's aim is to continuously improve health and safety, and have a net positive impact on the environment so it can deliver more value for clients. By collaborating with the supply chain, encouraging innovative thinking through its products, and realising the benefits of circular economic business models, BAM will have a net positive impact on climate, resources and local communities.

Differentiating capabilities

BAM's differentiating capabilities and operating model are being sharpened, with a focus on employee training and development. The operating companies are improving their systems, knowledge and expertise for data-driven project selection, tendering and execution. At the same time, Group synergies are being leveraged in areas such as business controls, information management, digital construction, strategic sourcing and partnerships, enhancing local entrepreneurship to serve clients.

Targets

Based on the updated strategy, BAM is setting the following targets:

- Grow Return on Capital Employed to > 10 per cent by 2020 (2015: 0.2 per cent).
- Raise the adjusted pre-tax margin to between 2 per cent and 4 per cent by 2020 (2015: 1.2 per cent).
- Improve trade working capital efficiency to at least -10 per cent (2015: -8.1 per cent).
- Reduce the property portfolio to under €500 million (end 2015: €740 million).
- Improve capital ratio towards 25 per cent by 2020 (2015: 21.2 per cent).

Sont bridge across the Winschoterdiep canal for the City of Groningen.
BAM Infra.





BAM is responsible for the design, build, finance, maintenance and operation of the new housing for the Dutch Supreme Court in the centre of the Hague (15,000 square metre in six levels, including two courtrooms, a reception area, two cells, various meeting rooms, a restaurant, a library and a workspace for 350 people).

Architects: KAAAN Architecten. BAM PPP and BAM Bouw en Vastgoed.

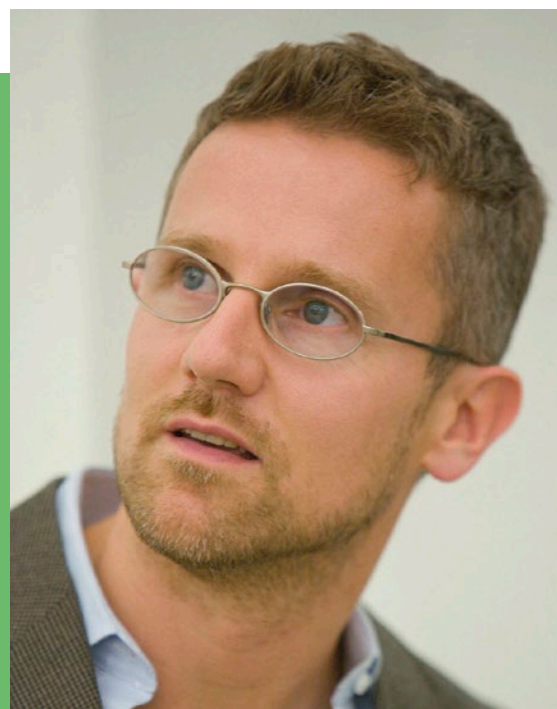
- Unchanged dividend policy of paying out 30-50 per cent of the net result for the year.
- Continuously improvement health and safety; net positive impact on the environment.

Seamless implementation is key for the success of the strategy for 2016-2020. The strategy is being communicated across the Group and action plans are being developed by the operating companies and Group functions. The process is being led by a dedicated team which reports directly to the Executive Board, and delivery of the programme is being included in management assessment and remuneration. 'Building the present, creating the future' will build on the base created by Back in Shape, deliver improving performance in the next five years, and position BAM as a leader in digital construction for these years and beyond.

Stakeholder interview

Professor Carlo Ratti

Carlo Ratti is architect, engineer, inventor and educator who teaches at the Massachusetts Institute of Technology, USA, as Director of MIT Senseable City Laboratory, a research group that explores how new technologies are changing the way we understand, design and ultimately live in cities. He is also a founding partner of the international design office Carlo Ratti Associati, Director of MIT Italy Program, Richard W. Trott Distinguished Visiting Professor at Ohio State University and Rudolf Diesel Industry Fellow at Technische Universität München (TUM Munich).



What is the main driver for change of the construction industry in the coming years?

‘Cities are undergoing a profound transformation at the convergence of the digital and physical world. We could say that our new building materials are bits and bricks. As virtual systems become spatialised – entering our world through the Internet of Things – no industry remains unaffected. Construction is certainly at the centre of tomorrow’s changes.’

What do you consider to be essential for further sustainable development in the construction industry?

‘I think it’s important to always focus on citizens – and on how we can promote behavioral change. I believe that that is one of the most powerful drivers for sustainability.’

What role should clients and architects/designers take to support that development?

‘Architects and clients should face up to a new reality. Architecture was always concerned with designing interfaces between people and their environment. That has not changed – but the material those interfaces are made of is being transformed at the digital/physical boundary. As a result, design is becoming an increasingly multi-disciplinary field.’

You have stated that smart cities needs smart (active) citizens. Is there a role for smart contractors and what is making a construction firm ‘smart(er)?

‘Of course! Urban smartness (intended as the ability to reinvent our processes thanks to today’s new technological tools) happens at all levels – nobody is unaffected!’

‘Our new building materials are bits and bricks’

2.3 Business model

Business lines

The unique diversity of countries and sectors in which the Group operates and of the relationships that BAM maintains with its clients and subcontractors enables BAM to continuously expand and increase its potential.

Construction and mechanical and electrical services
 BAM is active in the Construction and mechanical and electrical services sector in all BAM's home markets, as well as in Switzerland and Denmark. In addition to carrying out non-residential construction work in all the home markets, BAM also carries out residential construction contracts (mainly in the Netherlands, Belgium, Germany and Ireland). BAM International also carries out non-residential construction projects, in the Middle East and Indonesia in particular. BAM International operates from its headquarters in the Netherlands and from regional offices in Tanzania, Dubai, Panama, Indonesia and other locations. BAM's Construction and mechanical and electrical services sector employs approximately 7,300 staff.

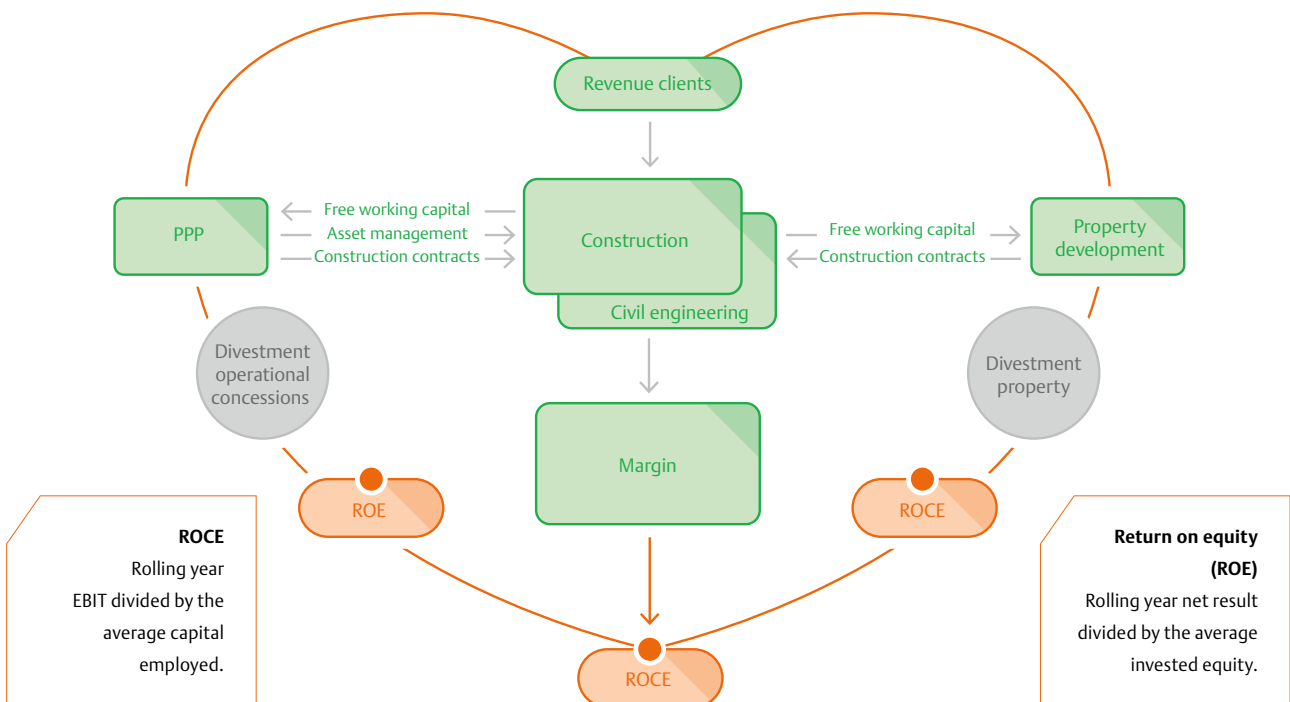
Civil engineering
 BAM operates in the Civil engineering sector in all BAM's home markets. BAM International also carries out specialised civil engineering works worldwide. BAM's Civil engineering sector employs approximately 1,400 staff.

Property
 BAM is active in property development in the Netherlands, the United Kingdom, Ireland and Belgium. Principally, construction of the project development activities is carried out by BAM's construction operating companies in the respective home markets. BAM develops single family homes in the Netherlands with area and project developer AM. BAM's Property sector employs approximately 200 staff.

Public Private Partnerships
 BAM PPP is responsible for BAM's presence in the European public private partnerships market: its results reflect the returns from investment activities only. Operating from offices in Bunnik, Birmingham, Brussels, Dublin, Frankfurt am Main and Glasgow, BAM PPP operates in the roads, rail, education, health care, judicial and general accommodation sectors and employs approximately 100 staff.

Creating financial value

BAM offers an extensive range of products and services in the operational sectors (Construction and mechanical and electrical services and Civil engineering) and investment sectors (Property and Public Private Partnerships). With the current product portfolio and expertise, presence in these sectors of BAM's five home markets and encouraging internal collaboration enables





Design and construction of technical centres for NedTrain, the Netherlands Railway's subsidiary responsible for rolling stock maintenance, in The Hague (pictured) and Utrecht. The technical centres undertake rolling stock repairs. The main buildings incorporate a variety of water-, energy- and waste-saving measures including roof-mounted solar panels and LED lighting.

BAM Bouw en Vastgoed (BAM Advies & Engineering, BAM Bouw en Techniek).

BAM to utilise free working capital from its operations to invest in selected property and PPP projects which again generates construction contracts. > Image 2 illustrates the financial interaction between the sectors including the relevant financial metrics to assess BAM's performance.

Value chain

The Group's value chain management and subcontractor engagement provides the opportunity to bring value to BAM's clients from innovations and cross-fertilisation from the value chain. With lean planning techniques, BAM can incorporate schedules of supply chain partners, allowing for a reduction in labour and equipment costs. Value chain management requires sharing BAM's business principles and policies on CSR including targets and BAM requires its major value chain partners to share information on their CO₂ emissions.

BAM's operating companies achieve most of their turnover in collaboration with their subcontractors and suppliers. More than 75 per cent of turnover is sourced from supply chain partners. Projects may also be carried out in collaboration with other construction companies (as part of a joint arrangement).

Natural, human and financial capital are typically sourced locally in BAM's home markets. In the Netherlands 96 per cent of BAM's purchases were locally sourced in 2015. BAM expects comparable percentages in its other home countries. An exception to the rule is tropical timber (typically under FSC- or PEFC-labelling). BAM operates mainly in a business-to-business environment and in a business-to-government environment. Within all its European home countries BAM works for national and local governments. Typical supply chain partners are mechanical and electrical suppliers, often in conjunction with local labour suppliers as well as local small and medium enterprises.

Key business activities

The construction industry provides services on a project-by-project basis. A project may comprise various stages:

Bid/development

At this stage the type and scope of a project is determined, including stakeholder analysis. Conceptual drawings are developed to visualise the desired outcome. A project may be bid at this stage on a design-and-build basis or after the design stage on a construction only basis.

Design

The main purpose is to develop the design of the project according to functional demands.

Engineering

Details and work method of the construction and installation together with a project schedule, budget and resource estimate are determined.

Construction

Once designed the project is built and commissioned to ensure it meets the project requirements, including budget and planning.

Maintenance

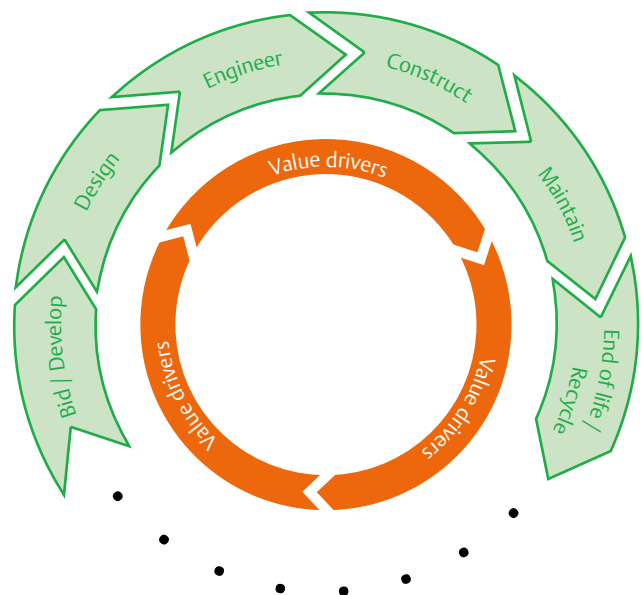
When the building or infrastructure development has been completed it is put into service. Facility management delivers life cycle services and ensures that the development is operated and maintained efficiently.

End-of-life/recycling

This is generally the starting point for a new development. Typically before reuse, the structure is assessed for future use as construction elements or raw material.

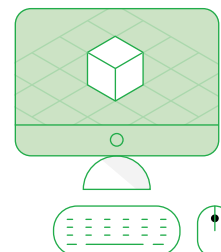
The earlier BAM gets involved in a development the greater its opportunity is to influence the sustainability of the development at a lower cost. Where BAM is the property developer or where BAM is part of a public private partnership, BAM has the greatest opportunity to maximise sustainability outcomes, as the company can set sustainability ambitions in the early concept stages. This allows life cycle costing to be taken into consideration at the early design stages, allowing for higher capital investment to be considered against lower maintenance and operational costs.

Innovative solutions are developed by BAM's operating companies during the search for sustainable solutions to meet its clients' needs. BAM also supports a number of organisations in the research of specific technology and process innovations. BAM is also part of a number of international and industry leading forums sharing best practice on sustainability (see Stakeholder engagement, page 7).



See an opportunity

Customers do approach BAM and BAM identifies customers, in business-to-business, business-to-consumer and business-to-government relations. It all leads to the question: will BAM make a proposal to the client? Please refer to Stage gate tender procedure on page 34-35 for a detailed description of the supporting decision making process.

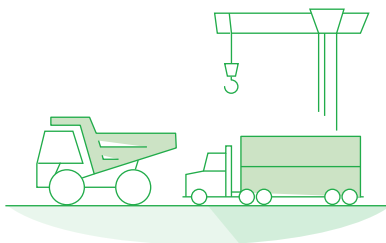


Design

Some argue that design is where art meets science. For BAM it means: the process of optimising resources to meet functional demands, a creative process considering laws of physics, economics and society.

Engage with other stakeholders

BAM's bid needs to meet needs and demands of all relevant stakeholders to be sustainable and winning. Engagement provides the opportunity for better decision making by bringing together stakeholder demands and creating value for them.

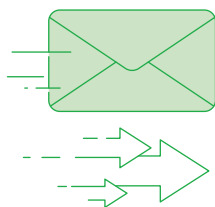


Engage with suppliers

Suppliers are a special stakeholder category. Their knowledge, people and other resources provide 75 per cent of BAM's turnover which BAM brings as value to its clients. Working with BAM provides them the opportunity to increase their value through innovation.

Propose to the client

Value is described, to be judged by the client, mostly in terms of financial value and quality. Quality is often expressed in sustainability terms, which often relate to life cycle cost and other externalities.



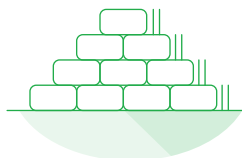
The client accepts

The approval of the final contract is the conclusion of the bidding process, and the decision is made to continue the value creation process.



Prepare the site

Society and local communities are impacted at the site that BAM prepares before building starts: excavations deliver resources and landscaping can positively impact biodiversity.

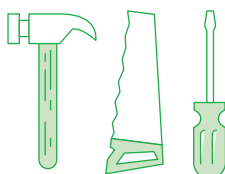


Order materials

BAM's suppliers provide the materials that BAM orders, which creates jobs and stimulates supply chain innovations.

Build

BAM's employees coordinate workers and subcontractors with BIM and lean techniques to reduce all avoidable cost in assembling materials, to create maximum financial value for BAM's financial stakeholders.



Maintain and deliver

- Functionality to the client
- Turnover to the suppliers
- Knowledge to the employees
- Shareholder value to the shareholders
- A better world to society



2.4 Risks and opportunities

Most important risks relate to:

- Market factors
- Primary process
- People, organisation and culture
- Health and safety
- Business conduct
- Reputation

5 — Key risks

Risk management

Risk is inherent to any business venture and the risk to which the Group is exposed is not unusual or different from what is considered acceptable in the industry. The Group's risk management system is designed to identify and manage threats and opportunities. Effective risk management enables BAM to capitalise on opportunities in a carefully controlled environment.

The risk management system provides a platform for sharing knowledge and expertise among the operating companies in a structured manner, making risk management a key enabler in achieving the strategic objectives.

BAM Nuttall celebrates 150 years with Borders Railway handover

14 June 2015 marked the formal contract completion for BAM Nuttall, BAM Infra Rail and BAM Ireland on the Borders Railway project and the date when the new railway transfers officially to the ScotRail Alliance team. To mark this major milestone and as a signature event in BAM Nuttall's 150th Anniversary Celebrations, pupils and teachers from Stow Primary School in the Scottish Borders joined BAM's Project Director, Nissar Mohammed, at the new Stow Station. Little more than two years after construction commenced on the £294-million Borders Railway project, the longest domestic railway to be constructed in Britain for over a century has been delivered on time and within budget. Driver training has commenced on the fully commissioned route with rail services on programme to return to the Scottish Borders for the first time in 46 years in September. Moreover, the project has received the Rail Supplier of the Year Award at the Scottish Transport Awards in Glasgow.

Risk management framework

The Executive Board is responsible for risk management in the company and has created and implemented the Enterprise Risk Management Framework, supported by the Risk Management Department. This framework, which is based on COSO (Committee of Sponsoring Organisations of the Treadway Commission), is integrated into the regular planning and control cycle and involves achieving the strategic objectives, the effectiveness and efficiency of business processes, the reliability of information provision (including financial information) and compliance with the relevant laws and regulations.

The first step in the risk management process is defining and planning the Group strategy. This process is conducted every three years in conjunction with all the operating companies and results in strategic objectives and implementation plans. The strategic objectives are assessed by the Executive Board and the Group's staff directors based on the BAM Risk Register, which contains 28 pre-defined risk areas, relevant to the environment in which BAM operates and to the risk appetite specified. The purpose of this assessment is to prioritise risk factors and the corresponding implementation and improvement goals.

The Group strategy and risk management framework is shared with the operating companies, which operate in the specific industries and geographic areas shown in the activity matrix. They adapt the Group strategy to their own specific activities and environment and subsequently assess their (derived) strategies based on the BAM Risk Register. This process helps to identify all relevant risks in the 28 risk areas and results in the prioritisation of risk areas and the corresponding implementation and improvement plans for each operating company.

The strategic plans and risk assessments for each operating company are shared across the entire Group, resulting in a platform where best practices are shared and implementation and improvement plans are executed collectively by the operating companies where possible. Staff positions and networks of subject matter experts accelerate this process of acquiring and sharing knowledge and expertise through a consistent risk management language and approach.

The Executive Board receives progress updates on the implementation of the strategic goals and the related implementation and improvement plans through the quarterly reports and management meetings. This is also shared regularly with the Supervisory Board.

General management measures

The Group uses a variety of general management measures as part of its risk management and monitoring system. The first of these are the business principles, which represent the Group's beliefs, values and expected behaviour. Along with the Code of Conduct, these principles form a key part of the internal environment in which risk management is conducted.



The Borders Railway connects the city of Edinburgh with Galashiels and Tweedbank in the Scottish Borders. After its close in 1969, rebuilding works of the 50-kilometre-long rail track began in November 2012. Passenger service on the line began on 6 September 2015, while an official opening by Queen Elizabeth II took place on 9 September. BAM Nuttall, BAM Infra Rail and BAM Contractors.

Business principles

A. People: We offer added value to clients, employees, business partners and the community.

1. Clients: We always do our utmost to exceed our client's expectations. We work in partnership with our clients to deliver high-end projects within the timescale set, both safely and with respect for the environment. We encourage our clients to work with us to develop suitable sustainable solutions. We aim to be the preferred supplier for CO₂-neutral solutions.

Dilemma: In a market where cost often takes precedence over value, especially at tender stage, incentives to reduce impacts such as value engineering and innovation are often implicitly induced and BAM's newly developed products are not considered as proven technologies and accordingly rejected. Yet, BAM staff is encouraged to maintain a sustainable relationship with clients, based on its business principles and the opportunity to work with them in the long term.

2. Community: We promote good communications with the local community. By its very nature, our construction and renovation work has an impact on local communities, occupiers

and other users of buildings and infrastructure and society as a whole. We are pro-active therefore in minimising the level of negative impact on the local environment and seek to make a positive contribution to local communities.

Dilemma: BAM often operates in communities that have not chosen the projects that BAM builds and often BAM is not responsible for the value the projects have for communities after completion. Especially outside Europe BAM's operations are often in areas where its licence to operate depends on community engagement and CSR, not on good intention or charity.

3. Employees: We believe in our employees. We aim to create a safe and inspiring environment for our employees to develop their skills and in turn enable them to contribute to the further development and growth of our organisation.

The commitment to our employees is demonstrated by:

- **Health and Safety** – Health and Safety is the top priority of our company. We are committed to the continuous improvement of our performance in Health and Safety for all

our employees and subcontractors and everyone involved with our activities, including the general public;

- Equality and diversity – We offer a challenging working environment where everyone feels valued and respected. We are committed to offering equal opportunities and we ensure that job applicants and employees do not face discrimination on the grounds of gender, marital status, race, skin colour, ethnic origin, religious belief, sexual orientation, disability, or age;
- Learning and development – We create a learning culture and provide opportunities for our employees to fully apply their knowledge and skills in the service of the company. We are committed to professional development and will help our employees to continue their development in the interests of the company and its objectives.

Dilemma: Despite economic pressures that result in job losses, BAM continues to invest in people by offering new and varying opportunities for work. Heavy competition drives innovation capabilities in BAM's projects and employees accordingly. Economic pressure might also result in using fewer safety measures, like barriers or other equipment to protect workers. BAM considers savings at the expense of safety unacceptable and qualifies reducing safety measures at the risk of employees as dangerous for all stakeholders and as unfair competition.

4. Supply chain partners: We procure responsibly. We treat our supply chain partners honestly and respectfully. We work with subcontractors and suppliers to ensure that they operate safely and in an environmentally-conscious way. Together with our preferred partners, we promote and develop sustainable solutions and best practice for the industry.

Dilemma: Low-price bidding and the decisions taken to arrive at lowest price, because of economic pressures, do not necessarily provide value for clients. BAM focuses on long-term partnerships that create intellectual capital for all in order to decrease total cost.

B. Planet: We recognise our responsibility to future generations.

5. Energy: We strive to reduce our impact on climate change. We will improve our energy efficiency, reduce our CO₂ emissions and work with our clients to develop CO₂-neutral solutions.

Dilemma: Under current market conditions, CO₂-intensive markets like civil engineering outside Europe perform better than construction, mechanical and electrical and the Dutch market. This has a negative impact on climate change indicators, but does contribute to local communities, economies and social circumstances.

6. Raw materials: We are becoming more efficient in our use of materials. We believe in reducing our impact on the supply of natural raw materials used in our products. We will work with our clients and suppliers to use alternative materials and methods in order to optimise the use of raw materials. We also promote measures to recycle and reduce waste.

Dilemma: New and recycled materials tend to suffer from regulatory restrictions for acceptance in construction, which favours traditional materials. True pricing, taking into account social and environmental costs, gives transparency to the Group's product value, which BAM trusts will yield acceptance.

7. Environment: We will limit our environmental impact. We take all possible reasonable measures to ensure that our activities are conducted in a way that minimises the impact on the local environment. We promote environmentally-friendly operations and seek opportunities to promote biodiversity on our construction sites.

Dilemma: The value of biodiversity is generally appreciated, yet hardly quantified. Monetising, or otherwise comparing value needs further research for proper assessments that are in line with public perception. Biodiversity is rarely addressed in client specifications or invitations to tender.

C. Profit: Creating economic value.

8. Innovation: We innovate to identify balanced sustainable solutions. Innovation is essential for our development and to identify powerful sustainable solutions in the built environment. Together with our partners in the supply chain, from customers to subcontractors and suppliers, we will provide sustainable solutions in which economic, environmental and community interests are well-balanced. This approach ensures that we use materials efficiently and provide good value to our customers.

Dilemma: Innovations typically provide unique solutions for which no equivalent exists. Public procurement often prohibits patented or BAM's unique solutions for fear of lack of competition, despite the sustainability.

9. Prosperity: We believe that sustainability results in economic value and we choose to create value by working on effective and profitable solutions for our shareholders that contribute to a sustainable future. We believe that by applying these business principles, we create value for our shareholders, clients, employees and for society as a whole.

Dilemma: Advantages of being a first-mover in the field of corporate social responsibility often seem to cause disadvantages in competition. Yet, as a first-mover BAM has the opportunity to organise the supply chain.

The N11 Arklow Rathnew project in Ireland is part of the National Roads Authority's (NRA) Second Roads PPP Programme. It consists of four sections, including the design, construction, operation and maintenance of approximately 16.5 kilometres of dual carriageway and the operation and maintenance of an additional 30-kilometre section of the existing M11 route (Arklow-Gorey and Arklow Bypass).
BAM PPP PGGM Infrastructure Cooperatie UA and BAM Ireland.



Management guidelines

A second general management measure involves the guidelines and instructions the Group provides to the management of the operating companies, as well as feedback. This measure defines the levels of responsibility of the operating companies and sets requirements for the quality of vital management measures and include, among other things, limits for entering into risks and commitments related to investments and bidding on projects. The guidelines are assessed – and amended if necessary – based on changes in the risk appetite for achieving the objectives, the risk profile, or changes in the internal organisation.

In addition to the management guidelines, there are more detailed instructions for establishing the control environment, external reporting, security policy, tax policy and treasury-related matters.

The Group's third general management tool is a system for budgeting, reporting and (internal) controls. The entire Group uses uniform guidelines and accounting policies, which serve as the basis for all financial, non-financial and management reporting. As part of the detailed monthly and quarterly reports, the operating companies report on changes in (projected) company revenues, financial results, working capital and liquidity, order book and sustainability.

Lastly, the Group manages several insurance policies relating to liability, design liability (i.e. professional indemnity), construction all risks (CAR) and equipment (including floating structures) and fire. A specialised department ensures that all relevant risks are included in the insurance agreements during construction (which are entered into at the head office) and that the liability insurance policies purchased provide sufficient cover. In addition, they also inform the operating companies of their claims history in order to be able to continue improving. The Group regularly consults professional insurance brokers on its insurance cover.

Risk appetite

Risk appetite is defined as the level in which BAM is willing to accept risk in the ordinary course of business in order to achieve its objectives.

Based on its knowledge and experience in the home markets, BAM is willing to tender on complex multidisciplinary projects, which involves the controlled transfer of risk between the client and BAM. In order to spread risks, BAM considers tendering for large projects in conjunction with solid and solvent partners. In projects that exceed €300 million, BAM in principle bids together with partners.

February 11

BAM Infraconsult signs a licence agreement with Adani Ports and Special Economic Zone for the application of Xbloc breakwater armour units in the Mundra LNG project, which is the first Xbloc application in India.

March

Together with the Dutch Green Building Council (DGBC), Dura Vermeer and DGMR, BAM Infraconsult is exploring the need and possibilities to set up a BREEAM-Infra index to assess Infrastructural projects.

April 20

BAM Bouw en Techniek's water-efficient residential water tap sprinkler is awarded the Fire protection innovation award 2015.

April 23

Approximately 100 invitees attended the LE2AP midterm seminar in Helmond, organised at the opening of BAM's fourth asphalt plant that is able to produce Low Energy Asphalt Concrete (LEAB). LE2AP (Low Emission2 Asphalt Pavement) is a demonstration project that is part of the LIFE programme, an instrument of the European Commission for providing additional funding for environmental initiatives.

May 07

The European Commission awards a grant for BAM's RENnovates innovation project. The grant is part of Horizon 2020, the leading European subsidy programme for research and innovation. BAM considers RENnovates the next step in the serial renovating of homes.

June 11

BAM Infraconsult signs two new licence agreements for Xbloc projects in Costa Rica and in the Dominican Republic.

July

BAM Infra and Brabant Water develop innovative technology for trenchless water line replacement.

August 21

Rijkswaterstaat awards construction of the new sea lock at IJmuiden to Consortium OpenIJ based on an innovative design.

In entering into PPP investments, BAM aims to generate construction output for the operating companies. The company's intention is to sell these projects to investors after the construction phase, as was achieved in the joint venture BAM/PPP-PGGM. Since the risk profile is substantially based on volume (i.e. variable compensation), BAM generally only invests in projects based on contractual availability (i.e. fixed compensation).

Property development also generates construction output for the operating companies and BAM continues to invest in property development projects provided they are profitable and have a plausible and profitable exit strategy that has been defined in advance.

Outside its home markets, BAM intends to invest worldwide in niche areas, provided they are in line with the Group's business principles.

General risks and corresponding management measures

Construction contracts

The majority of construction work is performed on a project basis, with projects varying in their nature, size, scope, complexity and duration. The industry as a whole shows a certain imbalance (i.e. asymmetry) between risks and results, meaning the upward potential of projects tends to be more limited than the downward potential. As a result, the Group must have a strong project organisation in place, operating close to the projects and within the markets.

Before bidding on any new project, the operating companies assess the qualitative and quantitative risk factors. Uncertainties may relate to financial and contractual aspects, safety, construction materials, plant and equipment, location (including site conditions and permits), the construction period and the work schedule as well as to clients, subcontractors and construction partners. A quantitative analysis is performed on the risk factors, based on empirical data. This analysis is used to make adjustments to the project schedule or construction methods in order to reduce project risk. The analysis may also result in adjustments to the risk premium in the contract price.

Bids for major projects or projects involving exceptional risk are submitted and presented to the Executive Board for prior approval. During the execution, the project team periodically and systematically assesses the opportunities and risks attached to the project. If necessary, the project team implements measures to reduce newly identified risks, focusing mainly on the quality of the construction work to be completed, avoidance of construction faults and meeting the handover date. Project managers submit

reports on progress, the main opportunities and downside risks associated with the project, the quality and the financial aspects of the project to their regional office managers, who, in turn, report at least on a monthly basis to the operating company managers. They, in turn, report to the Executive Board each month, through the information systems described above.

The success of projects BAM acquires depends largely on the quality of the employees and management. In order to attract, challenge and develop talented employees in a structured and effective manner, the Group has made human resources policies a key priority, as discussed on pages 10-11 of this report.

In order to limit legal risk, BAM uses standard legal documents required for projects wherever possible. Where a non-standard contract is used, BAM's (in-house) lawyers and other specialists will assess the contract beforehand. Standard contracts include among other things clauses that provide that price increases in units of wages and materials may be charged on to the client during the construction period. Clients also have the option to buy off these risks.

In the construction industry, clients commonly demand guarantees by way of security that the project will be completed successfully. This guarantee may be provided by the parent company or, alternatively, by external parties such as banks and surety institutions. The Group has strict procedures in place to ensure that the contractual terms of the guarantees provided comply with the company's specific guidelines.

On an annual basis, the Group procures more than 75 per cent of its revenue from suppliers and subcontractors. These companies have a major impact on the projects, both in financial and in technical terms. The Group aims to build strong partnerships with its suppliers and subcontractors in order to ensure that the construction process runs as smoothly as possible and to achieve the optimum lowest possible costs and high quality of products. For collaboration and management of price risks to work well, suppliers need to be involved in the project at an early stage. This collaboration is set out in partnerships and framework contracts, which contain agreements about fees and conditions (such as delivery times, invoicing, risks and bonus discounts). Project-specific orders can then be placed under the framework contracts.

The comprehensive knowledge and extensive experience of its operating companies enable the Group to complete major projects successfully on its own. Nonetheless, it can be advantageous – including from the point of view of spreading the risks – to work in a joint arrangement when dealing with larger projects. This usually involves establishing a general partnership (a legal form in which all parties are jointly and severally liable for mutual commitments connected with the performance of the project).

23 — September

BAM takes first steps towards a smart grid with the retrofit of 69 homes of housing corporation Portaal in Soesterberg. The retrofit is one of the projects undertaken as part of 'de Stroomversnelling' programme (the Rapids – electricity acceleration) to refurbish (often older) homes to become comfortable, energy efficient net-zero-energy homes. In Soesterberg (near Utrecht) Portaal and BAM have fit seven homes with smart technology to deal with the electrical and mechanical installations and thus making these houses 'Smart Grid Ready'.

22 — October

BAM has succeeded in producing industrial scale ZOAB (porous asphalt concrete) that comprises 93 per cent recovered raw materials. Compared to current ZOAB recycling percentages, which amount from 0 to 30 per cent, this means a breakthrough in sustainable asphalt production. The successful trial involving approximately 60 tonnes of ZOAB took place on the site of the Brabantse Asphalt Centrale in Helmond. BAM developed this innovative production method in the framework of the European Life+ demonstration project, LE2AP.

12 — November

BAM strengthens homes in the earthquake area Groningen (the Netherlands).

4 — December

BAM Construct UK is one of the first two companies to be independently verified by BSI to BIM scheme for improved collaboration in the construction industry.

28 — December

BAM Infra Rail and ProRail start a pilot project with the Happy Railing Scissor Fence (HRS) – developed by BAM – to improve safety of rail workers.



A joint arrangement that included BAM Lux and Wayss & Freytag Ingenieurbau constructed two tunnels on the Route du Nord (A7), north of Luxembourg City, the Grouff tunnel (pictured) and Stafelter Tunnel - 3,000 and 1,850 metres in length respectively.

The Group mitigates the risk arising from these activities to its construction partners by entering into joint arrangements only with solid and solvent partners. If the risk to which the partner is exposed is nevertheless assessed to be too high, the BAM operating company concerned demands other securities which can take the form of a bank guarantee or of the partner leaving sufficient cash invested in the joint arrangement.

Operating companies limit payment risks of projects as much as possible by agreeing on contractual payment schedules. This ensures that the client's payments are at least in balance with the progress cost of the work performed. For projects completed in emerging markets and developing countries, adequate security is agreed or export credit insurance is purchased prior to the start of the project in order to hedge political risk and payment risk. When entering into financing arrangements, BAM performs a credit check on clients. The Group also focuses in particular on the security provided by banks and the payment systems used by government bodies.

Property

If the Group intends to take on property development risk, this requires the prior consent of the Executive Board. The latter takes a decision regarding these risks, based on the project proposals from

the operating company concerned and associated analyses performed by the Group's Property Investment Director. The general rule is that construction does not start until a substantial number of properties have been sold or, for non-residential, a large part of the project has been let or sold. However, the United Kingdom – where BAM only operates in the non-residential property sector – is an exception to this. There, the inventory risk is mitigated by implementing a system of phased project execution. The Dutch property portfolio still includes a number of residential construction projects from the past where there is an unconditional obligation to build.

PPP

Entering into PPP and concession contracts always requires the prior consent of the Executive Board. In its assessment of the risks attached to PPP and concession contracts, the Executive Board is assisted by the management of BAM PPP. This operating company optimises the utilisation of the know-how and experience available within the Group, both for acquiring new projects and for properly assessing the specific risks connected with concessions.

Specific risks and corresponding management measures

Besides the general risks outlined above, several specific risk areas and measures have been identified in relation to the objectives of the updated strategy. The main risks and opportunities in these risk areas relate to changing market factors impacting the primary process. The identified improvement activities to manage risks and capitalise on opportunities will be further developed and aligned throughout the Group. Follow-up and feedback forms part of the regular management reporting cycle. These risk and opportunity areas are specified here.

Market factors

Risks: The current market has been heavily affected by the economic crisis in Europe, resulting in intense competition for the shrinking number of projects available in the Group's home markets. This has created a buyer's market, where margins are down and design and contract risks are shifted increasingly to construction companies.

With many property development projects being cancelled or deferred, the value of BAM's property portfolio has been under pressure.

The limited availability of capital constitutes a substantial risk across the entire value chain. As a result of tighter guidelines for banks under Basel III, banks are less willing to provide finance for property development, construction and PPP projects. In addition, the pre-financing of projects by customers has also been compromised (i.e. working capital).

Management measures: In order to deal with these market conditions, as well as to seize the opportunities they create, BAM has launched or enhanced a variety of initiatives based on the activity matrix and the Best in class programme. The main initiatives are increasing BAM's market share in niche markets and other geographic areas; forward integration and a client-oriented approach; switching to complex/multidisciplinary projects; and providing alternative property development and financing methods.

BAM also assesses and redefines predictive risk indicators (i.e. leading indicators) so as to be able to effectively compete in the rapidly changing environment.

Specific market risks (e.g. financial risks), including interest rate risk, price risk, credit risk and liquidity risk are stated in section 3 (Financial risk management) of the financial statements in conjunction with the management measures implemented by the Group.

Primary process

Risks: The primary process constitutes the core of construction activities, which include tendering, procurement, contract management, project management and the corresponding value chain. The results of projects are determined mainly during the tender stage. During this stage, the changing contract types and

conditions (contract management) constitute a risk as well as an opportunity in terms of the potential for differentiation. Contract management is vital, both during the tender stage as well as during implementation.

The risks described above may lead to fluctuations in the project results. The sector is known for having an asymmetrical risk profile – in which several successful projects are required in order to compensate for one unsuccessful (project management).

Management measures: Based on the Best in class programme, a variety of initiatives were launched or further enhanced in order to address these risks and to capitalise on the associated opportunities.

These initiatives include: promoting internal research networks that actively exchange knowledge and expertise; further applying lean and BIM to integrated projects; more stringent project monitoring and performance management; and concept and process innovation related to sustainability and lean construction. The company also increases contract knowledge and risk awareness of operational employees through education and training. Reviews of project-related contracts are conducted by BAM's (in-house) legal experts and contribute to awareness and continuous improvement. These reviews are conducted both during the tender stage to assess contractual risks and after completion to capture lessons learnt.

Employees, organisation and culture

Risks: Employees are BAM's most vital asset and by using their full potential the Group can respond more effectively to changes in the market.

Specific challenges in this process include, first of all, a change in leadership style and the competencies required. Secondly, new types of contracts make it necessary to further train employees in contract and risk management.

Thirdly, competencies such as sustainability, customer focus, establishing integrated partnerships, exchanging knowledge, Best in class operations and diversity have become increasingly important in achieving BAM's strategic objectives.

Finally, it is essential that BAM remains a preferred employer, in order to be able to continue to attract top talent.

Management measures: Various initiatives and activities of BAM's Best in class strategy are aligned with these risks.

First of all, BAM will continue to invest in further developing employees so they can: contribute to achieving the strategic objectives; prepare a sufficient number of candidates for key positions and improve (inclusive) leadership.

Secondly, the company aims to foster an open culture of learning and exchanging knowledge in the form of training and education, building on the knowledge and expertise available.

Thirdly, BAM aims to increase the mobility of BAM employees in core businesses. This is facilitated by the international recruitment site, publishing all vacancies and career opportunities within the Group.

Fourthly, BAM operates in the labour market by working with recruitment agencies, through advertising and by collaborating with various training institutes.

Health and safety

Health and safety risks and opportunities and associated management measures are further shared under paragraph Material themes on pages 53-55.

CSR

CSR risks and opportunities and associated management measures are further shared under paragraph Material themes on pages 64-76.

Business conduct

The trust placed by clients, shareholders, lenders, construction partners and employees in the Group is vital in order to be able to ensure the company's continuity. The Group accordingly adheres to generally accepted standards and values and complies with local statutory and other rules and regulations, particularly with respect to the acquisition and performance of contracts. This principle is set out in the Group's Business Principles and Code of Conduct. All employees are required to act fairly, to honour agreements and to act with care towards clients and business partners, including suppliers and subcontractors. This is kept under constant review in order to make integrity a fundamental part of day-to-day activities.

The Executive Board has appointed a Group Compliance Officer, who promotes compliance with the Code of Conduct and provides advice on issues involving integrity. The operating companies, too, have their compliance officers, to whom breaches of the Code of Conduct can and must be reported. For this, the Group has a whistleblower policy in place.

The Group believes it is important that employees can report any suspicions of wrongdoings within the Group and that they are able to report such matters without fear of reprisals.

Both the Code of Conduct and the whistleblower policy are easily accessible to employees. For example, they can be found on the Group's intranet site and on its website.

Reputation risk

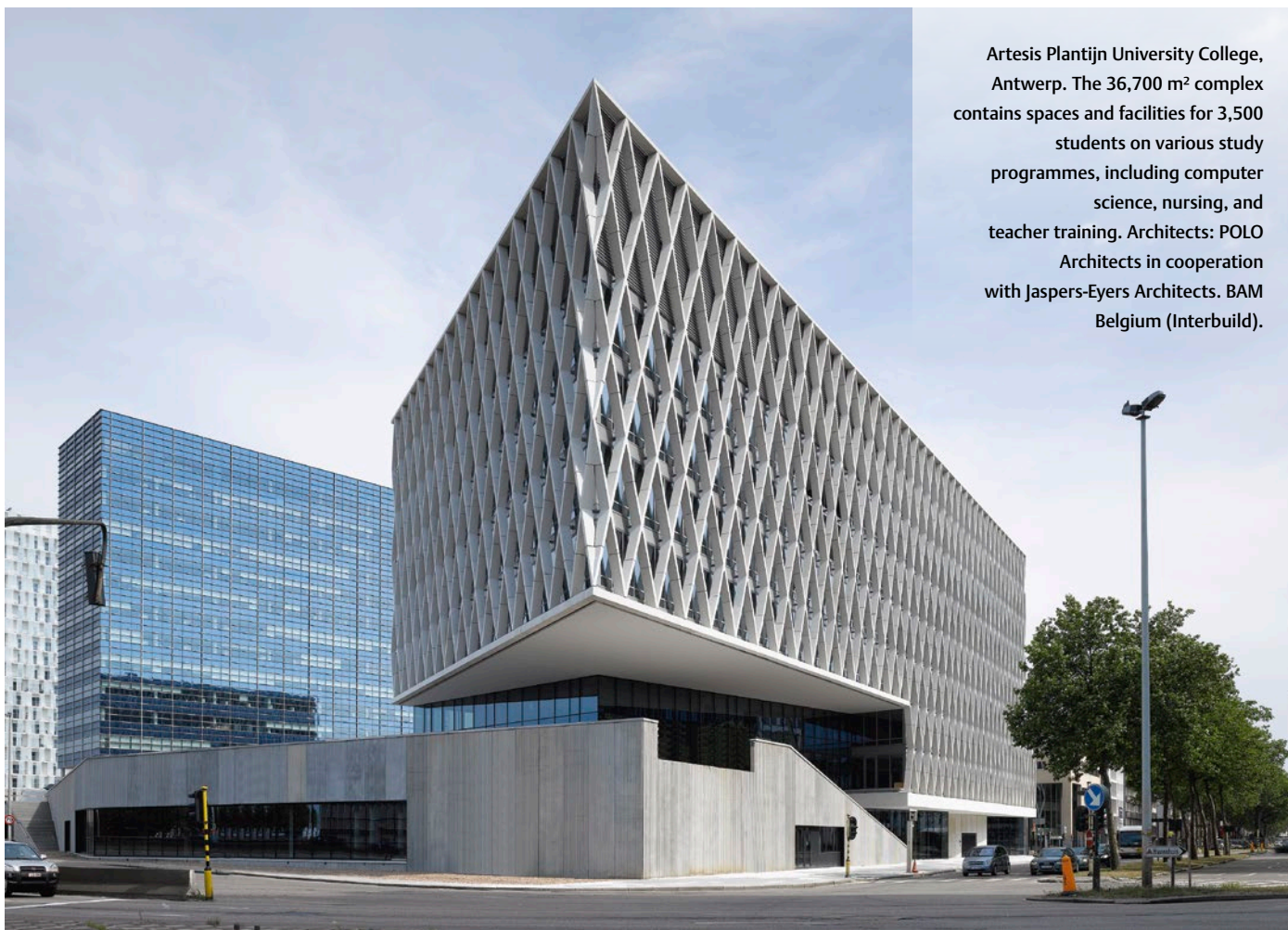
BAM's reputation may be damaged if one or more of the risks described above occur. This means that reputation risk is not a separate, defined risk area, but rather the result of specific risks occurring.

Outstanding claims and procedures

Companies operating in the construction industry are involved in discussions on the financial settlement of construction projects, including contract variations, the time of completion and the quality level of the work. 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. BAM is also involved in a number of lawsuits. Financial claims that the Group has pending against third parties are generally not capitalised unless it is reasonably certain that the amount in question will be paid. The Group takes great care to prevent such legal proceedings by implementing quality programmes and providing training for its employees. Some examples of major legal proceedings involving BAM are given briefly below.

In 2005, during the construction of a drilled tunnel for the SMART North tunnel project in Kuala Lumpur, engineering firm Wayss & Freytag Ingenieurbau was faced with ground conditions that varied from the information provided by the client. Wayss & Freytag Ingenieurbau terminated the contract in early 2006 as a result of the client's failure to fulfil its payment obligations and refusal to deal with Wayss & Freytag's claims for an extension of the construction period and reimbursement of costs. The client, in turn, also terminated the contract in January 2006. Wayss & Freytag Ingenieurbau lodged a claim against the client for more than €20 million as compensation for costs incurred. The client lodged provisional counterclaims amounting to €5 million. An independent dispute adjudicator, in the contractually prescribed procedure, has ruled that Wayss & Freytag Ingenieurbau was entitled to terminate the contract. This verdict has been confirmed by an arbitration. The client has attempted to set aside this arbitration award before the high court in Malaysia. In the first instance, the arbitration award was confirmed by the court. The client appealed from this verdict. Based on the information currently available, the Group considers the valuation of the claim to be adequate.

On 3 March 2009, during the construction of a section of the Cologne metro system, several adjacent buildings, including the building of the City Archives of the City of Cologne, collapsed. Two persons were killed as a result of this accident. Wayss & Freytag Ingenieurbau is a one-third partner in the consortium carrying out this project but was not directly involved in the work performed at the site of the accident. The customer has instituted a judicial inquiry (known as a Beweisverfahren) before the district court (the Landgericht in Cologne). As part of these proceedings, a number of specialists are investigating the cause of the accident, which is expected to take some time. Only when their investigation is complete will it be possible to determine if and to what extent the consortium might be held responsible for the accident. The German Public Prosecution Service is also carrying out its own



Artesis Plantijn University College, Antwerp. The 36,700 m² complex contains spaces and facilities for 3,500 students on various study programmes, including computer science, nursing, and teacher training. Architects: POLO Architects in cooperation with Jaspers-Eyers Architects. BAM Belgium (Interbuild).

investigation to determine whether any criminal offences have been committed.

The damage to property is considerable and the parties involved have claimed under several different insurance policies.

Intensifying risk management

In order to enhance the Group's risk management, BAM intends to achieve the following objectives:

- Accurate and complete identification of key opportunities and threats at strategic, tactical and operational level;
- Strengthening the link of the strategic objectives between the Group and its operating companies;
- Avoiding surprises;
- Creating a shared risk management language;
- Supporting a learning and sharing environment.

The Group has a standardised evaluation method to identify and prioritise risks and improvement potential at operating companies and regions. There is a Group-wide focus on risk management in the primary process, prompted by increasing complexity and growing competition. The potential for improvement relates to developing and sharing best practices on project selection, new business development, implementation and management. Supportive to the primary process, there is a focus on developing employees' relevant competencies and skills in this changing environment.



Extension of the laboratories of the Hubrecht Institute for Developmental Biology and Stem Cell Research at Utrecht. BAM Bouw en Techniek.

Both the Enterprise Risk Management and the internal governance framework have been enhanced by translating the Group strategy into strategic planning and associated dashboard for monitoring the initiatives and strengthening the company principles and management guidelines.

Lastly, BAM has included the risk management philosophy in its curriculum of BAM Business School, the in-house training institute. Key attention areas are risk awareness and risk attitude.

In 2015, the Group improved the tender stage gate procedure (> figure 6). All larger tenders and tenders with specific risks, have been assessed by the corporate Tender Desk and approved by the Executive Board. Lessons learned from these tenders have been shared with the management of the operating companies focusing on product type, client relationship, geographical location, contract type and required partners for the tender at hand.

Several peer reviews have been performed during the tender phase of major projects. These peer reviews mobilise the full knowledge of the Group and contribute in robustness of the proposal made to the client.

In addition, compliance with these procedures are assured by the operational audit function. To ensure the effectiveness of this process, key staff have been appointed at Group level.

The operational audit function started to perform Stage Gate 5 reviews (reality checks) in 2015 on newly won projects to ensure compliance with the tender stage gate procedure, that measures to manage risks during execution, are in place. This will be further intensified in 2016.

With the new strategy BAM is taking the next step in enterprise risk management. The Group will further strengthen governance and have a stronger focus on where BAM can win. In addition there will be a stronger focus on cultural values, further supporting the BAM brand and strategy;

- Based on Corporate Strategy 2016-2020, risk assessments and dialogue will take place at each operating company on their derived strategy. This will result in actions and activities that will be followed-up;
- Based on the corporate strategy leading indicators will be refined and followed up;

- BAM will further develop Projects in Control, which is a strong foundation in BAM's governance in project selection and execution. As from 1 January 2016, all tenders and new projects are categorised with regard to their risk profile. The stage gates are tailored to each category and the governance structure is tailored to each category.

Management letter from the independent auditor

The independent auditor assesses BAM's internal control environment as an integral part of its audit procedures, mainly focusing on the key financial processes and reporting systems underlying the information contained in the financial statements.

Based on the ambition of BAM, its Group strategy and the current (market) developments, the auditor has put specific attention to the following subjects:

- Progress of the Back in Shape programme;
- Project control and risk management;
- Other internal control procedures;
- IT governance, security and continuity;
- Maturity of the sustainability reporting process.

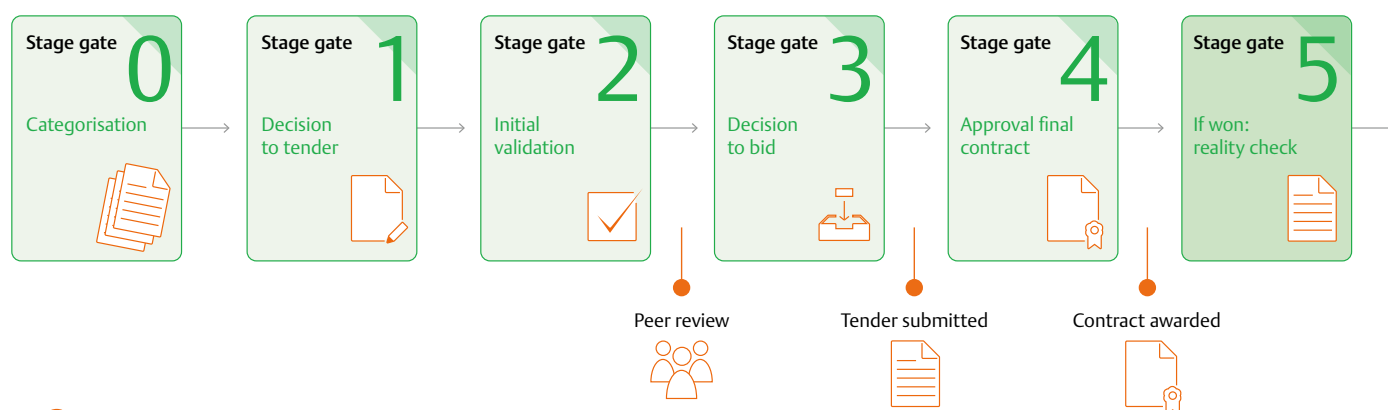
Differences in approach and quality across the operating companies are inherent to BAM's model. The independent auditor consequently forms an impression of each operating company. The independent auditor concluded that the quality of the internal control environment on the operating company level varies between normal and strong. None of the operating companies was assessed as being weak despite the significant organisational changes following the Back in Shape programme. However, the independent auditor has identified the uniformity of internal

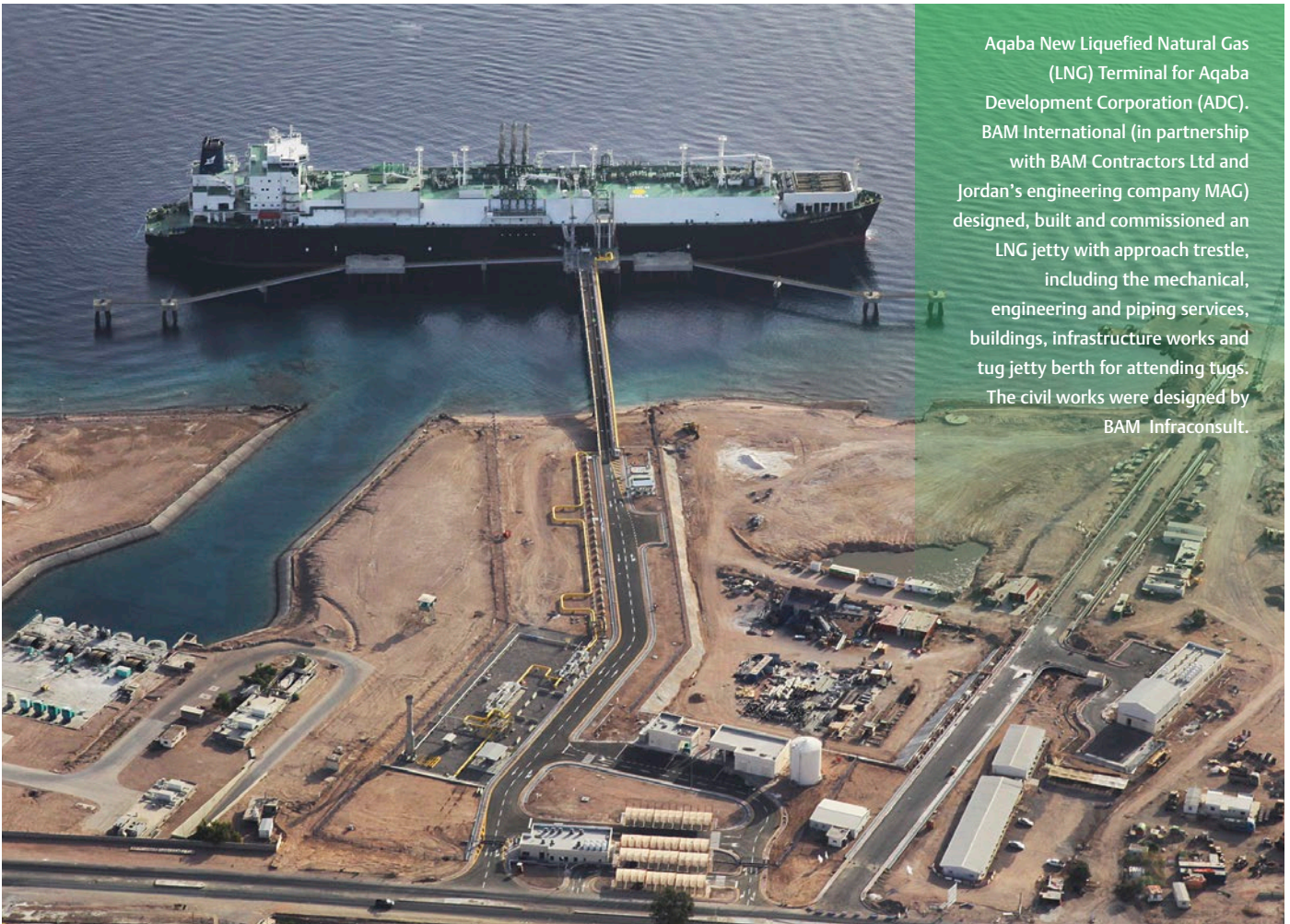
control procedures within BAM and the increase of automated control measures in business processes as areas for further improvement.

The independent auditor concludes that project control from a compliance perspective is classified as normal and management is further implementing measures to strengthen this. In 2015 BAM has implemented the procedures in connection with project control, being the stage gate tender and peer review procedure, throughout the Group with a stronger focus on earlier stages before actual tender submission to rationalise tender cost and further reduce risk on acquiring projects that could turn into a loss. These procedures combined with the operational audit function in place is in line with the Group strategy and the current (market) developments. The independent auditor recommends to further strengthen the operating effectiveness of the stage gate tender procedure.

In connection with the other internal control procedures mainly relating to support functions, such as group sourcing, payables, cash management and human resources, the independent auditor concludes that the quality of these procedures on the operating company level varies between normal and strong notwithstanding that at a limited number of operating companies improvements can be achieved.

The independent auditor recognises that the overall IT governance of BAM has improved as a result of the measures taken following the Back in Shape programme. Standardised IT systems and procedures will further increase efficiency in operations and improve the quality of the control environment.





Aqaba New Liquefied Natural Gas (LNG) Terminal for Aqaba Development Corporation (ADC). BAM International (in partnership with BAM Contractors Ltd and Jordan's engineering company MAG) designed, built and commissioned an LNG jetty with approach trestle, including the mechanical, engineering and piping services, buildings, infrastructure works and tug jetty berth for attending tugs. The civil works were designed by BAM Infraconsult.

The independent auditor concludes that the improved relevance and robustness of the sustainability reporting has accelerated BAM's path to integrated reporting with its first publication last year. Challenges have been identified with respect to connectivity of the material themes as part of the value creation process of BAM. However, the independent auditor has reported findings in connection with the quality of worked hours registration of subcontractors related to the safety indicator and in connection with the quality of compliance reporting related to the integrity indicator. BAM has carried out appropriate actions to remediate these matters in 2016.

Assessment of risk management and monitoring systems

The risk management and monitoring systems worked adequately during the year under review and no deficiencies were identified in relation to these systems and their operation that could have potential material implications in the financial year 2015.

BAM can reasonably state that there are no indications that the risk management and monitoring systems will not function adequately during the financial year 2016. No other significant changes are planned for these systems, except the further enhancement of risk management, as detailed above. The Group cannot guarantee that no risks will materialise and the Group continuously strives to improve the risk management and monitoring systems.

The optimisation of internal risk management and monitoring systems remains a key focus for the Executive Board and it may result in the systems being improved or expanded. The aforementioned intensifying of risk management is one example.

Stakeholder interview

Carlo van de Weijer, PhD MSc

Carlo van de Weijer is TU Eindhoven's Strategic Director in the field of 'smart mobility' and also works for TomTom. He is an expert in the fast changing world of transportation and how these disruptive changes influence other industries.



What is driving smart mobility in the coming years?

'ICT and the internet have entered the mobility arena. Vehicles have become computers on wheels and have started sharing their information to further improve traffic flow. It is unbelievable how much calculating and processing power there is in a car today. Cars are more and more like a digital platform rather than just a mechanical device. Motor vehicles have rapidly become an inherently safe and clean means of transport. That will also change our common view on public transport. Arguments that public transport is safer and better for the environment are disappearing.'

'Secondly, you see how ICT and the internet influence the organisation of personal mobility. New platforms like Uber and Blablacar make a much better link between supply and demand. Take for instance Blablacar, the leading long-distance ridesharing service, which connects drivers with empty seats with people travelling the same way and then share journey costs. Established in 2006 it has already more than 20 million members in 19 countries, and

carries more passengers than the Eurostar high-speed train service! similarly with Uber, which provides a better, cheaper and cleaner form of transport than conventional public transport systems. These new developments are really changing the landscape of mobility today.'

Can governments really anticipate these developments? Can industries like the construction industry adapt quickly enough to change?

'That's indeed very hard. All these changes are happening in a shorter time frame than the infrastructure will last. Within the life span of a project, cars are expected to be inherently safe and clean, and the traffic will be a self-steering system of well-informed individuals. These are things which will happen within a few years, it's not taking decades anymore. So how should governments, but also construction companies, prepare for that? They have to shift from managing traffic to facilitating traffic flow. That's a fundamental change and you will have to make sure that the infrastructure is able to adapt. It's very hard to predict the future, but it not so hard to be prepared for a changing future.'

'It's very hard to predict the future, but it is not so hard to be prepared for a changing future'

What do you see as the biggest strategic challenge for construction companies such as BAM as a 'smart company' contributing to smart cities and smart infrastructure?





'Built-in inherent flexibility. What if everything were to change? Will my solution still be valid or will we have to build it all over again? The latter might be the best thing for company revenue, but you would be underestimating the needs of the customer, because they probably will want additional flexibility as well. Always think about end-users, the travelling public. Invite your most innovative customers, sit down with them and talk about the future and come up with the right solutions together.'

3. Business performance



3.1 Financial performance

7 — Ambition: Creating economic value

	Targets Back in Shape	Performance	Progress
	Improve trade working capital Improvement trade working capital by at least €300 million by year-end 2015 compared to the start of the programme mid-2014. Improvement tracked through average trade working capital as percentage of 4Q rolling revenue.	Cash flow from trade working capital since the start of the programme mid-2014 was €312 million. The trade working capital efficiency improved to -8.1 per cent at year-end 2015 compared to -6.8 per cent at the start of the programme mid-2014.	●
	Continue divestment programme BAM maintains its existing target for divestments of at least €100 million per year.	BAM achieved divestments of property and other assets for a total of €95 million in 2015 (2014: €170 million).	●
	Cost savings BAM will achieve cost savings of at least €100 million as an annual run-rate by end-2015 compared to the level of 2013.	The cost base was reduced by €105 million at year-end 2015 compared to the level of 2013.	●
	Increase profitability BAM aims to get its results on projects into a 2 to 4 per cent range in the longer term.	The margin on the adjusted result before tax for 2015 improved to 1.2 per cent, 0.3 per cent points up compared to 2014.	●

The Back in Shape programme is completed successfully this year. The adjusted result is driven by a strong rebound in margins at Civil engineering, but was held back by Dutch non-residential Construction and M&E activities. The result at Property was driven by commercial property divestment. As anticipated, PPP made a lower result after the high profits on project transfers to the joint venture in 2014.

Management summary

- Revenue €7,423 million, 1.5 per cent up compared to 2014;
- Adjusted result before tax of €88.2 million, 42 per cent up compared to 2014;
- Order book increased in the year with €1,212 million, or 12 per cent, to €11,480 million;
- Results delivered by the Back in Shape programme in 2015 are in line with targets.
- Gross (property) divestments totalling €95 million in 2015, almost reaching the annual target of €100 million;

8 — Key financial results

(x €1 million, unless otherwise stated)

	2015	2014
Revenue	7,423	7,314
Adjusted result before tax	88.2	62.2
Margin, %	1.2	0.9
Result before tax	13.3	(122.4)
Net result attributable to the shareholders of the Company	10.2	(108.2)
Order book	11,480	10,268
Earnings per share	4 cents	-
Dividend proposal	2 cents	-

Earnings per share

Net result attributable to shareholders of the Company divided by the weighted average number of common shares outstanding during the year.



BAM Infra has modernised the N261 road between Tilburg and Waalwijk in the Dutch province of Noord-Brabant. The road was reconstructed to a four-lane road with bus lane and overpass junctions.

9 Result before tax

(x €1 million, unless otherwise stated)

	2015	2014
Continuing operations		
Adjusted result before tax, depreciation and amortisation charges	158.7	145.0
Depreciation and amortisation charges	(70.5)	(82.8)
Adjusted result before tax	88.2	62.2
Impairment charges	(39.1)	(115.9)
Restructuring and other exceptional costs	(38.6)	(68.7)
Pension one-off	2.8	-
Result before tax	13.3	(122.4)
Income tax	(2.3)	15.5
Result for the year from continuing operations	11.0	(106.9)
Result for the year from discontinued operations	-	-
Non-controlling interests	0.8	(1.2)
Net result attributable to shareholders of the Company	10.2	(108.1)

Revenue

Revenue increased with €109 million, or 1.5 per cent, in 2015 principally due to a foreign exchange rate effect of the pound sterling of 3 per cent. The operational sectors reported an increase in revenue of 3.3 per cent on average whilst revenue of the investment sectors declined with 11.5 per cent. Revenue in the Construction and M&E sector was up 8.3 per cent, Civil sector revenue was slightly down, mainly in the Netherlands due to lower activity levels at larger projects and in Belgium due to lower government spending and project delays.

Order book

As at 31 December 2015 the order book (orders in hand for the next five years) amounted to €11.5 billion representing an increase of €1,2 billion compared to prior year.

The (net) order intake of the operational sectors amounted to €1,327 million (2014: €440 million) while the investment sectors reported a decline of €52 million (2014: €129 million) attributable in full to the sector Property. Of the current order book position, €5.9 billion (2014: €5.8 billion) is expected to be carried out in 2016 and €5.6 billion (2014: €4.4 billion) in the years after. Approximately 81 per cent of the forecasted revenue for the year 2016 has been secured, which is slightly higher than 2014, both in relative and absolute terms. In addition, the Group has more than €2.6 billion (2014: €2.7 billion) in the order book beyond five years, mainly comprising long-term maintenance contracts for PPP projects.

Net debt
Long-term borrowings
plus short-term
borrowings less cash
and cash equivalents.

Earnings per share

The number of outstanding common shares of BAM decreased by 0.6 million in 2015 to 270.4 million shares as at 31 December 2015, due to the repurchase of shares. Earnings per share was 4 cents (2014: negative).

Dividend proposal

The announced dividend of 2 eurocents per share (in cash or in shares) for 2015 (2014: nil) will be proposed to shareholders at the annual General Meeting of Shareholders to be held on 20 April 2016. The recommended dividend is in line with our dividend policy to target a pay-out ratio in the range of 30 to 50 per cent of the net result. The dividend return amounts to 0.4 per cent, based on the 2015 closing price (2014: nil).

10 Financial position

(x €1 million, unless otherwise stated)

	2015	2014
Cash and cash equivalents	637	624
Borrowings	597	664
Net debt	(40)	40
Less: Non-recourse financing	(319)	(376)
Recourse net debt	(359)	(336)
Capital employed		
- Non-current assets	1,507	1,469
- Net working capital	(340)	(223)
Shareholders' equity	902	827
Capital base	1,026	952
Total assets	4,852	4,956
Capital ratio, %	21.2	19.2

Cash and cash equivalents

Cash and cash equivalents was €637 million as at 31 December 2015 (2014: €624 million), of which €181 million (2014: €163 million) concerns the Group's share of cash and cash equivalents in joint operations.

Borrowings

As at 31 December 2015 total borrowings amounted to €597 million (2014: €664 million) of which €319 million (2014: €376 million) concerned non-recourse debt. The decrease in 2015 is driven by non-recourse debt; both non-recourse loans associated with PPP projects and property development decreased in 2015 with €11 million and €46 million (2014: €89 million and €110 million) principally due to divestments in the year and consequential debt repayment.

As at 31 December 2015 a net cash position is achieved of €40 million (2014: €40 million net debt position) and comprised non-recourse PPP and property loans of €319 million (2014: €376 million).

The Group had two credit facilities as at 31 December 2015: a subordinated loan with a nominal value of €125 million (2014: €125 million) and a committed syndicated credit facility of €500 million. In December 2015 the Group has reached agreement with two bank syndicates on the extension of the existing revolving credit facility to an amount of €412.5 million until 30 January 2018 and on the extension of the existing subordinated loan to an

amount of €108 million until 30 July 2018. The previously agreed bank covenants remain unchanged. As at 31 December 2015 the committed syndicated credit facility was not used, consistent with 2014.

11 Borrowings

(x €1 million, unless otherwise stated)

	2015	2014
Non-recourse debt		
PPP	195	206
Property	116	161
Other	8	9
	319	376
Subordinated loan	124	125
Recourse debt		
PPP	53	64
Property	87	77
Financial lease	15	22
	279	288
Borrowings	597	664

The recourse net debt, part of the recourse leverage ratio in BAM's financing arrangements, mainly comprising equity bridge loans for PPP projects and property loans on a recourse basis minus cash and cash equivalents, amounted to a net cash position of €359 million as at 31 December 2015, €23 million up compared to 2014.

Capital employed

Non-current assets

On balance, non-current assets increased in the year with €38 million.

As the annual depreciation was partly compensated by the net capital expenditures in the year, the carrying amount of property, plant and equipment decreased with €24 million to €292 million. The majority of the capital expenditures and disposals concerned the asset category equipment and installations in the sector Civil engineering.

Intangible assets predominantly comprises goodwill with a carrying amount of €406 million, an increase of €6 million compared to 2014 owing to the exchange rate of the pound sterling compared to the prior year with an effect of approximately €9 million compensated by the goodwill impairment charge of approximately €3 million.

Goodwill is tested for impairment annually and this did result in an impairment this year on a Belgian cash generating unit. The sensitivity analyses indicated that for another Belgian cash-generating unit, representing a goodwill amount of €16 million, a limited headroom remains in case of a negative change of 50 basis points on the discount rate and/or growth rate beyond the forecast period.

Non-current PPP receivables decreased in 2015 to €279 million from €304 million principally due to the transfer of two projects to the joint venture with PGGM (€144 million) compensated by progress on the construction of current PPP projects (€154 million). In addition, an amount of €39 million (2014: €117 million) has been reclassified to assets held for sale in anticipation of the transfer of one associated PPP project to the joint venture with PGGM in 2016.

The carrying amounts of investments (accounted for using the equity method) and other financial assets decreased in the year with €1 million (from €95 million to €94 million) respectively increased by €13 million (from €85 million to €98 million). The increase in other financial assets includes a reversal of impairment charges of €1 million.

The pension asset increased in 2015 with €57 million to €75 million and fully relates to the defined benefit schemes in the United Kingdom. This increase is mainly attributable to the supplementary contributions of €36 million in the year and changes in actuarial assumptions with a positive effect of €26 million.

Net working capital

Net working capital (excluding cash and cash equivalents and current borrowings) as at 31 December 2015 amounted to minus €340 million (2014: minus €223 million). Gross investment in property development has been reduced with €83 million in 2015 to €740 million. Net investment in property development, taking into account associated borrowings, amounted to €544 million (2014: €592 million).

The further improvement of net working capital in 2015 was mainly driven by the progress on the property divestment programme and also takes account for an impairment charge of €37 million (2014: €54 million) on land and building rights and property development.

Shareholders' equity and capital base

Shareholders' equity significantly increased by €75 million in 2015 to €902 million as at 31 December 2015. Apart from the net result for the year of €10 million, this increase is principally due the favourable development of the remeasurements of post-employment benefit obligations (€37 million) and foreign exchange rate differences (€26 million).

Capital base includes the subordinated loan amounting to €124 million (2014: €125 million).

Capital ratio

As at 31 December 2015 capital ratio is 21.2 per cent (2014: 19.2 per cent) determined by using the capital base. Recourse solvency, the ratio in accordance with the bank covenants, increased with 1.2 per cent point to 29.3 per cent as at 31 December 2015 (2014: 28.3 per cent), which comfortably exceeds the required minimum of 15 per cent.

Other significant movements in balance sheet items

Post-employment benefits

The net defined benefit liability amounted to €47 million as at 31 December 2015, a decrease of €93 million compared to 2014 principally due to changes in actuarial assumptions, specifically the discount rate used. The current year balance allows for a pension one-off gain of €3 million in connection with a defined benefit scheme in the Netherlands.

Provisions

Provisions, other than post-employment benefits, significantly decreased by €37 million to €150 million (2014: €187 million). The restructuring provision decreased by €16 million to €41 million as at 31 December 2015. Additional restructuring provisions of net €28 million, in connection with the Back in Shape programme, were recognised in the year compensated by restructuring payments of €44 million.

Deferred tax assets and liabilities

The Group had a net deferred tax asset of €221 million (2014: €217 million) principally reflecting the tax losses carry forward in the Netherlands and Germany. The valuation as at 31 December 2015 allows for estimates of the level and timing of future taxable profits for the upcoming nine years (the Netherlands) and for an indefinite period (Germany) including available tax planning opportunities.

Assets and liabilities held for sale

The assets and liabilities held for sale as at 31 December 2015 amounted to €42 million (2014: €127 million) for the assets and €46 million (2014: €129 million) for the liabilities and were fully attributable to one PPP project (2014: one PPP project) that is expected to be transferred to the joint arrangement with PGGM in 2016.

Sector results

12 — Construction and M&E services

(x €1 million, unless otherwise stated)

	2015	2014
Revenue	3,266	3,016
Adjusted result before tax	(9.2)	(5.5)
Margin (%)	-	-
Order book	4,608	4,424

Revenue at Construction and M&E services rose by 8 per cent to €3,266 million. This was mainly attributable to the UK, including the benefit of the stronger pound sterling. The loss for the sector was due to negative results in the Netherlands on some older non-residential projects and to a lesser extent under recovery of overheads. Plans are being finalised to integrate Dutch construction and property activities to restore profitability. The result in the UK improved from a low level in 2014. The order book increased by 4 per cent to €4,608 million at year end 2015 excluding the foreign exchange effect, the increase was 1 per cent. The order book rose in the UK (mainly foreign exchange) and Germany; the order book fell in Belgium and the Netherlands.

13 — Civil engineering

(x €1 million, unless otherwise stated)

	2015	2014
Revenue	3,926	3,949
Adjusted result before tax	74.4	14.2
Margin (%)	1.9	0.4
Order book	6,272	5,129

In Civil engineering, revenue slipped by 1 per cent to €3,926 million. Revenue was up at BAM International due to order phasing, in the UK driven by the currency effect and in Ireland reflecting the strong position in a recovering market. Revenue in the Netherlands was down due to lower activities at larger projects, while Belgium was impacted by project delays and lower government spending. The sector result came mainly from the Netherlands, BAM International and Ireland. The order book grew 22 per cent despite the lower order intake at BAM International reflecting developments in the oil and gas industry and in Belgium. The increase was driven by the intake of some large multi-year projects in the Netherlands, Ireland and Germany.

14 — Property

(x €1 million, unless otherwise stated)

	2015	2014
Revenue	474	477
Adjusted result before tax	15.5	19.6
Margin (%)	3.3	4.1
Order book	797	859

In Property, the result was again supported by non-residential sales in Belgium, the Netherlands and the UK. Margins at residential property remained low due to the market opportunities focused on affordable homes and developments on impaired land. Dutch house sales in 2015 were up by 17 per cent at 2,187, with a rise in the proportion of sales to private buyers to 75 per cent (2014: 70 per cent).

The non-cash impairments of €34.3 million (2014: €93.2 million) reflected value adjustments for Dutch land bank (€20.8 million) and retail commercial property (€13.5 million). In 2015 the market developed further along the ‘twin track’. The ‘strong track’ applies to the areas in and around the major cities and to smaller and more affordable houses and apartments, where volumes and prices rose. Conversely, the ‘weak track’ is still evident in some regional areas. The retail property market was affected by pressure on rental prices due to bankruptcies of retailers and growing internet sales.





The Zaha Hadid-designed 'Softbridge' building is an iconic extension to the Middle East Centre at St Antony's College, Oxford University. The three-storey, 1,200 m² building houses a library, archive and lecture theatre. Beyond its practical function, it has created a distinctive landmark on Oxford's architectural landscape.

The total investment in property reduced by €83 million to €740 million at the end of 2015. These investments were financed by €80 million recourse property loans (year-end 2014: €57 million) and €116 million non recourse property loans (year-end 2014: €161 million).

15 — PPP

(x €1 million, unless otherwise stated)

	2015	2014
Revenue	185	258
Adjusted result before tax	18.7	38.6
Order book	558	548
Average invested equity	97	104
Return on equity	19.3%	37.1%

The sector PPP had another operational good year. Although the adjusted result for 2015 of €18.7 million was down from €38.6 million in 2014, the net result increased by 14 per cent in 2015.

The 2014 adjusted result before tax was driven by asset management profits on transfers of older projects to the joint

venture with PGGM. Going forward, the focus is on divesting newly completed projects.

The success of the joint venture is reflected by PGGM's decision in 2015 to increase its commitment. The total committed funding for the joint venture is now €600 million.

In addition to the result from asset management, PPP generated a result from its growing portfolio.

PPP won four projects in 2015, a hit rate of 50 per cent for the second year in a row. These represent approximately €620 million of construction revenues for the operational sectors in the coming years. The pipeline of active bids is healthy.

At the end of 2015 the number of PPP projects in the portfolio was 45 of which BAM PPP retains interest in 41; for the remaining 4 projects only asset management services are provided by BAM PPP.

Four projects reached financial close in 2015:

- Tram line Antwerp (BRABO 2), Belgium
- M11 road (M11), Ireland
- Irish Courts Bundle (Courts), Ireland
- Lock IJmuiden (IJmond), Netherlands

Commercial court centre, Hannover, Germany. BAM Deutschland.



BAM PPP's projects are spread across BAM's European markets with revenue based mainly on the availability criterion. Investments in volume based projects have been reduced or impaired in 2014. The ratio of accommodation to civil engineering projects is also balanced, although civil engineering projects are often greater in size.

The joint venture with PGGM made good progress during 2015, with the investment in two new projects. The joint venture provides BAM PPP with the twin benefits of a strong position from which to pursue further projects and a stable platform within which equity can be made available for new investments.

Strategy

BAM PPP harnesses the strengths, experience and expertise within Royal BAM Group, coordinating the provision of lifecycle solutions for the benefit of public-sector clients. The company focuses on BAM's European home markets where the Group has proven construction and maintenance skills and expertise. Its strategy aims to grow the portfolio to provide short-term construction turnover, long-term Facility Management and lifecycle turnover, equity investment returns and asset management income.

Market

The PPP markets continue to offer an attractive supply of bidding opportunities. Competition continues to be intense and is demonstrated by the increased number of competitors at the prequalification stage. The bidding opportunities are spread reasonably evenly across all of our markets with the exception of the UK. The availability of long term debt has improved in the last years and is currently not an area of concern.

BAM PPP Portfolio financial performance

At year-end 2015, shareholders equity invested by BAM PPP totaled €72 million (€59 million 2014), of which BAM PPP invested €41 million and transferred for €27 million to the BAM PPP PGGM joint venture in 2015. BAM PPP does not invest in projects until their structural completion, with the shareholders' equity part being financed with a bridging loan.

Committed equity is €171 million, all by the joint venture. The invested and committed equity totaled €242 million. New projects will mainly be undertaken by the joint venture.

The future asset flow is based on the expected inflow of cash from the concessions portfolio for the shareholders' equity (dividend and repayment). The discounted value of this future cash inflow is the Director's valuation and totals €239 million (2014: €222 million).

A comparison of the directors' valuation and the discounted value of the invested and committed equity results in an unrealised value of the portfolio of €77 million (2014: €78 million).

Business development

The current portfolio provides BAM PPP with returns on equity investments, in addition, as at year-end 2015, to an order book of construction turnover of €1,481 million and Facility Management and lifecycle turnover for BAM sister companies of €3.2 billion. BAM PPP has in the pipeline 14 active bids, providing potential equity investments of €184 million, potential construction turnover of €2.1 billion and potential Facility Management turnover (excluding lifecycle) of €1.4 billion.

Directors' valuation

The directors' valuation is intended to illustrate movements in the value of the PPP portfolio during the year taking account of the impact of intervening transactions, through the application of a consistent methodology. The valuation is based on the forecast returns of the projects, based on current projections, and may differ significantly from the book value of the investments shown in the accounts. Cash flows accruing from projects are calculated on the basis of financial models, based on contractual terms with clients and have been approved by external lenders. The valuation is calculated using the widely acknowledged discounted cash flow basis, discounting all future cash flows to BAM PPP at an appropriate discount rate. All future cash flows are converted into euros. All projects that have reached financial close are taken into account; projects for which BAM PPP is the preferred bidder have been excluded.

Discount rates

BAM PPP applies discount rates based on the company's knowledge of the market, the agreed transfer mechanism with PGGM, through the joint venture, and the use of a simple project phase analysis. A higher discount rate is applied from financial close through to construction completion before stepping it down once into operations due to the reduced risk and greater certainty of future cash flows. BAM PPP believes this approach is preferable to using an adjusted market risk free rate approach as we have the benefit of up-to-date market information based on our discussions and agreement with PGGM.

16 Portfolio financial performance 2015

(x €1 million, unless otherwise stated)

		Nominal	Discounted
Invested equity		72	
Committed equity		114	
Total invested and committed equity	(a)	186	162
Future equity cash flows	(b)	737	239
Implied forecast unrealised value in the portfolio	(b) - (a)		77

Sensitivities

The > table below shows the sensitivity of the directors' valuation if all the project discount rates applied are changed simultaneously by plus or minus 1 per cent and 2 per cent.

17 Sensitivity of the directors' valuation

Discount rate adjustment	Portfolio valuation (€ million)	Difference in valuation (€ million)
+2%	219	-20
+1%	202	-37
0%	239	-
-1%	262	23
-2%	289	50

18 Directors' valuation 2015

(x €1 million, unless otherwise stated)

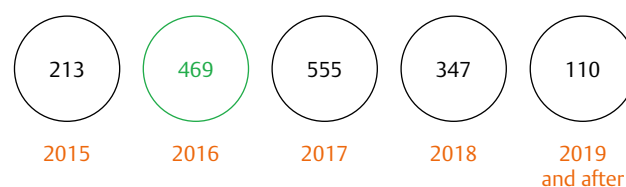
Valuation as at December 2014	222
Dividends and distributions received since December 2014	-11
Divestments since December 2014	-31
Exchange rate movements	4
Rebased December 2014	184
Valuation at December 2015	239
Increase/(decrease) in portfolio valuation	55
New projects added	41
Revaluation 2015 ¹	14
Increase/(decrease) in portfolio valuation	55

¹ The revaluation 2015 consists of a combination of factors including:

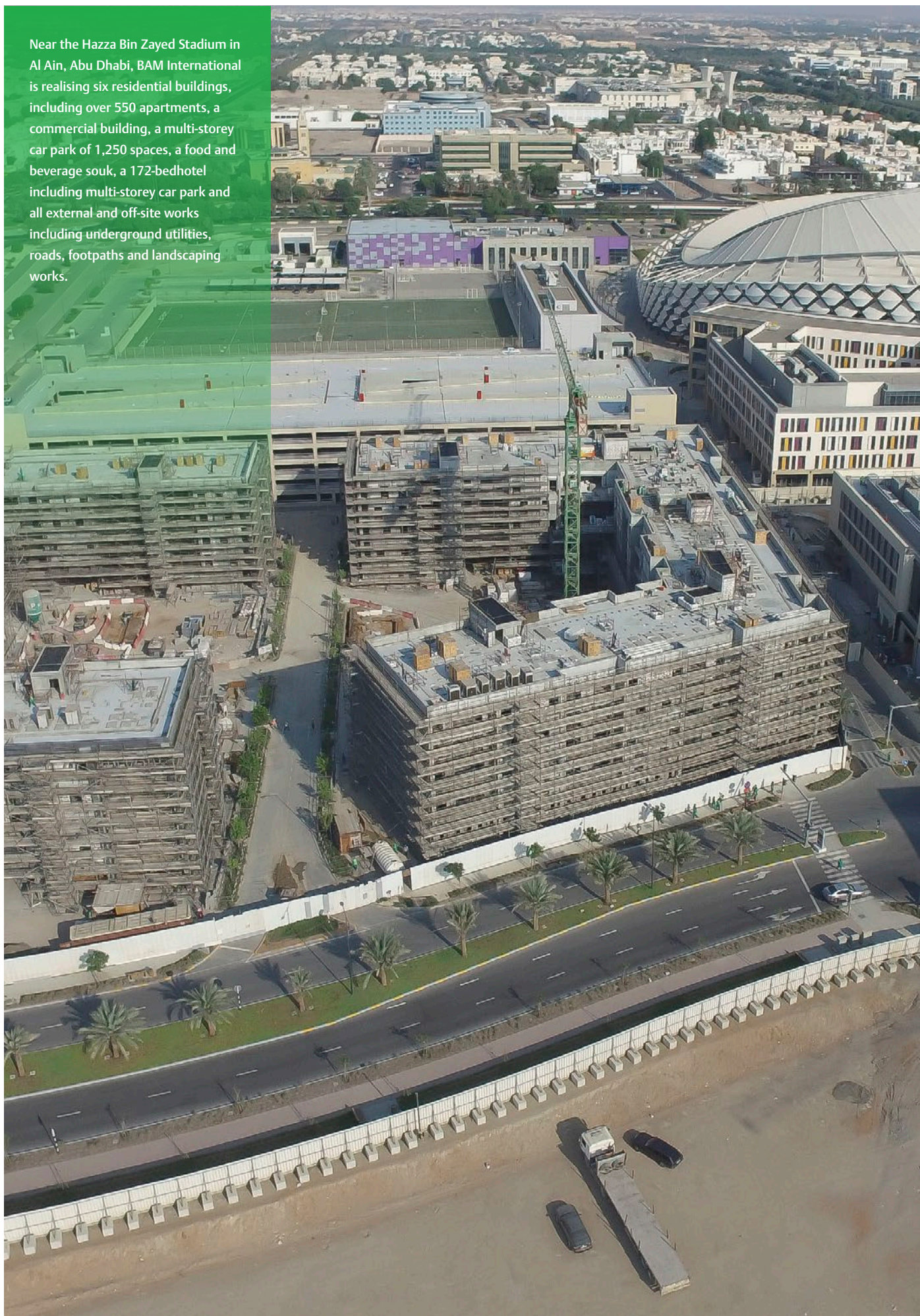
- The discount unwind (over time, the discounted value increases given that the future value is a year closer);
- The impact of changes in discount rates applied as projects move into operations;
- Operational performance gains as a result of factors such as the impact of macro-economic changes, higher inflation, better performance, successful asset management, changes in demand and revisions to costs.

19 Construction revenue secured through PPP-projects

(in € million)



Near the Hazza Bin Zayed Stadium in Al Ain, Abu Dhabi, BAM International is realising six residential buildings, including over 550 apartments, a commercial building, a multi-storey car park of 1,250 spaces, a food and beverage souk, a 172-bed hotel including multi-storey car park and all external and off-site works including underground utilities, roads, footpaths and landscaping works.



The Arnhem Central Public Transport Terminal in the Netherlands celebrated its grand opening on 19 November 2015. Bus terminal and train station are combined into a new type of complex – an integrated public transportation area, designed by UNStudio. The transfer hall shelters the facilities and waiting areas for the trains, trolley buses and bus station, as well as commercial areas and a conference centre, and serves as the linking hub between these transportation modes, the city centre, the underground car park and the office plaza of the Public Transport Terminal in Arnhem. The Public Transport Terminal was built by BAM Bouw en Techniek, in joint arrangement with Ballast Nedam. BAM Infra was involved in the civil works near the terminal, including the square for the trolley buses.



Acquisitions and divestments

There were no material acquisitions in 2015.

On 3 February 2015, BAM Infra Nederland transferred the drainage activities of its subsidiary BAM Nelis De Ruiter, to Mos Grondwatertechniek.

The transaction included nine employees, work in progress, and plant and equipment. The annual sales from them for BAM Infra were approximately €2 million. The transaction was part of the organisational streamlining that BAM implemented through its Back in shape programme.

On 4 March 2015, BAM Infra Nederland transferred the piling and civil engineering activities of its subsidiary BAM Nelis de Ruiter at Halfweg (near Amsterdam) to Kleybruggen B.V., which will continue

the activities in a new subsidiary Nelis Infra. The drilling activities will be continued by Gebr. van Leeuwen Boringen B.V.

The transaction included forty employees, work in progress and plant and equipment. The transaction was part of the current organisational streamlining that BAM implemented through its Back in Shape programme.

On 19 March 2015, BAM Infra transferred the heat and cold storage activities of its subsidiary BAM Nelis De Ruiter at Halfweg, including the service and maintenance department, to De Ruiter Grondwatertechniek bv. The transaction included 33 employees, work in progress and plant and equipment.

BAM Infra Nederland sold its subsidiary Nootenboom Sports bv at Hardinxveld-Giessendam to D.R. Nootenboom Holding bv and Drechtmolen Holding bv on 23 April 2015. Nootenboom Sports



specialises in constructing and maintaining sports facilities. The transaction related to work in progress, equipment and five employees.

BAM saw insufficient opportunities to develop the activities of Nootenboom Sports and considered its added value limited. The sale was part of the organisational streamlining that BAM implemented through its Back in Shape programme. The annual turnover of Nootenboom Sport in recent years amounted to approximately €8 million.

BAM Infra Nederland sold its subsidiary Mostert De Winter bv in Hardinxveld-Giessendam to Elkarij bv in Wouw on 23 October 2015. Mostert De Winter is a roof garden, façade vegetation system and landscaping specialist. The transaction included all 39 employees, work in progress and plant and equipment.

BAM saw insufficient opportunities for further development of the activities of Mostert De Winter and considered the added value of

this specialisation for the Group limited. The transaction was in line with the streamlining of the organisation in relation to BAM's Back in Shape programme. Last year Mostert De Winter's turnover was approximately €16 million.

BAM Bouw en Vastgoed bv sold its subsidiary BAM Techniek - Integrated Works to the management on 17 December 2015. The transaction included all eight employees and work in progress. BAM saw insufficient opportunities for further development of the activities of BAM Techniek - Integrated Works, which is specialised in telecommunications, and considers the added value of this specialisation for the Group limited. The transaction was in line with the streamlining of the organisation in relation to BAM's Back in Shape programme. Last year BAM Techniek - Integrated Works' turnover was approximately €1 million.

BAM sold the production facility for precast concrete elements to Betonfabriek Vrijenban with effect from 1 January 2016. Betonfabriek Vrijenban produces high-tech precast concrete elements, retaining walls and concrete mortars and has already production plants in Delft and Vianen, both in the Netherlands. In the course of 2015, as part of its Back in Shape programme BAM came to the conclusion that there were insufficient opportunities to continue the activities of its concrete production facility. This then led to closure of the plant. This transaction related only to the real estate and did not include a transfer of projects or guarantees.

After balance sheet date, BAM Infra Nederland bv has sold its water treatment activities, which formed part of BAM Infra Milieu, to SITA Remediation bv in Utrecht. The transaction referred to the four employees, work in progress and plant and water treatment equipment.

BAM saw insufficient opportunities for further development of the water treatment activities and considered the added value of this specialisation for the Group limited. Furthermore, the transaction was in line with the streamlining of the organisation.



The Port House in Antwerp combines a new beam-shaped structure and a former fire brigade building into a new head office building for the Port Authority. The project is designed by Zaha Hadid. The articulate glass walls – some transparent, others reflective – refer to the Antwerp diamond trade. BAM Belgium (Interbuild).

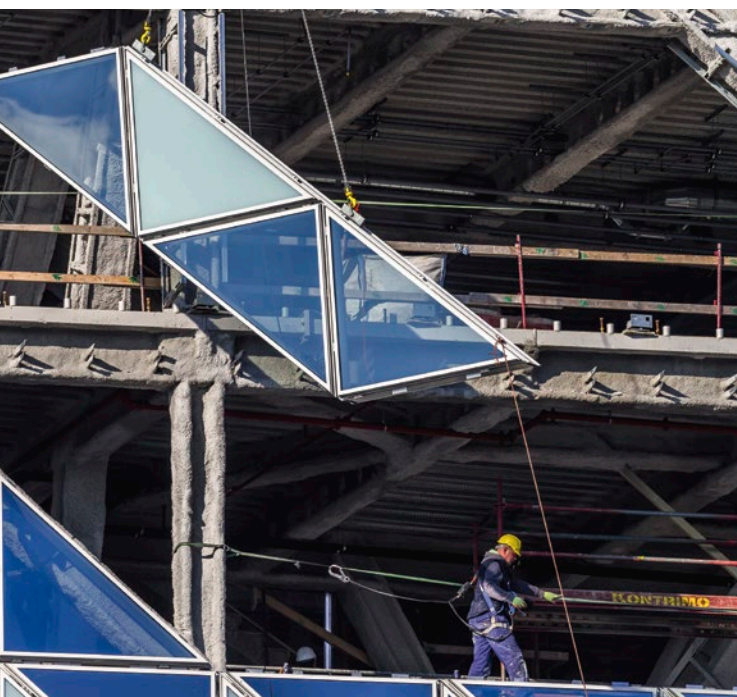
3.2 Social performance

20 — Ambition: Offering added value to clients, employees, business partners and the community

Targets	Performance in 2015	Progress
<p>Fully incorporate safety in daily activities</p> <ul style="list-style-type: none"> - To achieve an incident frequency IF BAM total of ≤ 5.0 for 2015 - To have all BAM operating companies OHSAS 18001 certified by 1 January 2016. - To achieve an SAA score of 75.0 in 2015 	<ul style="list-style-type: none"> - IF BAM of 4.5 - 97 per cent of BAM was operating in verified compliance with OHSAS 18001 by the end of 2015. - SAA of 75.4 	<ul style="list-style-type: none"> ● ● ●
<p>Achieve a higher level of gender diversity in BAM's top management</p> <p>To have five women appointed at BAM's senior management level by the end of 2015</p>	<p>BAM has women in the Supervisory and Executive Board and at the levels director ICT, director Human Resources of BAM Infra, Director Projects and Rail of BAM Infra Energie & Water and Financial Directors of BAM Belgium and of Interbuild.</p>	<ul style="list-style-type: none"> ●

IF BAM total
Incident frequency including all employees working for BAM (BAM, hired, subcontractors and third parties).

IF BAM
Incident frequency for BAM site employees.



BAM International wins Construction Week Award for CSR Initiative of the year

BAM International's CSR activities in the Middle East were rewarded at the Construction Week Awards 2015. CSR activities carried out by BAM International in 2015 include maintenance of a mosque in Al Ain; upgrading of the Al Dabbiya village road; periodic beach cleans on all marine projects in Abu Dhabi, Dubai, and Jordan; charity collections through all its projects; and, worker initiatives, such as boat trips, cricket competitions, and excursions to tourist destinations. BAM International's emphasis on region-wide CSR was highly appreciated by the jury. In the words of one judge: 'Their CSR efforts are carried out throughout the year, and not only during the Ramadan period. They have engaged in numerous effective CSR programmes which actively involve staff, which in turn, enforces the importance of outreach programmes.' Fergal Kelly, corporate safety manager at BAM International, said, 'Essentially it is a management commitment towards our CSR initiatives. We have to do minimum six CSR community initiatives, if not then hit more than that. We speak to our stakeholders, sub-contractors to see if they have any ideas about where we are working.'

Where BAM can improve

Despite BAM's continuing effort to improve safety on its projects, the company deeply regrets the sad loss of two subcontractor employees in 2015 as results of industrial accidents. BAM is aiming for zero accidents, regardless of the severity of the accidents or the numbers of hours worked. The challenge for a future that appears impossible but will be made possible through personal commitment. We are in the process to generate a genuine and sustainable safety leadership culture across the senior management of the Royal BAM Group.

Health and safety

Royal BAM Group feels responsible for all people involved in or affected by the activities of the Group. This includes BAM's employees, clients, designers, partners, suppliers, subcontractors, buyers and the general public.

Safety

In order to effectively monitor its safety performance, BAM records statistics of the following groups:

- BAM employees (all employees with an employment contract with the company);
- Hired employees (all employees from the leasing sector, who work for a BAM company, excluding hired BAM employees);
- Subcontractors (all employees of the subcontractor and the employees of their subcontractors, employees hired by subcontractors and self-employed persons);

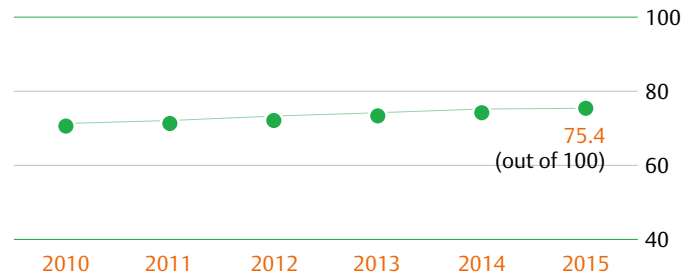
BAM International secures on-site safety with i-BAM app

A handheld device that verifies employees' health, safety and environment (HSE) credentials. The introduction of the i-BAM device signaled a further improvement to the HSE performance on BAM International projects in the Middle East and Gulf area. Known as i-BAM, short for 'instant biometric Android monitoring', the device uses biometric data to immediately verify if the person has completed the required training and has the applicable certificates for the task that is being carried out. With i-BAM BAM International can immediately check whether someone is performing tasks for which they have actually received training. There is also no more hassle with stickers that have to be stuck onto helmets and the data is updated on a daily basis.

- Consortium / joint venture (all BAM employees, leasing employees, self-employed persons and employees of subcontractors and their subcontractors who are working for BAM);
- Other / third parties (principal, supervisor, inspector, supplier, visitor and so forth).

As part of the SAA each operating company is awarded a score on a scale from 0 to 100. The SAA audit report includes recommendations for further improvement. The average of all the audit results provides a picture of safety performance within BAM as a whole. Safety awareness in 2015, as measured through the SAA, increased to 75.4 (2014: 74.2), which exceeded the 2015 target of 75.0.

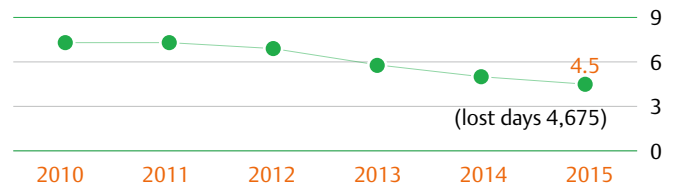
Serious accident
An industrial accident that leads to the person involved being admitted to hospital for more than 24 hours or results in electrocution, amputation or fracture with lost time.



21 — Safety Awareness Audit (SAA)

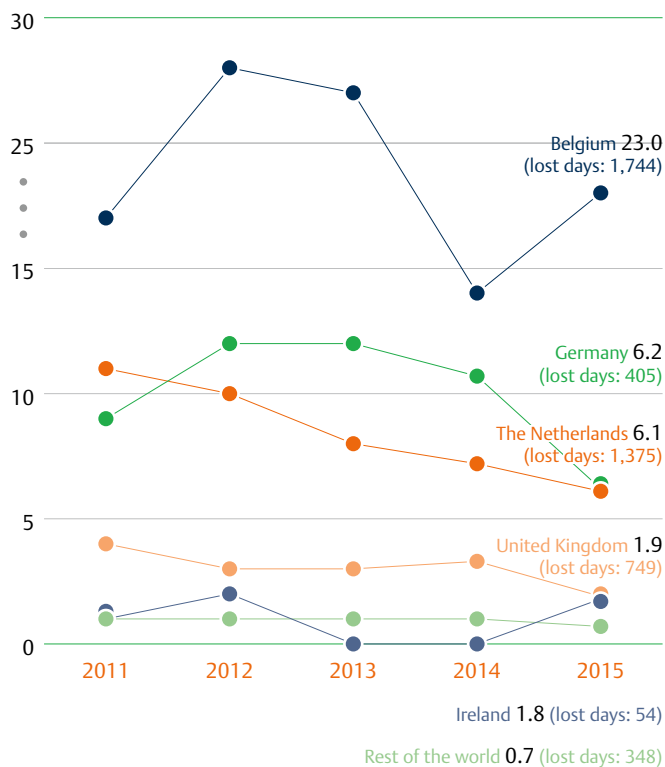


The IF for BAM is determined by the total number of industrial serious accidents leading to absence from work, per million hours worked on construction sites. In 2015 the IF decreased to 4.5 (2014: 5.0), which is below the 2015 target of 5.0. The number of fatal and serious accidents (BAM employees, hired, subcontractors' employees, other) decreased from 205 in 2014 to 153 in total in 2015.



22 — Group incident frequency (IF)





23 — Incident frequency (IF) by country



It stands to reason that managers' attitude and behaviour are crucial for better safety results. Therefore in 2015 BAM continued the Making BAM a Safer Place campaign, which started in 2013. On 13 October 2015 the global BAM Safety Day took place, which paid attention to health and safety with the global theme 'in shape to start'. The main aim of In Shape to Start is for the team or individual to assess the activities and working environment prior to starting work each shift and additionally before starting each different work activity during that day. The assessment should not replace normal risk assessments. It should include not only the task to be performed but also the work environment and those who may be affected.

In short, In Shape to Start is:

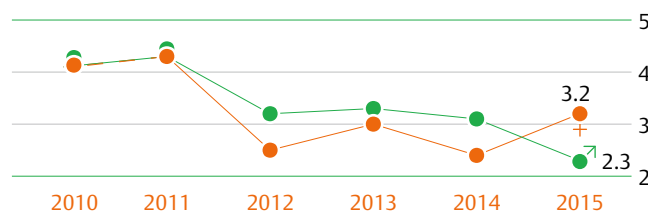
- Involvement of the workforce;
- An opportunity for workers to seek improvements ahead of commencing work activities;
- A means of pausing to re-evaluate hazards, risks and control measures;
- A means of reinforcing original risk assessments and method statements;
- Part of a wider health and safety improvement programme.

In 2015 BAM and TNO have done more work towards employee resilience through the 'B-Alert' programme. BAM also continued with implementation of the programmes Hein® in the Netherlands and Beyond Zero and Zero Harm in Ireland and the United Kingdom to encourage and strengthen a culture of openness.

Furthermore, it is apparent that fewer accidents take place when clients include safety in requirements for contract selection and contract execution. In the Netherlands in 2015, BAM, together with other large construction companies and clients, committed to making industry-wide agreements to improve safety by signing a Governance Code Safety in Construction. By doing so, they aim to improve the industry's safety culture and performance, strengthen the supply chain and promote standardisation, education and knowledge exchange. Therefore in 2015 BAM participated in selected Governance Code meetings, workgroups and were presentations held at the Dutch 'Bouwcampus' for the construction industry. Chairman's of the workers council, active in construction and dredging in the Netherlands, were involved by BAM about the progress on implementation of the Governance Code. BAM also endorsed the Zero Accidents Network, that focuses on management commitment of the participating companies. Furthermore in 2015, BAM chaired the health and safety working group of ENCORDER, which worked on sharing and learning, standardisation of safety indicators and research and development. BAM also revised its General Terms and Conditions for Purchasing and Subcontracting to include safety performance management of subcontractors.

Health

BAM actively focuses on health concerns for its employees, such as sun protection and exposure to asbestos and quartz dust. Over the past years, BAM sees a decreasing trend in its absenteeism figures.



24 — Absenteeism (number of sick days as a percentage of total number of available days)



BAM recognised as leader in Dutch benchmark for transparency

For the sixth consecutive year, Royal BAM Group has been awarded with a top 20 position on the Transparency Benchmark (Transparantiebenchmark) of the Dutch Ministry of Economic Affairs, and has been declared one of the leaders by achieving a fifth place and a score of 193 out of 200 (2014: 192). BAM is the highest-scoring construction company.

The Transparency Benchmark is an annual survey into the quality of sustainability reporting among the 500 largest companies in the Netherlands. The benchmark was established to improve sustainability reporting.

In 2015 BAM published its first annual report in accordance with the framework of the International Integrated Reporting Council (IIRC). The results of the Transparency Benchmark confirm that BAM describes material themes for value creation accurately and that the Group reports relevant information for its stakeholders transparently.

Corruption index

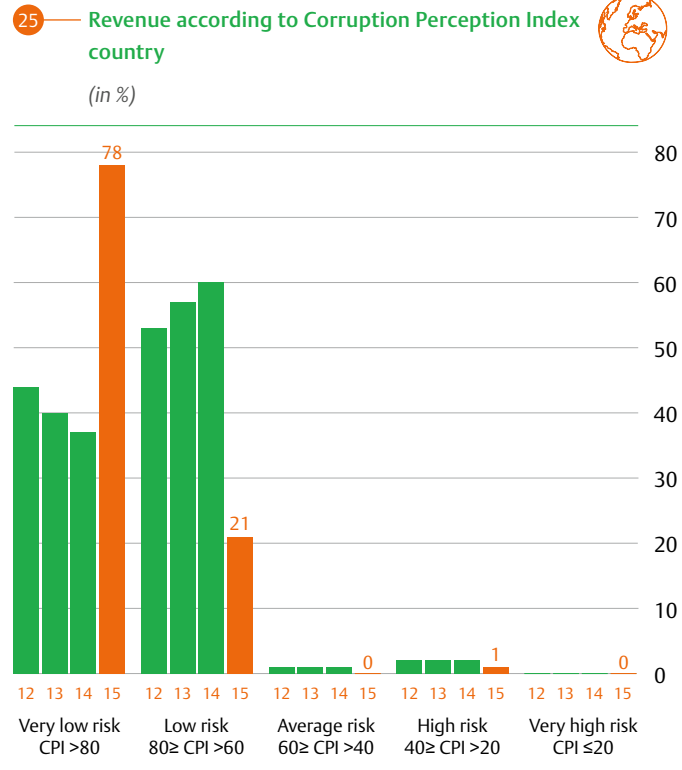
The Corruption Perception Index (CPI) is calculated annually by Transparency International, which focuses on strict implementation of the UN Convention against Corruption. The CPI classifies countries according to their perceived level of corruption on a scale from 0 to 100. BAM achieves the majority of its turnover in countries with a Corruption Perception Index Score higher than 80, i.e. in countries with a very low risk of corruption.

Business conduct and transparency

In 2013, the BAM Code of Conduct was modernised and aligned to new regulations such as the UK Bribery Act. All new BAM employees are required to sign a declaration of adherence to this Code as part of their employment agreement with BAM. An e-learning tool has been launched in 2014 to train and remind employees of these BAM values and standards. The training was introduced for Dutch operating companies first. By the end of 2015 3,765 employees in the Netherlands received an invitation to follow the online course, which was successfully completed by 69 per cent of these employees. All invitees receive periodical reminders until they have completed the training successfully. In 2015 BAM worked on different translations of the course for introduction in its other home countries in 2016. The training will be obliged for all new BAM employees.

During 2015 Dutch media paid attention to one particular incident, where an area director of a BAM-subsiidiary was involved, who had withheld financial information about a project from management. In this particular case all BAM procedures were applied directly and correctly, well before it was mentioned in the media. As a consequence the area director lost his position at BAM.

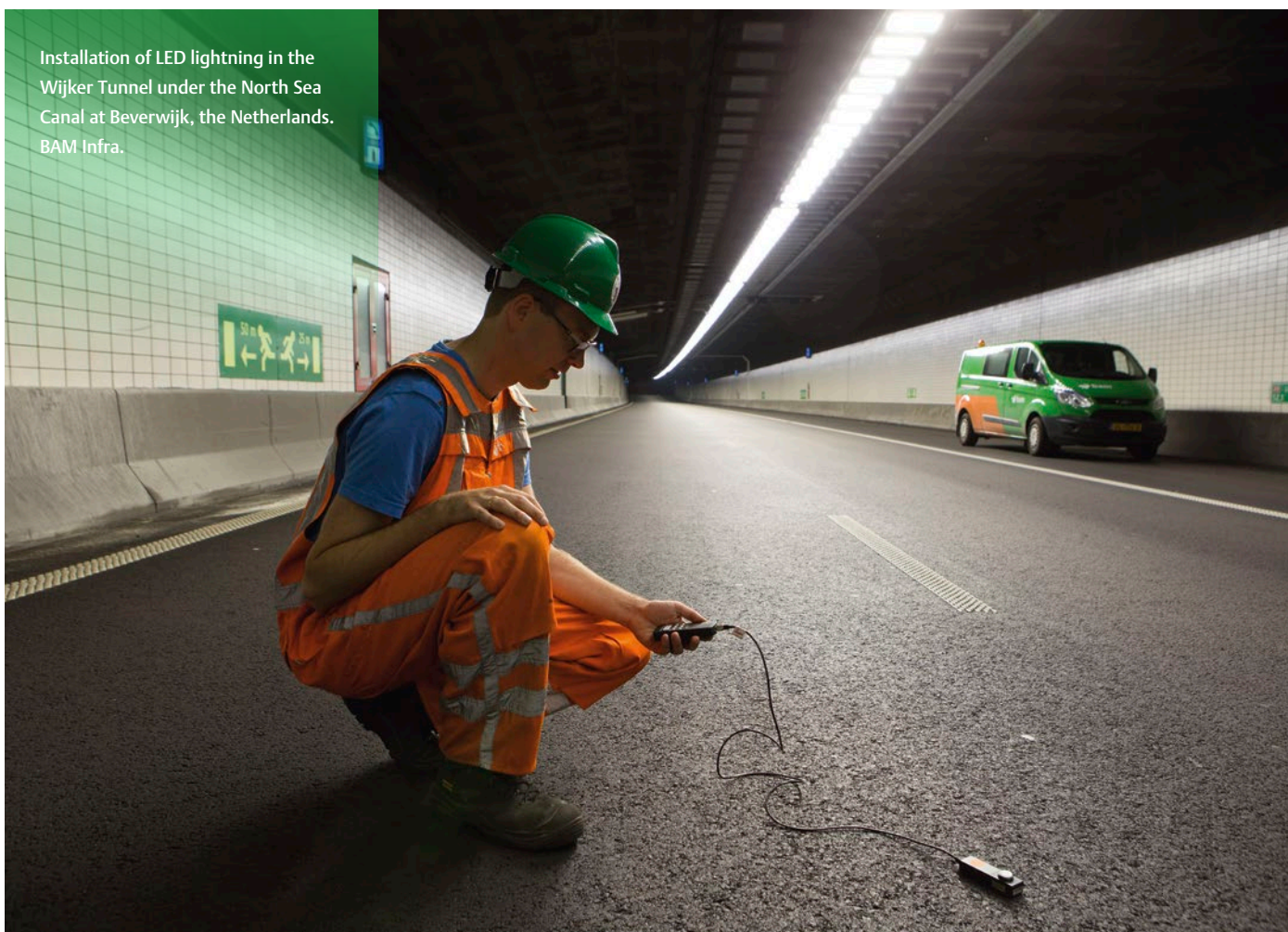
In 2015 no legal actions were taken for anti-competitive behaviour, anti-trust and monopoly practices. In addition, there have been no material instances of corruption or of non-compliance with laws and regulations.



Operatives of geotechnical specialist BAM Ritchies brave the steep incline of the cutting through Longfield Hill on the Chatham Main Line linking Victoria to the Medway towns, Dover and Ramsgate. Remediation is taking place on both sides of the cutting over a total length of about 750 metre and the completed work will see 4,000 soil nails, 1,500 rock bolts – with 20 kilometre of drilling to install them – and 22,500 square metre of facing mesh installed at the site.



Installation of LED lightning in the Wijker Tunnel under the North Sea Canal at Beverwijk, the Netherlands. BAM Infra.



Responsible tax

Corporate income tax, taxes on wages, social security contributions, and VAT are also considered relevant taxes in relation to the turnover that BAM makes in the areas where it works. These taxes provide good comparability in the Netherlands, the rest of Europe, and the rest of the world for BAM. Under these categories BAM's taxes amount to 831.1 million. Relative to BAM's turnover, the share of taxes paid deviates most from the share of turnover in the Netherlands. Here BAM's share of taxes is relatively high compared to turnover.

26 — Taxes paid in 2015

(x €1 million, unless otherwise stated)

	Taxes	%	Turnover	%
Netherlands	375.3	45	2,475.3	33
Rest of Europe	411.9	50	4,276.5	58
Rest of the world	43.9	5	671.2	9
Total	831.1	100	7,422.9	100

Employee recruitment, development and retention

Back in Shape

Its employees are BAM's most important asset. A reduction in jobs as part of the Back in Shape programme appears to contradict this. BAM is aware of this apparent contradiction yet it is important to safeguard BAM's performance from an economic point of view. BAM supports sustainable employee development with its endeavours to help employees involved find suitable new work. This is laid down in a social plan.

Employees who have been made redundant have an additional option. The social plan offers:

1. Outplacement (help with going from work to work, employee receives compensation);
2. Immediate termination of employment contract (employee receives compensation).

BAM's social side is clearly visible in the plan, particularly in the safety net scheme: if, for instance, someone has chosen the outplacement path and receives a new six-month employment contract, and this contract is not extended due to reasons beyond the responsibilities of the employee involved, he or she can fall back on BAM's mobility process. The safety net means that one initially receives help with finding a new job, and if one is not successful, he or she will get financial compensation. The duration of this safety net scheme is maximum 24 months.

The active aspect signifies a pro-active attitude, both of the employer and the employee, and this element was lacking in the former social plan. This aspect is mainly expressed in the work-to-work programme for both parties, which entails assisting employees whose positions have become redundant towards a new challenge. For this BAM has established BAM Link, BAM's mobility centre, where people are assigned a personal mobility advisor who helps finding another job, whether at BAM or outside the organisation. BAM is focusing on this process more than before, which is a huge investment in terms of time, money and energy. An active approach of the employee who has been made redundant is always rewarded.

Diversity

During 2015 the Dutch construction daily Cobouw reported that the share of female employees in the Dutch construction industry has not increased over the last years. The construction industry is still considered to be the least emancipated industry in the Netherlands. Of all main contractors in the Netherlands, BAM employs the largest share of women: 14 per cent are women.

For all home countries except for Belgium, the percentage of female employees increased or remained at the same level.

27 Female employees by region

(in % of total employees)



	2015	2014
Netherlands	11%	11%
United Kingdom	23%	22%
Belgium	10%	11%
Germany	21%	21%
Ireland	25%	24%
Rest of the world	4%	4%

28 Employees per gender by employment type

(in %)

	2015	2014	2015	2014
Full-time	96%	96%	56%	56%
Part-time	4%	4%	44%	44%

29 Employees per employment contract by gender in 2015

(in %)

	permanent contract	temporary contract
	13%	1%
	77%	9%
Total	90%	10%

30 Employees per employee category by gender in 2015

(in %)

	Senior management	Middle management	Operational staff
	4%	8%	15%
	96%	92%	85%

31 Employees by age group

(in %)

Age group	2015	2014
<20	1%	1%
20-29	15%	14%
30-39	25%	25%
40-49	27%	28%
50-59	24%	24%
60 ≥	8%	8%

Annual total compensation by country

In 2015 the rounded ratios for annual total compensation of BAM’s highest paid individual to the average annual total compensation for all employees remained at the same level as in 2014, except for Germany. In Germany the ratio decreased from seven to six, which means that the average salary increased more than the salary increase of the highest paid individual. The ratio of percentage increased in the Netherlands, and decreased in Belgium and Germany.

The relatively high ratio for BAM’s international business can be explained by the fact that Dutch management members work together with local workforce, thereby explaining the difference in salary standards.

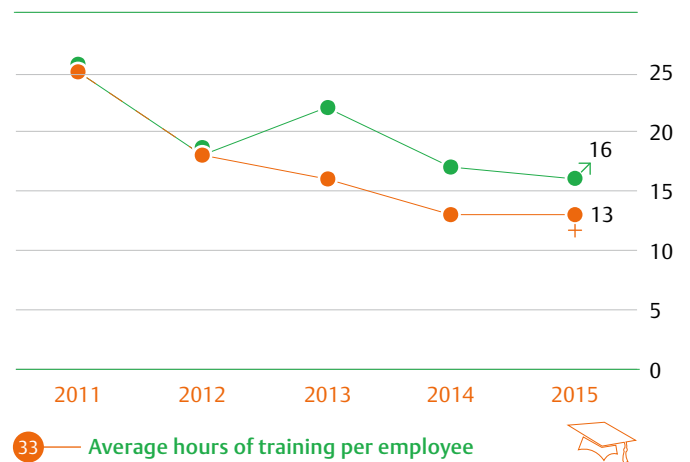
32 — Annual total compensation by country

(in ratio of the annual total compensation for the organisation’s highest-paid individual to the average annual total compensation for all employees (excluding the highest-paid individual))

	2015		2014	
	ratio of percentage increase	ratio	ratio	ratio
Netherlands	4%	13	13	13
United Kingdom	0%	7	7	7
Belgium	-7%	7	7	7
Germany	-5%	6	7	7
Ireland	-2%	6	6	6
Rest of the world	N/A	23	-	-

Employee engagement

During 2015 approximately 130 colleagues, with a Group-wide representation, participated in four sessions called the ‘Edge Journey - Growing Together’ to develop the strategic agenda 2016-2020. External speakers were invited to present their businesses and to challenge BAM staff to come up with innovative business concepts that BAM might bring to the market in the coming years. Many of the innovative ideas were based on expansion of services over the life-cycle of projects and using data to ultimately serve the end-user in its need for smart solutions.



33 — Average hours of training per employee

BAM Ireland launches ‘Breakfast and Learn’ series

As part of its staff development programme, BAM Ireland has held a series of ‘Breakfast and Learn’ events across sites and offices in 2015. The events included presentations from a variety of sources which are selected on the basis of their interest to staff and their application in building and civil engineering principles. The series commenced with presentations of the Building the Shard – construction of the tallest building in London and ‘BIM – BAM’s move into 21st Century Construction’. Presentations counted as continuing professional development (CPD) training and provide staff with an accessible and enjoyable way of contributing to CPD targets. Contributions and discussions were encouraged during the events on the topic at hand. Constructive feedback and ideas were also used towards improving the CPD process across the company.

Local community engagement

In 2015, local community engagement programmes, that measure and manage the impact of building projects on the local environment, were implemented at 33 per cent of BAM's operations. These were initiatives as part of existing programmes, such as the Considerate Constructors Scheme (CCS), Bewuste Bouwers and Making TIME for Communities, as well as unique initiatives of engagement managers on projects and site-specific sponsoring or charity work.

Considerate Constructors Scheme

CCS fosters good communication with the local community and promotes professionalism on building sites. Both BAM Construct UK and BAM Nuttall in the United Kingdom are associate members of the CCS. Construction sites registered under the CCS scheme are monitored to ensure that they comply with the Code of Considerate Practice developed to promote good practice, going beyond legal requirements.

Bewuste Bouwers

Based on the success of the UK Scheme, BAM was one of the companies that introduced the scheme Bewuste Bouwers in the Netherlands in 2009. After five years of participation, Bewuste Bouwers decided to involve BAM in further roll-out of the scheme. During 2015, 78 sites were registered under the scheme in the Netherlands (2014: 82).

Making TIME for Communities

BAM Construct UK continued its commitment to targeting the social issues highlighted in the Making TIME for Communities strategy. For the third year running, BAM Construct UK's community initiatives were award winning, with the Manchester Football Academy project collecting a hat-trick of community awards. BAM Construct UK uses the London Benchmarking Model to quantitatively measure its community investment. In 2015 BAM Construct UK estimated that 90 per cent of all community engagement activities were monitored and given a monetary value. In 2015, €766,400 was invested in to the communities surrounding BAM Construct UK's projects, which benefitted over 20,000 people. Additionally in 2015, BAM Construct UK introduced an apprentice-tracking tool to document the number of young people gaining expertise on its sites. To date, 155 apprentices have gained over 11,500 days of site experience on BAM projects.

Procurement

BAM uses a tool to measure supplier performance. During project preparation, implementation and follow-up, the tool assesses suppliers against the themes safety, quality, total cost, logistics and engineering and process. Operating companies have the

opportunity to add any specific criteria. On a scale of 1 to 4, each supplier has to score at least 3 for each criterion. In 2015 a total of 3,679 supplier performance assessments were carried out.

Human rights

On 26 May 2015, a delegation of BWI and trade union organisations FNVBouw STICC visited the BAM project site of Hoog Catharijne in Utrecht, the Netherlands. No anomalies were detected in any of the areas that have been challenged by the BWI. A report, issued by FNVBouw confirmed this and stated that, among other things: there is an extensive safety programme on site; employment is freely chosen; there is no discrimination in employment; child labour is not used; working conditions are decent; safety representatives are chosen; and the employment relationship is established. The delegation was pleasantly surprised by the openness of the workers.

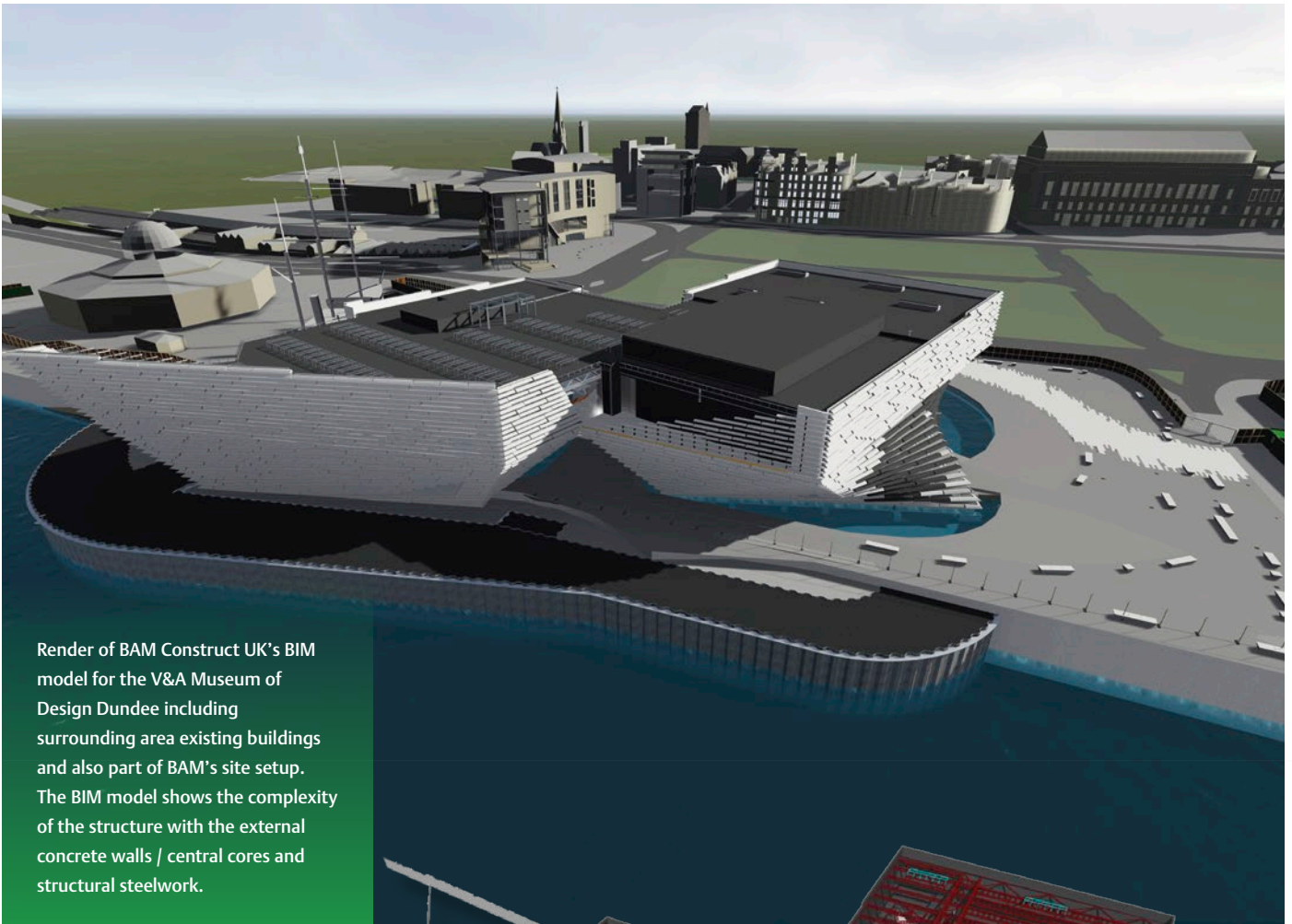
BAM International donates wheels to drive out malaria

BAM International's Limbe Shipyard project in Cameroon supported the Drive Against Malaria campaign with the donation of a Land Rover. Drive Against Malaria is a Dutch-based organisation that aims to drive malaria out of Africa. Founded in 1988 by David Robertson, Drive Against Malaria has the support of companies and organisations in Europe and the US as it offers direct support in emergency areas by providing medication and diagnostic tools, establishing clinics, training local people and distributing mosquito nets.

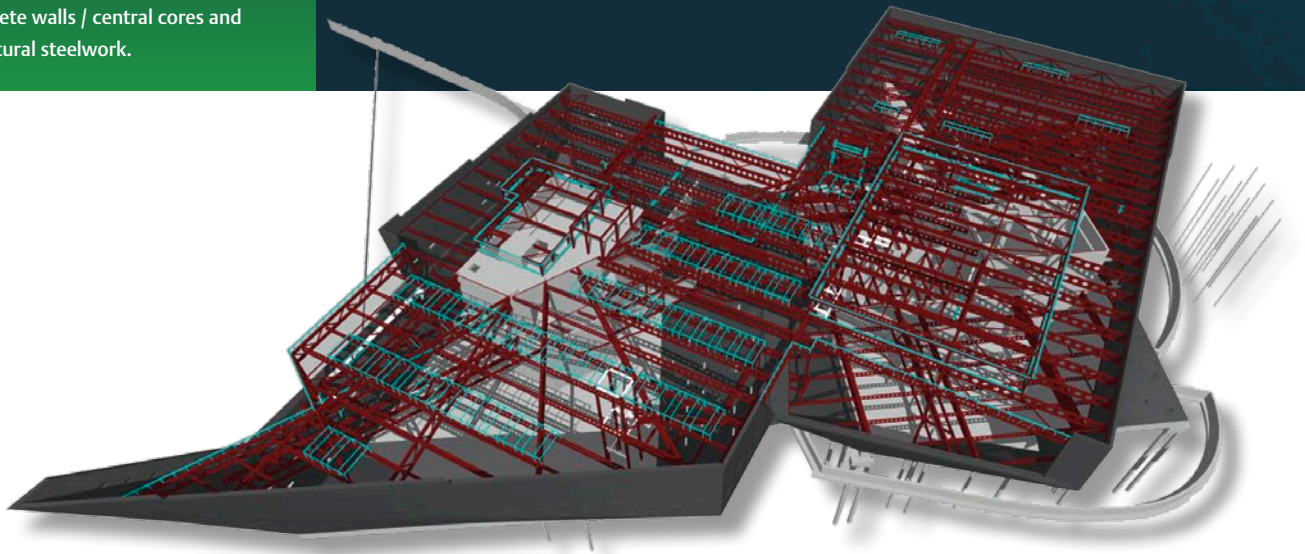
The Limbe Shipyard team has supported the organisation by helping to build a clinic in Cameroon and the donation of a car and other items. The Land Rover 4x4 vehicle makes it possible to reach patients and aid workers in areas that are often difficult to access.

Project manager Rick van Lent: 'Drive Against Malaria's efforts to drive out malaria are impressive. Through our activities on the continent we are well aware of the malaria problem and we're proud to be able to make a contribution.' David M.C. Robertson, the founder of Drive Against Malaria: 'We like to thank BAM International for their support by helping Drive Against Malaria Foundation with the donation of a Land Rover Discovery and various needs for our projects.

Also the technical support and helping hands with the building of our Malaria clinic in Idenau, Cameroon. We have been humbled by the extraordinary generosity of BAM International in response to our unprecedented appeal.'



Render of BAM Construct UK's BIM model for the V&A Museum of Design Dundee including surrounding area existing buildings and also part of BAM's site setup. The BIM model shows the complexity of the structure with the external concrete walls / central cores and structural steelwork.



Stakeholder interview

John Hagel III

John Hagel III is an author and former consultant who specialises in the intersection of business strategy and information technology. In 2007, Hagel co-founded the Deloitte Center for the Edge Innovation.

Which of the long-term forces of change do you consider to be the main drivers of change in the construction industry in the coming years?

‘There are many forces, but the one that probably has the greatest potential for impact is the continuing exponential improvement of digital technology and the deployment of digital technology infrastructures around the world. I think one of the things that is particularly interesting is the extension of these technologies into other technology areas. Take a look at the whole arena of 3D printing, where we can now print physical products using digital technology as a key driver, a shaper of that performance. Another related area is materials science, where we now use digital technology to design and deploy materials that can evolve over time, based on sensing of the environment. These are just some examples of the way that digital technology is going to have a significant and continuing impact on the construction industry as well as all businesses.’

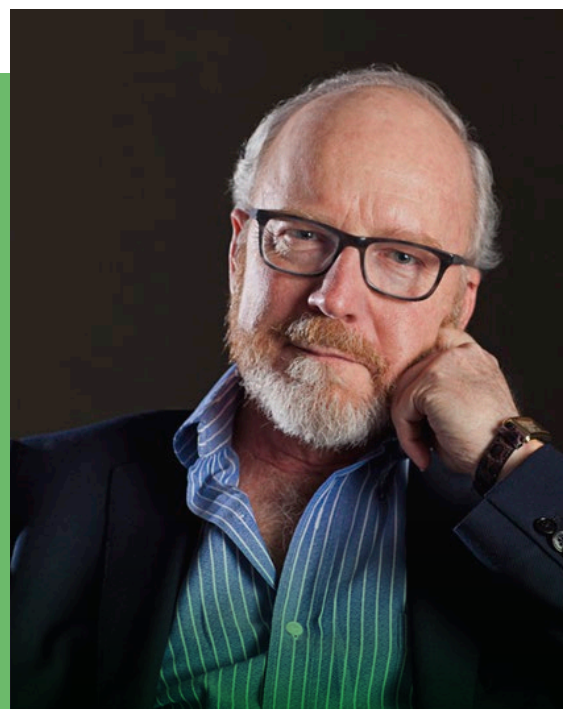
What do you consider to be essential for further sustainable development in the construction industry?

‘It is an imperative: you have to figure out ways to first of all harness the technology, but more importantly find ways of create sustainable businesses around that technology, because if you don’t, you will be marginalised. One of the key opportunities and imperatives is to find ways to harness these technologies in the form of business

platforms that can mobilise and coordinate activities across an expanding number of participants. We tend to call them pull platforms, where the key is how do you pull out the relevant resources and people when you need them and where you need them. In many respects the construction industry has always had pull platforms in the sense that any new major construction project requires drawing in relevant contractors and subcontractors and expertise. But it has been largely around mobilising them to do a certain task. What we call mobilisation platforms. Our view is that one of the big opportunities with digital technology is to evolve those platforms into learning platforms. Where participants are in the process of learning better and faster together than on their own. This way construction companies can take up a role as trusted advisors to their clients.’

What do you consider to be key elements in defining the strategic agenda for any major construction company?

‘One of the biggest opportunities or needs for companies is to approach strategy from two different time horizons. There is often a tendency in this world of rapid change to shrink your time horizon to focus on what must be done today, as there is so much going on. It is important to focus on a long-term time horizon, asking two key questions: ‘What is my relevant market or industry going to look like in ten to twenty years from now?’. And secondly: ‘What are the implications for the company







‘Harness the technology, but more importantly find ways of creating sustainable businesses around it’

that I want to become in ten to twenty years from now?’. On a much shorter time horizon the key question that should be asked is: ‘In the next six to twelve months, what are the two or three business initiatives, no more, that could have the greatest impact in accelerating our movement toward that longer term destination?’. And then: ‘Do we have the critical mass of resources to realise those two or three business initiatives?’ If you’re not continuously operating on two horizons simultaneously and rapidly iterating back and forth between these two horizons, you’ll quickly get sidelined. But just remember, there’s a very big upside: in an exponential world, small moves, smartly made, can set very big things in motion.’

3.3 Environmental performance

34 — Ambition: Recognising the responsibility to future generations

Targets	Performance in 2015	Progress
Fully incorporate CSR in daily activities		
 - To reduce BAM's total CO ₂ emissions by 15 per cent by 2015 (based on its 2009 emissions), taking into account the turnover and type of the projects.	- BAM reduced CO ₂ emissions from 277 kilotonnes in 2009 to 230 kilotonnes in 2015, a reduction of 17 per cent.	●
 - To be included in the CDP Climate A List Leadership Index by achieving performance band A.	- In 2015 BAM was included in the CDP Climate A List, and achieved a maximum score of 100 A.	●
 - To reduce BAM's total construction and office waste by 15 per cent by 2015 (based on its 2009 volume), taking into account the turnover and nature of the projects.	- BAM reduced construction and office waste from 574 kilotonnes in 2009 to 161 kilotonnes in 2015, a significant reduction of 72 per cent.	●
 - To increase BAM's separation rate of construction waste by 25 per cent by 2015 (compared to 2009 volumes) taking into account the turnover and nature of the projects.	- BAM's separation rate of construction waste increased from 10 per cent in 2009 to 29 per cent in 2015, an improvement of 63 per cent.	●

Young BAM and KNMI discuss climate change and its impact on BAM

In a delta country such as the Netherlands, the climate plays an important role. For an accessible, livable and safe country, knowledge about the future climate is crucial. The KNMI (Royal Netherlands Meteorological Institute) has developed climate scenarios to gain insight into the future climate of the Netherlands and the specific influence of global warming.

The scenarios show a picture of higher temperatures, accelerating sea level rise, wetter winters, more intense rainfall and chances of drier summers. This will require significant changes in buildings, coastal defenses, drainage and sewerage systems, which are all huge business opportunities for BAM. At the same time, extreme weather conditions might have negative effects on construction activities and project planning.

In the afternoon of 24 April 2015, KNMI hosted a special event for Young BAM members to learn more about climate change and the specific risks and opportunities for BAM. The event included a welcome of KNMI director Gerard van der Steenhoven, presentations on the climate scenarios and the impact on BAM, a special visit to the 'weather room' and a 3D simulation of specific weather influences.



Ways & Freytag Ingenieurbau builds Austrian hydroelectric power station

Ways & Freytag Ingenieurbau has won a joint arrangement contract for the construction of a turbine building as part of a hydroelectric power scheme in Austria. The power station is expected to be operational by 2018. Compared to a conventional power plant the new power station will generate savings of more than 320,000 tons of CO₂ annually.

The client, Gemeinschaftskraftwerk Inn GmbH will operate the hydroelectric power station, which will be located in the Inn valley in Austria and will provide sustainable energy to approximately 100,000 households annually. A new dam will be constructed as part of the project that will create a two-kilometre-long reservoir stretching beyond the Austrian border into Switzerland. Water will be fed through a 22-kilometre tunnel to the turbine building, which will be located 160 metres beneath the dam. Here hydropower is converted into electricity. The water will flow back to the Inn through a 300-metre-long underground channel. The joint arrangement will be responsible for the construction of the turbine building and the outflow channel near the Austrian town of Prutz.

The four-star Margo Hotel in Depok, south of Jakarta, features twelve floors with 288 rooms, including two restaurants and a swimming pool. The hotel is situated adjacent to the Margo City Mall which was built by BAM a few years ago for the same client, PT Puri Dibya Property, part of the Djarum Group. BAM International.



Where BAM can improve

In general BAM emits greenhouse gases through the nature of its business. Production of asphalt is one of BAM's carbon-intensive activities. BAM can further reduce the emissions from its asphalt plants by producing more low-energy asphalt (LEAB). Furthermore, BAM should intensify its engagement with suppliers regarding the use and disclosure of FSC certified timber.

In a circular economy, 100 per cent of the materials is reused. In 2015 BAM managed to reuse 88.1 per cent of its waste as construction materials. There is an opportunity to find more useful purposes than landfill or incineration for 11.9 per cent of BAM's waste.

Energy and emissions

BAM's total energy consumption in 2015 was 3,356 TJ (2014: 3,410 TJ). The energy intensity, based on TJ per million euro turnover, in 2015 was 0.45 TJ/million euro (2014: 0.47 TJ/million euro).

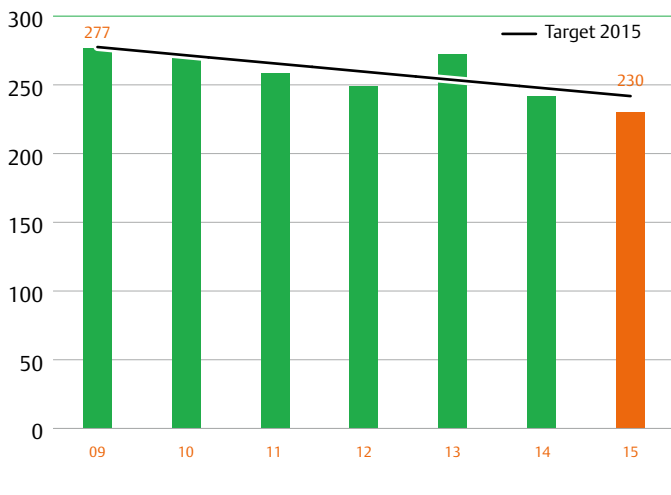
BAM has rebuilt the majority of its Dutch offices into open plan shared office spaces using the latest energy saving measures. In 2015 BAM used 75 kWh per square metre in its buildings in the Netherlands (2014: 122 kWh).

The total current vehicle fleet of BAM in the Netherlands consisted of 94.2 per cent A or B labels, compared to 91.3 per cent in 2014. BAM also deploys electric vehicles to reduce fuel consumption, CO₂ emissions and air pollution. In 2015 more than 5,590,000 kilometres were driven with the Group's fully electric vehicles and plug in hybrid cars.

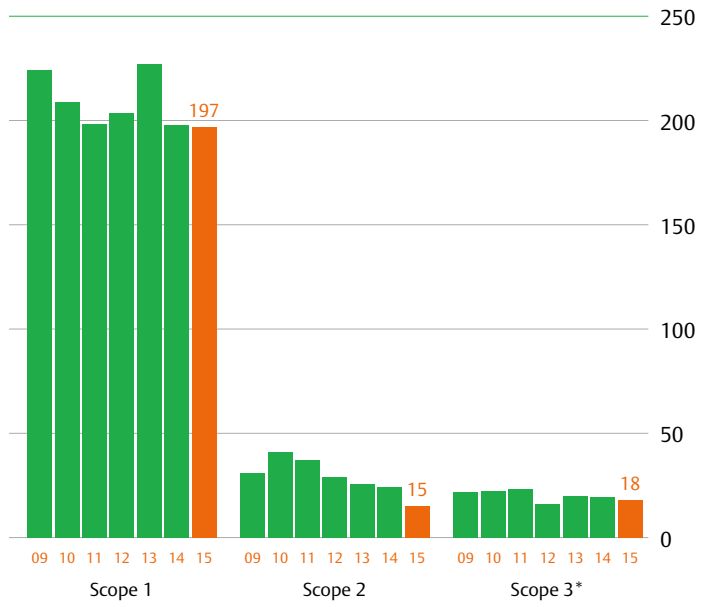
BAM's carbon footprint in 2015 was calculated on the basis of energy consumption of all operating companies worldwide as a consequence of direct and indirect CO₂ emissions from business activities. The Group's 2015 reduction target was 15 per cent compared to 2009. In 2015 BAM emitted 230 kilotonnes CO₂ (2014: 242 kilotonnes). In absolute terms, BAM's carbon footprint fell by 5 per cent compared to 2014 and by 17 per cent compared to 2009 (277 kilotonnes CO₂). The CO₂ intensity, based on CO₂ emissions per turnover, decreased by 7.2 per cent to 30.9 tonnes CO₂ per million euro (2009: 33.3 tonnes CO₂/million euro).

The CO₂ emissions intensity of BAM's office buildings in the Netherlands was 12.6 kilograms CO₂ per square metre (2014: 13.7).

BAM completed 39 zero-energy houses in Soesterberg, the Netherlands, for housing corporation Portaal. The project is part of ‘the Stroomversnelling’ initiative, which aims to renovate 111,000 social housing homes without any cost increase for the tenants. In order to create zero-energy homes, a new outer wall facade, among other things, will be built against the existing brickwork. Almost all the technical installations are housed in an energy unit outside each home. Significant improvements have also been made on the roofs. The PV panels reach over the load-bearing walls. The ridge tiles and the fascia boards are made of aluminium. BAM Bouw en Vastgoed (BAM Woningbouw).



35 — Total absolute CO₂ emissions
(in kilotonnes)



* Employee air travel; Employee car travel with privately owned cars; Business travel.

36 — CO₂ emissions per scope 1, 2 and 3
(in kilotonnes)

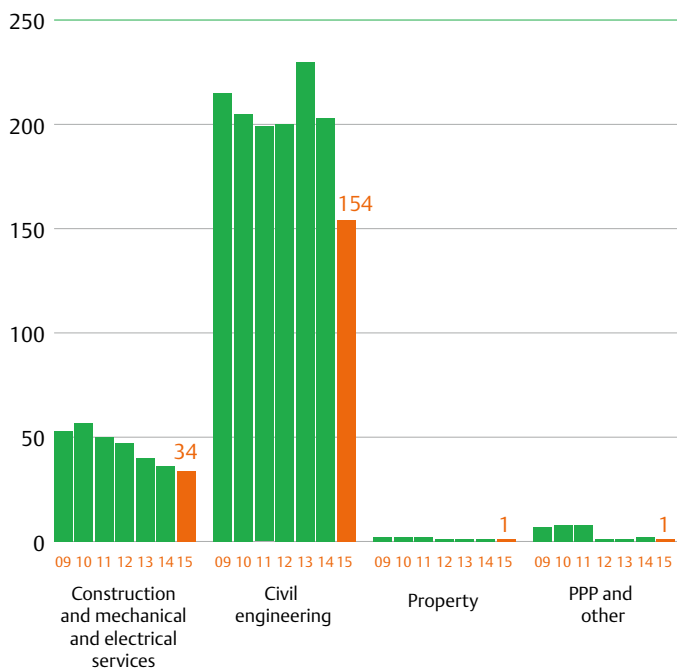
The Greenhouse Gas Protocol differentiates between three scopes, namely emissions directly resulting from a company’s own activities (scope 1), indirect emissions from purchased electricity, heating and cooling (scope 2) and indirect emissions in the value chain (scope 3). Scope 1 CO₂ emissions are responsible for 86 per cent of BAM’s total CO₂ emissions.

BAM's carbon footprint and its carbon intensity depend largely on the type, the phase and the location of projects in the reporting year. Emissions from BAM's offices reduced by 13 per cent compared to 2014 as a result of an almost complete shift towards renewable electricity use in the United Kingdom and the Netherlands, the merging of offices throughout BAM and continued energy efficiency improvements.

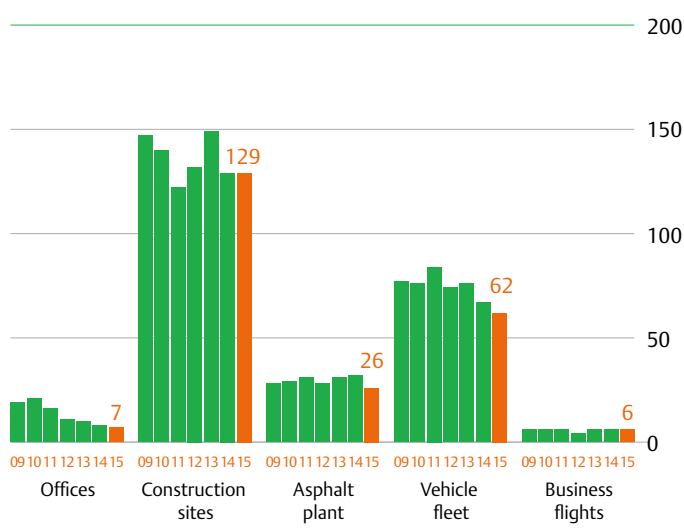
There has also been a decline of emissions at BAM's vehicle fleet, which attributed to 27 per cent of total emissions, and decreased by 7 per cent compared to 2014. This is the result of a reduction of leased vehicles, an increase of fuel efficient cars and continuation of programmes for fuel efficient driving.

Other things that contributed to changes in BAM's carbon footprint were:

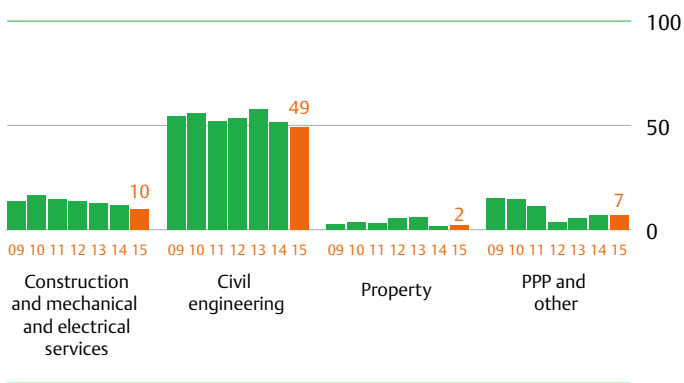
- Continuous improvement of the reporting process and reporting methods since 2009;
- Weather conditions;
- Other emission reduction initiatives.



37 — CO₂ emissions per sector
(in kilotonnes)



38 — CO₂ emissions per source
(in kilotonnes)



39 — CO₂ emissions intensity per sector
(in tonnes per €1 million revenue)



The largest impact on climate change of BAM's activities in the Construction and mechanical and electrical services sector occurs in the use phase of its products. In 2015, 18 per cent of BAM's revenue, approximately €1.3 billion, came from projects that have been registered with third-party green building or sustainable construction rating organisations, such as the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) standards, the UK's Building Research Establishment Environmental Assessment Method (BREEAM), Germany's Passivhaus standards and other objective and third-party standards or BAM's green building products.

For its actions to reduce CO₂ emissions and mitigate the business risks of climate change, BAM has been awarded with a position on the CDP Climate A List 2015: The CDP Climate Performance Leadership Index 2015. The index has been produced at the request of 822 investors – who represent more than a third of the world's invested capital – by CDP, the international NGO that drives sustainable economies. Information provided by nearly 5,500 listed companies has been independently assessed against CDP's scoring methodology and ranked accordingly. BAM has been awarded an A grade for its climate performance, earning a position on this global ranking of corporate efforts to mitigate climate change. Since 2012 BAM has been one of the leaders regarding transparency on impact on climate change. Only some of these companies also show improved climate performance. Since 2014 BAM has been among the best performing companies.

Highest score Circular Business for BAM

BAM leads the Benchmark Circular Business Practices 2015, a comparative study of the efforts of 52 Dutch listed companies to realise a circular value chain. The Dutch Association of Investors for Sustainable Development (VBDO), that conducted the study, is especially positive about BAM's innovations. 'One example is Low Energy Asphalt Concrete (LEAB), produced with fewer scarce natural resources and lower CO₂ emissions than conventional asphalt. Furthermore BAM puts a lot of effort into dialogue with clients, partners and suppliers on recyclability of construction materials and buildings. Also during the construction process BAM pays a lot of attention to sustainability.'

Circular economy

Waste

BAM's waste consists of excavation, demolition, construction and office waste. BAM focuses on construction and office waste as indicators of operational performance, since these outputs are based on the Group's own doings. All construction and office waste is initially brought to BAM's sites and offices on its behalf; in contrast to excavation and demolition waste. Excavation and demolition waste are initially at sites before BAM takes on a project and therefore less relevant as indicator of operational performance or sustainability; it is merely a part of BAM's business model to efficiently take it from sites.

Much like CO₂ emissions, trends in removed waste depend heavily on the phase and type of a project. This can give rise to major differences among civil engineering companies in particular. It is, however, still challenging to understand the relationship between BAM's turnover, the type of activities and the level of waste produced.

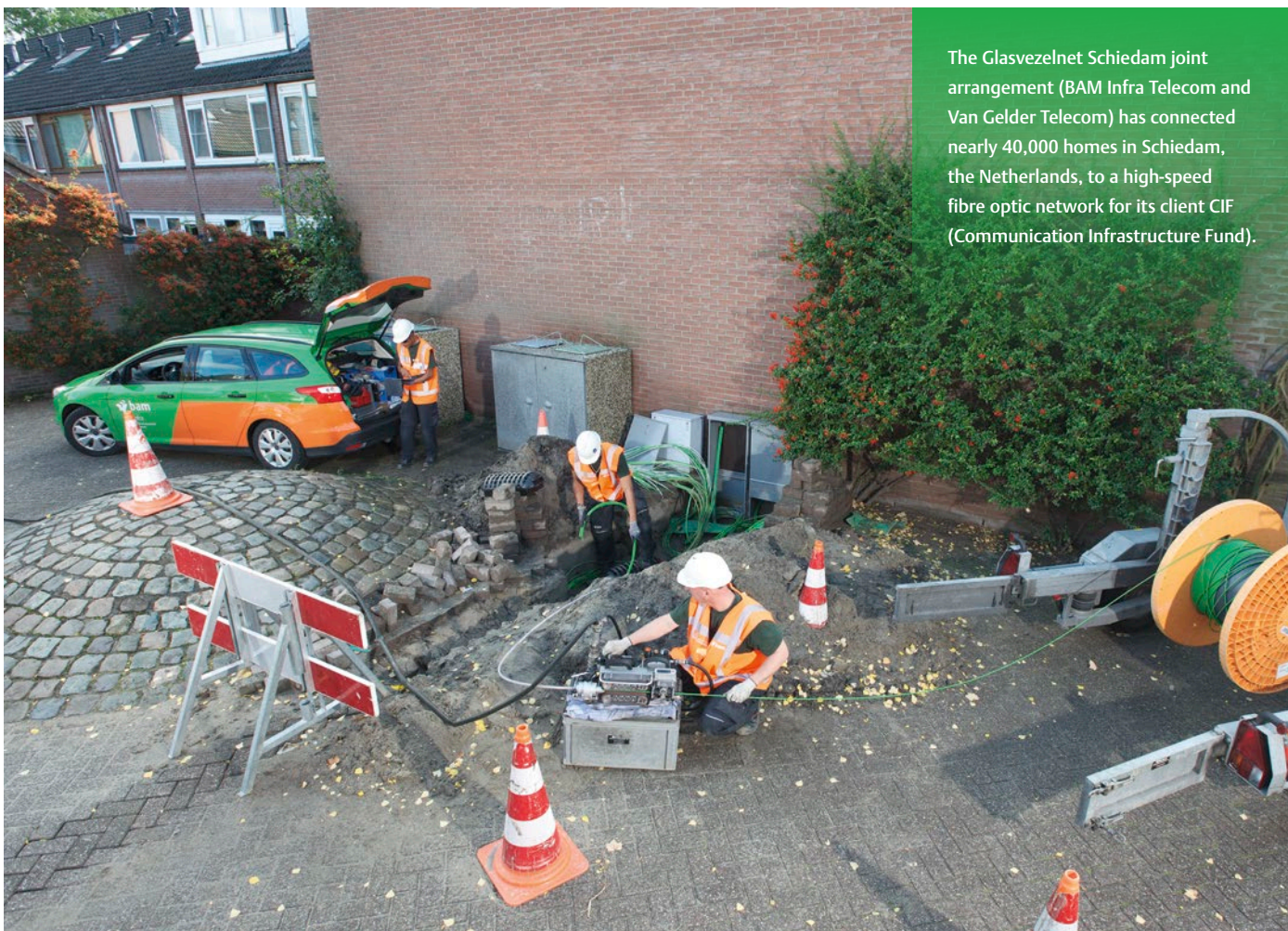
The Group's construction and office waste reduced by 12 per cent compared to 2014, from 182 kilotonnes to 161 kilotonnes and 72 per cent from 2009 (574 kilotonnes). This significantly exceeds BAM's 2009 ambition of 15 per cent reduction.

A large contribution to this year's reduction of the volume of construction waste was due to termination of large construction projects.

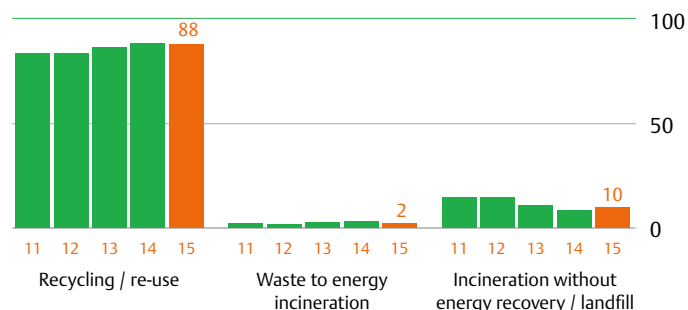
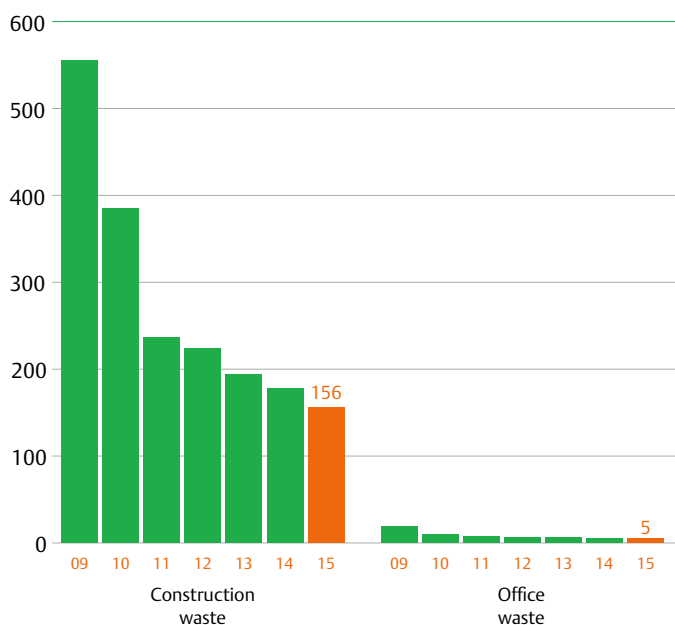
Efficiency in BAM's production process is further gained from prefabrication and the use of BIM, which reduces the amount of waste produced at construction sites.

To promote appropriate recycling, BAM has the objective to improve the separation of construction waste. In 2015, 29 per cent of the Group's construction waste in the Netherlands was separated, compared with 18 per cent in 2009 (63 per cent improvement).

BAM's efforts to separate construction waste on site have resulted in improved performance. In 2015, large volumes of timber, metals and cardboard were separately diverted. A proactive approach of project managers to separate these materials has resulted in a significant increase of the separation rate.



The Glasvezelnet Schiedam joint arrangement (BAM Infra Telecom and Van Gelder Telecom) has connected nearly 40,000 homes in Schiedam, the Netherlands, to a high-speed fibre optic network for its client CIF (Communication Infrastructure Fund).



40 — Waste production per source
(in kilotonnes)



41 — Waste production per destination category
(in %)



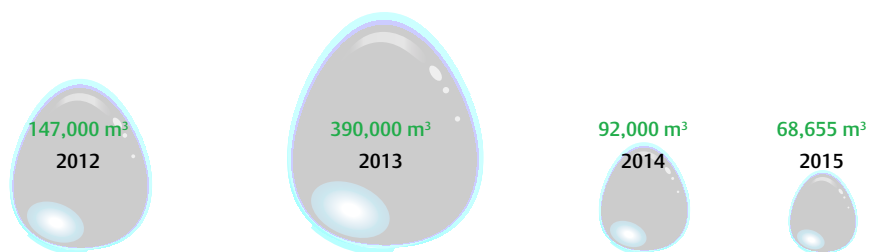


BAM Woningbouw has tested the BIM360 Field Autodesk application successfully on the Summertime project in Amsterdam. Using an iPad, project engineers, foremen and carpenters have online access on site to the 3D models created by designers in BIM. The BIM360 Field Autodesk application collects and manages all project data in a way that makes it well-suited to for multiple purposes.

Water

In 2015, BAM consumed 68,655 m³ potable water in the Netherlands (2014: 92,000 m³; 2013: 390,000 m³; 2012: 147,000 m³). In 2013, water consumption at construction sites was strongly influenced by tunnel drilling operations.

Potable water use



Materials

Since 2011 BAM has identified the quantities of materials used in its construction projects in the Netherlands. Based on statistical analysis of the financial data, the Group has identified the main categories of procured materials, as shown in > table 43 in the Netherlands. Due to their nature, most used materials can be recycled. Based on this statistical analysis and supplier data BAM believes that the recycled percentages are corresponding with the figures shown in this table. In cases where BAM applies recycled materials, nearly all materials are processed before they can be reused for construction. Therefore BAM chooses to report all materials to be recycled instead of partly reused.

43 — Material consumption in the Netherlands



Consumption

Resource		2012	2013	2014	2015
Concrete and mortar	m ³	658,000	558,000	536,000	490,000
Timber	m ³	28,000	23,000	28,000	32,000
Asphalt	t	1,300,000	1,400,000	1,500,000	1,400,000
Bricks	nr	40,800,000	30,400,000	17,000,000	18,500,000
Steel	t	61,000	67,000	79,000	73,000
Limestone	m ³	-	14,000	11,400	16,000

Recycled content

Resource		2012	2013	2014	2015
Concrete and mortar	m ³	11%	11%	10%	12%
Timber	m ³	2%	2%	2%	1%
Asphalt	t	41%	39%	42%	40%
Bricks	nr	0%	0%	0%	0%
Steel	t	60%	66%	64%	63%
Limestone	m ³	-	19%	19%	19%

BAM is the only major construction member of the Ellen MacArthur Foundation's CE100 programme. The Group actively works with clients to develop business models for 'circular buildings', including the Brummen Town Hall project in the Netherlands, which was completed in 2013.

BAM also has a strategic partnership with Autodesk and is actively involved in developing BIM applications to help manage the life-cycle of buildings.

BAM's experience in getting to grips with the circular economy in 2015 involved:

- Working with Horizon 2020's BAMB (Buildings as Material Banks) on the prevention of construction and demolition waste, the reduction of virgin resource consumption and the development towards a circular economy through industrial symbiosis.
- Working with WRAP in the United Kingdom, to collaborate on a project to develop resource efficient (circular) business models. The aim is to implement these in BAM's own developments, beginning with two commercial properties being built in the United Kingdom during 2016.
- Working with the Royal Society of Arts to implement their Great Recovery Project's 'tear down, design up' approach for buildings. This will involve analysis and virtual tear down of key demolition/strip out projects, to enable lessons to be learnt around designing for circularity measures in future projects.
- Standards/committee involvement:
 - The committee for the Designing Out Waste standard BS: 8895-1;
 - The development committee for a circular economy standard with the British Standards Institute (BSI);
 - The Ellen MacArthur Foundation CE100 programme;
 - The UK Contractors Group (UKCG) Circular Economy, Materials and Carbon group (chair of the Carbon group).

BAM International brings crystal clear water to Kalambazite

Construction and renovation work have an impact on local communities and are sometimes a thing of hindrance. This requires a constant focus on everything BAM does to minimise negative impacts and create value for local communities by implementing community engagement programmes. BAM's community engagement improves jobs and education in its environment, contributing to society and focus on leaving behind something extra. On BAM International's Laela-Sumbawanga road project, one such extra was a new spring well for the Kalambazite village.

The BAM/Aarsleff project team was tipped off by the village chief that the existing well was low, which forced the women of Kalambazite to spend hours each day waiting in line before they could fill their buckets. And so a CSR initiative was added to the joint arrangement's project plan to build a new spring well with better discharge and also a proper area for collecting water. When the well was taken into use, everyone was happy to see crystal clear water coming out of the ground and to hear the satisfied comments of the women. Now they no longer have to walk long distances and spend hours standing in line.

BAM Infra experiments with horizontal recycling of asphalt

As part of the LE2AP (low energy and emission asphalt pavements) research project, BAM Infra is experimenting with horizontal repavement of roads. This should lead to a process in which a worn road section is converted into new asphalt on site, without compromising to quality. Horizontal means that all layers from bottom to top are reused and after reprocessing come back in the same application. Ultimately, a worn section is then completely reused. So far, reclaimed asphalt is only reused in intermediate layers. The top layer is always paved with new materials and therefore the total recycling rate moves between 50 and 60 per cent. The first one-kilometre pilot section is planned for 2016.

Asphalt

Asphalt production is typically natural resource and energy intensive. In 1998, BAM started with the development of Low Energy Asphalt Beton (LEAB), an innovative type of asphalt that uses less energy, less scarce natural resources and has lower CO₂ emissions than conventional asphalt. In order to investigate the potential of this new type of asphalt to create value for society, BAM commissioned a True Price study. The study indicated that placing LEAB instead of conventional stone mastic (matrix) asphalt (STAB) creates an estimated €257,000 lower negative impact on the environment per kilometre of highway. This equals the monetised environmental externalities (often referred to as ‘environmental cost’) of energy use of about 120 Dutch households per year. To calculate the true price, the main environmental impacts of asphalt production were measured and translated into societal costs. The results show that the production, use and end-of-life treatment of LEAB asphalt is associated with 30 per cent lower environmental costs than conventional asphalt. Coincidentally this equals the reduction in energy and CO₂ reduction, but is built up of other factors. This makes LEAB an undeniable proposition for, among other things, government procurers, since it has the same quality, an equal or lower market price and a better environmental performance than conventional asphalt.

The study provided BAM insight into the size of environmental impacts occurring in the asphalt production chain, and made those impacts comparable. As shown in > figure 45, energy use, material use and ecotoxicity are the largest remaining environmental externalities for LEAB. True Price methods support better decision-making. The results help BAM to steer future innovations and prove that sustainable innovations, such as LEAB, can create value to society without causing additional financial costs.

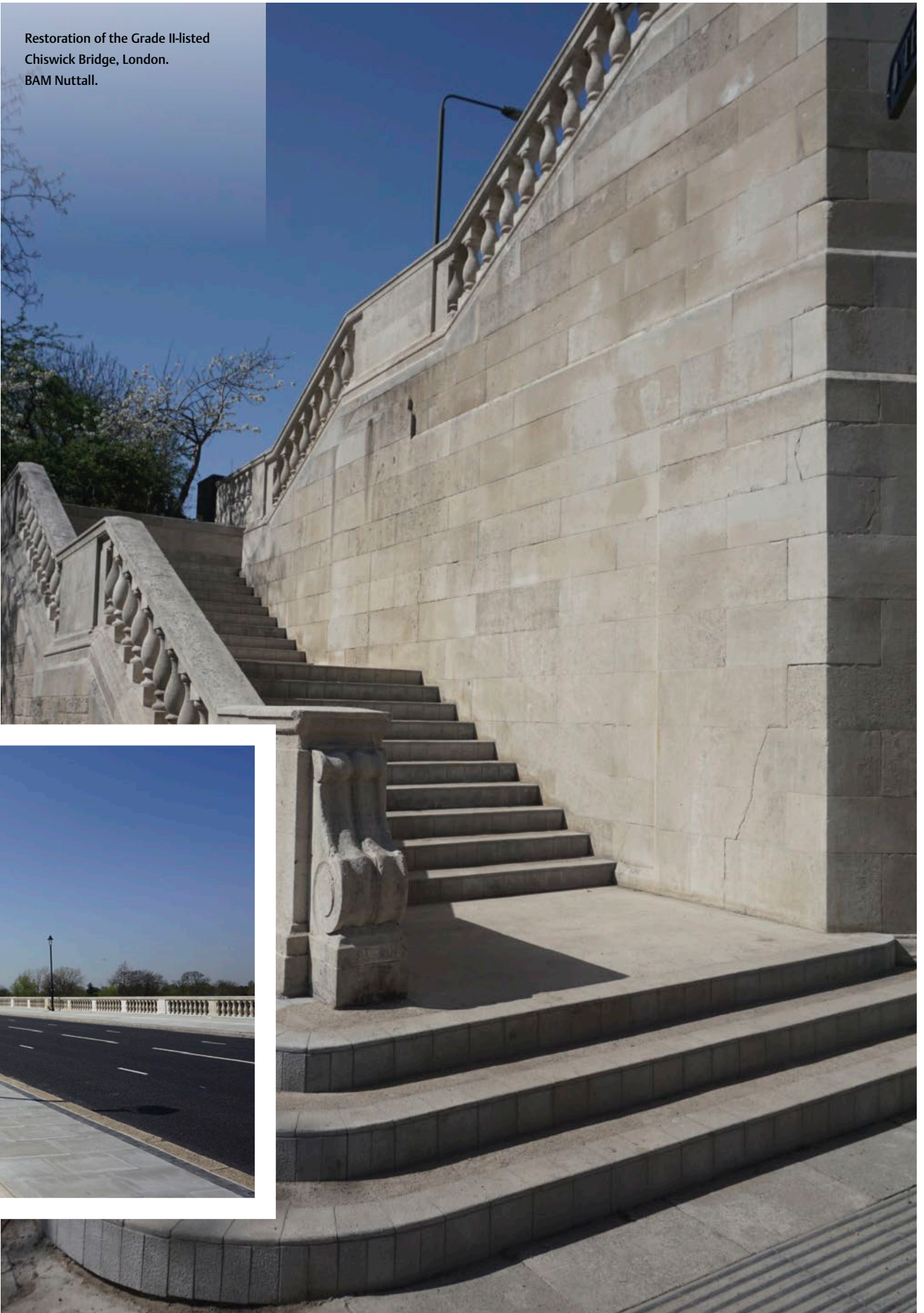
European Commission approves BAM innovation programme REnnovates

As part of Horizon 2020, BAM’s innovation programme REnnovates has been approved by the European Commission.

BAM’s project team ‘De Stroomversnelling’ is further increasing insight in the energy requirement and supply of its renovated zero-energy bill (Nul-Op-De-Meter) houses. Reliable energy supply in times of high peak demand or supply is a major challenge. The REnnovates innovation project aims to reduce the impact of adding solar power to the grid by integrating batteries and the use of smart controls. This should result in a new service that BAM can offer to network operators. BAM is the lead in the consortium which consists of Mostostal, Mondragon, Stedin, Vito, Enervalis, Belfius, MassiveCell Technologies and KEO. The consortium will receive a total grant of €5 million.



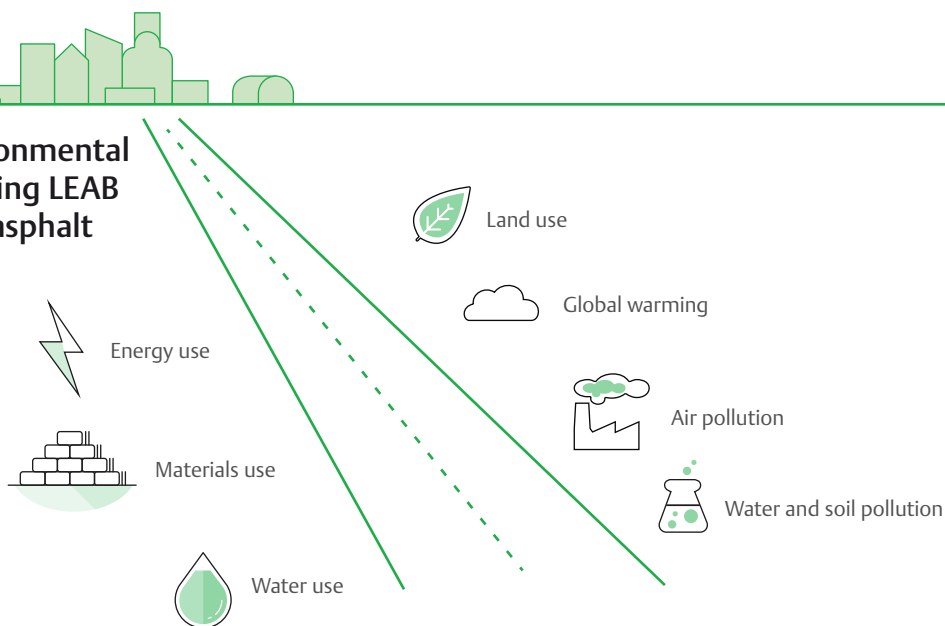
Restoration of the Grade II-listed
Chiswick Bridge, London.
BAM Nuttall.





The OpenIJ consortium (BAM, PGGM, VolkerWessels and DIF) has won the contract to design, construct, finance and maintain a new sea lock at IJmuiden to improve the accessibility of the port of Amsterdam. The new lock will be 70 metres wide, 500 metres long and 18 metres deep. The client is Rijkswaterstaat. Construction activities will be carried out by a BAM Infra and VolkerWessels joint arrangement. The work will commence early 2016 with the new lock available for shipping at the end of 2019. BAM PPP, BAM Infra.

1 — Measure the environmental impacts of producing LEAB and conventional asphalt



2 — Calculate costs of each impact to society

44 — How was this calculated?



45 — Using LEAB instead of STAB creates a positive environmental impact of €257,000 per kilometre highway.

Notes:

- Only production, transport and end-of-life treatment is taken into account, not the placement and use phase
- 7,500 ton asphalt per km highway (width: 30m, asphalt density: 2,500 kg/m³, thickness lower/middle layer: 40/60 mm)
- Average electricity and gas use of a Dutch household: resp. 3,340 kWh/yr and 1,525m³/yr (RVO, 2014)
- Compared LEAB 'bin base 30/45 60% PR limestone' to STAB '(50%) Natural Gas Average'

BAM successfully applies self-healing concrete

BAM Bouw en Techniek and the Dutch Central Government Real Estate Agency in collaboration with Delft University of Technology (TU Delft) have successfully applied self-healing concrete to repair cracks in the floor of a parking garage. The Central Government Real Estate Agency commissioned the treatment of several floor areas with this innovative impregnation at its property of the National Tax Office in Apeldoorn. Self-healing concrete was developed by TU Delft. By embedding calcite-precipitating bacteria in the concrete mixture, it is possible to create concrete that has self-healing capacities. The bacteria are activated and start to produce limestone as soon as they come into contact with water, causing cracks to be closed.

TU Delft is further researching how the self-healing capacity of concrete structures can be improved by using calcite-precipitating bacteria and what conditions are necessary for these bacteria to thrive. Traditional repair methods of the parking garage through concrete injection would take many weeks, so the garage would be unavailable for one or more longer periods. The treatment with the use of self-healing impregnation is performed in one weekend. While the bacteria do their work to repair the cracks, the garage is fully available for vehicles. Moreover, this biological form of concrete repair is more sustainable than traditional methods.

Sustainable timber

In 2007, BAM signed a covenant with FSC Netherlands committing to using only certified timber to support forest conservation and biodiversity. BAM's experience has been that it is difficult for some suppliers to provide information on the amount of non-FSC certified timber in products which are not entirely made from timber (e.g. doors and window frames). Working with FSC Netherlands, BAM's suppliers have been encouraged to improve the measurement and reporting of certified timber and in 2011 BAM developed a simplified system to record supplier data.

BAM requests information from its suppliers twice a year. BAM asks its suppliers to report on categories of timber which represented an estimated 85 per cent of all timber usage in the Netherlands for all construction works performed directly by BAM. The data used in this analysis therefore does not include any timber consumption for subcontracted projects. BAM approached its top Dutch timber product suppliers to report the amount of certified timber used in products supplied to BAM during 2015. The volume represented by the suppliers that responded, which forms the basis for the estimation, decreased compared to prior years (2014: 78 per cent; 2015: 34 per cent). Based on their responses BAM estimates that the percentage certified wood in timber sourced from these suppliers was 98 per cent. Of this 98 per cent, 16 per cent was PEFC and 82 per cent was FSC certified. This compared to 84 per cent FSC in 2014, 77 per cent in 2013, 66 per cent in 2012, 44 per cent in 2011, 28 per cent in 2010 and 17 per cent in 2009.

In the United Kingdom, the source of certified sustainable timber from both FSC and PEFC sources is recorded in BAM's on-line data monitoring system BAM SMART. In 2015, 99 per cent of timber in the United Kingdom was from verified legal and sustainable sources, of which 90 per cent (2014: 85 per cent) was delivered with full FSC or PEFC Chain of Custody certification or reused from other sites.



3.4 Outlook

Economic growth in BAM's home countries and international remains vulnerable. In general the market developments show a cautious positive trend, however not all markets benefit from this yet. The prospects for Dutch non-residential construction remains subdued due to oversupply of offices and retail space. In Belgium the uncertainty about government still exists, which will have effect on civil engineering markets. BAM's international markets are impacted by lower activities in oil and gas.

BAM started the financial year 2016 with an order book of €11.5 billion (2015: €10.3 billion), of which €5.9 billion will be carried out this year. This means that approximately 81 per cent of the revenue for 2016 is already in hand (2015: 79 per cent). The quality of the order book is gradually improving due to the implementation of BAM's stage gate tendering procedure which was part of the Back in Shape programme.

The PPP market shows a mixed picture; the market opportunities in the United Kingdom remain limited, although civil engineering prospects in Germany look promising. BAM PPP is currently working several active bids which will provide revenue in most of our home markets for the sector Construction and mechanical and electrical services as well as for the Civil engineering sector. BAM will also this year continue to transfer PPP contracts to the PGGM joint venture.

BAM expects that three external forces will shape the prospects for the construction industry in the coming years. The economic growth, currently vulnerable, will have a low to modest positive impact on construction volumes. Mega trends such as urbanisation and energy efficiency are creating areas of higher growth. Digitalisation is increasingly transforming the construction industry and the built environment. Against this background the main focus of the updated strategy for 2016-2020 – 'Building the present, creating the future' – is to continue to restore profitability and improve capital efficiency.

Bunnik, the Netherlands,
17 February 2016

Executive Board

Sustainable 2015

January 6

BAM PPP receives the OHSAS 18001 compliance certificate. With certification BAM PPP underlines BAM's safety principles and the importance of health and safety.

February 25

BAM Beheer en Onderhoud Regio Zuidwest achieves in collaboration with BAM Advies & Engineering the BREEAM In-Use Very Good certification for Monarch I in The Hague. This project was already awarded a BREEAM Excellent 'New Construction' certificate and is one of the first projects in the Netherlands with both the New Construction and In-Use certificates.

March 5

The Dutch Association of Investors for Sustainable Development (VBDO) announces BAM as one of the winners of its annual study of sustainable and responsible supply chain management of European listed companies.

April 1

Building Magazine recognises two of BAM Construct UK's sustainability advisors, Hanna Hayward and Anthony Heaton, for their commitment and talent in terms of improving the sustainability of the built environment.

May 7

As part of the Horizon 2020 programme BAM's innovation programme RENnovates is approved by the European Commission. BAM's project team 'De Stroomversnelling' is further increasing insight in the energy requirement and supply of its renovated zero-energy homes.

June 29

BAM Bouw en Techniek signs the contract to install a large park with solar panels on Dunea's production location in Scheveningen. The solar panels will generate the equivalent to the energy consumption of 400 households per year.



City hall, Herstal, Belgium, designed by Frederic Haesevoets Architecture. BAM Belgium (Galère).



- 8 July**
The Public Health Agency (PHA) commended GRAHAM-BAM Healthcare Partnership, contractors on the new construction phase of the Ulster Hospital in Northern Ireland, for promoting the 'Workplace 28 Day Stop Smoking Challenge' through their health and wellbeing initiatives, and congratulated more than 30 staff who took part.
- 4 August**
BAM Nuttall teams up with leading PPE supplier OnSite Support to create a range of properly fitting PPE designed especially for women.
- 20 October**
The approach to safe working of BAM Construct UK at the North West Cambridge Development is rated as 'exceptional' by independent inspectors of the Considerate Constructors Scheme (CCS).
- 4 November**
BAM is identified as a global leader for its actions and strategies in response to climate change and has been awarded a position on The Climate 'A' List by CDP, the international not-for-profit that drives sustainable economies.
- 19 November**
For the sixth consecutive year, BAM is awarded with a top 20 position on the Transparency Benchmark (Transparantiebenchmark) of the Dutch Ministry of Economic Affairs, and is declared one of the leaders.
- 24 November**
Following completion of the BBM.0030 Crossrail Western Tunnels and Caverns project, the project is awarded an excellent rating under the Civil Engineering, Environment, Quality, Assessment and Award Scheme (CEEQUAL) after achieving a score of 90.1 per cent.
- 18 December**
BAM Ireland – as part of the Construction Industry Federation (CIF) – joins forces with the Peter McVerry Trust to refurbish 12 homes for the homeless.

4. Governance



4.1 Corporate governance

Corporate governance

The Supervisory Board and the Executive Board are responsible for the company's corporate governance structure and for compliance with that structure. The main aspects of this corporate governance structure are set out in the annual report each year and are published on the company's website. The Supervisory Board and the Executive Board subscribe to the principles and best practice provisions of the Dutch corporate governance code (hereafter: 'the Code'). A more detailed explanation of how the company complies with the Code is given below. The full text of the Code can be found at www.commissiecorporategovernance.nl.

Executive Board

The Supervisory Board and the Executive Board share the principle that the Executive Board, apart from looking after the day-to-day management of the company, is also responsible for formulating and achieving corporate objectives, for corporate strategy with its associated risk profile and for corporate social responsibility. The Executive Board accounts for its activities to the Supervisory Board and to the General Meeting. In performing its duties, the Executive Board is guided by the interests of the company and the related enterprise, weighing the justifiable interests of the various stakeholders against each other. The Code's best practice provisions evolving from this principle are supported.

The company's Executive Board shall consist of at least two members. The members of the Executive Board jointly manage the company and are jointly and severally liable for that management. Subject to the approval of the Supervisory Board, the members of the Executive Board each have their personal responsibilities. The Chairman (CEO) chairs the Executive Board and is responsible for BAM International and the PPP activities as well as the majority of the staff functions. The Chief Financial Officer (CFO) is specifically charged with financial tasks and is responsible for the staff functions finance, risk management, ICT and – together with the Chairman – for investor relations. The Chief Operational Officer (COO) manages the operating companies that are entrusted to his supervision.

The Executive Board ensures proper provision of information to the Supervisory Board. In the Annual Report, the Executive Board describes the principal risks related to the company's strategy, the organisation and operation of internal risk management and control systems in relation to the principal risks during the financial year and any significant shortcomings in the internal risk management and control systems that were identified during the financial year, any significant changes that were made and any significant improvements that are planned.

The Group has implemented general risk management measures by means of standards and values that have been made explicit, internal procedures and instructions and a system of budgeting, reporting as well as internal (and external) control. Besides general risk management measures, the Group has also implemented specific measures focused primarily on risks relating to market, reputation, safety, projects, currency, credit, debtors, interest and liquidity positions. These risks are discussed in greater detail on page 24 and page 36 of this report, along with the risk management measures that the Group has taken. The risk section in this report contains a statement by the Executive Board on the risks of financial reporting, as referred to in best practice provision II.1.5 of the Code.

The Executive Board is subject to a set of rules approved by the Supervisory Board, laying down the details of how the Executive Board operates and its relationship with the Supervisory Board, the shareholders and the Central Works Council. The Executive Board rules have been published on the company's website.

The company also operates a code of conduct and a whistle-blowers' scheme, both of which are published on the company's website.

A mitigated two-tier regime applies to the company. Members of the Executive Board are appointed by the General Meeting. The Supervisory Board has the right to make a (binding) proposal as regards nominees for appointment. However, the General Meeting can render a proposal non-binding, in line with the company's Articles of Association, in which case the General Meeting is then free to fill the vacant seat on the Executive Board as it deems fit, in accordance with the formalities stated in the company's Articles of Association. Decisions by the General Meeting regarding candidates proposed by the Supervisory Board for membership of the Executive Board require a simple majority of the votes cast.

Decisions by the General Meeting about candidates for membership of the Executive Board who are not proposed by the Supervisory Board require an absolute majority of the votes cast, but that majority must represent at least one third of the issued capital. The General Meeting can suspend or dismiss members of the Executive Board.

The Supervisory Board has the power to suspend members of the Executive Board. Decisions to suspend or dismiss a member of the Executive Board can only be taken by an absolute majority of the votes, providing that majority represents at least one third of the issued capital, unless the proposal to suspend or dismiss is put forward by the Supervisory Board, in which case the decision can be taken by an absolute majority of the votes without the requirement for a quorum. The Supervisory Board appoints one of

the members of the Executive Board as Chairman and can appoint one of the members of the Executive Board as Vice-Chairman.

Pursuant to the Code, members of the Executive Board are appointed for a period of no more than four years. They retire after the conclusion of the first Annual General Meeting, to be held in the fourth year after the year in which they were appointed. Members of the Executive Board can be re-appointed for a further period of four years. Information about the term of the agreements of members of the Executive Board is available in the remuneration report.

The main elements of the contracts with members of the Executive Board are published on the company's website, in accordance with the Code. The company follows the Code's provisions relating to the amount of the remuneration payable to members of the Executive Board and the composition of the remuneration package as well as the disclosure of these details are respected. The Supervisory Board draws up a proposal – prepared by the Remuneration Committee – regarding the company's remuneration policy. This remuneration policy is submitted for adoption to the General Meeting. The Supervisory Board also annually composes a remuneration report, once again prepared by the Remuneration Committee. The remuneration report confirms the manner in which the remuneration policy has been adhered to in practice during the financial year. It also contains details of the total remuneration of the members of the Executive Board, subdivided into the various elements, and a summary of the remuneration policy as adopted by the shareholders.

As part of the report by the Supervisory Board, the remuneration report is included in the Annual Report and is also published on the company's website. The Supervisory Board determines the remuneration of the members of the Executive Board, within the framework of the remuneration policy, based on a recommendation by the Remuneration Committee.

The variable part of the remuneration for members of the Executive Board is linked to predefined objectives that are assessable and that can be influenced, with a reasonable balance between short-term and long-term focus. The Supervisory Board analyses the possible results of the variable remuneration components and the consequences for the remuneration of the members of the Executive Board. The Supervisory Board determines the level and structure of this remuneration on the basis of scenario analyses, taking into account pay differentials within the Group, and in doing so considers the results, share price performance and non-financial indicators which are relevant to the Group's long-term objectives. The risks to which variable remuneration may expose the enterprise are taken into account. In addition to the annual variable short-term component, the remuneration package of members of the Executive Board

includes a remuneration plan that rewards long-term improvements.

In the information on variable remuneration to be stated in the remuneration report, the company strives for transparency. However, the company will not reveal information that it considers competitive sensitive. In cases where the variable remuneration is awarded on the basis of inaccurate (financial) data, the Supervisory Board can adjust the variable remuneration accordingly and the company is entitled to reclaim (any part of) the variable remuneration paid to a member of the Executive Board on the basis of incorrect (financial) information.

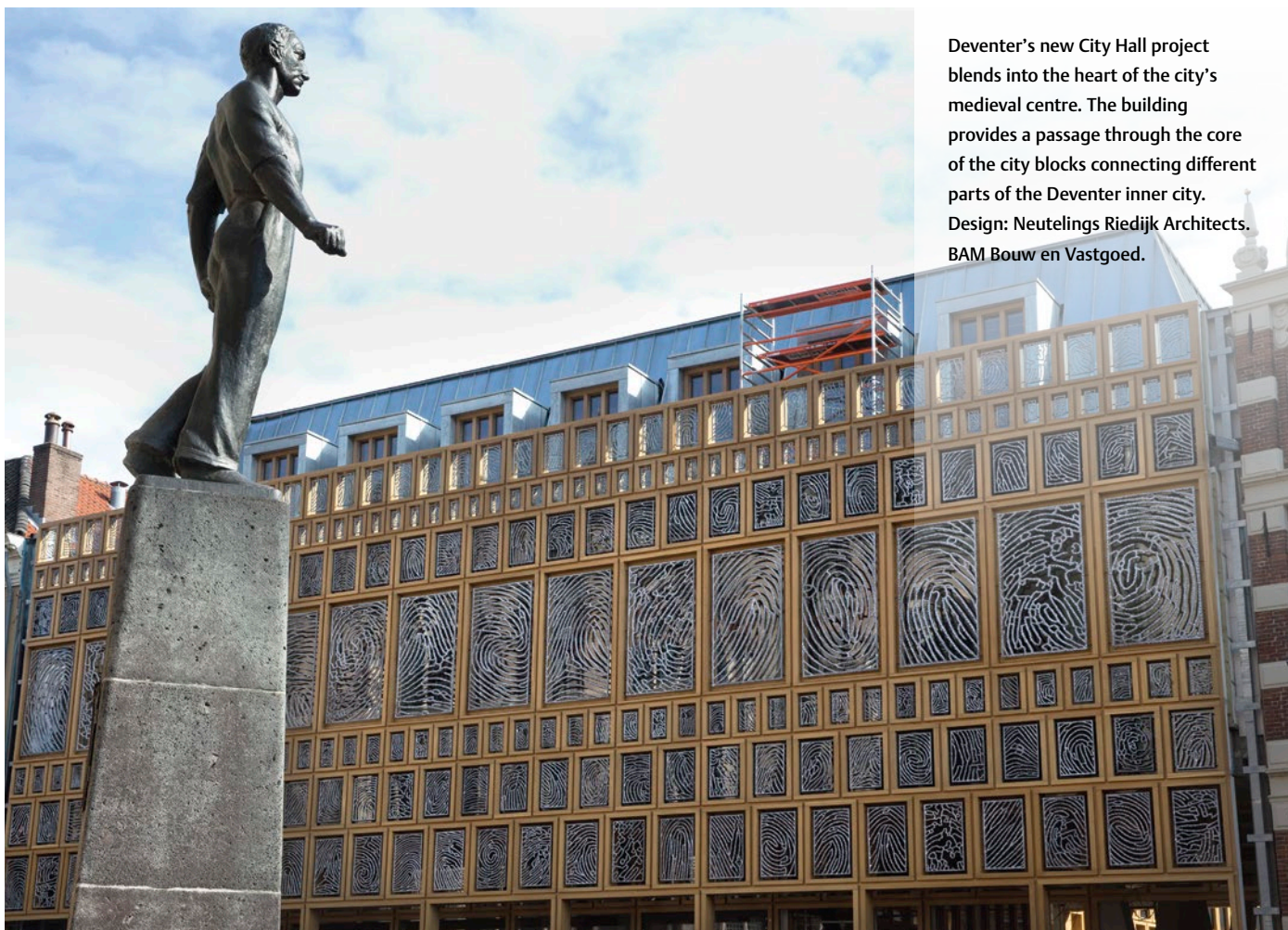
The Supervisory Board also has the power to amend the existing conditional awards of the variable remuneration by quantified performance criteria if, in its opinion, applying the award without amendment would have an unreasonable or unintended outcome. These matters have all been incorporated into the agreements with members of the Executive Board since the introduction of the Code.

The payment to members of the Executive Board if they are dismissed does not exceed one year's base salary.

The company has a long-term benefit plan for members of the Executive Board and currently a group of maximum 15 senior executives in the form of a Performance Share Plan. The Code's recommendations with regard to this plan are adhered to. More information on the plan is available in the Remuneration Report page 99).

As a principle, the company does not provide any personal loans or guarantees to members of the Executive Board, managers or any other employees. The Group has the usual indemnity and insurance arrangements in relation to normal company business, and these arrangements cover members of the Supervisory Board, Executive Board, managers and other employees.

The Code's principles and best practice provisions relating to conflicts of interest are adhered to. Any form or appearance of conflicting interests between the company and members of the Executive Board must be avoided. Decisions to enter into transactions that might lead to a conflict of interest on the part of a member of the Executive Board and that are of material importance to the company and/or the Executive Board member in question must be approved by the Supervisory Board. The Executive Board's rules set out in detail what action should be taken in the event of possible conflicts of interest. These rules govern such matters as what situations might constitute conflicts of interest, the manner in which members of the Executive Board are to report conflicts of interest, the withdrawal of the Executive Board member concerned during participation in discussions and



Deventer's new City Hall project blends into the heart of the city's medieval centre. The building provides a passage through the core of the city blocks connecting different parts of the Deventer inner city. Design: Neutelings Riedijk Architects. BAM Bouw en Vastgoed.

in relevant decisions and the Supervisory Board's approval procedure.

Supervisory Board

The duty of the Supervisory Board is to supervise the Executive Board's policies and the general affairs of the company and its affiliated enterprise. The role of the Supervisory Board is also to assist the Executive Board by providing advice. As the Executive Board, the Supervisory Board is guided by the interests of the company and the related enterprise, weighing the justifiable interests of the various stakeholders against each other. The Supervisory Board also takes into account corporate social responsibility issues in its assessments. The principles and best practice provisions relating to the Supervisory Board are adhered to.

In its periodic meetings with the Executive Board, the Supervisory Board discusses a number of subjects, including the general state of affairs (e.g. safety, order book, major tenders, special projects, problem areas, major claims and legal proceedings) and financial reporting based on the operational plan for the year in question (half-yearly and annual reports and interim statements, balance sheet and income statement, cash flow statements, capital investments and warranties).

The agenda for Supervisory Board meetings also includes subjects such as major investments (both regarding acquisitions and disposals as well as fixed assets), management development, human resources, corporate social responsibility issues that are relevant for the company, the relationship with shareholders, the dividend proposal, interim statements and half-yearly reports, the auditor's report, the independent auditor's management letter and follow-up actions to that management letter, setting the operational plan with the operational and financial goals for the next financial year (set once a year) and approval of the strategy and the related parameter conditions (every third year).

At least once a year, the Supervisory Board discusses the strategy and the principal risks connected to the business, the Executive Board's assessment of the organisation and operation of the internal risk management and control systems, as well as any significant changes to those systems. A statement that these discussions have taken place is included in the report by the Supervisory Board. The Supervisory Board is subject to a set of rules laying down the details of how it operates and its relationship with the Executive Board, the shareholders and the Central Works Council. The Supervisory Board's rules can be found on the company's website.



Redevelopment and multi-annual management and maintenance of the refugee centre in Ter Apel (in the province Groningen, in the north of the Netherlands) for the Dutch Central Agency for the Reception of Asylum Seekers (COA). The contract includes the construction of 258 residential units, of which sixteen have disabled access, on an area of 12 hectares. The refugee centre will provide 2,000 shelters. The residential and services buildings are equipped with photovoltaic panels to create in principle an energy neutral site. Architect: De Zwarte Hond. BAM Bouw en Vastgoed.

The Supervisory Board shall consist of at least five members. The Supervisory Board currently consists of six members, which is a number that the Supervisory Board considers appropriate in today's circumstances, especially given the size and international nature of the Group. The members of the Supervisory Board are appointed by the General Meeting on the recommendation of the Supervisory Board, which recommendation is being made on the basis of the profile. The General Meeting and the Works Council are entitled to recommend candidates for inclusion in the proposal made by the Supervisory Board.

The General Meeting can reject candidates put forward by the Supervisory Board, in which case the Supervisory Board must draw up a new proposal. The Works Council has an extended right of recommendation in respect of one third of the membership of the Supervisory Board. If the Supervisory Board rejects the recommended candidate or candidates, the Board and the Works Council consult with each other and the Works Council will make a new recommendation. If the Supervisory Board and the Works Council fail to reach agreement, then the matter is submitted to the Enterprise Chamber of the Amsterdam Court of Appeal for a ruling. If the Supervisory Board adopts the Works Council's recommendation, the General Meeting may still reject it. The General Meeting may dismiss the entire Supervisory Board once

the Works Council has had the opportunity to give its opinion. The General Meeting determines the Supervisory Board members' remuneration. In relation to the independence of Supervisory Board members, as detailed in best practice provision III.2.1, all of the current members of the Supervisory Board qualify as being independent in accordance with the meaning of the Code.

The Supervisory Board has created a profile, which was updated in 2015 following the new Dutch law on management and supervision. The profile is available for shareholders to examine at the company's office and it is also published on the company's website. The composition of the Supervisory Board must be balanced and in line with this profile.

The members of the Supervisory Board must have the experience needed to perform well in a large multinational construction company. Each member must be capable of assessing the main aspects of the overall policy and of behaving in a critical and independent manner with regard to the other members of the Supervisory Board and the members of the Executive Board. The members of the Supervisory Board must carry out the tasks of the Supervisory Board as specified by law and by the company's Articles of Association and they must be capable of giving the Executive Board solicited and unsolicited advice.

Other, specific criteria applied by the Supervisory Board to its composition are a general, broad-based understanding of business, knowledge of the construction industry, experience in the management of large, preferably international companies and expertise relating to issues with a social dimension and concerning society at large.

The Supervisory Board appoints one of its members as Chairman and another to be Vice-Chairman. Among the members of the Supervisory Board is a financial expert with experience in both the financial and accounting disciplines in a large legal entity. The company will be responsible for an introduction programme for persons appointed to the Supervisory Board for the first time as referred to in best practice provision III.3.3. This provision is also fulfilled by arranging working visits to the Group's operating companies and through presentations by operating company managers to the Supervisory Board. Principles and best practice provisions relating to conflicts of interest are adhered to. The rules with regard to such conflicts in connection with the Executive Board apply equally to the members of the Supervisory Board. The Supervisory Board rules set out in detail what action should be taken in the event of possible conflicts of interest.

The company has prepared rules regarding the ownership of and transactions in securities of other listed companies by members of the Supervisory Board and the Executive Board. These rules are included in the BAM rules on ownership of and transactions in shares. In order to comply with these rules, a so-called 'stop list' has been compiled, containing the names of listed competitors, suppliers and customers who operate in the same or in an associated sector as the company. Possession of and executing transactions in securities of these companies is prohibited for members of the Supervisory Board and Executive Board. The list will be reviewed and – if prudent – amended annually by the Supervisory Board. The company does not issue any personal loans or guarantees to members of the Supervisory Board. The Group has taken out the usual professional indemnity insurance for, among others, members of the Supervisory Board.

Supervisory Board Committees

The Supervisory Board has three permanent committees, being an Audit Committee, a Remuneration Committee and a Nomination Committee. The rules and the composition of these committees can be found on the company's website. The composition and role of these committees are in line with the relevant provisions of the Code. It is the task of the committees to support and advise the Supervisory Board concerning the items that are under the committees' responsibility and to prepare the Supervisory Board's decisions regarding those items. The Supervisory Board as a whole remains responsible for the way in which it performs its tasks and for the preparatory work carried out by the committees. The committees submit reports on all their meetings to the Supervisory Board.

The Audit Committee's regular assessments include:

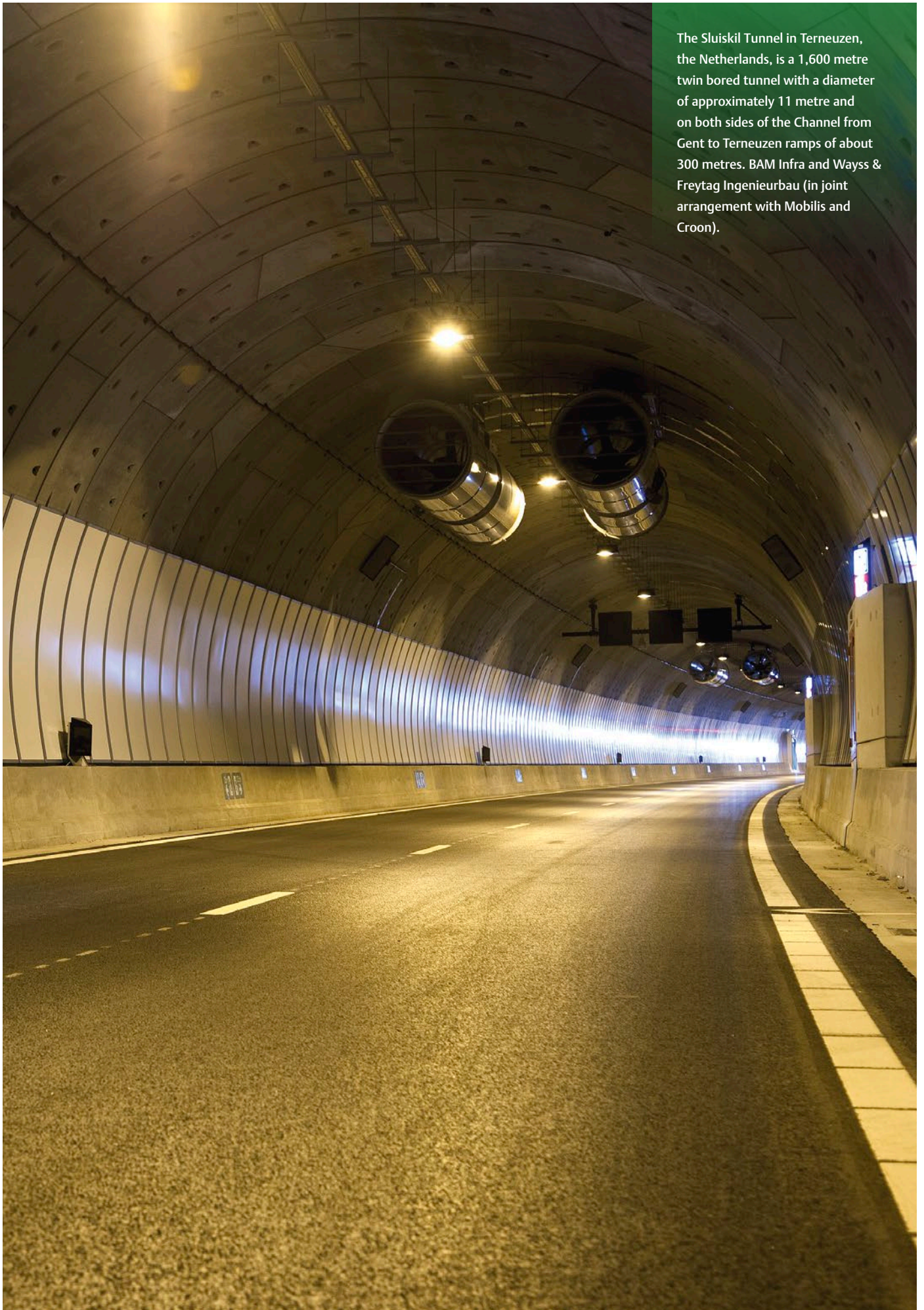
- The internal risk management and control systems;
- The provision of financial information by the company, including the process through which this information is generated and published;
- Recommendations by the independent auditor and the actions taken as a result thereof;
- The audit process and the audit plan;
- The relationship with the independent auditor;
- Governance and compliance;
- Taxation;
- Impairment review;
- Valuation of real estate;
- The application of ICT;
- Group financing;
- Performance of the internal audit function;
- The financial and administrative organisation.

The tasks of the Remuneration Committee include making proposals to the Supervisory Board with regard to the company remuneration policy, as well as the remuneration structure, the level of remuneration and the terms and conditions of employment of members of the Executive Board and the remuneration of the members of the Supervisory Board. The Committee also consults the Chairman of the Executive Board about the policy on terms and conditions of employment for operating company managers and executives of equivalent rank. The Remuneration Committee also drafts a remuneration report on the way in which remuneration policy has been implemented in practice.

The Nomination Committee makes proposals to the Supervisory Board with regard to:

- Selection criteria and appointment procedures with regard to members of the Supervisory Board and members of the Executive Board;
- The size and composition of the Supervisory Board and the Executive Board and a profile of the Supervisory Board;
- Assessment of the performance of individual members of the Executive Board and process for the self-assessment of the Supervisory Board;
- (Re-)appointment of members of the Supervisory Board and members of the Executive Board;
- An Executive Board member's acceptance of membership of the Supervisory Board of another listed company;
- Possible conflicts of interest arising in connection with the acceptance of other positions by members of the Supervisory Board.

The Committee also monitors the Executive Board's policy on selection criteria and appointment procedures for senior management and discusses management development and succession planning especially in relation to senior management positions.



The Sluiskil Tunnel in Terneuzen, the Netherlands, is a 1,600 metre twin bored tunnel with a diameter of approximately 11 metre and on both sides of the Channel from Gent to Terneuzen ramps of about 300 metres. BAM Infra and Wayss & Freytag Ingenieurbau (in joint arrangement with Mobilis and Croon).

Shareholders

The company adheres to the principles and best practice provisions in chapter IV of the Code with regard to the shareholders and the General Meeting. No depositary receipts for shares in the company have been issued with the company's cooperation. Royal BAM Group does not have any provisions limiting voting rights. One vote may be cast for every share held. The company's capital consists of ordinary shares and Class B and F preference shares (not issued at present). The ordinary shares are listed on NYSE Euronext in Amsterdam. Ordinary share options are also traded on the Amsterdam option exchange of NYSE Liffe.

The Supervisory Board and the Executive Board believe it to be important that as many shareholders as possible take part in the decision-making process in shareholders' meetings. Notices convening shareholders' meetings, agendas and documentation to be discussed are published no later than 42 days prior to the meeting and placed on the company's website. The website also includes an anonymous list, broken down by agenda item, of the votes cast by proxy received by the company prior to the meeting. Remote voting and voting by proxy also play a role in increasing shareholder participation. The Act of Parliament to promote the use of electronic communication media enables shareholders to participate in meetings of shareholders and to cast their votes at such meetings without being physically present. The company has incorporated the facilities offered by law for using electronic communication media into the Articles of Association. The company considers that the manner in which shareholders take part in their meetings and cast votes at such meetings requires a meticulous procedure. The use of electronic means of communication therefore depends greatly on the degree of certainty that these means of communication will work properly.

In addition, voting by proxy continues to provide shareholders with a good mechanism for allowing their voice to be heard in meetings in which they are unable to attend, so that the company can take notice of their views. When shareholders' meetings are convened, the company invites shareholders to use their option to vote by proxy, and ensures that voting instruction forms can be obtained and that these forms are also available electronically.

Shareholders are also advised of their option to give a proxy electronically. The company offers its shareholders the opportunity to give a proxy, with voting instructions, to an independent third party before the meeting takes place. In addition the company offers shareholders the possibility of voting in advance of the meeting. As a rule, voting takes place electronically at the meeting itself.

The company invites shareholders to submit any questions to the company prior to the meeting, which will then be answered by the company at the meeting.

Prior approval from the General Meeting is required for decisions concerning any important changes in the identity or nature of the company or the business, including the entire or near-entire transfer of ownership of the business, entry into long-term partnerships that have a significant effect on the company and acquiring or disposing of a participating interest worth at least a third of the amount of the assets recognised on the consolidated balance sheet. In the event that a serious private bid has been announced for part of the business or a participating interest, and that bid is worth at least a third of the amount of the assets recognised on the consolidated balance sheet, the Executive Board will publicly announce its point of view in respect of the bid, together with its reasons, as soon as possible.

Resolutions to amend the company's Articles of Association may be adopted by the General Meeting by an absolute majority of the votes cast in response to a proposal by the Executive Board with the approval of the Supervisory Board. Material amendments to the Articles of Association will each be submitted separately to the General Meeting.

Shareholders are entitled to put items on the agenda of shareholders' meetings. Shareholders who on their own or jointly represent at least:

- (i) 1.0 per cent of the issued capital, or
- (ii) shares worth €50 million, can place items on the agenda of the General Meeting if the company receives a written request to that effect ('written' can mean an electronic message), including reasons to substantiate the request, not later than sixty days before the day of the meeting.

In addition, shareholders who represent at least 10 per cent of the company's issued capital are entitled to call a shareholders' meeting.

Each year the General Meeting is asked to authorise the Executive Board – subject to the approval of the Supervisory Board – to issue shares or share options. This authorisation is limited in time to a period of eighteen months. It is also limited in scope in respect of ordinary shares and Class F preference shares to 10 per cent of the issued capital, plus an additional 10 per cent, which additional 10 per cent may be used exclusively for mergers, acquisitions or strategic partnerships by the company or its operating companies. In addition the General Meeting is requested – again subject to the approval of the Supervisory Board – to exclude or limit pre-emptive rights to issued shares and to exclude or limit the issuing of ordinary share options.

Also each year the General Meeting is asked to authorise the Executive Board for a period of eighteen months to repurchase shares in the company, within the limitations imposed by the law and the Articles of Association. Every request for the granting of such an authorisation is put separately on the agenda. The

company's policy on reserves and dividends and a proposal to pay a dividend are discussed as separate agenda items at the General Meeting.

A proposal for approval or authorisation by the General Meeting will be accompanied by a written explanation including all relevant information. The agenda for shareholders' meetings will state which of the agenda items are for discussion and which items will be put to a vote.

Reports on shareholders' meetings are provided to shareholders, as stipulated in the Code. Within fifteen calendar days after each shareholders' meeting, the results of the votes per agenda item are published on the company's website. As regards the provision of information as stated in Principle IV.3 of the Code, the Supervisory Board and the Executive Board endorse the importance of providing transparent and equal information. The company endeavors to do so, subject to exceptions under the law.

Press and analysts

All press and analysts' meetings and conference calls in connection with the publication of the annual and half-year results and interim statements are open to everyone via the internet or by telephone. Shareholders' meetings are open to the press and via webcast. All dates and locations of roadshows, seminars and the like are published on the company's website.

Financial presentations given to third parties are published on the company's website in case there is a material difference between these and previously published presentations. For six weeks prior to the publication of each annual report and three weeks prior to the publication of each interim statement and half-yearly report, the company will be extremely reticent about conducting any conversations with investors, analysts or members of the press about the overall course of business at the company. The company does not review analysts' reports or valuations by analysts in advance, nor add comments or correct them, except for matters of fact.

The company does not pay any fees to parties for carrying out investigations for analysts' reports, nor for writing or publishing such reports, with the exception of credit rating firms. As a rule, the Chairman and/or the Chief Financial Officer, with the assistance of the Investor Relations Manager or the Public Relations Director, will speak to investors, analysts or the press. These directors and officers are fully up to date regarding all relevant information – whether or not it is already known on the market – and they ensure that the information is provided in a clear and unambiguous manner. Should any price-sensitive information be provided by mistake during any contact with shareholders, investors, analysts or the press, a press release will be issued immediately.

The company has a general policy on bilateral contacts with shareholders, investors, analysts and the press. This policy has been published on the company's website.

Anti-takeover measures

The Executive Board can invoke a response period as specified in best practice provision II.1.9 of the Code. The Supervisory Board will be involved closely and in good time in the process concerning any offer for shares in the company, and the Executive Board and the Supervisory Board will immediately discuss any request from a competing third-party bidder to examine company information.

As regards the protective provisions against undesirable developments that might affect the independence, continuity and/or identity of the Group, the company has the facility for issuing Class B preference shares.

A call option was issued to Stichting Aandelenbeheer BAM Groep (BAM Group Stock Management Foundation) in 1993 for Class B preference shares. The company gave this foundation the right of investigation in 2008. More information relating to protective measures is provided on pages 107-108 of the Integrated Report.

Financial reporting and the role of the auditor

The principles and best practice provisions relating to financial reporting are adhered to. The Executive Board is responsible for the quality and completeness of the financial reports that are published. The Supervisory Board ensures that the Executive Board carries out this responsibility.

The principles and best practice provisions regarding the role, appointment, remuneration and assessment of the performance of the independent auditor are also supported. The independent auditor will be present at the Annual General Meeting to answer questions from shareholders about the financial statements.

The Audit Committee assesses the functioning of the internal audit department and management systems each year. Within the Royal BAM Group internal auditing has been established by means of an operational audit function. The main risks the company faces are related to the project business it is involved in. In order to mitigate these project-related risks at an early stage, operational audit is an important and powerful tool. The operational audit function within BAM was established in 2013 and has been further developed ever since.

The independent auditor attends the meetings of the Supervisory Board at which the financial statements and the half-yearly figures are discussed. The independent auditor reports the same information from his findings with respect to the financial statements to both the Executive Board and the Supervisory Board. The independent auditor is also present when the Audit

Committee discusses the financial statements, the half-yearly figures and the interim statements. The independent auditor may also attend other meetings of the Audit Committee, subject to asking the Chairman of the Audit Committee for permission to attend in advance.

The independent auditor receives the financial information on which the annual and half-yearly figures and interim statements are based and is given the opportunity to respond to that information. The partner in the independent audit company who performs the required audits is allowed to audit the Group's financial statements for a maximum of seven consecutive years.

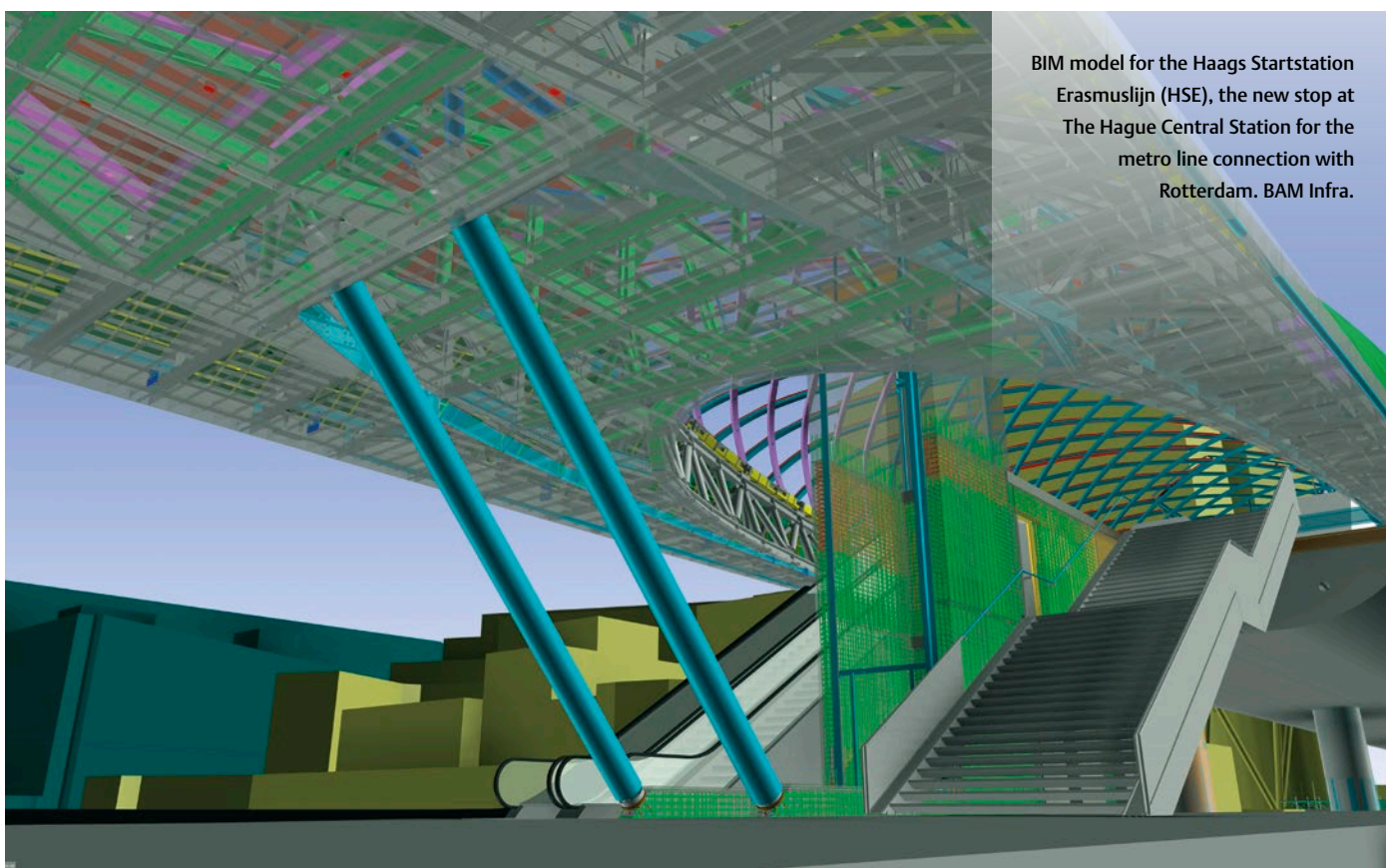
CSR responsibility and delegation

The Executive Board defines the CSR Policy in consultation with the Director Corporate Social Responsibility and the management teams of the operating companies. Meetings with senior management are used to define sustainability issues and reach agreement on prioritising objectives, monitoring activities, and reporting results. Critical concerns are reported to the Executive Board at least in quarterly reports, or whenever more urgency is required. The Executive Board communicates to the Supervisory Board according planned reporting cycles, or whenever more urgency is required. Safety ambitions, the reduction of CO₂ emissions, and strict waste management, along with business integrity, apply to all BAM operating companies. In addition, each operating company measures KPIs addressing issues of relevance to its own business. For example, increasing the number of women in

the workforce, especially in senior roles, is a specific area of focus in the Netherlands. Each operating company has a management team member who has the responsibility for CSR. The operating companies report progress quarterly to the Executive Board and the Director CSR together with details of actions taken to support the Group's business objectives. They interpret BAM's objectives based on their unique operating conditions. CSR is part of how managers and employees do their day-to-day jobs. It is addressed, for example, at regular work discussions and performance reviews. In this way, implementing sustainability is shared across all levels of the Group, from BAM's Executive Board to its local champions.

The Supervisory Board and the Executive Board are convinced that Royal BAM Group's corporate governance is up to standards.

The corporate governance structure described above was discussed with the shareholders during the General Meeting on 21 April 2009. The company will submit any substantial changes in the main features of the corporate governance structure to the General Meeting for discussion purposes.



BIM model for the Haags Startstation Erasmuslijn (HSE), the new stop at The Hague Central Station for the metro line connection with Rotterdam. BAM Infra.

45 rental properties, Veemarkt
(former cattle market), Utrecht,
the Netherlands.

BAM Bouw en Vastgoed
(AM en BAM Woningbouw).



4.2 Report of the Supervisory Board to shareholders

The year under review was one of transformation. The execution of the Back in Shape programme, developed to face further headwind and ensure that the company is ready for future growth, started expeditiously in the second half of 2014 and was further rolled out in 2015. The Supervisory Board acknowledges with satisfaction that the goals set in the third quarter of 2014 have been achieved by the end of 2015; the cost base of the company has been reduced with €105 million on an annual basis, the trade working capital has been reduced to -8.1 per cent of revenue and in 2015 assets have been sold for a total amount of €95 million. The cost reduction has almost completely been achieved by adjusting and simplifying the organisational structure, allowing the Group to operate much more as one firm, capturing the synergy potential based on the special capabilities available in the Group. The establishment of a Management Board including management of the operating companies will help in developing and implementing a common strategy and aligned policies for the Group.

In addition a carefully crafted stage gate tendering process has been introduced and implemented throughout the organisation. Supported by digital tools and accumulated business data, tenders are being followed and strict controls and checks have been implemented. This will lead to a better approach on tendering and therefore reducing risks in project execution.

The Executive Board, together with the Management Board and the rest of the organisation have vigorously pursued the goals set and the outcome offers confidence for the future. However, given the late cyclical character of the construction industry and the (albeit shrinking) backlog of projects with low margins and high risks taken on in the recent economic crisis, caution is still necessary.

In order to prepare the company further for the future, the strategy has been reviewed, leading to a corporate strategy to be announced in February 2016. Global technological developments, market trends and the economic outlook have been included in a programme that will allow Royal BAM Group to add value for its stakeholders.

The above topics and other work performed by the Supervisory Board are addressed in more detail in this report.

The Supervisory Board's activities

Strategy and operational plan

In the Group strategy 2013-2015, which was formulated in 2012, the central focus is on achieving operational improvement and targeted growth initiatives in services, multidisciplinary projects and international niche markets, all geared towards positioning BAM as a 'best in class' construction company.

In 2015 this strategy was reviewed taking into account the continuing economic crisis, developments in the construction industry and market and the new operating model that was developed in 2014. The measures taken as part of the Back in Shape programme will support the new strategy to be announced in 2016. The Supervisory Board was involved closely in the process and has held several dedicated meetings and discussions on the subject.

The Supervisory Board also approved the 2016 Operational Plan, which sets out the Group's financial targets, the strategy aimed at achieving these targets and the parameters used for this strategy. This operational plan takes into account the new group strategy as much as possible. The consequences of this new strategy for the individual operating companies will be further included in the 2017 Operational Plan.

Healthy order-intake

The need to avoid major loss-making projects and reduce the financial consequences these projects may have remained one of the main items of discussion between the Supervisory Board and the Executive Board. A material part of the Back in Shape programme is geared towards improved project control. For this reason the new stage gate tendering process with stage gate controls has become the backbone of this control mechanism. In addition the Operational Audit function was further strengthened with the appointment of a dedicated and experienced director. The Management Board established in 2014 has also contributed to improved project control by sharing knowledge and best practices and identifying and implementing operational improvements. The introduction of more centrally organised management and control functions and increased attention to governance and compliance forms the final pillar of the efforts taken.

Based on an updated authorisation schedule, a number of very large projects in the tender stage have been presented to the Supervisory Board in (extraordinary) meetings, allowing critical input and approval. The projects presented in these meetings were reviewed in detail.

Financial position

During the financial year, the Supervisory Board and the Executive Board regularly discussed the Group's financial position and the way in which the Group should be financed. The Supervisory Board also exchanged views on several occasions with the Executive Board regarding the working capital, cash flow and the liquidity performance in relation to the current financing covenants, the Group's solvency level and the Group's financing requirement for the longer term.

Late 2015 the company has extended its credit facilities with one year, leading to a subordinated loan of €108 million, available until 30 July 2018 and a revolving credit facility of €412.5 million, available until 30 January 2018. The Supervisory Board is pleased to note that the Group remained well within the agreed financing covenants.

The financial position of the company has been improved in 2015 on the back of the successful execution of the Back in Shape programme.

Risk profile

The Supervisory Board's regular meetings included a discussion on the course of business and prospects for both the Group as a whole and for the respective segments and individual operating companies. These discussions covered the main risks involved in the business, the internal management and control systems and the assessment of these systems by the Executive Board. The implications of the matters addressed in these meetings are discussed elsewhere in the Report, including on page 24 and onwards.

The Supervisory Board has noted that the Group has internal risk management and internal control systems, financial reporting manuals and procedures for drawing up financial reports, as well as an established monitoring and reporting system. The Supervisory Board also established that the Executive Board has further improved its ability to monitor the operational activities of the Group. The establishment of a new organisational structure in 2014, leading to the reduction from 26 to 10 operating companies in two business lines and the establishment of a Management Board, all contributed to increased transparency and awareness in a more efficient and effective BAM organisation with uniformed systems and procedures. Problematic projects are being monitored even closer with regular updates on operational and financial progress.

Over the past years, the risk management of the Group has been strengthened. The Supervisory Board obtained information from the corporate risk manager and the director of operational audit about their activities and the progress that has been made. Both functions have been strengthened as part of the Back in Shape programme in order to further support the goal to reduce risks and improve control in the project business.

The financial audit process is carried out by an independent audit firm that is assisted by the executive officers of the Group and by the Group systems. Also during 2015, the collaboration between PricewaterhouseCoopers and the BAM employees involved in the audit was constructive and satisfactory.

Corporate Social Responsibility

The Supervisory Board discussed the importance of and approach towards corporate social responsibility ('CSR') with the Executive Board and agreed with the list of CSR factors identified by the Executive Board as being most relevant for BAM. One of these aspects concerns integrity. Following the introduction of a new Group-wide Code of Conduct in 2014, which is supported by dedicated management attention and individual e-learning tools, the company is now in the process of revitalising its compliance framework. Enabling employees to report misconduct will be further supported by the introduction of an anonymous reporting portal in 2016 and an improved reporting system.

The Supervisory Board was pleased to note that the Group continues to excel in CSR. Royal BAM Group has been identified as a global leader for its actions and strategies in response to climate change and has been awarded a position on The Climate A List by CDP, the international not-for-profit organisation that drives sustainable economies. 113 companies appear on this A list, which has been produced at the request of 822 investors who represent more than a third of the world's invested capital.

The Supervisory Board approved the company's approach on corporate social responsibility and the targets set in this respect. Also the pro-active consultation of partners, clients and suppliers in the stakeholders dialogues is supported and stimulated by the Supervisory Board.

Safety

Safety continued to be a focus area for the Supervisory Board and the company. Safety performance again improved last year (from 5.0 (IF) in 2014 to 4.5 (IF) in 2015). BAM regrettably had to record two fatal incidents on the Group's projects, which were evaluated elaborately in the meetings with the Executive Board. Together with the Executive Board, the Supervisory Board considers the achievement of a higher safety level to be an important challenge for the Group. The Supervisory Board fully supports and encourages the Executive Board's approach to further increase management's dedication to safety.

Other activities

Each of the Supervisory Board's meetings featured a report on what had been discussed in meetings of the Board's committees. In addition, the Executive Board reported in each case on the state of affairs, the financial situation and market developments for the operating companies and the risks they face, each report being based on the operational plan for the relevant financial year. Other matters discussed in 2015 included the Annual Report and financial statement for 2014, the half-yearly report and interim statement for 2015, the reserve and dividend policy and the dividend proposal for 2014, corporate governance, the various effects of International Financial Reporting Standards



Reversing rail track, Elst, the Netherlands. BAM Infra.

(IFRS) on the Group's financial reports, management development and the quality of management, and the most important claims as well as legal proceedings involving parts of the Group.

During the annual visit to a number of the Group's operating companies over several days in September 2015, the Supervisory Board and the Executive Board exchanged views with the management teams of the Dutch operating companies. The directors gave presentations on their companies, their markets and the challenges they currently face. The Supervisory Board also met with a number of employees throughout the company.

In 2015 a delegation of the Supervisory Board met with the Central Works Council on several occasions in order to discuss the position of the employees in general and more specifically the consequences of the Back in Shape programme. In addition the annual meeting of the Supervisory Board and the Executive Board with the Central Works Council was held on 19 August 2015.

Performance of the Supervisory Board

In 2015 the Supervisory Board assessed its performance with the support of an external expert who held extensive meetings with each individual Supervisory Board member as well as the

members of the Executive Board. The expert has laid down his observations and recommendations as well as the input from the individual members of the Supervisory Board in a report that was presented to and reviewed by the Supervisory Board. Based on this thorough process the Supervisory Board concluded that the individual members of the Board, as well as the Board as a whole, are functioning satisfactory.

The observations and recommendations, among other things, regarded the importance to periodically monitor and review the profile of the Supervisory Board in order to ensure sufficient attention to diversity, international background and expertise in the industry in which BAM is active. After having focused in the past period on operational excellence, cash and costs, the Supervisory Board noted the importance to pay more attention to management development. Finally the Supervisory Board recognised the value of ample time for deliberations in executive sessions.

Remuneration

The Supervisory Board has approved the remuneration report prepared by the Remuneration Committee. The Remuneration report is included on pages 99-105 of the report as part of the Report by the Supervisory Board. Following a review with



National Graphene Institute at the
University of Manchester.
Architect: Jestico+Whites.
Contractor: BAM Construct UK.

external support of the total remuneration package for senior management, including the Executive Board, the remuneration policy has been amended. The amended remuneration policy was approved by the General Meeting in 2015 and is explained in more detail on pages 99 of the report and further.

Meetings

In the year under review, the Supervisory Board met on eight occasions in the presence of the Executive Board. Six of these meetings were regular meetings. The other meetings were held to discuss and approve large projects and to discuss the progress of the strategy update process. The general attendance at the meetings in 2015 was 98 per cent.

The Supervisory Board also met without the Executive Board being present. These meetings were primarily devoted to the functioning of the Executive Board and the Supervisory Board. In addition, the Supervisory Board discussed internally its position and view on a number of strategic and organisational matters, as well as the remuneration of the Executive Board, including the determination of the variable portion of that remuneration.

The Supervisory Board's committees

The Supervisory Board has three permanent committees, being an Audit Committee, a Remuneration Committee and a Nomination Committee. It is the task of these committees to support and advise the Supervisory Board concerning items under the committees' responsibility and to prepare the Supervisory Board's decisions regarding those items. The Supervisory Board as a whole remains responsible for the way in which it performs its tasks and for the preparatory work carried out by the committees. The committees submitted reports on their meetings to the Supervisory Board.

The Audit Committee

In the financial year the Audit Committee was composed of Messrs Scheffers (Chairman), Hansen and Wester.

The composition of the Audit Committee is in line with the provisions of the Dutch corporate governance code. The Audit Committee supports the Supervisory Board in the performance of its tasks, especially as regards financial and accounting matters.

The Committee met four times over the past financial year. The independent auditor was present at all of these meetings. The Chairman and the Chief Financial Officer of the Executive Board also attended all the Audit Committee's meetings. The Committee resolved that the director operational audit will also attend every meeting.

In addition to its regular tasks and responsibilities, the Audit Committee addressed the following specific matters in 2015:

- audit plan for 2015;
- the 2016 operational plan;
- the operational audit charter;
- material legal proceedings;
- development of working capital;
- development of cash;
- key projects;
- transition of audit responsibilities to the new independent auditor in 2016.

In 2015 special attention was also given to the execution of the Back in Shape programme and the introduction of the stage gate tender procedure.

The Audit Committee was briefed by the independent auditor on relevant developments in the audit profession, especially those related to the changed independent auditors and assurance report. The transition of audit responsibilities to EY as per 2016 was discussed with both the current and the new auditor. As part of this transition process, the new auditor attended one of the meetings of the Audit Committee. The committee met with the independent auditor on one occasion without the Executive Board being present and reported to the Supervisory Board on the relationship with the independent auditor. The Audit Committee believes that the relationship with the independent auditor is sound.

Remuneration Committee

In the financial year, the Remuneration Committee was composed of Mrs Mahieu (Chairwoman), Mr Elverding and Mr Noy. The composition of the Remuneration Committee is in line with the provisions of the Dutch corporate governance code.

One of the tasks of the Remuneration Committee is to make proposals to the Supervisory Board with regard to the remuneration policy, the terms of employment of members of the Executive Board and the remuneration of the members of the Supervisory Board and Executive Board.

Early 2015 the Remuneration Committee evaluated the current remuneration policy of the Executive Board with the assistance of an external advisor as a result of which a proposal for amendment of this policy was submitted for approval to the Supervisory

Board and, subsequently, the general meeting in 2015. More information on the remuneration policy can be found in the remuneration report.

The Committee submitted a proposal to the Supervisory Board relating to the remuneration of members of the Executive Board and criteria for the variable remuneration. In addition, the Remuneration Committee prepared a remuneration report on the way the remuneration policy has been implemented in practice. Also the developments with regard to the different pension schemes in the company were reviewed. In the financial year, the Committee consulted the Chairman of the Executive Board about the policy on terms and conditions of employment for directors of operating companies and executive officers of equivalent rank, and the Committee was also involved in the development of the new performance share plan.

The Remuneration Committee met three times during the past financial year. The Chairman of the Executive Board was present during parts of these meetings. The Committee members consulted with each other a number of times outside the context of a formal meeting. In addition a number of teleconferences were held. The Committee held individual performance evaluation interviews with the members of the Executive Board as part of the assessment of the Executive Board.

Nomination Committee

During the financial year, the Selection and Appointment Committee was renamed Nomination Committee in order to align the name with practices in the market. The committee was composed of Mr Elverding (Chairman), Mrs Mahieu and Mr Noy.

One of the tasks of the Nomination Committee is to make proposals to the Supervisory Board regarding selection criteria and appointment procedures, and regarding the size, composition, appointments and reappointments to and assessment of the performance of the Supervisory Board and the Executive Board. The Committee also monitors the Executive Board's policy on selection criteria and appointment procedures for senior management and holds annual appraisals with the individual members of the Executive Board.

The Nomination Committee met three times in the past financial year. The end of the terms of Mr Elverding, Mr Wester and Mrs Mahieu at the annual General Meeting in 2015 were discussed and a proposal for reappointment was submitted to the Supervisory Board.

Composition of the Supervisory Board

During the financial year, the Supervisory Board was composed of six members. According to schedule, there were three re-appointments.

Diversity

The Supervisory Board has five male members and one female member (16.7%). One member of the Supervisory Board has the Belgian nationality. The Executive Board, whose members all have the Dutch nationality, has two male members and one female member (33.3%). As such the Group complies with the diversity targets set by law as far as the Executive Board is concerned but has not yet reached the desired target figure in the Supervisory Board.

Both the Supervisory Board and the Executive Board agree with the importance of diversity in the Group's managerial bodies. In order to further emphasise this, the profile of the Supervisory Board, which was last discussed with the shareholders in the General Meeting in 2009, was updated in 2015 and a 30 per cent target for female board members was included. The new profile was discussed with the Central Works Council and the General Meeting after which it was formally adopted by the Supervisory Board.

Independence

In the opinion of the Supervisory Board, the requirements of the Dutch corporate governance code with regard to independence have been met. In 2015 the Supervisory Board members did not have any other relationships of a business nature with the company. None of the Supervisory Board members had more than five memberships of Supervisory Boards at Dutch listed companies or other large institutions.

With regard to the selection process for the new independent auditor Mrs Mahieu refrained from participating in the discussion and decision-making given her affiliation with a member of the board of one of the candidate parties. Other than that, the Supervisory Board is not aware of any conflicts of interest between the company and members of the Supervisory Board, or between the company and natural persons or legal entities that hold at least 10 per cent of the shares in the company.

Composition of the Executive Board

During the financial year, the Executive Board was composed of three members. There were no mandatory re-appointments.

The Supervisory Board concluded that none of the members of the Executive Board holds more than two Supervisory Board positions of large corporations and no position of chair of a supervisory body was held. This is in line with the Management and Supervision (Public and Private Companies) Act and the Code.

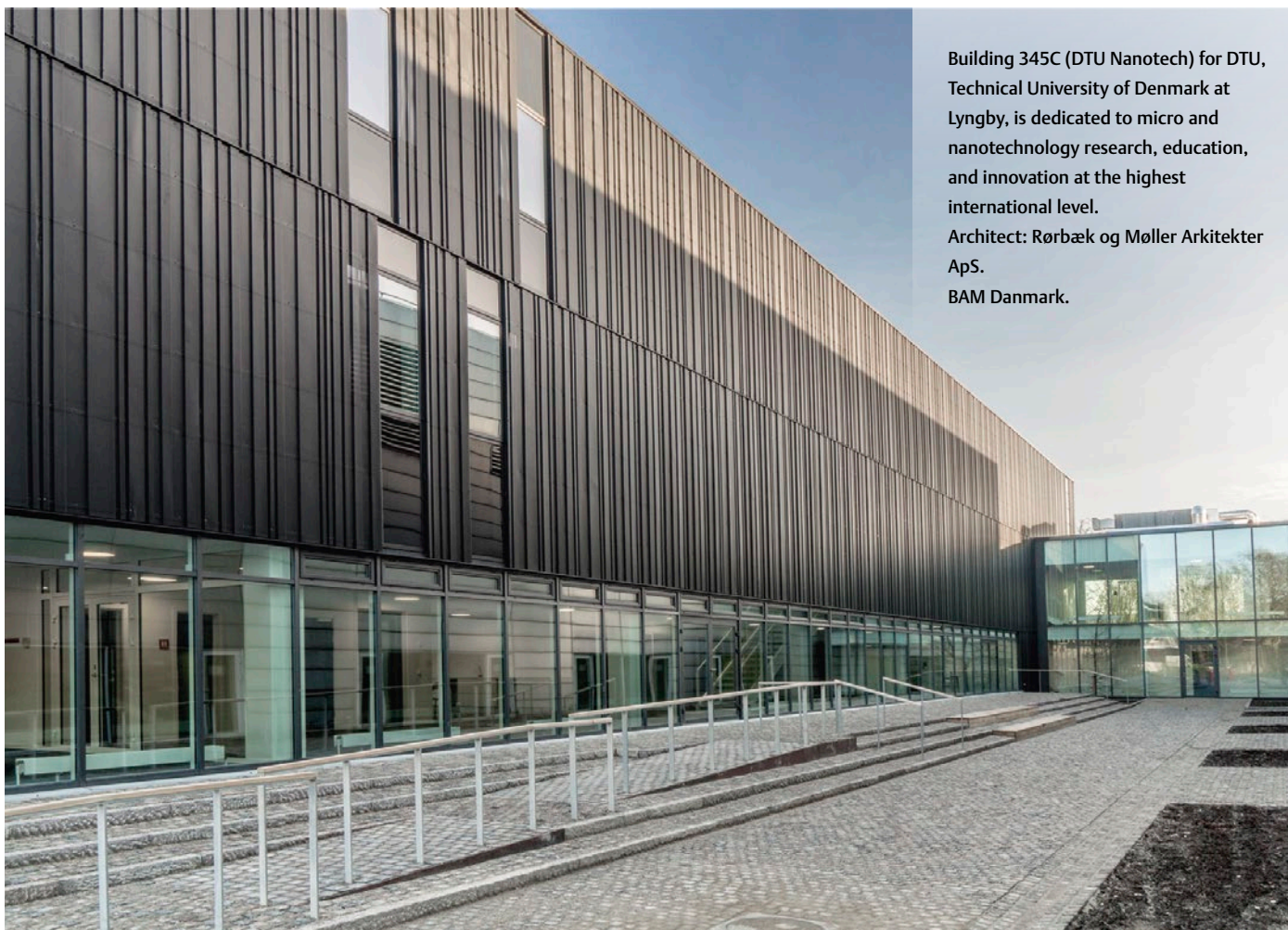
The Supervisory Board has no evidence of any conflicts of interest between the company and members of the Executive Board.

Shareholders and investor relations

The Annual General Meeting was prepared and the meeting was evaluated afterwards. The Supervisory Board was very pleased with the constructive dialogue with shareholders at the meeting but noted a low level of attendance, which will be given extra attention in the next year.

The Supervisory Board reviews the Group's investor relations activities and shareholder base on a regular basis. With regard to contact with shareholders, the Supervisory Board believes that this contact should primarily take place in shareholders' meetings. However, it is recognised that contact between the company and shareholders outside of shareholders' meetings can also be important – for both the company and the shareholders. The Supervisory Board will ensure that the company accepts shareholders' requests for talks in those cases where talks are considered important. The company itself can also take the initiative and request talks with a shareholder. The company has a general policy on bilateral contacts with shareholders, investors, analysts and the press. This policy is published on the company's website.

BAM proposes a dividend of 2 eurocents per ordinary share, in line with its dividend policy to pay out 30 to 50 per cent of the net result for the year. This will be paid in cash, with a scrip alternative. In 2014 BAM reported a negative net result for the year and hence paid no dividend.



Building 345C (DTU Nanotech) for DTU, Technical University of Denmark at Lyngby, is dedicated to micro and nanotechnology research, education, and innovation at the highest international level.

Architect: Rørbæk og Møller Arkitekter ApS.

BAM Danmark.

Independent auditor

During its review of the 2014 full year results and the 2015 half year results, the Supervisory Board met with the independent auditor to discuss his report. The Board established that the independent auditor had received the financial information on which the interim statements, the half year results, the annual results and other financial reports were based. The independent auditor also had been given the opportunity to discuss the information provided with BAM officers and the Executive Board.

The Supervisory Board has taken note of the reports and management letters as prepared by the independent auditor. These documents were discussed with the independent auditor and the Executive Board. The Supervisory Board also discussed the follow-up to the independent auditor's findings with the Executive Board.

The independent auditor attended the General Meeting of 22 April 2015 and was available to answer any questions.

As part of its consideration of this report and the 2015 financial statements, the Supervisory Board assessed the relationship with the independent auditor, based on reports from the Executive Board and the Audit Committee.

In order to comply with upcoming legislation that required stock listed companies as of 1 January 2016 to change its independent auditor periodically, the Supervisory Board nominated Ernst & Young Accountants LLP as independent auditor for the financial years 2016, 2017 and 2018, which was approved by the General Meeting on 22 April 2015.

Corporate governance

The company's corporate governance structure and its compliance with that structure were discussed with the shareholders in the General Meeting on 21 April 2009. The Supervisory Board and the Executive Board reviewed the corporate governance structure during the financial year and decided that there was no reason to change it, other than the amendment of the profile of the Supervisory Board in order to clearly reflect the company's dedication to diversity.

The Supervisory Board and the Executive Board are convinced that Royal BAM Group's corporate governance is up to standard. Please refer to the corporate governance statement from page 81 of the Integrated Report concerning the company's compliance with the Code.

The 2015 financial statements, duly prepared by the Executive Board, will be submitted to the General Meeting for adoption. The financial statements have been audited by the independent auditor, PricewaterhouseCoopers Accountants N.V.; the unqualified auditor's report is included on page 199 of the Report. The Supervisory Board has discussed the financial statements with the Executive Board in the presence of the independent auditor and agrees with them. The Supervisory Board is of the opinion that the financial statements, the report by the Supervisory Board and the report by the Executive Board provide a solid basis on which to hold the Executive Board accountable for the management policies pursued and the Supervisory Board accountable for its supervision of the management policies pursued. The members of the Supervisory Board have signed the financial statements in accordance with their statutory obligations under Article 2:101, paragraph 2 of the Dutch Civil Code.

The Supervisory Board believes that this report is presented in accordance with the International Integrated Reporting Framework.

Final comments

Looking back on the financial year 2015, the Supervisory Board acknowledges and appreciates the substantial steps being made in order to make the company more resilient and successful. The vigorous execution of the Back in Shape programme, including the unavoidable restructuring measures that form an inseparable parts of it, has stretched the organisation as well as its employees. Partly the results of these joint efforts will only become visible in the years to come. The Supervisory Board is grateful for the contribution of each individual employee to the major efforts that have been made.

Although the economic markets in Europe and abroad have improved in 2015, the construction market remains difficult due to the late cyclical nature of this industry. Also the imbalance in the distribution of risks and opportunities between contractors and clients remains worrying. The – albeit shrinking – backlog of projects taken on in the economic crisis requires continued attention and monitoring. With the publication of the new company strategy for the period 2016-2020 in February 2016, the Supervisory Board feels that a clear path has been set to further improve the competitive position and performance of the company.

4.3 Remuneration report

The following remuneration report from the Supervisory Board describes how the remuneration policy has been put into practice during the past financial year. The report includes summaries of information concerning remuneration received in 2015 and also contains a summary of the remuneration policy for the coming financial year and subsequent years.

Remuneration

The Remuneration Committee is a permanent committee of the Supervisory Board and shall consist of at least two members of the Supervisory Board. The Remuneration Committee is subject to rules established by the Supervisory Board. At the end of the year under review it consisted of Mrs Mahieu (Chairwoman), Mr Elverding and Mr Noy and met three times during the past financial year. The composition of the Remuneration Committee is in line with the provisions of the Code. The Committee members consulted with each other a number of times outside the context of a formal meeting.

The Remuneration Committee used the services of external remuneration advisers (Hay group) in 2015 to benchmark the remuneration level. As a result the salaries were not modified in 2015, but a new long-term incentive plan has been introduced and the performance measures for the short-term incentive have been expanded, which changes were adopted in the annual general meeting of 22 April 2015 with effect as of 1 January 2015.

A summary of the remuneration of the individual members of the Executive Board can be found in > tables 48 and 51. No other compensation was awarded to members of the Executive Board in the financial year other than the compensation indicated in > tables 48 and 51.

Annual variable remuneration and long-term remuneration for the members of the Executive Board

The members of the Executive Board were awarded 56.5 per cent annual variable remuneration in relation to the financial and non-financial targets from the short-term incentive plan. The targets related to performance on BAM Group's financial priorities as well as on safety.

The phantom share plan was discontinued and replaced by a performance-based share plan, which was adopted by the annual general meeting on 22 April 2015. The conditional performance shares granted to the members of the Executive Board in 2015 are stated in > table 52.

The company has not awarded any options to members of the Executive Board, members of operating company management teams or employees. The remuneration of the Executive Board

members is not affected by a change of control at the company. No loans were issued to members of the Executive Board.

The Supervisory Board did not see any reason during the financial year to use its extraordinary powers to adjust or reclaim variable or long-term remuneration that had already been awarded.

Remuneration of the Supervisory Board members

The annual remuneration for the members of the Supervisory Board, in accordance with the policy adopted at the General Meeting on 7 May 2008, is €50,000 for the Chairman, €45,000 for the Vice-Chairman and €40,000 for the other members of the Board, with an additional remuneration of €5,000 for each member who is on one or more Committees set up by the Supervisory Board. The Chairman and the other members of the Supervisory Board receive an annual fixed expenses allowance of €3,280 and €1,640 respectively. The remuneration and fixed expenses allowance are paid on quarterly basis.

The company has not awarded any options or shares to members of the Supervisory Board. The remuneration of the Supervisory Board members is not affected by the company's results, nor by any change of control at the company. No loans were issued to members of the Supervisory Board.

Remuneration policy

The Supervisory Board draws up the company's remuneration policy based on advice from its Remuneration Committee. The General Meeting adopts the remuneration policy. Once the remuneration policy has been adopted, the Supervisory Board determines the remuneration for the individual members of the Executive Board, again on the basis of recommendations by its Remuneration Committee. The Remuneration Committee's regulations are published on BAM's website. The members of the Executive Board received remuneration in the past financial year in line with the remuneration policy adopted by the General Meeting on 22 April 2015 after a review of the remuneration policy for the Executive Board in light of the Back in Shape programme and by taking into account developments in market best practices since the previous update.

Design principles

The remuneration policy is geared to attract and retain qualified people and motivating them to achieve Royal BAM Group's objectives. Particular emphasis is placed on experience with the Group's (international) activities and the necessary management qualities. In the design of the policy and in determining the remuneration levels of the members of the Executive Board, the Supervisory Board has benchmarked the several remuneration elements against market standards. Also the internal pay

differentials have been taken into account, as well as scenario analyses which have been used to determine possible outcomes of the variable remuneration elements, including the maximum value of the long-term incentive. The remuneration structure and elements take into account that risk-taking beyond the risk profile of the company should not be encouraged.

The policy is also aimed to stimulate profitable growth and long-term value creation, to motivate individuals and to increase the attractiveness of the company to highly qualified executives, including those from other industries, so as to interest them in Royal BAM Group as an employer. The remuneration level and structure are partly based on the development of results, as well as other developments that are relevant to the company, including non-financial indicators which are relevant for the company's long-term objectives.

In order to achieve these design principles, remuneration is set at a competitive level for the relevant national general remuneration market for directors and other senior managers of large companies. The Supervisory Board will regularly review the remuneration package to ensure that it complies with the assumptions underlying the remuneration policy. The remuneration policy will also be evaluated regularly; changes in the policy will be put forward for adoption at the General Meeting.

Remuneration level

The Supervisory Board uses external benchmark information to assess market comparability of the remuneration levels. Beginning 2015 the previous peer group, consisting of 28 companies, has been reviewed with the assistance of Hay Group and taking into account the ISS criteria. Based on industry, ownership structure, geographical business scope and size parameters, a new peer group of 17 companies has been selected. Remuneration levels are aimed at the median of this peer group. The Supervisory Board also took notice of the fact that over the last five years the base salary of the members of the Executive Board has only been slightly increased once (1.75 per cent correction of inflation). In addition no STI has been paid during the last two years, while in the previous three years pay-out was very restricted.

The 2015 incentive levels are presented in the > table below:

Remuneration level	2015
STI (% of base salary)	
CEO	55% (target) 75% (maximum)
Members	55% (target) 75% (maximum)
LTI (% of base salary)*	
CEO	70%
Members	60%
Share ownership guidelines	
CEO	1 times gross base salary
Members	0.75 times gross base salary
* Award value	

Remuneration package

The remuneration of the Executive Board consists of four elements:

- Fixed salary;
- Short-term incentive (STI);
- Long-term incentive (LTI);
- Pension provisions and other secondary conditions of employment.

Ad a. Fixed salary

The Supervisory Board determines the development of the annual salary of the individual member of the Executive Board. The annual evaluation and change in salary generally take place per 1 January of each year. The evaluation considers personal performance, the results of the past year, the extent to which the current salary deviates from the benchmark and general changes in the market.

Variable remuneration

To enhance alignment of the remuneration policy with the Back in Shape programme and market best practices, the STI and LTI plans of the Executive Board have been amended. In addition the new LTI plan has been cascaded down to currently a maximum of 15 senior executive positions below the Executive Board.

Ad b. Short-term incentive

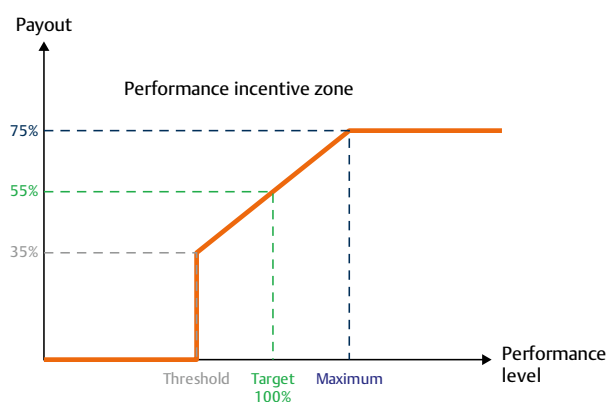
To ensure continued alignment between the short-term incentive and BAM Group's strategy, greater flexibility with respect to the STI metrics is important to enable adequate responses to the challenges BAM Group is facing. The Remuneration Committee annually selects two (2) to three (3) financial metrics for the STI of the members of the Executive Board. It also determines their relative weighting.

The financial metrics will be chosen from the following list:

- | | |
|------------------------------|--------------------|
| 1. Profit before tax | 5. Cash conversion |
| 2. Operational result (EBIT) | 6. Cost reduction |
| 3. Working capital | 7. Divestments |
| 4. Cash flow | |

The selected metrics link remuneration with a focus on BAM Group's financial priorities. As specific targets for each of the metrics may qualify as sensitive information, these will in principle not be disclosed.

Two thirds of the STI are based on financial criteria (as outlined above) and the remaining one third is linked to non-financial performance targets. Performance incentive zones are defined for each of the targets. Pay-out gradually increases with performance, starting with a pay-out of 35 per cent of the target opportunity at threshold performance and potentially going up to 75 per cent pay-out at maximum performance per individual target. Below threshold there will be zero pay-out. The Supervisory Board sets the performance ranges (i.e. threshold, at target and maximum performance levels) and corresponding payout levels, with the constraint that the STI payout will not exceed 75 per cent of base salary. For more details, see the > graph below.



47 — STI payout

In cases where the variable remuneration is awarded on the basis of inaccurate (financial) data, the Supervisory Board has the right to adjust the variable remuneration accordingly, and the company is entitled to reclaim (any part of) the variable remuneration paid to a member of the Executive Board on the basis of incorrect (financial) information.

In the case of new awards of variable remuneration to members of the Executive Board, based on quantified performance criteria, the Supervisory Board has the right to amend the awards in relation to the level of previous years if it considers that this would otherwise lead to an unreasonable outcome.

The Supervisory Board also has the power to amend the existing conditional awards of variable remuneration based on quantifiable performance criteria if, in its opinion, applying the criteria without amendment would have an unreasonable and unintended outcome. These matters have been incorporated into the employment and management agreements of Executive Board.

Ad c. Long-term incentive

In 2015 the previous phantom share plan has been replaced by a performance share plan. The performance shares are conditionally awarded subject to performance testing after three years. The number of performance shares at grant date is calculated by dividing the award value by the average closing price of BAM Group shares on Euronext Amsterdam based on the five-days average closing price after AGM. The maximum value at the moment of vesting of the LTI is capped at 2.5 times the award value in order to avoid inappropriate payouts.

There are two financial performance measures, being total shareholder return and ROCE and one non-financial measure related to sustainability. Realised performance results in a vesting percentage for each of the three (3) performance targets, each determining one third of the vesting of the conditionally granted shares. The TSR measure will also operate as a 'circuit breaker' for the vesting part linked to the other two criteria. When BAM Group ranks at the bottom two places of the TSR peer group, the other parts will not pay out regardless of the performance in this area.

Minimum share ownership requirements; for the CEO this amounts to 100 per cent of base salary and for the other members of the Executive Board this amounts to 75 per cent of base salary. In accordance with the code the three-year vesting period will be followed by a two-year lock-up period. Participants are not allowed to divest any shareholding until the two year lock-up period has lapsed and the above minimum share ownership requirements are met, with the exception of any sale of shares during the lock-up period required to meet any tax obligations and social security premiums (including any other duties and levies) as a consequence of this performance share plan.

Long-term incentive plan	2015
Financial vs. non-financial (personal) measures	Financial: 66.7 per cent Non-financial: 33.3 per cent
Weight (% of total value at grant) and type of measures	TSR: 33.3 per cent ROCE: 33.3 per cent Sustainability: 33.3 per cent
Payment mechanism	Conditional performance shares
Stimulating share ownership	Two-year additional holding period plus minimum share ownership requirements

TSR is defined as the share price increase, including dividends. TSR is measured over a three (3) year period based on a three (3) month average period before grant and vesting date. The relative position within the peer group determines the vesting percentage. The TSR peer group comprises of Balfour Beatty, Boskalis, Carillion, Heijmans, Hochtief, Eiffage, Skanska, Strabag, Vinci, YIT (and BAM). The composition of the TSR peer group is being evaluated on a periodic basis, among other things, in light of corporate events.

Realised performance against those targets is assessed by using performance incentive zones. For excellent performance, the number of performance shares per individual target that may vest may amount to a maximum of 150 per cent of the 'at target' number of performance shares. This percentage may be reduced to zero (0) (on a sliding scale) for non-achievement of the individual targets. The performance incentive zones are presented in the tables below:

The value of the performance shares – as the combined result of the number of performance shares that will vest and the share price at the moment of vesting – that will become unconditional to a participant will at vesting never exceed two and a half (2.5) times the award value.

The authority to implement the long-term incentive plan is vested in the Supervisory Board. The Supervisory Board has the right to change or terminate the scheme at any time. If the Supervisory Board decides to terminate or make material changes to the long-term incentive plan, the next General Meeting will be asked to adopt a resolution to that effect. Upon a decision of the Supervisory Board, following a proposal from the Remuneration Committee, the company has the discretionary power to fully or partially reclaim from the participant who is member of the Executive Board the conditionally awarded performance shares as well as vested shares (or any benefit resulting therefrom) where those have been awarded on the basis of incorrect information concerning (i) the achievement of the performance conditions concerned or (ii) events or conditions on which the shares were conditionally awarded.

In case of announcement of a public offer for shares in the Company as referred to in Article 5 of the Takeover Decree (Besluit openbare biedingen Wft), the provisions of Article 2:135 (7) of the Civil Code shall apply. In accordance with this article, the company (based upon a resolution of the Supervisory Board, following a proposal of the Remuneration Committee) is entitled to reclaim from a member of the Executive Board payment in kind or in cash of any increase in value referred to therein.

At the request of the Supervisory Board, the company's independent auditor will check the calculations carried out and conclusions reached in connection with the long-term incentive plan, in which case the independent auditor's assessment will be binding.

Relative TSR		ROCE		Sustainability	
TSR ranking	Vesting	Score	Vesting	Score	Vesting
1	150%	Above maximum	150%	Above maximum	150%
2	125%	Maximum	150%	Maximum	150%
3	100%	Target	100%	Target	100%
4	75%	Threshold	50%	Threshold	50%
5	50%	Below treshold	0%	Below treshold	0%
6	25%				
7	0%				
8	0%				
9	0%	Notes:			
10	0%	1) Vesting is expressed as a percentage of the conditionally granted number of shares.			
11	0%	2) If TSR would be at position 10 or 11, no vesting can occur for the other parts.			

Ad d. Pension provisions and other secondary conditions of employment

With respect to pensions, sector regulations are being adopted wherever possible, with surplus schemes based on defined contributions and contributions from the participants. Members of the Executive Board are subject to a pension scheme and transitional arrangements as applicable within the Group from 1 January 2006 for all comparable employees following the introduction of the Act of Parliament concerning early retirement, pre-pension and life-course savings schemes (wet VPL). The costs of trend-based indexation of underlying pension rights have been included in the pension contributions with effect from 2009. The company does not have any early retirement schemes. Due to the nature of the management services agreement no pension arrangements were made with regard to Mr Bax, who instead will receive a contribution for his personal pension arrangements.

As for all the other employees, the Group has a competitive package of secondary conditions of employment for the members of the Executive Board. This package includes such matters as healthcare and disability insurance, personal accident insurance, a car scheme and reimbursement of personal expenses. The Group does not give loans, warrants and the like to members of the Executive Board or to other employees, except for the arrangements set out below.

Current and former members of the Supervisory Board and current and former members of the Executive Board are covered by the indemnity, under the Articles of Association, against claims made against them in respect of actions or omissions in the performance of the duties of their position, unless said actions or omissions constituted willful, deliberately reckless or seriously culpable conduct and / or consisted of traffic offences. This facility also applies to all employees and former employees of BAM. The company has taken out directors' and officers' liability insurance under standard market terms and conditions for the members of the Supervisory Board, the members of the Executive Board, the members of the operating company management teams and all other directors and officers in BAM.

Period of appointment and contracts of employment

Members of the Executive Board are appointed for a period of four years. The employment agreement of Mr R.P. van Wingerden has been entered into for an indefinite period. The employment agreement of Mrs T. Menssen and the management services agreement of Mr E.J. Bax have been entered into for a period of four years. The members of the Executive Board have a notice period of six months for the company and three months for the members. The company regards a notice period of three months suitable for a member of the Executive Board.

The relationship between the members of the Executive Board and the company changed as of 1 January 2013 with the

introduction of the Management and Supervision (Public and Private Companies) Act (Wet bestuur en toezicht). As such, the employment relationship between new members of the Executive Board and the company will not be classified as a contract of employment. As of the above-mentioned date new Executive Board members are being appointed by means of a management services agreement. This is the case for Mr Bax with whom a management services agreement has been negotiated. It is the intention of the Supervisory Board to also change the current employment contracts of the other members of the Executive Board into management services contracts in the course of 2016.

If the company terminates the (employment or assignment) contract of a member of the Executive Board, the maximum severance payment will be one year's base salary. If this maximum of one year's salary would be manifestly unreasonable for a member who is dismissed during his or her first term of appointment, such Board member will be eligible for severance pay not exceeding twice the annual salary.

The company has no other remuneration provisions, beyond the remuneration package mentioned above, nor are there any other rights to one-time payments.

Securities rules

The company has rules relating to the possession of and trading in securities. These rules are published on the company's website and also include regulations for members of the Executive Board and the Supervisory Board relating to the possession of and trading in securities other than those issued by the company. To this effect the Supervisory Board has established a so-called 'stop-list', meaning that it shall be prohibited to execute transactions in the securities of the companies included in this list. This list will be evaluated periodically and shall apply for the members of the Executive Board and of the Supervisory Board. This prohibition does not apply to securities that are included in investment funds nor to securities that are being administered by an independent financial firm. The stop-list is being evaluated annually.

Remuneration policy for 2016 and subsequent years

The remuneration policy described above will remain in effect in the financial year 2016 and subsequent years. No material changes in the remuneration policy are planned in the coming period.

Bunnik, the Netherlands, 17 February 2016

Supervisory Board

Executive Board remuneration

48 — Fixed annual salary, annual variable remuneration, pension premiums and other benefits

(x €1,000)

	Gross salary		Other short-term benefits		Post-employment benefits		Other benefits		Crisis levy	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	R.P. van Wingerden ¹	620	508	350	-	46	64	379	8	-
T. Menssen	470	470	265	-	38	30	274	8	-	48
E.J. Bax ²	470	313	265	-	52	35	111	-	-	34

¹ Appointed as Chairman of the Executive Board with effect from 1 October 2014

² Appointed as a member of the Executive Board with effect from 1 May 2014

Long-term remuneration plan

49 — Unconditional Phantom Share Plan 2012-2015 ¹

(value in €)

	At the award date		At the vesting date				
	Number	Value	Number	TSR-performance	Graduated scale	Vested shares	Value ²
R.P. van Wingerden	88,459	230,000	88,030	0.3%	35%	30,811	158,058
T. Menssen	-	-	-	-	-	-	-
E.J. Bax	-	-	-	-	-	-	-

¹ Award has become unconditional on 4 May 2015; lock-up period up to and including 4 May 2017.

² Potential value based on the closing share price of BAM at year-end 2015 (€5.130) and on the number of vested shares three years after the award. The ultimate TSR performance is based on the quarterly average for the year 2013, 2014 and 2015.

The long-term remuneration will never exceed one and a half times the annual gross salary of the Executive Board member on the day of the payout.

50 — Conditional phantom shares plan 2013-2016 ¹

(value in €)

	At the award date		Year-end 2015		TSR-performance	graduated scale
	number	value	number	value ²		
R.P. van Wingerden	69,272	235,000	70,259	162,193	7.6%	45%
T. Menssen	69,272	235,000	70,259	162,193	7.6%	45%
E.J. Bax	-	-	-	-	7.6%	45%

¹ Award on 3 May 2013; award becomes unconditional on 3 May 2016; lock-up period up to and including 3 May 2018.

² Potential value based on the closing share price of BAM at year-end 2015 (€5.130) and on the number of conditional phantom shares that become unconditional three years after the award.

The TSR performance is based on the quarterly average for 2015. The ultimate TSR performance is based on the quarterly average for the year 2013, 2014 and 2015.

The long-term remuneration will never exceed one and a half times the annual gross salary of the Executive Board member on the day of the payout.

51 — Conditional phantom shares plan 2014-2017¹

(value in €)

	At the award date		Year-end 2015		TSR- performance	graduated scale
	number	value	number	value ²		
R.P. van Wingerden	60,072	235,000	60,072	138,676	7.7%	45%
T. Menssen	60,072	235,000	60,072	138,676	7.7%	45%
E.J. Bax	60,072	235,000	54,064	124,807	7.7%	45%

¹ Award on 1 May 2014; award becomes unconditional on 1 May 2017; lock-up period up to and including 4 May 2019.

² Potential value based on the closing share price of BAM at year-end 2015 (€5,130) and on the number of conditional phantom shares that become unconditional three years after the award.

The TSR performance is based on the quarterly average for 2014. The ultimate TSR performance is based on the quarterly average for the year 2014, 2015 and 2016.

The long-term remuneration will never exceed one and a half times the annual gross salary of the Executive Board member on the day of the payout.

52 — Conditional performance share plan 2015-2017¹

(value in €)

	At the award date		Year-end 2015	
	number	value	number	value ²
R.P. van Wingerden	114,319	434,000	114,319	586,456
T. Menssen	74,281	282,000	74,281	381,061
E.J. Bax	74,281	282,000	74,281	381,061

¹ Award on 30 April 2015; award becomes unconditional if the specified 3-year performance targets are met.

² Potential value based on the closing share price of BAM at year-end 2015 (€5,130) and on the 'at target' number of conditional phantom shares that become unconditional three years after the award.

The value of the performance shares – as the combined result of the number of performance shares that will vest and the share price at the vesting date – that become unconditional, will never exceed two and a half (2.5) times the award value.

53 — Appointment and contractual arrangements

	Year of employment	Date of appointment	Period of appointment	Notice period for the Company	Notice period for the Executive Board member	Severance
R.P. van Wingerden	1988	7 May 2008	4 years	6 months	3 months	1 year's salary
T. Menssen	2012	1 October 2012 ¹	4 years	6 months	3 months	1 year's salary
E.J. Bax	2014	1 May 2014 ¹	4 years	6 months	3 months	1 year's salary

¹ First appointment.

4.4 Declaration in accordance with the Dutch Financial Supervision Act

The members of the Executive Board as required by section 5:25c, paragraph 2, under c of the Dutch Act on Financial Supervision confirm that to the best of their knowledge:

- The 2015 financial statements included in this report give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- The management report included in this report gives a true and fair view of the position of the company and the undertakings included in the consolidation taken as a whole as at 31 December 2015, and of the development and performance of the business for the financial year then ended;
- The management report includes a description of the general risks and uncertainties that the company faces.



4.5 Decision on Article 10 of the Takeover Directive

The following information and explanations relate to the provisions of the Decree of 5 April 2006 implementing Article 10 of Directive number 2004/25/EC of the European Parliament and the Council of the European Union dated 21 April 2004.

Capital structure

➤ Table 59 may be used as a reference for the company's capital structure. No rights apart from those arising under statute are attached to the shares into which the company's capital is divided, apart from the scheme specified in Article 31 of the Articles of Association concerning the application of the profit in relation to Class B and Class F preference shares.

A brief summary of Article 31 of the Articles of Association is provided below. From the profit realised in any financial year, an amount will first be distributed, where possible, on the Class B cumulative preference shares, calculated by applying the percentage stated below to the amount that must be paid up on those shares as at the start of the financial year for which the distribution is made. The percentage referred to above will be equal to the average of the Euribor rates for money market loans with a maturity of twelve months – weighted according to the number of days for which these rates prevailed – during the financial year for which the distribution is made, plus one percentage point. Euribor refers to the Euro Interbank Offered Rate as determined and published by the European Central Bank.

Subsequently, if possible, a dividend will be distributed on each financing preference share of a certain series, with due consideration of the provisions of Article 31(6) of the Articles of Association, equal to an amount calculated by applying a percentage to the nominal amount of the financing preference share concerned at the start of that financial year, plus the amount of share premium paid in on the financing preference share issued in the series concerned at the time of initial issue of the financing preference shares of that series, less the amount paid out on each financing preference share concerned and charged to the share premium reserve formed at the time of issue of the financing preference shares of that series prior to that financial year. If and to the extent that a distribution has been made on the financing preference shares concerned in the course of the year and charged to the share premium reserve formed at the time of issue of the financing preference shares of the series concerned, or partial repayment has been made on such shares, the amount of the distribution will be reduced pro rata over the period concerned according to the amount of the distribution charged to the share premium reserve and/or the repayment with respect to the amount referred to in the preceding sentence.

The calculation of the dividend percentage for the financing preference shares of a certain series will be made for each of the series of financing preference shares referred to below, in the manner set forth for the series concerned.

Series FP1 to FP4

The dividend percentage will be calculated by taking the arithmetic mean of the yield to maturity on euro government loans issued by the Kingdom of the Netherlands with a remaining term matching as closely as possible the term of the series concerned, as published in the Euronext Prices Lists, plus two percentage points.

Series FP5 to FP8

The dividend percentage will be equal to the average of the Euribor rates for money market loans with a maturity of 12 months – weighted according to the number of days for which these rates prevailed – during the financial year for which the distribution is made, plus two percentage points.

The above percentages may be increased or reduced by an amount of no more than 300 basis points.

The above percentages apply for the following periods: series FP1 and FP5: five years; series FP2 and FP6: six years; series FP3 and FP7: seven years and series FP4 and FP8: eight years. After a period expires, the percentage will be modified in accordance with the rules laid down in Article 31 paragraph 6(c) of the Articles of Association.

The Supervisory Board shall determine, on the basis of a proposal by the Executive Board, what part of the profit remaining after application of the above provisions will be added to the reserves. The part of the profit that remains thereafter is at the disposal of the General Meeting, subject to the provision that no further dividends will be distributed on the preference shares and with due consideration of the other provisions of Article 31 of the Articles of Association.

Please note that, as at the balance sheet date, neither preference shares B nor preference shares F have been issued.

Limits on the transfer of shares

The company has no limitation, under the Articles of Association or by contract, on the transfer of shares or depositary receipts issued with the company's cooperation, apart from the restriction on the transfer of preference shares contained in the Articles of Association. Article 13 of the company's Articles of Association stipulates that approval is required from the company's Executive Board for the transfer of Class B preference shares. The scheme is included in order to offer the company the facility – because of the specific purpose of issuing these shares, namely the acquisition of finance or achieving protection – of offering the holders of these shares an alternative in the event that they wish to dispose of their shares.

As regards the Class B preference shares, the company and Stichting Aandelenbeheer BAM Groep (BAM Group Stock Management Foundation) have agreed that the company will not

proceed to issue these shares or to grant any rights to purchase them to anyone other than the said foundation without the foundation's permission. The foundation will not dispose of or encumber any Class B preference shares, nor renounce the voting rights relating to them, without permission from the company. Please refer to page 209 onward of the report with regard to the reasons behind protecting the company and the manner in which this is done.

Substantial interests

The company is aware of the following interests in its equity, which are now reported under the provisions concerning the reporting of controlling interests under the Disclosure of the Financial Supervision Act. See > table 61.

Special control rights

The shares into which the company's equity is divided are not subject to any special control rights.

Employee share plan or employee option plan

The company does not have any employee share or employee option plans. Since this year a long term incentive plan based on performance shares has been introduced for the members of the Executive Board, which replaces the previous long term incentive plan which was based on phantom shares. The new long term incentive plan is cascaded down to a maximum number of 15 senior executive positions below the Executive Board.

Voting rights

Each share in the company provides entitlement to the casting of one vote at shareholders' meetings. There are no restrictions on the exercising of voting rights. The company's Articles of Association contain the usual provisions in relation to intimation for the purpose of being acknowledged as a proxy at shareholders' meetings. Where the company's Articles of Association mention holders of depositary receipts or depositary receipt holders, whether named or bearer, this is understood to mean holders of depositary receipts issued with the company's cooperation and also individuals who, under the terms of Articles 88 or 89, Book 2 of the Dutch Civil Code, have the rights accorded to holders of depositary receipts for shares issued with the company's cooperation.

Shareholders' agreements

The company is not aware of any agreements involving one of the company's shareholders and which might provide reasons for:

- (i) restricting the transfer of shares or of depositary receipts issued with the company's cooperation, or
- (ii) restricting the voting rights.

Appointment and dismissal of members of the Supervisory Board and members of the Executive Board

The company is obliged by law to operate a mitigated two-tier structure. The General Meeting appoints the members of the Supervisory Board, based on a recommendation from the Supervisory Board. The General Meeting also appoints the members of the Executive Board, with the Supervisory Board having the right of recommendation. The section headed Corporate governance on page 80 onwards of the report by the Executive Board provides a more detailed explanation of the appointment and dismissal of members of the Supervisory Board and members of the Executive Board.

Powers of the Executive Board

The company is managed by an Executive Board. The Executive Board's powers are those arising from legislation and regulations. A more detailed description of the Executive Board's duties can be found on page 80 onwards of the Executive Board's report, in the section headed Corporate governance. The Executive Board was authorised by the General Meeting held on 22 April 2015 to issue ordinary shares and Class F preference shares and/or to grant options to purchase these shares, subject to approval from the Supervisory Board. This authorisation is limited in duration to eighteen months. It is also limited in scope to 10 per cent of the issued capital, plus an additional 10 per cent, which additional 10 per cent may be used exclusively for mergers, acquisitions or strategic partnerships by the company or by operating companies. The General Meeting held on 22 April 2015 granted authority to the Executive Board for a period of eighteen months to repurchase shares in the company, within the limitations imposed by the law and the Articles of Association and subject to the approval of the Supervisory Board. In principle, the General Meeting is asked to grant these authorisations every year. Resolutions to amend the Articles of Association, or to dissolve the company may only be passed by the General Meeting on the basis of a proposal put forward by the Executive Board and approved by the Supervisory Board.

Change of control provisions in important agreements

The Group's most important financial rules state that in the event of a change of control (including in the event that more than 50 per cent of the shares in BAM are deemed to be held by one party), the banks may terminate further financing and the Group can be obliged to repay outstanding loans under these arrangements and to extend the capital base provided for outstanding bank guarantees. A change of control clause is not unusual in important collaboration agreements over a longer period, where the parties include parts of the Group. Partly because of the total size of the Group, these clauses are not considered significant within the meaning of the Decree on Article 10 of the Takeover Directive.

Change of control clauses in contracts of employment

No agreement has been concluded with directors or employees of the company providing for a severance payment on termination of employment resulting from a public bid for the company.

4.6 Supervisory Board and Executive Board

Biographies of the Supervisory Board members



P.A.F.W. Elverding (1948), Chairman

Mr Elverding graduated from the University of Amsterdam. After completing his law degree in 1972, Mr Elverding began his career in the health care sector. He then went on to work at Akzo Chemie Nederland and De Bijenkorf in various human resources positions. In 1981, he joined the management team of De Bijenkorf, assuming responsibility for human

resources. In 1985, Mr Elverding joined DSM, serving in various management positions in different parts of the DSM Group with responsibility for human resources and general affairs. He was appointed to the DSM Executive Board in 1995 and became Chairman of the Executive Board in 1999. Mr Elverding retired in 2007. Mr Elverding is a Dutch national. He does not own any shares in the Company's capital.

Other offices: Chairman of the Supervisory Board of Q-Park; Vice-Chairman of the Supervisory Board at SHV Holdings; member of the Supervisory Board of Royal FrieslandCampina; member of the Board of Stichting Instituut GAK.

Mr Elverding was appointed to the Supervisory Board in 2011 and in November 2011 as Chairman of the Supervisory Board.



H.S. Scheffers (1948), Vice-Chairman

Mr Scheffers was trained as a chartered accountant. He was employed from 1974 until 1993 at Koninklijke Bunge, where he successively held the positions of internal auditor, European controller and President Northern Europe. He was subsequently employed as an Executive Board member at LeasePlan Corporation from 1993 until 1999. He joined SHV Holdings in 1999,

where he was CFO on the Executive Board until he retired in 2007. Mr Scheffers is a Dutch national. He does not own any shares in the company's capital.

Other offices: Chairman of the Supervisory Board of Aalberts Industries; Vice-Chairman of the Supervisory Board of Flint Holding; member of the Supervisory Board of Heineken; member of the Board of Directors of Stichting Administratiekantoor Aandelen KAS BANK.

Mr Scheffers was appointed to the Supervisory Board in 2009, reappointed in 2013 and in November 2011 appointed as Vice-Chairman of the Supervisory Board.



J.-P. Hansen (1948)

Baron Hansen graduated from Luik University as an electromechanical engineer. After two years working for the Belgian government, he continued his career in the electricity and gas sector. From 1992 to 1999 and again from 2005 to 2010 Mr Hansen was CEO of Electrabel. From 1999 to 2004 he was Chairman of the Executive Board of the company. He held

the position of member of the Executive Board of ENGIE until February 2013. Currently Mr Hansen is advisor and Chairman of the Energy Policy Committee of ENGIE. Mr Hansen is a Belgian national and holds no shares in the capital of the company.

Other offices: member of the Board of CMB (Compagnie Maritime Belge) and Chairman of the Walloon Public Service for Employment and Training (Forem). He is professor of economics at the University of Louvain.

Mr Hansen was appointed to the Supervisory Board in 2013.



Mrs C.M.C. Mahieu (1959)

Mrs Mahieu studied economics at the University of Amsterdam, where she graduated in 1984. She began her career at Royal Dutch Shell, where she held various management positions dealing with human resources, communication and corporate strategy. After several years as a consultant, Mrs Mahieu joined Royal Philips Electronics as Senior Vice-President Corporate Human

Resources in 2003. She took up her current position as Executive Vice President and Global Head of Human Resources at Aegon in September 2010. She is also a member of Aegon's Group Management Committee. Mrs Mahieu is a Dutch national. She does not own any shares in the company's capital.

Mrs Mahieu holds no other offices.

Mrs Mahieu was appointed to the Supervisory Board in 2011.



H.L.J. Noy (1951)

Mr Noy completed his studies at Eindhoven University of Technology at the end of 1974. Mr Noy worked for ARCADIS throughout his entire career. Starting in 1975, he occupied various positions within the company, which at that time still operated under the name Heidemij. From 1989 to 1994, he was a member of the Management Board of the consultancy

division in the Netherlands, the last two years as Chairman of the Board. In 1994, Mr Noy was appointed as a member of the Executive Board and in 2000 as CEO and Chairman of the Executive Board of ARCADIS NV until he stepped down in May 2012.

Mr Noy is a Dutch national and does not own any shares in the company's capital.

Other offices: Chairman of the Supervisory Board of Fugro; Chairman of the Board of Stichting Administratiekantoor TKH Group; member of the Board of Stichting ING Aandelen; extraordinary member of the Dutch Safety Board.

Mr Noy was appointed to the Supervisory Board in 2012.



K.S. Wester (1946)

Mr Wester studied civil engineering at Delft University of Technology. After graduating in 1969, he worked briefly for Fugro as a geotechnical engineer, after having performed military service. He then commenced employment at Costain Blankevoort and later at Ballast Nedam, working in the United Kingdom, the United Arab Emirates and Kuwait. In 1981, he

returned to Fugro, where he held various management positions before being appointed to the Fugro Executive Board as a member under the Articles of Association in 1996 and going on to become Chairman of the Executive Board in 2005 (a position he held until his retirement in 2012). Mr Wester is a Dutch national and does not own any shares in the company.

Other offices: Chairman of the Supervisory Board ACTA, Chairman of the Supervisory Board of Iv-Groep.

Mr Wester was appointed to the Supervisory Board in 2011.

54 Retirement schedule for the Supervisory Board

As of January 2016	Year of appointment	Year of re-appointment	Year of retirement	Current term ¹
P.A.F.W. Elverding	2011	2019	2023	2
H.S. Scheffers	2009	2013	2021	2
J.-P. Hansen	2013	2017	2025	1
C.M.C. Mahieu	2011	2019	2023	2
H.L.J. Noy	2012	2016	2024	1
K.S. Wester	2011	2019	2023	2

¹ Members of the Supervisory Board are appointed/reappointed for a maximum of four years.

Biographies of the Executive Board



Rob (R.P.) van Wingerden (1961), CEO

Mr Van Wingerden graduated as a civil engineer from Delft University of Technology in 1988. He joined the Group as a project surveyor in 1988 and subsequently worked in a variety of (project) management roles for operating companies in the Netherlands and elsewhere (including Taiwan and Hong Kong). He completed his MBA cum laude at

Twente School of Management in 1994. During this period he attended the Advanced Management Program at Harvard Business School in Boston. He was appointed Director of HBG Bouw en Vastgoed in 2000, became Director at BAM Utiliteitsbouw in 2002 and was appointed Chairman of the Board of BAM Woningbouw in 2005. Mr Van Wingerden has been a member of the Executive Board of Royal BAM Group since 2008. In October 2014 he was promoted to the position of CEO and Chairman of the Executive Board. He is a Dutch national and does not hold any shares in the company's capital.

Other offices: member of the Board of Governors of the Dutch Construction and Infrastructure Federation (Bouwend Nederland); member of the independent construction industry platform Vernieuwing Bouw; member of the Supervisory Board of Royal Saan; member of the Board of Nationaal Renovatie Platform, member of the Advisory of DIMI (Delft Infrastructures & Mobility Initiative).



Thessa (T.) Menssen (1967), CFO

Mrs Menssen graduated from the University of Technology Eindhoven in 1990 with a degree in mechanical engineering. She then received a master's degree in business administration from the Technical University of Twente. In 1992 Mrs Menssen joined Unilever, she held various management positions until 2006. In 2006 Mrs Menssen was appointed member of the

Executive Board of Havenbedrijf Rotterdam (Rotterdam Port Authority), first as CFO and from 2010 as COO. Mrs Menssen has been a member of the Executive Board of Royal BAM since October 2012 and CFO since January 2013. She is a Dutch national and does not hold any shares in the company's capital.

Other offices: member of the Supervisory Board of PostNL; member of the Supervisory Board of the Rotterdam Philharmonic Orchestra; member of the Monitoring Committee of Talent naar de Top.

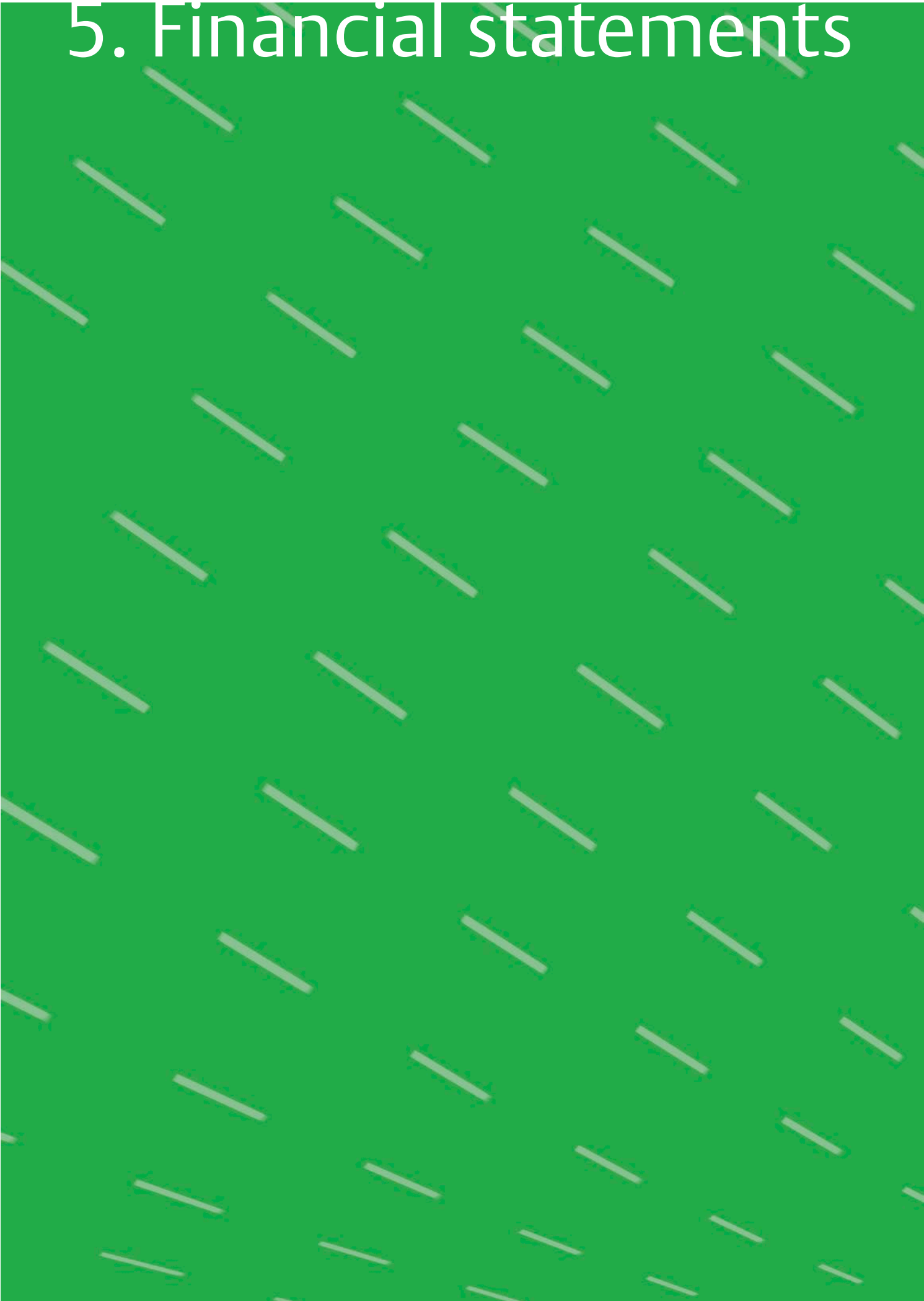


Erik (E.J.) Bax (1957), COO

Mr Bax studied engineering, building & construction at the institute of technology in Tilburg and secured an MBA at Erasmus University Rotterdam and Georgia State University in Atlanta, USA. He joined the international leader for production and distribution of building materials CRH in 1984 and undertook various operational and commercial positions at different

business units of CRH. He then fulfilled a number of positions in CRH's senior management, as of 2010 he was Managing Director CRH Europe Products & Distribution. Mr Bax has been a member of the Executive Board of Royal BAM Group since May 2014 and COO since October 2014. He is a Dutch national and does not hold any shares in the company's capital.

5. Financial statements



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Consolidated income statement

(x €1,000)

	Notes	2015	2014
Continuing operations			
Revenue	5	7,422,942	7,314,020
Raw materials and consumables used		(1,502,663)	(1,400,664)
Subcontracted work and other external charges		(4,200,698)	(4,081,952)
Employee benefit expenses	24	(1,358,434)	(1,490,561)
Depreciation and amortisation charges	7,8	(70,527)	(82,802)
Impairment charges	25	(41,126)	(67,618)
Other operating expenses		(265,003)	(295,674)
Exchange rate differences		4,817	525
		<u>(7,433,634)</u>	<u>(7,418,746)</u>
Operating result		<u>(10,692)</u>	<u>(104,726)</u>
Finance income	28	34,495	45,969
Finance expense	28	<u>(23,490)</u>	<u>(33,900)</u>
		11,005	12,069
Share of result of investments	10	10,988	18,457
Share of impairment charges in investments	10,25	<u>2,040</u>	<u>(48,240)</u>
		13,028	(29,783)
Result before tax		<u>13,341</u>	<u>(122,440)</u>
Income tax	29	<u>(2,309)</u>	<u>15,499</u>
Result for the year from continuing operations		<u>11,032</u>	<u>(106,941)</u>
Discontinued operations			
Result for the year from discontinued operations		-	-
Net result		<u>11,032</u>	<u>(106,941)</u>
Attributable to:			
Shareholders of the Company		10,180	(108,172)
Non-controlling interests		<u>852</u>	<u>1,231</u>
		<u>11,032</u>	<u>(106,941)</u>
Earnings per share			
(x €1)			
Basic			
Continuing operations	30	0.04	(0.40)
Discontinued operations		-	-
		<u>0.04</u>	<u>(0.40)</u>
Diluted			
Continuing operations	30	0.04	(0.40)
Discontinued operations		-	-
		<u>0.04</u>	<u>(0.40)</u>

Consolidated statement of comprehensive income

(x €1,000)

	Notes	2015	2014
Net result		11,032	(106,941)
<i>Items that may be subsequently reclassified to the income statement, net of tax</i>			
Cash flow hedges	19	4,774	(7,926)
Cash flow hedges of investments in joint ventures		(643)	45,548
Exchange rate differences		26,344	25,292
<i>Items that will not be reclassified to the income statement, net of tax</i>			
Remeasurements of post-employment benefit obligations	20	<u>37,096</u>	<u>(49,463)</u>
Other comprehensive income		67,571	13,451
Total comprehensive income		<u>78,603</u>	<u>(93,490)</u>
Attributable to:			
Shareholders of the Company		77,543	(94,146)
Non-controlling interests		<u>1,060</u>	<u>656</u>
		<u>78,603</u>	<u>(93,490)</u>
Total comprehensive income attributable to the shareholders of the Company arises from:			
Continuing operations		77,543	(94,146)
Discontinued operations		<u>-</u>	<u>-</u>
		<u>77,543</u>	<u>(94,146)</u>

Consolidated statement of financial position as at 31 December

(x €1,000)

	Notes	2015	2014
Non-current assets			
Property, plant and equipment	7	292,159	315,780
Intangible assets	8	416,052	409,250
PPP receivables	9	279,074	303,978
Investments	10	94,052	94,607
Other financial assets	11	98,488	84,885
Derivative financial instruments	19	979	229
Employee benefits	20	74,684	17,786
Deferred tax assets	22	251,715	242,492
		<u>1,507,203</u>	<u>1,469,007</u>
Current assets			
Inventories	12	758,738	843,123
Trade and other receivables	13	1,891,776	1,878,677
Income tax receivable		9,306	10,428
Derivative financial instruments	19	6,200	3,376
Cash and cash equivalents	14	637,212	624,330
		<u>3,303,232</u>	<u>3,359,934</u>
Assets held for sale	35	41,814	127,043
Total assets		<u>4,852,249</u>	<u>4,955,984</u>
Equity attributable to the shareholders of the Company			
Share capital	15	839,311	839,311
Reserves	16	(330,087)	(397,450)
Retained earnings		392,923	385,533
		<u>902,147</u>	<u>827,394</u>
Non-controlling interests		3,638	3,322
Total equity		<u>905,785</u>	<u>830,716</u>
Non-current liabilities			
Borrowings	18	511,863	538,792
Derivative financial instruments	19	33,939	47,712
Employee benefits	20	151,731	187,207
Provisions	21	84,933	114,638
Deferred tax liabilities	22	30,959	25,906
		<u>813,425</u>	<u>914,255</u>
Current liabilities			
Borrowings	18	85,459	125,333
Trade and other payables	23	2,895,821	2,853,406
Derivative financial instruments	19	16,749	8,269
Provisions	21	65,258	72,112
Income tax payable		23,290	23,127
		<u>3,086,577</u>	<u>3,082,247</u>
Liabilities held for sale	35	46,462	128,766
		<u>3,133,039</u>	<u>3,211,013</u>
Total equity and liabilities		<u>4,852,249</u>	<u>4,955,984</u>
Capital base	17	1,026,482	951,894

The notes on pages 119 to 189 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(x € 1,000)

	Notes	Attributable to the shareholders of the Company			Non-controlling interests	Total equity	
		Share capital	Reserves	Retained earnings			Total
As at 1 January 2014		833,268	(411,476)	507,322	929,114	3,549	932,663
Cash flow hedges	19	-	37,972	-	37,972	(350)	37,622
Remeasurements of post-employment benefit obligations	20	-	(49,157)	-	(49,157)	(306)	(49,463)
Exchange rate differences		-	25,211	-	25,211	81	25,292
Other comprehensive income, net of tax		-	14,026	-	14,026	(575)	13,451
Net result		-	-	(108,172)	(108,172)	1,231	(106,941)
Total comprehensive income		-	14,026	(108,172)	(94,146)	656	(93,490)
Issuance of ordinary shares		-	-	-	-	24	24
Dividends	31	6,043	-	(13,471)	(7,428)	(907)	(8,335)
Other movements		-	-	(146)	(146)	-	(146)
		6,043	-	(13,617)	(7,574)	(883)	(8,457)
As at 31 December 2014		839,311	(397,450)	385,533	827,394	3,322	830,716
Cash flow hedges	19	-	4,094	-	4,094	37	4,131
Remeasurements of post-employment benefit obligations	20	-	37,026	-	37,026	70	37,096
Exchange rate differences		-	26,243	-	26,243	101	26,344
Other comprehensive income, net of tax		-	67,363	-	67,363	208	67,571
Net result		-	-	10,180	10,180	852	11,032
Total comprehensive income		-	67,363	10,180	77,543	1,060	78,603
Dividends		-	-	-	-	(743)	(743)
Repurchase of ordinary shares	15	-	-	(3,092)	(3,092)	-	(3,092)
Share-based payments	37	-	-	302	302	-	302
Other movements		-	-	-	-	(1)	(1)
		-	-	(2,790)	(2,790)	(744)	(3,534)
As at 31 December 2015		839,311	(330,087)	392,923	902,147	3,638	905,785

Consolidated statement of cash flows

(x € 1,000)

	Notes	2015	2014
Net result		11,032	(106,941)
Adjustments for:			
- Income tax	29	2,309	(15,499)
- Depreciation of property, plant and equipment	7	66,470	79,586
- Amortisation of intangible assets	8	4,057	3,216
- Impairment of property, plant and equipment	7,25	1,452	1,200
- Impairment of non-current receivables	11,25	(949)	11,446
- Impairment of intangible assets	8,25	3,298	511
- Impairment of inventories	12,25	37,325	54,461
- Share of impairment charges in investments	10,25	(2,040)	48,240
- Result on sale of subsidiaries		-	(1,238)
- Result on sale of PPP projects	35	(5,207)	(24,500)
- Result on sale of property, plant and equipment		(4,594)	(5,502)
- Share of result of investments	10	(10,988)	(18,457)
- Finance income	28	(34,495)	(45,969)
- Finance expense	28	23,490	33,900
Changes in provisions	20,21	(69,606)	(11,738)
Changes in working capital (excluding cash and cash equivalents)		<u>88,293</u>	<u>189,516</u>
Cash flow from operations		109,847	192,232
Interest paid		(38,274)	(47,002)
Income tax paid		<u>(10,023)</u>	<u>(10,280)</u>
Net cash flow from ordinary operations		61,550	134,950
Investments in PPP receivables	9	(218,514)	(248,693)
Repayments of PPP receivables	9	<u>63,820</u>	<u>33,046</u>
Net cash flow from operating activities		<u>(93,144)</u>	<u>(80,697)</u>
Acquisition of subsidiaries, net of cash acquired		-	(689)
Purchases of property, plant and equipment	7	(64,644)	(56,336)
Proceeds from sale of property, plant and equipment	7	27,567	21,943
Purchases of intangible assets	8	(6,391)	(2,945)
Proceeds from disposal of intangible assets	8	918	-
Investments in non-current receivables	11	(14,899)	(72,572)
Repayments of non-current receivables	11	3,759	42,199
Investments in other financial assets	10,11	(17,433)	(9,011)
Proceeds from disposal of other financial assets	10,11	837	19,806
Proceeds from sale of PPP projects	35	35,000	108,900
Proceeds from sale of subsidiaries		-	10,234
Interest received		34,905	46,169
Dividends received from investments	10	<u>13,321</u>	<u>11,470</u>
Net cash flow from investing activities		<u>12,940</u>	<u>119,168</u>
Proceeds from borrowings	18	214,239	318,391
Repayments of borrowings	18	(130,131)	(275,302)
Dividends paid to shareholders of the Company	31	-	(7,428)
Dividends paid to non-controlling interests		<u>(743)</u>	<u>(907)</u>
Net cash flow from financing activities		<u>83,365</u>	<u>34,754</u>
Change in cash and cash equivalents		3,161	73,225
Cash and cash equivalents at beginning of year	14	624,330	548,131
Change in cash and cash equivalents assets and liabilities held for sale	35	(421)	(5,722)
Exchange rate differences on cash and cash equivalents		<u>10,139</u>	<u>8,696</u>
Net cash position at end of year	14	<u>637,209</u>	<u>624,330</u>

The notes on pages 119 to 189 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Royal BAM Group nv ('the Company' or 'BAM'), its subsidiaries (together, 'the Group') and its share in joint operations offers its clients a substantial package of products and services in the sectors Construction and mechanical and electrical services, Civil engineering, Property and Public Private Partnerships ('PPP'). The Group is mainly active in the Netherlands, Belgium, the United Kingdom, Ireland and Germany. The Group is also involved in specialist construction and civil engineering projects in niche markets worldwide.

The Company is a public limited company, which is listed on the NYSE Euronext Amsterdam, with its registered seat and head office in Bunnik, the Netherlands.

On 17 February 2016 the Executive Board authorised the financial statements for issue. The financial statements as presented in this report are subject to the adoption by the Annual General Meeting of shareholders on 20 April 2016.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code, as far as applicable. As the financial data of the Company are included in the consolidated financial statements, the income statement in the company financial statements is presented in condensed form in accordance with section 402, Book 2 of the Netherlands Civil Code.

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.1 Changes in accounting policies and disclosures

(a) Application of new and revised standards

The Group has applied the amendments for the first time for their annual reporting period commencing 1 January 2015 in connection with the 'Annual Improvements to IFRSs – 2010-2012 Cycle' and '2011 – 2013 Cycle' and 'Defined Benefit Plans: Employee Contributions – Amendments to IAS 19'.

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.

(b) New standards and interpretations in issue but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

Following the changes approved by the IASB in July 2014, the Group does not expect any impact from the new classification, measurement and derecognition rules on the Group's financial assets and financial liabilities.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward as the standard introduces a more principles-based approach. The new standard also introduces expanded disclosure requirements and changes in presentation.

The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess the full impact of IFRS 9.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue' and IAS 11, 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group intends to prepare a detailed impact analysis in 2016 to identify the effect of this standard on its financial statements and plans to implement this standard on the required date.

IFRS 16, 'Leases' was issued by the IASB on 13 January 2016. Under existing rules, lessees generally account for lease transactions either off-balance if the lease is classified as operating lease or on balance if the lease is classified as finance lease. IFRS 16 requires lessees to recognise nearly all leases on balance which will reflect their right to use an asset for a period of time and the associated liability to pay rentals. The lessor's accounting model largely remains unchanged. The standard is effective for annual periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15, 'Revenue from Contracts with Customers' also has been applied. As disclosed in note 33.2, the Group has several operating lease contracts for buildings, equipment and company cars for which the accounting will in principle change from off balance to on balance. The Group intends to prepare a detailed impact analysis in 2016 to identify the effect of this standard on its financial statements and plans to implement this standard on the required date.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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 the income statement.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in the income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, accompanying a shareholding of between 20 and 50 per cent of the voting rights or based on the representation on the board of directors. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the income statement, where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the income statement.

Profits and losses resulting from transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Joint arrangements

Investments in joint arrangements are classified as either joint ventures or joint operations depending on the contractual rights and obligations.

Joint ventures are joint arrangements whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the joint venture. The parties to the arrangement have agreed contractually that control is shared and decisions regarding relevant activities require unanimous consent of the parties which have joint control of the joint venture.

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Joint operations are joint arrangements whereby the Group 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 combines it on a line-by-line basis with corresponding items in the Group's financial statements.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Board. The Executive Board considers the business from a sector perspective and identifies Construction and mechanical and electrical services, Civil engineering, Property and PPP as operating segments.

2.4 Foreign currency translation

(a) Functional and presentation currency

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.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement within 'exchange rate differences', except when deferred in other comprehensive income as qualifying cash flow hedges.

(c) Group companies

The results and financial position of the group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates; and
- all resulting exchange rate differences are recognised separately in equity in 'other comprehensive income'.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange rate differences arising are recognised in 'other comprehensive income'.

(d) Exchange rates

The following exchange rates of the euro against the pound sterling (£) have been used in the preparation of these financial statements:

	2015	2014
Closing exchange rate		
Pound sterling	0.73681	0.78247
Average exchange rate		
Pound sterling	0.72653	0.80502

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or construction of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other costs are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land improvements	10%-25%
Buildings	2%-10%
Equipment and installations	10%-25%
IT equipment	10%-25%
Furniture and fixtures	10%-25%

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating expenses' in the income statement.

2.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs that is expected to benefit from the synergies of the combination. Each unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Non-integrated software

Non-integrated software is stated at cost less accumulated amortisation and impairment losses.

Amortisation on non-integrated software is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives (between 4 and 10 years).

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

(c) Other

Other intangible assets relate to market positions, including (brand) names and the management of acquired subsidiaries and are stated at cost less accumulated amortisation and impairment losses. Amortisation on other intangible assets is calculated over their estimated useful lives.

The assets' useful lives are reviewed and adjusted if appropriate, at the end of each reporting period.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (CGUs). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.8 Assets and liabilities held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Non-current assets (or disposal groups) classified as held for sale 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. Equity accounting ceases for an investment in a joint venture or associate when it is classified as held for sale.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Results from discontinued operations that are clearly identifiable as part of the component disposed of and that will not be recognised subsequent to the disposal are presented separately as a single amount in the income statement. Results and cash flows from discontinued operations are reclassified for prior periods and presented in the financial statements so that the results and cash flows from discontinued operations relate to all operations that have been discontinued as of the balance sheet date for the latest period presented.

2.9 Financial assets

2.9.1 Classification

Management determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the financial assets were acquired.

The Group classifies its financial assets in the category 'loans and receivables' and 'derivative financial instruments' (note 2.12). Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'PPP receivables', 'other financial assets', 'trade receivables – net', 'retentions' and 'cash and cash equivalents' in the balance sheet.

2.9.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ('loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates the derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction ('cash flow hedge').

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the derivative financial instruments used for hedging purposes are disclosed in note 19. Movements on the hedging reserve in other comprehensive income are shown in note 16. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than twelve months and as a current asset or liability when the remaining maturity of the hedged item is less than twelve months.

The effective portion of changes in the fair value of cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'finance income/expense'.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance income/expense'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'finance income/expense'.

2.13 Inventories

Land, building rights and property developments are recorded at the lower of cost and net realisable value. The Group capitalises interest on finance raised to facilitate the development of specific projects once development commences and until practical completion, based on the total actual finance cost incurred on the borrowings during the period. When properties are acquired for future redevelopment, interest on borrowings is recognised in the income statement until redevelopment commences.

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost is determined using the 'first-in, first-out (FIFO) method'. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Construction contracts

A construction contract is defined as a contract specifically negotiated for the construction of an asset. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

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

Pre-contract costs are expensed as incurred until it is virtually certain that a contract will be awarded, from which time further pre-contract costs are recognised as an asset and charged as an expense over the period of the contract. Amounts recovered in respect of pre-contract costs that have been written off are deferred and amortised over the life of the contract.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within 'borrowings' in current liabilities.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

When share capital is repurchased in order to prevent dilution as a result of the share-based compensation plan, the consideration paid, including directly attributable costs, net of tax, is deducted from equity. Repurchased shares (treasury shares) are presented as a deduction from total equity. When treasury shares are sold or re-issued subsequently, any amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to/from retained earnings.

2.18 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method (in case not attributable to property development projects).

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income respectively directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.21 Employee benefits

(a) Pension obligations

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Current service costs of defined benefit plans are recognised immediately in the income statement, as part of 'employee benefit expenses', and reflect the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in the income statement.

For defined contribution plans, the Group pays contributions to administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Other post-employment obligations

Other post-employment obligations comprise jubilee benefits, retirement gifts, temporary leaves and similar arrangements and have a non-current nature. These obligations are stated at present value.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.22 Share-based payments

(a) Performance Share Plan

The Group operates an equity-settled share-based compensation plan.

The fair value of the employee services received in exchange for the grant of the shares is recognised as cost with a corresponding credit entry of equity. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- Including a market performance condition based on the Company's share price;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement within 'personnel expenses', with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

These shares contain a dividend right, to which the same conditions apply as to the performance shares and are re-invested.

(b) Phantom Share Plan

The Group operates a cash-settled share-based compensation plan.

The fair value of the employee services received in exchange for the grant of the shares is recognised as cost with a corresponding credit entry of liabilities for the period until the date on which the Executive Board members are unconditionally entitled to payment. The valuation of the liability is re-assessed on every reporting date and on the settlement date. Any changes in the fair value of the liability are recognised in the income statement within 'personnel expenses'.

Phantom shares become unconditional three years after the date of grant, while the percentage of phantom shares that become unconditional depends on the market performance condition based on the Company's share price.

These shares contain a dividend right, to which the same conditions apply as to the phantom shares and are re-invested.

Upon vesting date, unconditional phantom shares are locked up for another two years. Cash distribution takes place at the end of the lock-up period.

2.23 Provisions

Provisions for warranties, restructuring costs, rental guarantees and associates and joint ventures are recognised when: (a) the Group has a present legal or constructive obligation as a result of past events; (b) it is probable that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Restructuring provisions are recognised when a detailed formal plan has been approved, and the restructuring has either commenced or has been announced publicly. Restructuring provisions comprise lease termination penalties and employee termination payments. Future operating losses are not recognised.

If the Group's share in losses exceeds the carrying amount of the investment (including separately presented goodwill and other uninsured receivables), further losses will not be recognised, unless the Group has provided securities to the associate or joint venture, committed to liabilities or payment on behalf of the associate and joint venture. In that case, the excess will be provided for.

2.24 Revenue recognition

(a) Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- Total contract revenue can be measured reliably;
- it is probable that the economic benefits associated with the contract will flow to the Group;
- both the contract costs to complete and the stage of contract completion at the end of the reporting period can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. The stage of completion is measured by dividing the actual costs by the total forecasted costs. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

(b) Property development

Sale of property development are recognised in respect of contracts exchanged during the year, provided that no material conditions remain outstanding on the balance sheet date and all conditions are fully satisfied by the date on which the contract is signed. Rental income from incidental operations in connection with property development is recognised in the income statement on an accruals basis.

Known and expected losses are recognised as an expense immediately on completing a development once such losses are foreseen. The profit on disposal of property developments is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the reporting period including additions in the period and any residual commitments.

When the buyer is able to specify the major structural elements of the design of property development before construction begins and/or specify major structural changes once construction is in progress (whether it exercises that ability or not), revenue is recognised in accordance with construction contracts.

When the Group transfers control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses to the buyer, revenue is recognised in accordance with 'construction contracts'. This may be the case in house-building projects as from the moment that the land and buildings, if any, have been legally transferred to the buyer.

(c) Service concession arrangements

Revenue in connection with service concession arrangements comprises construction and exploitation activities. Revenue from construction activities is recognised in conformity with the revenue recognition principles of construction contracts. Revenue from exploitation activities depends on the availability of the underlying asset (PPP receivables). Due to the nature of the contractual arrangements the projected cash flows can be estimated with a high degree of certainty.

In case the concession payments depend on the availability of the underlying asset, revenue consists of:

- The fair value of the contractually agreed upon services rendered; and
- the interest income related to the capital expenditure in the project.

Revenue is recognised in the period in which the related services are rendered. Interest is recognised in the income statement within 'finance income' in the period to which it relates.

d) Services and other

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales of goods are recognised upon delivery to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

When the outcome of a transaction cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Other revenue includes, among other items, rental income under an operating lease and (sub)lease of property, plant and/or equipment. When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income on operating leases is recognised over the term of the lease on a straight-line basis.

2.25 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

2.26 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and/or equipment. Leases of property, plant and/or equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in 'borrowings'. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and/or equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.27 Government grants

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be reviewed.

Government grants that are receivable as a compensation for expenses or losses already incurred are recognised in the income statement in the period in which they become receivable.

2.28 Research and development

Research and development costs, which predominantly relate to projects, are considered to be part of contract costs. Other research and development costs are charged to the income statement as incurred.

2.29 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. There are material items of income and expense that have been shown separately due to the significance of their nature or amount.

2.30 Statement of cash flows

The statement of cash flows is prepared using the indirect method. The net cash position in the statement of cash flows consists of cash and cash equivalents, net of bank overdrafts.

Cash flows in foreign exchange currencies are converted using the average exchange rate. Exchange rate differences on the net cash position are separately presented in the statement of cash flows. Payments in connection with interest and income tax are included in the cash flow from operations. Cash flows in connection with PPP receivables are included in the cash flow from operating activities. Paid dividend is included in cash flows from financing activities. The purchase price of acquisitions of subsidiaries are included in the cash flow from investing activities as far as payments have taken place. Cash and cash equivalents in the subsidiaries are deducted from the purchase price.

Non-cash transactions are not included in the statement of cash flows.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. These risks are not exceptional or different in nature from those that are customary in the industry. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by group treasury under policies approved by the Executive Board. Group treasury identifies, evaluates and hedges financial risks in close collaboration with the group companies. The Executive Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

A substantial part of the Group's activities takes place in the United Kingdom and, to a limited extent, in other non-euro countries. The Group's results and shareholders' equity are therefore affected by foreign exchange rates. Generally, the Group is active in these non-euro countries through local subsidiaries. The exchange risk is therefore limited, because transactions are denominated largely in the functional currencies of the subsidiaries. The associated translation risk is not hedged.

A limited number of group companies are active in markets where contracts are denominated in a different currency than their functional currency. Group policy is that costs and revenues from these projects are mainly expressed in the same currency, thus limiting foreign exchange risks. The Group hedges the residual exchange risk on a project-by-project basis, using forward exchange contracts. This involves hedging of unconditional project related exchange risks in excess of €1 million as soon as these occur. The Group reports these hedges by means of hedge accounting. Additional exchange risks in the tender stage and arising from contractual amendments are assessed on a case-by-case basis.

Procedures have been established for proper recording of hedge transactions. Systems are in place to ensure the regular performance and analysis of the requisite hedge effectiveness measurements for hedge accounting.

With regard to financial instruments, the Group predominantly faces an exchange rate risk for current account balances in British pound sterling. This risk is covered by forward exchange contracts. The residual effect of the exchange rate risk with regard to financial instruments in pound sterling and other currencies on the Group's result and equity, is limited.

(ii) Interest rate risk

The Group's interest rate risk is associated with interest-bearing receivables and cash and cash equivalents, on the one hand and interest-bearing borrowings, on the other. If the interest is variable, it presents the Group with a cash flow interest rate risk. If the interest rate is fixed, there is a fair value interest rate risk.

The Group mitigates the cash flow interest rate risk to the extent possible through the use of interest rate swaps, under which interest liabilities based on a variable rate are converted into fixed rates. The Group does not use interest rate swaps under which fixed-rate interest liabilities are converted into variable rates in order to hedge the fair value interest rate risk.

The analysis of the cash flow interest rate risk takes into account cash and cash equivalents, the debt position and the usual fluctuations in the Group's working capital requirements. In addition, alternatives are being studied and hedges are being considered. Under Group policy, cash flow interest rate risks with regard to long-term borrowings (mainly subordinated and PPP loans) are largely hedged by interest swaps. As a result, the Group is not entirely insensitive to movements in interest rates. At year-end 2015, 83 per cent (2014: 80 per cent) of the interest on the Group's debt position was fixed. The part not covered consists almost entirely of project financing.

If the interest rates (Euribor and Libor) had been an average of 100 basis points higher or lower during 2015, the Group's net result after tax (assuming that all other variables remained equal) would have been approximately €0.3 million lower or approximately €2.1 million higher (2014: approximately €0.1 million lower or approximately €1.5 million higher). If the interest rates (Euribor and Libor) had been an average of 100 basis points higher or lower during 2015, the Group's fair value cash flow hedge reserves in Group equity (assuming that all other variables remained equal) would have been approximately €24 million higher or approximately €24 million lower (2014: approximately €25 million higher or approximately €25 million lower).

(iii) Price risk

The price risk run by the Group relates to the procurement of land and materials and subcontracting of work and consists of the difference between the market price at the point of tendering or offering on a contract and the market price at the time of actual performance.

The Group's policy is to agree a price indexation reimbursement clause with the customer at the point of tendering or offering on major projects. The Group also endeavours to manage the price risk by using framework contracts, suppliers' quotations and high-value sources of information. If the Group is awarded a project and no price indexation reimbursement clause is agreed with the customer, the costs of land and materials, as well as the costs for subcontractors, are fixed at an early stage by establishing prices and conditions in advance with the main suppliers and subcontractors.

While it is impossible to exclude the impact of price fluctuations altogether, the Group takes the view that its current policy reflects the optimum economic balance between decisiveness and predictability. The Group occasionally uses financial instruments to hedge the (residual) price risks.

(b) Credit risk

The Group has credit risks with regard to financial assets including 'PPP receivables', 'non-current receivables', 'derivative financial instruments', 'trade receivables – net', 'retentions' and 'cash and cash equivalents'.

'PPP receivables' and a substantial part of the 'trade receivables – net' consist of contracts with governments or government bodies. Therefore, credit risk inherent in these contracts is limited. Furthermore, a significant part of

‘trade receivables – net’ is based on contracts involving prepayments or payments proportionate to progress of the work, which limits the credit risks, in principle, to the balances outstanding.

The credit risk arising from ‘PPP receivables’ and ‘trade receivables – net’ is monitored by the relevant subsidiaries. Clients’ creditworthiness is analysed in advance and then monitored during the performance of the project. This involves taking account of the client’s financial position, previous collaborations and other factors. Group policy is designed to mitigate these credit risks through the use of various instruments, including retaining ownership until payment has been received, prepayments and the use of bank guarantees.

The Group’s ‘cash and cash equivalents’ are held in various banks. The Group limits the associated credit risk as a result of the Group’s policy to work only with respectable banks and financial institutions. This involves ‘cash and cash equivalents’ in excess of €10 million being held at banks and financial institutions with a minimum rating of ‘A’. The Group’s policy aims to minimise any concentration of credit risks involving ‘cash and cash equivalents’.

The carrying amounts of the financial assets exposed to a credit risk are as follows:

	Notes	2015	2014
Non-current assets			
PPP receivables	9	279,074	303,978
Non-current receivables	11	96,108	82,320
Derivative financial instruments	19	979	229
Current assets			
Trade receivables – net	13	806,492	840,436
Retentions	13	126,142	94,002
PPP receivables	9	5,263	3,948
Other financial assets	11	6,726	6,039
Derivative financial instruments	19	6,200	3,376
Cash and cash equivalents	14	<u>637,212</u>	<u>624,330</u>
		<u>1,964,196</u>	<u>1,958,658</u>

Non-current receivables predominantly concern loans granted to associates and joint ventures active in the sector Property. These loans are in general not past due at the balance sheet date. Triggering events for impairments are identified based on the financial position of these associates and joint ventures, which also include the value of the underlying property development positions. For a part of these loans property developments positions are held as securities generally subordinated to the providers of the external financing.

Impairments are included in ‘non-current receivables’ and ‘trade receivables – net’ (notes 11 and 13). None of the other assets were overdue at year-end 2015 or subject to impairment. The maximum credit risk relating to financial instruments equals the carrying amount of the financial instrument concerned.

(c) Liquidity risk

Liquidity risks may occur if the procurement and performance of new projects stagnate and less payments (and prepayments) are received, or if investments in land or property development would have a significant effect on the available financing resources and/or operational cash flows.

The size of individual transactions can cause relatively large short-term fluctuations in the liquidity position. The Group has sufficient credit and current account facilities to manage these fluctuations.

Partly to manage liquidity risks, subsidiaries prepare monthly detailed cash flow projections for the ensuing twelve months. The analysis of the liquidity risk takes into account the amount of cash and cash equivalents, credit facilities

and the usual fluctuations in the Group's working capital requirements. This provides the Group with sufficient opportunities to use its available liquidities and credit facilities as flexible as possible and to indicate any shortfalls in a timely manner.

The first possible expected contractual cash outflows from financial liabilities and derivative financial instruments as at the end of the year and settled on a net basis, consist of (contractual) repayments and (estimated) interest payments. The composition of the expected contractual cash flows is as follows:

	Carrying amount	Contractual cash flows	< 1 year	1 – 5 years	> 5 years
2015					
Subordinated loan	124,335	142,242	7,138	135,104	-
Non-recourse PPP loans	194,787	250,975	13,368	56,836	180,771
Non-recourse property financing	116,034	128,974	25,232	103,742	-
Other non-recourse financing	7,921	8,223	1,577	6,611	35
Recourse PPP loans	52,771	54,865	8,634	46,231	-
Recourse property financing	80,083	83,894	36,948	46,866	80
Other recourse financing	6,937	8,227	225	4,397	3,605
Finance lease liabilities	14,451	14,387	4,585	9,802	-
Derivative financial instruments (forward exchange contracts)	(7,179)	(259,286)	(254,502)	(4,784)	-
Derivative financial instruments (forward exchange contracts)	20,167	265,139	246,833	18,306	-
Derivative financial instruments (interest rate swaps)	30,521	44,590	9,256	22,881	12,453
Bank overdrafts	3	3	3	-	-
Other current liabilities	907,012	907,012	907,012	-	-
	<u>1,547,843</u>	<u>1,649,245</u>	<u>1,006,309</u>	<u>445,992</u>	<u>196,944</u>
2014					
Subordinated loan	124,500	145,054	7,763	137,291	-
Non-recourse PPP loans	205,985	304,683	141,319	35,748	127,616
Non-recourse property financing	160,578	170,608	66,631	103,111	866
Other non-recourse financing	9,351	10,403	1,299	4,357	4,747
Recourse PPP loans	63,760	69,291	26,447	36,171	6,673
Recourse property financing	70,695	74,301	33,269	40,796	236
Other recourse financing	6,937	8,305	944	3,556	3,805
Finance lease liabilities	22,319	23,069	9,539	13,242	288
Derivative financial instruments (forward exchange contracts)	(3,605)	(388,848)	(270,802)	(118,046)	-
Derivative financial instruments (forward exchange contracts)	11,821	384,607	271,078	113,529	-
Derivative financial instruments (interest rate swaps)	44,160	65,391	12,557	28,486	24,348
Other current liabilities	820,637	820,637	820,637	-	-
	<u>1,537,138</u>	<u>1,687,501</u>	<u>1,120,681</u>	<u>398,241</u>	<u>168,579</u>

The expected cash outflows are offset by the cash inflows from operations and (re-)financing. In addition, the Group has committed syndicated and bilateral credit facilities of €500 million (2014: €500 million) respectively €153 million (2014: €153 million) available.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's aim is for a financing structure that ensures continuing operations and minimises cost of equity. For this, flexibility and access to the financial markets are important conditions. As usual within the industry, the Group monitors its financing structure using a capital ratio, among other factors.

Capital ratio is calculated as the capital base divided by total assets. The Group's capital base consists of equity attributable to the shareholders of the Company and the subordinated loan (notes 17 and 18). At year-end 2015, the capital ratio was 21.2 per cent (2014: 19.2 per cent).

3.3 Financial instruments by categories

The Group has three categories of financial instruments. A significant number of these are inherent to the Group's business activities and are presented in various other balance sheet items. The following summary indicates the values for which financial instruments are included for each relevant balance sheet item:

	Notes	Financial instruments				Total
		Loans and receivables	Financial liabilities	Hedging	Non-financial instruments	
2015						
PPP receivables	9	279,074	-	-	-	279,074
Other financial assets	11	98,488	-	-	-	98,488
Derivative financial instruments	19	-	-	7,179	-	7,179
Trade and other receivables	13	945,891	-	-	945,885	1,891,776
Cash and cash equivalents	14	637,212	-	-	-	637,212
Borrowings	18	-	597,322	-	-	597,322
Derivative financial instruments	19	-	-	50,688	-	50,688
Trade and other payables	23	-	907,012	-	1,988,809	2,895,821
		<u>1,960,665</u>	<u>1,504,334</u>	<u>57,867</u>	<u>2,934,694</u>	<u>6,457,560</u>
2014						
PPP receivables	9	303,978	-	-	-	303,978
Other financial assets	11	84,885	-	-	-	84,885
Derivative financial instruments	19	-	-	3,605	-	3,605
Trade and other receivables	13	946,508	-	-	932,169	1,878,677
Cash and cash equivalents	14	624,330	-	-	-	624,330
Borrowings	18	-	664,125	-	-	664,125
Derivative financial instruments	19	-	-	55,981	-	55,981
Trade and other payables	23	-	820,637	-	2,032,769	2,853,406
		<u>1,959,701</u>	<u>1,484,762</u>	<u>59,586</u>	<u>2,964,938</u>	<u>6,468,987</u>

Of the sum of the balance sheet items of €6.5 billion at year-end 2015 (2014: €6.5 billion), 55 per cent (2014: 53 per cent) qualifies as financial instruments.

3.4 Fair value estimation

The fair value of financial instruments not quoted in an active market is measured using valuation techniques. The Group uses various techniques and makes assumptions based on market conditions on balance sheet date. The valuation also includes (changes in) the credit risk of the counter party and the credit risk of the Group in conformity with IFRS 13.

One of these techniques is the calculation of the net present value of the expected cash flows (discounted cash flow projections). The fair value of the interest rate swaps is calculated as the net present value of the expected future cash flows. The fair value of the forward exchange contracts is measured based on the 'forward' currency exchange rates on balance sheet date. In addition, valuations from bankers are requested for interest rate swaps.

Financial instruments valued at fair value consist of only interest rate swaps and foreign exchange contracts. In line with the current accounting policies the derivatives are classified as 'level 2'.

It is assumed that the nominal value (less estimated adjustments) of 'borrowings' (current part), 'trade and other receivables' and 'trade and other payables' approximate to their fair value.

3.5 Offsetting financial assets and liabilities

A master netting agreement is applicable to a part of 'cash and cash equivalents'. At 31 December 2015 a positive balance of €437 million has been offset against a negative balance of €111 million (2014: positive balance of €708 million offset against a negative balance of €377 million).

4. Critical accounting judgements and key sources of estimation uncertainties

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The critical judgements including those involving estimations assumptions concerning the future, that the Group has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements are addressed below.

(a) Contract revenue and costs

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and costs are recognised over the period of the contract by reference to the stage of completion using the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

In determining the stage of completion the Group has efficient, coordinated systems for cost estimating, forecasting and revenue and costs reporting. The system also requires a consistent judgment (forecast) of the final outcome of the project, including variance analyses of divergences compared with earlier assessment dates. Estimates are an inherent part of this assessment and actual future outcome may deviate from the estimated outcome, specifically for major and complex construction contracts. However, historical experience has also shown that estimates are, on the whole, sufficiently reliable.

(b) Claims receivable

In the normal course of business the Group recognises amounts receivable in connection with claims for completed work due from the principal and/or insurance claims as reimbursement for certain loss events on projects. Project related claims on principals are recognised when it is probable that the claim amount will be received. Insurance claims can be recognised only if it is virtually certain that the amount recognised will be received.

(c) Income tax

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. Estimates are an inherent part of this process and they may differ from the actual future outcome.

(d) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds (AA) that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 20.

(e) Impairment of land and building rights and property development

The valuation of land and building rights and property development is based on the outcome of the related calculations of the land's net realisable value. These calculations are based on assumptions relating to the future market developments, decisions of governmental bodies, interest rates and future cost and price increases. In most cases the Group uses external valuations to determine the net realisable value. Partly because estimates relate to projects with a duration varying from one year to more than thirty years, significant changes in these assumptions might result in an impairment.

(f) Impairment of goodwill

Goodwill is tested annually for impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations are determined using discounted cash flow projections and require estimates in connection with the future development of revenues, profit before tax margins and the determination of appropriate discount rates. An impairment may arise in case the actual future cash flows are less than expected.

5. Segment information

The segment information reported to the Executive Board is measured in a manner consistent with the financial statements.

Revenue and results

	Construction and M&E services	Civil engineering	Property	PPP	Other including eliminations ¹	Total
2015						
Construction contracts	2,875,896	3,769,595	295,610	163,200	-	7,104,301
Property development	-	-	167,883	-	-	167,883
Service concession arrangements	74,803	-	-	22,178	-	96,981
Services and other	23,540	16,375	10,796	-	3,066	53,777
Revenue from external customers	2,974,239	3,785,970	474,289	185,378	3,066	7,422,942
Sector revenue	291,239	139,723	-	-	(430,962)	-
Revenue	3,265,478	3,925,693	474,289	185,378	(427,896)	7,422,942
Operating result	(21,788)	43,824	(18,656)	3,275	(17,347)	(10,692)
Finance result	3,877	5,209	(7,543)	12,067	(2,605)	11,005
Share of result of investments	1,269	1,446	7,283	3,030	-	13,028
Result before tax	(16,642)	50,479	(18,916)	18,372	(19,952)	13,341
Income tax						(2,309)
Net result						11,032
2014						
Construction contracts	2,715,380	3,761,839	249,828	235,766	-	6,962,813
Property development	-	8,921	215,138	-	-	224,059
Service concession arrangements	60,201	-	-	21,725	-	81,926
Services and other	17,990	12,055	12,264	-	2,913	45,222
Revenue from external customers	2,793,571	3,782,815	477,230	257,491	2,913	7,314,020
Sector revenue	222,600	165,989	-	-	(388,589)	-
Revenue	3,016,171	3,948,804	477,230	257,491	(385,676)	7,314,020
Operating result	(36,326)	(23,239)	(54,734)	23,481	(13,908)	(104,726)
Finance result	6,030	4,107	(6,493)	13,918	(5,493)	12,069
Share of result of investments	21	4,626	(14,504)	(19,820)	(106)	(29,783)
Result before tax	(30,275)	(14,506)	(75,731)	17,579	(19,507)	(122,440)
Income tax						15,499
Net result						(106,941)

¹ Including non-operating segments

Balance sheet disclosures

	Construction and M&E services	Civil engineering	Property	PPP	Other including eliminations ¹	Total
2015						
Assets	1,571,753	2,330,648	956,521	503,632	(604,357)	4,758,197
Investments	<u>2,952</u>	<u>9,401</u>	<u>70,866</u>	<u>8,796</u>	<u>2,037</u>	<u>94,052</u>
Total assets	1,574,705	2,340,049	1,027,387	512,428	(602,320)	<u>4,852,249</u>
Liabilities	1,210,368	1,766,965	1,239,327	358,162	(628,358)	3,946,464
Total equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>905,785</u>	<u>905,785</u>
Total equity and liabilities	1,210,368	1,766,965	1,239,327	358,162	277,427	<u>4,852,249</u>
2014						
Assets	1,460,675	2,312,193	1,041,893	604,631	(558,015)	4,861,377
Investments	<u>1,927</u>	<u>9,979</u>	<u>73,888</u>	<u>7,144</u>	<u>1,669</u>	<u>94,607</u>
Total assets	1,462,602	2,322,172	1,115,781	611,775	(556,346)	<u>4,955,984</u>
Liabilities	1,125,462	1,812,914	1,315,086	482,908	(611,102)	4,125,268
Total equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>830,716</u>	<u>830,716</u>
Total equity and liabilities	1,125,462	1,812,914	1,315,086	482,908	219,614	<u>4,955,984</u>

¹ Including non-operating segments

Other disclosures

	Construction and M&E services	Civil engineering	Property	PPP	Other including eliminations ¹	Total
2015						
Additions to property, plant and equipment and intangible assets	13,583	48,352	196	3	8,901	71,035
Depreciation and amortisation charges	15,438	49,793	788	9	4,499	70,527
Impairment charges	500	3,487	36,376	-	763	41,126
Share of impairment charges in investments	-	-	(2,040)	-	-	(2,040)
Average number of FTE	7,110	14,274	193	95	244	21,916
Number of FTE at year-end	7,099	13,658	189	90	212	21,248
2014						
Additions to property, plant and equipment and intangible assets	14,540	40,968	652	8	3,113	59,281
Depreciation and amortisation charges	17,399	60,256	1,308	51	3,788	82,802
Impairment charges	1,000	511	66,107	-	-	67,618
Share of impairment charges in investments	-	-	27,247	20,993	-	48,240
Average number of FTE	7,396	15,383	155	103	288	23,325
Number of FTE at year-end	7,214	15,383	146	98	296	23,137

¹ Including non-operating segments

Revenues from external customers by country, based on the location of the projects

	Construction and M&E services	Civil engineering	Property	PPP	Other including eliminations ¹	Total
2015						
Netherlands	1,226,712	1,096,102	339,548	89,304	(276,413)	2,475,253
United Kingdom	1,193,422	1,138,539	55,414	16,709	(20,808)	2,383,276
Belgium	266,243	521,799	78,775	691	(32,503)	835,005
Germany	512,022	285,425	-	4,291	(3,487)	798,251
Ireland	-	279,156	552	74,383	(94,163)	259,928
Other countries	<u>67,079</u>	<u>604,672</u>	<u>-</u>	<u>-</u>	<u>(522)</u>	<u>671,229</u>
	3,265,478	3,925,693	474,289	185,378	(427,896)	<u>7,422,942</u>
2014						
Netherlands	1,164,625	1,271,872	322,429	119,513	(226,639)	2,651,800
United Kingdom	1,041,935	1,113,928	77,710	16,029	(29,096)	2,220,506
Belgium	269,786	589,958	73,997	25,372	(41,561)	917,552
Germany	493,098	289,477	-	3,436	1,206	787,217
Ireland	-	284,041	3,094	93,141	(85,921)	294,355
Other countries	<u>46,727</u>	<u>399,528</u>	<u>-</u>	<u>-</u>	<u>(3,665)</u>	<u>442,590</u>
	3,016,171	3,948,804	477,230	257,491	(385,676)	<u>7,314,020</u>

¹ Including non-operating segments

Revenues from the individual countries included in 'other countries' are not material.

Total assets and capital expenditures in connection with property, plant and equipment and intangible assets by country are stated below:

	2015	2014
Total assets		
Netherlands	2,171,428	2,262,260
United Kingdom	1,051,901	899,941
Belgium	557,575	614,477
Germany	536,912	530,099
Ireland	234,612	253,938
Other countries	829,279	871,031
Other including eliminations	<u>(529,458)</u>	<u>(475,762)</u>
	<u>4,852,249</u>	<u>4,955,984</u>
Capital expenditures		
Netherlands	37,633	27,276
United Kingdom	8,103	5,525
Belgium	4,408	7,521
Germany	11,012	10,116
Ireland	736	488
Other countries	<u>9,143</u>	<u>8,355</u>
	<u>71,035</u>	<u>59,281</u>

6. Projects

Construction contracts and property development

A major part of the Group's activities concerns construction contracts and property development which are reflected in various balance sheet items. An overview of the balance sheet items attributable to construction contracts and property development is stated below:

	Construction contracts	Property development	Total
2015			
Land and building rights	-	429,299	429,299
Property development	-	310,912	310,912
Amounts due from customers	<u>417,859</u>	<u>7,831</u>	<u>425,690</u>
Assets	417,859	748,042	1,165,901
Non-recourse property financing	-	(116,034)	(116,034)
Recourse property financing	-	(80,083)	(80,083)
Amounts due to customers	<u>(669,297)</u>	<u>(45,131)</u>	<u>(714,428)</u>
Liabilities	(669,297)	(241,248)	(910,545)
As at 31 December	<u>(251,438)</u>	<u>506,794</u>	<u>255,356</u>
2014			
Land and building rights	-	420,330	420,330
Property development	-	402,446	402,446
Amounts due from customers	<u>366,959</u>	<u>55,531</u>	<u>422,490</u>
Assets	366,959	878,307	1,245,266
Non-recourse property financing	-	(160,578)	(160,578)
Recourse property financing	-	(70,695)	(70,695)
Amounts due to customers	<u>(665,071)</u>	<u>(55,774)</u>	<u>(720,845)</u>
Liabilities	(665,071)	(287,047)	(952,118)
As at 31 December	<u>(298,112)</u>	<u>591,260</u>	<u>293,148</u>

The breakdown of the balance sheet items 'amounts due from customers' and 'amounts due to customers' is as follows:

	Construction contracts	Property development	Total
2015			
Costs incurred plus recognised results	12,734,666	143,952	12,878,618
Progress billings	(12,316,807)	(136,121)	(12,452,928)
Amounts due from customers	<u>417,859</u>	<u>7,831</u>	<u>425,690</u>
Costs incurred plus recognised results	7,856,248	561,038	8,417,286
Progress billings	(8,525,545)	(606,169)	(9,131,714)
Amounts due to customers	<u>(669,297)</u>	<u>(45,131)</u>	<u>(714,428)</u>
2014			
Costs incurred plus recognised results	13,303,614	180,598	13,484,212
Progress billings	(12,936,655)	(125,067)	(13,061,722)
Amounts due from customers	<u>366,959</u>	<u>55,531</u>	<u>422,490</u>
Costs incurred plus recognised results	8,615,849	484,742	9,100,591
Progress billings	(9,280,920)	(540,516)	(9,821,436)
Amounts due to customers	<u>(665,071)</u>	<u>(55,774)</u>	<u>(720,845)</u>

As at 31 December 2015 advance payments in connection with construction contracts and property development amount to €245 million (2014: €287 million) respectively €4 million (2014: €3 million).

PPP

The joint venture BAM PPP PGGM Infrastructure Coöperatie U.A. ('joint venture BAM PPP/PGGM') invests in PPP markets for social and transport infrastructure in the Netherlands, Belgium, the United Kingdom, Ireland, Germany and Switzerland. BAM PPP continues to be fully responsible for issuing new project tenders, rendering services with regard to asset management for the joint venture and representing the joint venture in transactions. PGGM provides the majority of capital required for existing projects.

An overview of the balance sheet items attributable to PPP projects is stated below:

	Non-current	Current	Total
2015			
PPP receivables	279,074	5,263	284,337
(Non-) recourse PPP loans	(233,035)	(14,523)	(247,558)
	46,039	(9,260)	36,779
Net assets and liabilities	(9,269)	3,976	(5,293)
As at 31 December	<u>36,770</u>	<u>(5,284)</u>	<u>31,486</u>
2014			
PPP receivables	303,978	3,948	307,926
(Non-) recourse PPP loans	(239,227)	(30,518)	(269,745)
	64,751	(26,570)	38,181
Net assets and liabilities	(9,172)	772	(8,400)
As at 31 December	<u>55,579</u>	<u>(25,798)</u>	<u>29,781</u>

7. Property, plant and equipment

	Land and buildings	Plant and equipment	Construction in progress	Other assets	Total
As at 1 January 2014					
Cost	206,157	599,417	11,501	125,657	942,732
Accumulated depreciation	<u>(91,523)</u>	<u>(404,456)</u>	<u>-</u>	<u>(90,329)</u>	<u>(586,308)</u>
	<u>114,634</u>	<u>194,961</u>	<u>11,501</u>	<u>35,328</u>	<u>356,424</u>
Additions	11,269	29,266	1,008	14,793	56,336
Acquisition of subsidiaries	202	454	-	33	689
Disposals	(6,037)	(9,343)	(348)	(1,607)	(17,335)
Reclassifications	607	7,672	(10,201)	535	(1,387)
Impairment charges	(1,200)	-	-	-	(1,200)
Depreciation charges	(6,725)	(56,775)	-	(16,086)	(79,586)
Exchange rate differences	<u>352</u>	<u>1,090</u>	<u>9</u>	<u>388</u>	<u>1,839</u>
	113,102	167,325	1,969	33,384	315,780
As at 31 December 2014					
Cost	207,469	581,748	1,969	131,622	922,808
Accumulated depreciation	<u>(94,367)</u>	<u>(414,423)</u>	<u>-</u>	<u>(98,238)</u>	<u>(607,028)</u>
	<u>113,102</u>	<u>167,325</u>	<u>1,969</u>	<u>33,384</u>	<u>315,780</u>
Additions	12,663	30,387	6,721	14,873	64,644
Disposals	(8,304)	(10,886)	(1)	(3,782)	(22,973)
Reclassifications	(784)	1,536	(446)	406	712
Impairment charges	(1,263)	(189)	-	-	(1,452)
Depreciation charges	(6,765)	(45,724)	-	(13,981)	(66,470)
Exchange rate differences	<u>319</u>	<u>1,253</u>	<u>4</u>	<u>342</u>	<u>1,918</u>
	108,968	143,702	8,247	31,242	292,159
As at 31 December 2015					
Cost	201,710	540,834	8,247	115,172	865,963
Accumulated depreciation	<u>(92,742)</u>	<u>(397,132)</u>	<u>-</u>	<u>(83,930)</u>	<u>(573,804)</u>
	<u>108,968</u>	<u>143,702</u>	<u>8,247</u>	<u>31,242</u>	<u>292,159</u>

Asset construction in progress mainly comprises plant and equipment.

The fair value of property, plant and equipment at year-end 2015 is €374 million (2014: €413 million).

Property, plant and equipment is not pledged as a security for borrowings, except for leased assets under finance lease agreements.

Property, plant and equipment includes the following carrying amounts where the Group is a lessee under a finance lease:

	2015	2014
Land and buildings	6,000	6,000
Furnitures, fixtures and equipment	11,536	20,649
Other assets	<u>23</u>	<u>8</u>
	<u>17,559</u>	<u>26,657</u>

8. Intangible assets

	Goodwill	Non-integrated software	Other	Total
As at 1 January 2014				
Cost	688,996	13,566	25,246	727,808
Accumulated amortisation	<u>(295,679)</u>	<u>(9,081)</u>	<u>(19,765)</u>	<u>(324,525)</u>
	<u>393,317</u>	<u>4,485</u>	<u>5,481</u>	<u>403,283</u>
Additions	504	2,258	183	2,945
Disposals	(3,280)	-	(43)	(3,323)
Reclassifications	-	-	508	508
Impairment charges	-	-	(511)	(511)
Amortisation charges	-	(1,892)	(1,324)	(3,216)
Exchange rate differences	<u>9,491</u>	<u>-</u>	<u>73</u>	<u>9,564</u>
	400,032	4,851	4,367	409,250
As at 31 December 2014				
Cost	697,435	15,526	25,285	738,246
Accumulated amortisation	<u>(297,403)</u>	<u>(10,675)</u>	<u>(20,918)</u>	<u>(328,996)</u>
	<u>400,032</u>	<u>4,851</u>	<u>4,367</u>	<u>409,250</u>
Additions	-	6,376	15	6,391
Disposals	-	-	(918)	(918)
Reclassifications	-	(714)	-	(714)
Impairment charges	(3,298)	-	-	(3,298)
Amortisation charges	-	(3,328)	(729)	(4,057)
Exchange rate differences	<u>9,399</u>	<u>(55)</u>	<u>54</u>	<u>9,398</u>
	406,133	7,130	2,789	416,052
As at 31 December 2015				
Cost	707,340	19,816	23,325	750,481
Accumulated amortisation	<u>(301,207)</u>	<u>(12,686)</u>	<u>(20,536)</u>	<u>(334,429)</u>
	<u>406,133</u>	<u>7,130</u>	<u>2,789</u>	<u>416,052</u>

Goodwill acquired in business combinations is allocated, at acquisition date, to the cash-generating units (CGUs) or groups of CGUs expected to benefit from that business combination. The organisational restructuring that the Group is implementing through its Back in Shape programme has resulted in the merger of a number of CGUs in the Netherlands and Belgium, all within the segment Civil engineering. This has effectively reduced the associated number of CGUs with two CGUs.

The carrying amounts of goodwill allocated within BAM's reportable segments are as follows:

	2015	2014
Construction and M&E services	160,931	156,681
Civil engineering	229,232	227,381
Property	<u>15,970</u>	<u>15,970</u>
	<u>406,133</u>	<u>400,032</u>

The increase of goodwill relates to the increase of the exchange rate of the British pound sterling compared to the prior year with an effect of approximately €9 million compensated by the goodwill impairment charge of approximately €3 million.

The impairment charge of €3.3 million arose in two CGUs in Belgium following a decision to significantly reduce the activities of these operations as the Group saw insufficient opportunities for further development. No class of assets other than goodwill was impaired.

CGUs to which goodwill has been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. The recoverable amount of each CGU was determined based on value-in-use calculations. Value-in-use was determined using discounted cash flow projections that cover a period of five years and are based on the financial plans approved by management. The key assumptions for the value-in-use calculations are those regarding discount rate, revenue growth rate and profit before tax margin.

Goodwill relates to 16 CGUs, of which BAM Construct UK (€73 million) and BAM Nuttall (€88 million) are deemed significant in comparison with the Group's total carrying amount of goodwill. For each of these CGUs the key assumptions rate used in the value-in-use calculations are as follows:

	BAM Construct UK		BAM Nuttall	
	2015	2014	2015	2014
Discount rate (post-tax)	8.3%	8.1%	8.3%	8.1%
Growth rate:				
- In forecast period (average)	3.8%	4.0%	(1.1%)	0.4%
- Beyond forecast period	2.0%	2.0%	2.0%	2.0%
Profit before tax margin				
- In forecast period (average)	2.0%	2.1%	2.2%	2.2%

Growth rate used to estimate future performance in the forecast period is the average annual growth rate based on past performance and management's expectations of BAM's market development referenced to external sources of information. The profit before tax margin in the forecast period is the average margin as a percentage of revenue based on past performance and the expected recovery to a normalised margin deemed achievable by management in the concerning market segment.

For BAM Construct UK, the recoverable amount calculated based on value in use exceeded carrying amount by approximately €314 million (2014: €298 million). The sensitivity analyses indicated that if the growth rate of BAM Construct UK is reduced by 50 basis points, the profit before tax margin is reduced by 50 basis points or the discount rate is raised by 50 basis points in the forecast period, all changes taken in isolation, the carrying amount of this CGU would still exceed the recoverable amount with sufficient and reasonable headroom.

For BAM Nuttall, the recoverable amount calculated based on value in use exceeded carrying amount by approximately €197 million (2014: €173 million). The sensitivity analyses indicated that if the growth rate of BAM Nuttall is reduced by 50 basis points, the profit before tax margin is reduced by 50 basis points or the discount rate is raised by 50 basis points in the forecast period, all changes taken in isolation, the carrying amount of this CGU would still exceed the recoverable amount with sufficient and reasonable headroom.

The sensitivity analyses indicated that if the growth rate is reduced by 50 basis points, the profit before tax margin is reduced by 50 basis points or the discount rate is raised by 50 basis points in the forecast period, all changes taken in isolation, the recoverable amounts of the other CGUs would still be in excess of the carrying amounts with sufficient and reasonable headroom, except for one CGU in Belgium, representing a goodwill amount of €16 million, with a limited headroom.

9. PPP receivables

	2015	2014
As at 1 January	307,926	411,383
Receivables including interest issued	218,514	248,693
Disposals	(144,941)	(207,899)
Progress billings	(63,820)	(33,046)
Transfers to assets held for sale	(39,391)	(117,401)
Exchange rate differences	6,049	6,196
As at 31 December	284,337	307,926

Analysis of PPP receivables:	2015	2014
Non-current	279,074	303,978
Current	5,263	3,948
	284,337	307,926

PPP receivables consist of the amounts receivable with regard to service concession arrangements in the Netherlands, Belgium, Germany, Ireland, United Kingdom and Switzerland (note 38).

The decrease in receivables issued is related to the transfer of one project to assets held for sale and the divestment of two projects to the joint venture BAM PPP/PGGM partly compensated by progress on the construction of the PPP projects.

The average duration of PPP receivables is 22 years (2014: 24 years). Approximately €272 million of the non-current part has a duration of more than five years (2014: €272 million).

The interest rates on PPP receivables are virtually the same as the interest rates (after hedging) of the related non-recourse PPP loans. The contractual interest percentages are fixed for the entire duration. The average interest rate on PPP receivables is 6.8 per cent (2014: 6.8 per cent). At year-end 2015, the fair value of the non-current part is approximately €322 million (2014: approximately €353 million).

PPP receivables are pledged as a security for the corresponding (non-) recourse PPP loans included under 'borrowings'.

10. Investments

The amounts recognised in the balance sheet are as follows:

	2015	2014
Associates	24,914	26,433
Joint ventures	69,138	68,174
As at 31 December	94,052	94,607

10.1 Investment in associates

Set out below are the associates of the Group as at 31 December 2015 that are individually material to the Group.

Nature of investment in associates in 2015 and 2014:

	Principal activity	Country of incorporation	% Interest	
			2015	2014
Infraspeed (Holdings) bv	Exploitation of rail infrastructure	Netherlands	10.54%	10.54%
Justinvest bv	Lease and exploitation real estate	Belgium	33.33%	33.33%
Rabot Invest nv	Lease and exploitation real estate	Belgium	25.00%	25.00%

Set out below are the summarised financial information for the associates that are material to the Group, including reconciliation to the carrying amount of the Group's share in the associates, as recognised in the consolidated financial statements. This information reflects the amounts presented in the financial statements of these associates adjusted for differences in the Group's accounting policies and the associates.

	Infraspeed (Holdings) bv		Justinvest nv		Rabot Invest nv	
	2015	2014	2015	2014	2015	2014
Current assets	108,558	106,995	13,355	12,957	8,376	7,831
Non-current assets	861,161	889,175	170,617	179,685	91,528	96,259
Current liabilities	(21,727)	(22,762)	(12,368)	(12,085)	(7,305)	(6,718)
Non-current liabilities	(893,153)	(923,936)	(171,142)	(180,149)	(91,987)	(96,775)
Net assets	54,839	49,472	462	408	612	597
Revenue	50,923	48,330	578	568	920	913
Net result	10,347	11,055	51	46	20	22
Net assets	54,839	49,472	462	408	612	597
Share in equity	10.54%	10.54%	33.33%	33.33%	25.00%	25.00%
Carrying amount	5,780	5,214	154	136	153	149

Set out below are the aggregate information of associates that are not individually material to the Group.

These associates mainly comprise the Group's share in structured entities for property development projects.

	2015	2014
Share in net result	1,846	8,542
Share in equity	5,196	6,141

The Group's share in the net result of associates includes a reversal of impairment amounting to €1 million (2014: nil).

Reconciliation with the carrying amount of the Group's share in associates, as recognised in the consolidated financial statements, is as follows:

	2015	2014
Share in equity associates that are material to the Group	6,087	5,500
Share in equity associates that are not individually material to the Group	<u>5,196</u>	<u>6,141</u>
	11,283	11,641
Recognised as provision for associates	122	969
Recognised as impairment of non-current receivables	<u>13,509</u>	<u>13,823</u>
	<u>24,914</u>	<u>26,433</u>

Dividend received from associates amounts to €5.8 million in 2015 (2014: €3.8 million). Cash and cash equivalents of a number of associates are subject to restrictions. These restrictions mainly concerns the priority of loan repayments over dividend distribution.

10.2 Investment in joint ventures

Set out below is the joint venture of the Group as at 31 December 2015 that is individually material to the Group.

Nature of investment in the joint venture in 2015 and 2014:

	Principal activity	Country of incorporation	% Share	
			2015	2014
BAM PPP PGGM Infrastructure Coöperatie U.A.	Asset management	Netherlands	50.00%	50.00%

Set out below are the summarised financial information for the joint venture that is individually material to the Group, including reconciliation to the carrying amount of the Group's share in the joint venture, as recognised in the consolidated financial statements. This information reflects the amounts presented in the financial statements of the joint venture adjusted for differences in the Group's accounting policies and the joint venture.

	BAM PPP PGGM Infrastructure Coöperatie U.A.	
	2015	2014
Current assets	89,712	81,315
Non-current assets	1,028,237	787,233
Current liabilities	(242,707)	(62,384)
Non-current liabilities	<u>(1,034,736)</u>	<u>(970,911)</u>
Net assets	(159,494)	(164,747)
Of which:		
Cash and cash equivalents	75,003	50,258
Current financial liabilities	(25,298)	(21,360)
Non-current financial liabilities	<u>(1,028,129)</u>	<u>(970,911)</u>
Revenue	41,093	40,458
Net result	5,105	6,981
Other comprehensive income	17,912	(30,615)

Of which:		
Finance income	62,073	46,180
Finance expense	(57,576)	(43,097)
Income tax	(4,222)	(894)
Net assets	(159,494)	(164,748)
Share in profit rights	20%	20%
Carrying amount	(31,899)	(32,950)
Negative cash flow hedge reserve not recognised	9,126	10,046
Share in equity	(22,773)	(22,904)

The Group's share in the joint venture BAM PPP/PGGM is based on its share in the members' capital. Contractually, the Group has a 20 per cent share in profit rights. In addition, the Group bears the risks in the operational phase until completion of the projects which are acquired by the joint venture.

If the Group's share in losses exceeds the carrying amount of the joint venture, further losses will not be recognised, unless the Group has a legal or constructive obligation. In 2015 €1 million reversal (2014: €8 million) of losses was not recognised. At year-end 2015 unrecognised losses amounted to €9 million (2014: €10 million).

Set out below are the aggregate information of joint ventures that are not individually material to the Group.

	2015	2014
Share in net result property development joint ventures	7,417	(19,362)
Share in net result other joint ventures	1,629	(21,455)
Share in equity property development joint ventures	21,912	8,551
Share in equity other joint ventures	(47,605)	(49,262)

Revenue of property development joint ventures amounts to €94 million (2014: €80 million) and property development recognised in the balance sheet amounts to €134 million (2014: €149 million) of which an amount of €72 million (2014: €104 million) externally financed (share of the Group).

The Group's share in the net result of joint ventures includes a reversal of impairment amounting to €1 million (2014: €48 million charge).

Reconciliation with the carrying amount of the Group's share in joint ventures, as recognised in the consolidated financial statements, is as follows:

	2015	2014
Share in equity joint venture BAM PPP/PGGM	(22,773)	(22,904)
Share in equity property development joint ventures that are not individually material to the Group	21,912	8,551
Share in equity other joint ventures that are not individually material to the Group	(47,605)	(49,262)
	(48,466)	(63,615)
Recognised as provision joint ventures	21,151	34,306
Recognised as impairment non-current receivables	96,453	97,483
	69,138	68,174

Dividend received from joint ventures amounts to €7.5 million in 2015 (2014: €7.7 million).

The financial years of many joint ventures run from 1 December up to and including 30 November to ensure timely inclusion of the financial information in the Group's financial statements.

11. Other financial assets

	Notes	Non-current receivables	Other	Total
As at 1 January 2014		127,891	4,027	131,918
Loans granted		72,572	-	72,572
Loan repayments		(42,199)	-	(42,199)
Additions		-	33	33
Disposals		-	(1,495)	(1,495)
Impairment charges	25	(11,446)	-	(11,446)
Reclassifications		(57,896)	-	(57,896)
Exchange rate differences		(563)	-	(563)
		<u>88,359</u>	<u>2,565</u>	<u>90,924</u>
Of which current:		<u>(6,039)</u>	<u>-</u>	<u>(6,039)</u>
As at 31 December 2014		<u>82,320</u>	<u>2,565</u>	<u>84,885</u>
Loans granted		14,899	-	14,899
Loan repayments		(3,759)	-	(3,759)
Disposals		-	(75)	(75)
Reversal of impairment charges	25	949	-	949
Reclassifications		2,292	(110)	2,182
Exchange rate differences		94	-	94
		<u>102,834</u>	<u>2,380</u>	<u>105,214</u>
Of which current:		<u>(6,726)</u>	<u>-</u>	<u>(6,726)</u>
As at 31 December 2015		<u>96,108</u>	<u>2,380</u>	<u>98,488</u>

The fair value of non-current receivables at year-end 2015 amounts to €124 million (2014: €109 million).

The effective interest rate is 1.9 per cent (2014: 2.2 per cent).

Category 'Other' mainly comprises shares in (unlisted) investments over which the Group has no significant influence.

12. Inventories

	2015	2014
Land and building rights	429,299	420,330
Property development	<u>310,912</u>	<u>402,446</u>
	740,211	822,776
Raw materials	16,169	18,076
Finished products	<u>2,358</u>	<u>2,271</u>
	<u>758,738</u>	<u>843,123</u>

Land and building rights are considered to be non-current by nature within the ordinary course of business. The majority of the investments in property development is considered to be current by nature.

Movements of cumulative impairments in the property portfolio is as follows:

	Notes	2015	2014
As at 1 January		458,640	404,179
Impairments charges	25	37,325	59,706
Reversal of impairment charges	25	-	<u>(5,245)</u>
As at 31 December		<u>495,965</u>	<u>458,640</u>

Property development includes the following completed and unsold property:

	2015		2014	
	Number/m ²	Carrying amount	Number/m ²	Carrying amount
Unsold and finished property				
Houses ¹	84	19,236	103	20,418
Commercial property - rented	52,845	88,080	54,287	92,130
Commercial property - unrented	26,712	<u>21,954</u>	28,265	<u>45,409</u>
		<u>129,270</u>		<u>157,957</u>

¹ Of which 64 houses (2014: 72 houses) rented in anticipation of sale

Other inventories were not subject to write-down in 2015 nor 2014.

13. Trade and other receivables

	Notes	2015	2014
Trade receivables		831,728	865,881
Less: Provision for impairment of receivables		<u>(25,236)</u>	<u>(25,445)</u>
Trade receivables - net		806,492	840,436
Amounts due from customers	6	425,690	422,490
Amounts due from related parties	36	5,353	9,349
Retentions		126,142	94,002
Amounts to be invoiced work completed		71,651	66,773
Amounts to be invoiced work in progress		245,789	244,197
PPP receivables	9	5,263	3,948
Other financial assets		7,994	8,122
Other receivables		73,856	85,939
Prepayments		<u>123,546</u>	<u>103,421</u>
		<u>1,891,776</u>	<u>1,878,677</u>

Trade and other receivables are due within one year, except for approximately €19 million (2014: €21 million). The fair value of this non-current part is approximately €18 million (2014: approximately €21 million) using an effective interest rate of 0.4 per cent (2014: 0.4 per cent).

The concentration of credit risk with respect to trade receivables is limited, as the Group's customer base is large and geographically spread. As at 31 December 2015 a part of the trade receivables amounting to €173 million (2014: €166 million) is past due over one year but partly impaired. These overdue payments relate to a number of customers, predominantly in the public sector outside the Netherlands where a limited default risk exists. Simultaneously, the duration to reach final agreement, including legal proceedings, on invoiced variation orders and claims with these customers has further increased in the year. Management assessed that the provision for impairment, taking all facts and circumstances into account, is sufficient. None of the other assets were subject to impairment.

The ageing analysis of these trade receivables is as follows:

	2015		2014	
	Trade receivables	Provision for impairment	Trade receivables	Provision for impairment
Not past due	431,587	(104)	518,625	(501)
Up to 3 months	165,836	(1,484)	127,445	(2,684)
3 to 6 months	36,478	(957)	27,924	(1,174)
6 to 12 months	24,438	(1,135)	26,149	(4,054)
1 to 2 years	21,455	(1,152)	76,330	(9,161)
Over 2 years	<u>151,934</u>	<u>(20,404)</u>	<u>89,408</u>	<u>(7,871)</u>
	831,728	(25,236)	865,881	(25,445)
Less: Provision for impairment of receivables	<u>(25,236)</u>		<u>(25,445)</u>	
Trade receivables - net	<u>806,492</u>		<u>840,436</u>	

Movements in the provision for impairment of trade receivables are as follows:

	2015	2014
As at 1 January	25,445	16,588
Provision for impairment	16,691	16,925
Unused amounts reversed	(6,601)	(5,079)
Receivables written off during the year as uncollectible	(10,466)	(4,542)
Disposals	-	(406)
Reclassifications	155	1,929
Exchange rate differences	12	30
As at 31 December	<u>25,236</u>	<u>25,445</u>

The creation and release of provisions for impaired receivables have been included in 'Other operating expenses' in the income statement.

Retentions relate to amounts retained by customers on progress billings. In the United Kingdom and Germany in particular, it is common practice to retain a previously agreed percentage until completion of the project.

14. Cash and cash equivalents

	2015	2014
Cash at bank and in hand	618,381	623,457
Short-term bank deposits	<u>18,831</u>	<u>873</u>
Cash and cash equivalents (excluding bank overdrafts)	<u>637,212</u>	<u>624,330</u>

Cash and cash equivalents are at the free disposal of the Group. The short-term bank deposits ultimately mature 7 March 2016. Cash and cash equivalents include the Group's share in cash of joint operations and in PPP entities as part of the conditions in project specific funding agreements and amount to €181 million (2014: €163 million) respectively €8 million (2014: €21 million).

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash at bank and in hand and short-term bank deposits, net of bank overdrafts. Cash and cash equivalents at the end of the reporting period as reported in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2015	2014
Cash and cash equivalents	637,212	624,330
Bank overdrafts	<u>(3)</u>	<u>-</u>
Net cash position	<u>637,209</u>	<u>624,330</u>

The average effective interest on short-term bank deposits is 1.3 per cent (2014: 6.4 per cent). The deposits have an average remaining term to maturity of approximately 43 days (2014: approximately 17 days).

15. Share capital

	Number of ordinary shares	Number of treasury shares	Number of ordinary shares in issue	Ordinary shares	Share premium	Total
As at 1 January 2014	269,424,089	-	269,424,089	26,942	806,326	833,268
Dividends	1,574,868	-	1,574,868	157	5,886	6,043
As at 31 December 2014	<u>270,998,957</u>	-	<u>270,998,957</u>	<u>27,099</u>	<u>812,212</u>	<u>839,311</u>
Repurchase of ordinary shares	-	604,975	(604,975)	-	-	-
As at 31 December 2015	<u>270,998,957</u>	<u>604,975</u>	<u>270,393,982</u>	<u>27,099</u>	<u>812,212</u>	<u>839,311</u>

15.1 General

At year-end 2015, the authorised capital of the Group was 400 million ordinary shares (2014: 400 million) and 600 million preference shares (2014: 600 million), all with a nominal value of €0.10 per share (2014: €0.10 per share). All issued shares have been paid in full.

The Company granted Stichting Aandelenbeheer BAM Groep ('the Foundation') a call option to acquire class B cumulative preference shares in the Company's share capital on 17 May 1993. This option was granted up to such an amount as the Foundation might require, subject to a maximum of a nominal amount that would result in the total nominal amount of class B cumulative preference shares in issue and not held by the Company equalling no more than ninety-nine point nine per cent (99.9 per cent) of the nominal amount of the issued share capital in the form of shares other than class B cumulative preference shares and not held by the Company at the time of exercising of the right referred to above. The Executive Committee of the Foundation has the exclusive right to determine whether or not to exercise this right to acquire class B cumulative preference shares. Additional information has been disclosed in section Other information.

15.2 Ordinary shares

To prevent dilution as a result of the (equity-settled) share-based compensation plan introduced in 2015, 604,975 of the Company's own shares were repurchased on 10 December 2015 for a total consideration of €3.1 million, at a price of €5.11.

In 2014, the number of issued ordinary shares increased by 1,574,868 due to dividend payment in shares.

16. Reserves

	Hedging	Remeasure- ments of post- employment benefits	Translation	Total
As at 1 January 2014	(119,174)	(213,420)	(78,882)	(411,476)
Reclassification to the income statement due to divestment				
- Fair value of cash flow hedge	81,699	-	-	81,699
- Tax on fair value of cash flow hedge	(26,239)	-	-	(26,239)
Cash flow hedges				
- Fair value movement	(27,188)	-	-	(27,188)
- Tax on fair value movement	9,700	-	-	9,700
Remeasurements of post-employment benefit obligations				
- Movement in remeasurements	-	(59,697)	-	(59,697)
- Tax on movement in remeasurements	-	10,540	-	10,540
Exchange rate differences	-	-	25,211	25,211
	37,972	(49,157)	25,211	14,026
As at 31 December 2014	(81,202)	(262,577)	(53,671)	(397,450)
Reclassification to the income statement due to divestment				
- Fair value of cash flow hedge	3,809	-	-	3,809
- Tax on fair value of cash flow hedge	(952)	-	-	(952)
Cash flow hedges				
- Fair value movement	1,303	-	-	1,303
- Tax on fair value movement	(66)	-	-	(66)
Remeasurements of post-employment benefit obligations				
- Movement in remeasurements	-	47,579	-	47,579
- Tax on movement in remeasurements	-	(10,553)	-	(10,553)
Exchange rate differences	-	-	26,243	26,243
	4,094	37,026	26,243	67,363
As at 31 December 2015	(77,108)	(225,551)	(27,428)	(330,087)

Of the positive movement in the hedge reserve in 2015, €3 million is a consequence of disposals and settlements of existing contracts. In addition, the hedge reserve is positively affected with €1 million due to the fact that the long-term interest in 2015 is higher than in 2014. In 2015, the hedging reserve includes a negative amount of €5 million with regard to assets held for sale.

The hedging reserve may be subsequently reclassified to the income statement. Based on the remaining duration of the derivative financial instruments, reclassification will take place between 1 and 30 years. An amount of €39 million (2014: €39 million) in the hedging reserve relates to joint ventures.

The positive movement in the reserve for remeasurements of post-employments benefits is linked to adjustments in financial assumptions. This reserve will not be reclassified to the income statement.

The positive movement in the translation reserve in 2015 is linked to the increase in the value of the pound sterling, consistent with 2014.

17. Capital base

	2015	2014
Equity attributable to the shareholders of the Company	902,147	827,394
Subordinated loan	<u>124,335</u>	<u>124,500</u>
	<u>1,026,482</u>	<u>951,894</u>

18. Borrowings

2015	Non-current	Current	Total
Subordinated loan ¹	125,000	(665)	124,335
Non-recourse PPP loans	187,673	7,114	194,787
Non-recourse property financing	85,694	30,340	116,034
Other non-recourse financing	6,621	1,300	7,921
Recourse PPP loans	45,362	7,409	52,771
Recourse property financing	44,847	35,236	80,083
Finance lease liabilities	9,973	4,478	14,451
Other recourse financing	6,693	244	6,937
Bank overdrafts	-	3	3
	<u>511,863</u>	<u>85,459</u>	<u>597,322</u>

Up to 1 year	85,459
1 to 5 years	398,448
Over 5 years	<u>113,415</u>
	<u>597,322</u>

2014	Non-current	Current	Total
Subordinated loan ¹	125,000	(500)	124,500
Non-recourse PPP loans	200,221	5,764	205,985
Non-recourse property financing	98,132	62,446	160,578
Other non-recourse financing	7,844	1,507	9,351
Recourse PPP loans	39,006	24,754	63,760
Recourse property financing	48,324	22,371	70,695
Finance lease liabilities	13,570	8,749	22,319
Other recourse financing	6,695	242	6,937
	<u>538,792</u>	<u>125,333</u>	<u>664,125</u>

Up to 1 year	125,333
1 to 5 years	466,441
Over 5 years	<u>72,351</u>
	<u>664,125</u>

¹ After deduction of amortised finance costs.

18.1 Subordinated loan

The principal sum of the subordinated loan amounts to €125 million (2014: €125 million) with a duration to 30 July 2017. The loan has been extended in 2015 for one year to 30 July 2018 for an amount of €108 million. Interest payments are not subordinated. The subordinated loan has an interest rate that is based on the Group's recourse leverage ratio and is equal to Euribor plus a margin, which can vary between a minimum of 400 and a maximum of 675 basis points until 30 July 2017, after which a minimum of 550 and a maximum of 825 basis points is applicable. At year-end 2015, the margin was 400 basis points (2014: 450 basis points).

To hedge the interest risk on the subordinated loan, interest rate swaps were contracted with a duration to 30 July 2017. The interest rate swaps fix Euribor at 1.7 per cent (2014: 1.7 per cent). Including the margin and the amortised borrowing costs, the interest for the subordinated loan amounts to 6.3 per cent (2014: 6.5 per cent).

The subordinated loan will be contractually repaid in July 2017 for an amount of €17 million and in July 2018 for an amount of €108 million.

18.2 Committed syndicated credit facility

The committed revolving credit facility has a size of €500 million and a maturity date of 30 January 2018. As at 30 January 2016 the level of the credit facility will be reduced to €442.5 million, and to €412.5 million as at 30 January 2017. The facility can be used for general corporate purposes, including the usual working capital financing. As a result of this flexible use, the level of draw-downs fluctuates throughout the year. At year-end 2015, the Group did not use the facility (2014: not used).

As at 30 June 2015 the Group did not use the facility (30 June 2014: €185 million). Variable interest rates apply to the draw-downs on this facility with a margin between 175 and 300 basis points. As at 31 December 2015 the margin was 175 basis points (2014: 200 basis points).

18.3 Non-recourse PPP loans

These relate to PPP projects in the Netherlands, the United Kingdom, Belgium and Ireland. Of the non-current part, approximately €110 million has a term to maturity of more than five years (2014: approximately €65 million). The average term to maturity of the PPP loans is 18 years (2014: 21 years).

The interest rate risk on the non-recourse PPP loans is hedged by interest rate swaps. The average interest rate on PPP loans is 6.4 per cent (2014: 7.3 per cent). Interest margins of these loans do not depend on market fluctuations during the term of these loans.

The related PPP receivables amount to €256 million in total (2014: €308 million) and represent a security for lenders. These loans will be payable on demand if the agreed qualitative and quantitative conditions regarding interest coverage, solvency, among other things, are not met.

18.4 Non-recourse property financing

These loans are contracted to finance land for property development and ongoing property development projects. The average term of non-recourse property financing is approximately 2.1 years (2014: approximately 2.3 years).

Interest on these loans is based on Euribor/Libor plus a margin. Interest margins of these loans do not depend on market fluctuations during the term of these loans. For several property financing loans, the interest is (partially) fixed. The principal sum of these financing loans is €60 million (2014: €60 million).

The carrying amount of the related assets is approximately €175 million at year-end 2015 (2014: approximately €200 million). The assets are pledged as a security for lenders. These loans will be payable on demand if the agreed qualitative and quantitative conditions relating to interest and capital repayments, among other things, are not met.

18.5 Recourse PPP loans

Equity bridge loans relating to PPP contracts are recognised under recourse PPP loans. The interest rate risk on the recourse PPP loans is hedged by interest rate swaps.

Recourse PPP loans relate directly to the accompanying assets, but also have an additional security in the form of a guarantee provided by the Group, in several cases supplemented by a bank guarantee.

The average term to maturity of the recourse PPP loans is approximately 1.8 years (2014: approximately 1.8 years).

18.6 Recourse property financing

Recourse property financing is contracted to finance land and building rights and property development.

The average term of recourse property financing is approximately 1.8 years (2014: approximately 1.6 years).

Interest on these loans is based on Euribor/Libor plus a margin. Interest margins of these loans do not depend on market fluctuations during the term of these loans. For several property financing loans, the interest is (partially) fixed. The principal sum of these financing loans is €42 million (2014: €43 million).

Recourse property financing relates directly to the accompanying assets, that constitute a security for lenders.

The carrying amount of the accompanying assets amounts to approximately €115 million at year-end 2015 (2014: approximately €94 million). Additional securities exist in the form of a guarantee provided by the Group, in several cases supplemented by a bank guarantee. These loans will be repayable on demand if the agreed qualitative and quantitative conditions relating to interest and capital repayments, among other things, are not met.

18.7 Finance lease liabilities

Finance lease liabilities mainly consist of financing arrangements for buildings and equipment. The maturity of the finance lease liabilities is as follows:

	2015	2014
Up to 1 year	4,684	9,330
1 to 5 years	10,433	14,121
Over 5 years	-	195
	<u>15,117</u>	<u>23,646</u>
Future finance charges on financial leases	(666)	(1,327)
Present value of financial lease liabilities	<u>14,451</u>	<u>22,319</u>

The present value of the finance lease liabilities is as follows:

	2015	2014
1 to 5 years	9,973	13,404
Over 5 years	-	166
	<u>9,973</u>	<u>13,570</u>
Up to 1 year	4,478	8,749
	<u>14,451</u>	<u>22,319</u>

18.8 Other financing

Other loans relate to financing of property, plant and equipment.

18.9 Bank overdrafts

In addition to the non-current committed syndicated credit facility (note 18.2), the Group holds €153 million in bilateral credit facilities (2014: €153 million). At year-end 2015 as well as 2014 these facilities were not utilised.

18.10 Covenants

With regard to the various finance arrangements, the Group is bound by terms and conditions, both qualitative and quantitative and including financial ratios, in line with the industry's practice.

Terms and conditions for project financing, being (non-) recourse PPP loans, (non-) recourse property financing loans, are directly linked to the respective projects. A relevant ratio in property financing arrangements is the loan to value, i.e. the ratio between the financing arrangement and the value of the project. In PPP loans and recourse property financing arrangements the debt service cover ratio is applicable. This ratio relates the interest and repayment obligations to the project cash flow. No early payments were made in 2015 as a result of not adhering to the financing conditions of project related financing.

Terms and conditions for the subordinated loan and the committed syndicated credit facility are based on the Group as a whole, excluding non-recourse elements. The ratios for these financing arrangements (all recourse) are the leverage ratio, the interest cover, the solvency ratio and the guarantor covers. The Group complied with all ratios in 2015.

The set requirements and realisation of the recourse ratios described above, can be explained as follows:

	Calculation	Requirement	2015	2014
Leverage ratio	Net borrowings/EBITDA	≤ 2.50	(2.55)	(2.78)
Interest cover	EBITDA/net interest expense	≥ 4.00	8.88	6.84
Solvency ratio	Capital base/total assets	≥ 15%	29.3%	28.3%
Guarantor covers	EBITDA share of guarantors	≥ 60%	72%	73%
	Assets share of guarantors	≥ 70%	96%	91%

An increased recourse leverage ratio of a maximum of 2.75 is permitted under the terms and conditions and applies to the second and third quarters of the year. In addition, capital base (as part of the solvency ratio) is adjusted for the hedging reserve and remeasurements of post-employments benefits, among other things.

18.11 Other information

The Group's subordinated loan is part of the capital base. Repayment obligations are subordinated to not subordinated obligations. The requested return of this loan relates to the margins of the debt capital market to a (very) limited extent only. The non-recourse PPP loans relate directly to the associated receivables from government bodies. Therefore, the interest rates are influenced marginally by market adjustments applying to companies. The terms of property loans are relatively short, as a consequence of which interest margins are in line with the markets. Therefore, the carrying amounts of the loans do not differ significantly from their fair values.

The effective interest rates are as follows:

	2015		2014	
	Euro	Pound sterling	Euro	Pound sterling
Subordinated loan	6.3%	-	6.5%	-
Committed syndicated credit facility	1.9%	-	2.2%	-
Non-recourse PPP loans	6.2%	6.9%	7.5%	6.8%
Non-recourse property financing	2.9%	4.8%	2.9%	3.8%
Recourse PPP loans	3.6%	-	4.2%	-
Recourse property financing	2.7%	-	2.6%	-
Finance lease liabilities	3.6%	-	3.9%	-
Other non-recourse financing	3.1%	-	3.0%	-
Other recourse financing	3.2%	-	3.2%	-

The Group contracted interest rate swaps to mitigate the exposure of borrowings to interest rate fluctuations and contractual changes in interest rates.

The Group's unhedged position is as follows:

	Up to 1 year	1 to 5 years	Over 5 years	Total
Total borrowings	85,459	398,448	113,415	597,322
Fixed interest rates	(23,248)	(53,378)	(56,479)	(133,105)
Hedged with interest rate swaps	<u>(25,336)</u>	<u>(283,325)</u>	<u>(55,438)</u>	<u>(364,099)</u>
As at 31 December 2015	<u>36,875</u>	<u>61,745</u>	<u>1,498</u>	<u>100,118</u>
Total borrowings	125,333	466,441	72,351	664,125
Fixed interest rates	(43,494)	(153,063)	(13,558)	(210,115)
Hedged with interest rate swaps	<u>(21,413)</u>	<u>(241,217)</u>	<u>(58,081)</u>	<u>(320,711)</u>
As at 31 December 2014	<u>60,426</u>	<u>72,161</u>	<u>712</u>	<u>133,299</u>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2015	2014
Euro	516,923	583,013
Pound sterling	<u>80,399</u>	<u>81,112</u>
	<u>597,322</u>	<u>664,125</u>

19. Derivative financial instruments

	2015			2014		
	Assets	Liabilities	Fair value	Assets	Liabilities	Fair value
Interest rate swaps	-	30,521	(30,521)	-	44,160	(44,160)
Forward exchange contracts	7,179	20,167	(12,988)	3,605	11,821	(8,216)
	<u>7,179</u>	<u>50,688</u>	<u>(43,509)</u>	<u>3,605</u>	<u>55,981</u>	<u>(52,376)</u>
Of which current:	6,200	16,749	(10,549)	3,376	8,269	(4,893)

19.1 Interest rate swaps

At year-end 2015, interest rate swaps are outstanding to hedge the interest rate risk on the subordinated loan, the (non-) recourse PPP loans and a number of property financing loans with a variable interest rate. Total borrowings amount to €597 million (2014: €664 million), of which an amount of €464 million (2014: €454 million) carries a variable interest rate. Of the borrowings with a variable interest rate an amount of €364 million (2014: €321 million) is hedged by interest rate swaps. All interest rate swaps are classified as hedge instruments. The fair value of the outstanding interest rate swaps amounts to €31 million negative (2014: €44 million negative). Except for one interest rate swaps (2014: two), the duration exceeds one year. The maximum duration of the derivative financial instruments is 27 years.

The fixed interest rates of these swaps vary from 0.6 per cent to 6.3 per cent at year-end 2015 (2014: between 0.6 per cent and 6.3 per cent). The variable interest rates of the corresponding loans are based on Euribor or Libor plus a margin.

At year-end 2015, all recognised derivative financial instruments provide an effective compensation for movements in cash flows from the hedged positions. Therefore, the movements in 2015 are accounted for in other comprehensive income. The fair value of outstanding derivative financial instruments which do not provide an effective compensation are accounted for in the income statement within 'finance income/expense'.

The composition of the expected contractual cash flows is disclosed in note 3.1 to the consolidated financial statements.

19.2 Forward foreign exchange contracts

The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2015 were €251 million (2014: €369 million). The fair value amounts to €13.0 million negative (2014: €8.2 million negative).

The terms to maturity of these contracts are up to a maximum of 1 year for the amount of €234 million (2014: €263 million), between 1 and 2 years for the amount of €17 million (2014: €95 million) and between 2 to 4 years nil (2014: €11 million).

20. Employee benefits

	2015	2014
Defined benefit asset	<u>74,684</u>	<u>17,786</u>
Defined benefit liability	121,335	157,886
Other employee benefits obligations	<u>30,396</u>	<u>29,321</u>
	<u>151,731</u>	<u>187,207</u>

The Group operates defined benefit pension plans in the Netherlands, United Kingdom, Belgium, Germany and Ireland under broadly similar regulatory frameworks.

A further description of the post-employment benefit plans per country is as follows:

The Netherlands

In the Netherlands, the Group makes contributions to defined benefit schemes as well as defined contribution schemes.

The pension schemes in the Netherlands are subject to the regulations as stipulated in the Pension Act. As stipulated in 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. The Group 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 construction, metal & technology and railways. As these funds are not equipped to provide the required information on the Group'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. The Group may not reclaim any excess payment and is not obliged to make up any deficit, except by way of the adjustment of future premiums. The part exceeding the basic pension amount (top-up part), which is not covered by multi-employer funds, is covered by external insurance companies and relates to defined contribution schemes.

At year-end 2015, the (twelve-month average) coverage rate of the industry pension fund for construction is 111 per cent (2014: 115 per cent). The industry pension fund for metal & technology has a coverage rate of 99 per cent at year-end 2015 (2014: 103 per cent). The coverage rate of the industry pension fund for railways is 109 per cent (2016: 116 per cent).

With effect from 2006, a 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 Construction. Future build-up is solely possible for the top-up pension scheme of BAM, which terminates in 2020; it is financed by the employer based on a percentage of the pensionable salaries of the employees.

In 2015, the Group decided, while taking into account the employee representation bodies, to decrease the BAM supplementary scheme, resulting in a net one-off gain amounting to €2.8 million. In addition, a group of active participants turned inactive during 2015 and were transferred to the part of the insurance contract not classified as a defined benefit scheme. This resulted in a settlement without a result impact.

In the context of accountability for the Group's pension policy (to be) implemented, with regard to, inter alia, supplements and investment performance, the Group has established an accountability committee, with representation from the Central Works Council (CWC) and the Socio-Economic Committee of the BAM pensioners Associations (SEC).

United Kingdom

In the United Kingdom, the Group makes contributions to defined benefit plans as well as defined contribution plans.

Three defined benefit pension schemes are executed by separate trusts. They were closed to new participants in 2004 and future accumulation in the schemes was closed at the end of October 2010. The Group is still responsible for making supplementary contributions to recover the historical financing deficits. The plan for supplementary contributions was last revised after the most recent actuarial valuations of the funds at 1 January 2012 and led to supplementary contributions in 2015 to the amount of approximately €36 million (2014: €25 million).

The Group replaced the closed defined benefit pension schemes with defined contribution schemes, which are executed by an outside insurance company. Following the closure of future accumulation in defined benefit pension schemes in 2010, employees who participated in these schemes were invited to participate in the defined contribution schemes.

In addition, several defined benefit schemes are accounted for as defined contribution schemes due to the fact that external parties administering them are not able to provide the required information. These schemes have limited numbers of members, however. The Group is obliged to pay the predetermined premium for these plans. The Group may not reclaim any excess payment and is not obliged to make up any deficit, except by way of the adjustment of future premiums. The Group did not make any material contributions in 2014 nor 2015.

Belgium

In Belgium, the Group makes contributions to a relatively small defined benefit scheme that is executed by an external insurance company. The Group has also made arrangements for employees to participate in a defined contribution scheme.

Germany

In Germany, the Group operates one defined benefit pension scheme financed by the employer.

The Group closed two schemes to new participants and since 2006, the Group operates a defined contribution scheme, into which employees have the opportunity to contribute on an individual basis.

Ireland

The Group has a defined benefit scheme in Ireland, executed by a company pension fund. The multi-employer pension scheme was fully converted from a defined benefit scheme to a defined contribution scheme with effect from 1 January 2006.

Movements in the defined benefit pension plans over the year is as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland	Total
As at 31 December 2015						
Defined benefit liability	36,338	-	1,314	55,303	28,380	121,335
Defined benefit asset	-	74,684	-	-	-	74,684
	<u>36,338</u>	<u>(74,684)</u>	<u>1,314</u>	<u>55,303</u>	<u>28,380</u>	<u>46,651</u>
<i>Present value of obligation</i>						
As at 1 January 2015	481,195	938,240	3,136	79,722	122,641	1,624,934
Service cost	2,023	-	45	280	3,286	5,634
Interest expense	9,100	36,677	44	1,630	2,685	50,136
Remeasurements	(29,071)	(53,706)	(54)	(3,989)	(15,016)	(101,836)
Plan participants contributions	229	-	7	-	516	752
Benefit payments	(10,667)	(42,097)	(210)	(4,043)	(2,409)	(59,426)
Changes and plan amendments	(2,815)	-	-	-	-	(2,815)
Settlements	(23,442)	-	-	-	-	(23,442)
Exchange rate differences	-	58,969	-	-	-	58,969
As at 31 December 2015	<u>426,552</u>	<u>938,083</u>	<u>2,968</u>	<u>73,600</u>	<u>111,703</u>	<u>1,552,906</u>
<i>Fair value of plan assets</i>						
As at 1 January 2015	432,549	952,540	1,732	18,721	79,292	1,484,834
Interest income	8,253	37,669	24	375	1,779	48,100
Remeasurements	(26,676)	(27,503)	49	(18)	(109)	(54,257)
Employer contributions	10,571	35,606	55	3,262	4,254	53,748
Plan participants contributions	229	-	7	-	516	752
Benefit payments	(10,667)	(42,097)	(210)	(4,043)	(2,409)	(59,426)
Administration cost	(603)	(2,461)	(3)	-	-	(3,067)
Settlements	(23,442)	-	-	-	-	(23,442)
Exchange rate differences	-	59,013	-	-	-	59,013
As at 31 December 2015	<u>390,214</u>	<u>1,012,767</u>	<u>1,654</u>	<u>18,297</u>	<u>83,323</u>	<u>1,506,255</u>
Present value of obligation	426,552	938,083	2,968	73,600	111,703	1,552,906
Fair value of plan assets	<u>390,214</u>	<u>1,012,767</u>	<u>1,654</u>	<u>18,297</u>	<u>83,323</u>	<u>1,506,255</u>
As at 31 December 2015	<u>36,338</u>	<u>(74,684)</u>	<u>1,314</u>	<u>55,303</u>	<u>28,380</u>	<u>46,651</u>
Amounts recognised in the income statement						
Service cost	2,023	-	45	280	3,286	5,634
Net interest expense	847	(992)	20	1,255	906	2,036
Changes and plan amendments	(2,815)	-	-	-	-	(2,815)
Administration cost	603	2,461	3	-	-	3,067
	<u>658</u>	<u>1,469</u>	<u>68</u>	<u>1,535</u>	<u>4,192</u>	<u>7,922</u>
Amounts recognised in other comprehensive income						
Remeasurements:						
- Return on plan assets, excluding interest income	26,676	27,503	(49)	18	109	54,257
- (Gain)/loss from change in demographic assumptions	113	(24,355)	-	-	2,493	(21,749)
- (Gain)/loss from change in financial assumptions	(28,647)	(35,082)	(80)	(4,066)	(13,796)	(81,671)
- Experience (gains)/losses	(537)	5,731	26	77	(3,713)	1,584
	<u>(2,395)</u>	<u>(26,203)</u>	<u>(103)</u>	<u>(3,971)</u>	<u>(14,907)</u>	<u>(47,579)</u>
Income tax	598	6,813	35	921	2,116	10,483
Remeasurements, net of tax	<u>(1,797)</u>	<u>(19,390)</u>	<u>(68)</u>	<u>(3,050)</u>	<u>(12,791)</u>	<u>(37,096)</u>

	Netherlands	United Kingdom	Belgium	Germany	Ireland	Total
As at 31 December 2014						
Defined benefit liability	48,646	3,486	1,404	61,001	43,349	157,886
Defined benefit asset	-	17,786	-	-	-	17,786
	48,646	(14,300)	1,404	61,001	43,349	140,100
<i>Present value of obligation</i>						
As at 1 January 2014	376,020	773,365	2,571	69,987	90,540	1,312,483
Service cost	1,740	-	38	386	1,510	3,674
Interest expense	13,360	36,082	72	2,241	3,558	55,313
Remeasurements	99,682	108,159	451	11,164	34,131	253,587
Plan participants contributions	233	-	8	-	544	785
Benefit payments	(9,818)	(34,215)	-	(4,056)	(6,561)	(54,650)
Changes and plan amendments	(22)	-	-	-	(1,081)	(1,103)
Disposals	-	-	(4)	-	-	(4)
Exchange rate differences	-	54,849	-	-	-	54,849
As at 31 December 2014	481,195	938,240	3,136	79,722	122,641	1,624,934
<i>Fair value of plan assets</i>						
As at 1 January 2014	334,294	769,366	1,579	19,240	73,914	1,198,393
Interest income	12,013	36,422	46	603	2,946	52,030
Remeasurements	86,963	101,899	56	493	4,477	193,888
Employer contributions	9,884	25,820	53	2,548	4,387	42,692
Plan participants contributions	233	-	8	-	544	785
Benefit payments	(9,818)	(34,215)	-	(4,056)	(6,561)	(54,650)
Administration cost	(1,023)	(1,853)	(6)	-	-	(2,882)
Changes and plan amendments	-	-	-	-	(415)	(415)
Disposals	3	-	(4)	(107)	-	(108)
Exchange rate differences	-	55,101	-	-	-	55,101
As at 31 December 2014	432,549	952,540	1,732	18,721	79,292	1,484,834
Present value of obligation	481,195	938,240	3,136	79,722	122,641	1,624,934
Fair value of plan assets	432,549	952,540	1,732	18,721	79,292	1,484,834
As at 31 December 2014	48,646	(14,300)	1,404	61,001	43,349	140,100
Amounts recognised in the income statement						
Service cost	1,740	-	38	386	1,510	3,674
Net interest expense	1,347	(340)	26	1,638	612	3,283
Changes and plan amendments	(22)	-	-	-	(666)	(688)
Administration cost	1,023	1,853	6	-	-	2,882
	4,088	1,513	70	2,024	1,456	9,151
Amounts recognised in other comprehensive income						
Remeasurements:						
- Return on plan assets, excluding interest income	(86,963)	(101,899)	(56)	(493)	(4,477)	(193,888)
- (Gain)/loss from change in demographic assumptions	(3,820)	205	-	(1)	(1,477)	(5,093)
- (Gain)/loss from change in financial assumptions	107,320	46,312	499	10,688	36,513	201,332
- Experience (gains)/losses	(3,818)	61,642	(48)	477	(905)	57,348
Exchange rate differences	-	(2)	-	-	-	(2)
	12,719	6,258	395	10,671	29,654	59,697
Income tax	(3,180)	(1,243)	(135)	(2,232)	(3,444)	(10,234)
Remeasurements, net of tax	9,539	5,015	260	8,439	26,210	49,463

The average duration of the defined benefit obligations per country were as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland
Average duration (in years)	15	24	12	13	24

The significant actuarial assumptions per country were as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland
2015					
Discount rate	2.30%	3.90%	1.60%	2.10%	2.20%
Salary growth rate	0 - 1.90%	2.25 - 3.15%	1.90%	1.50%	2.25%
Pension growth rate	0 - 1.70%	2.20 - 3.15%	-	1.50%	1.75%
2014					
Discount rate	1.90%	3.70%	1.40%	2.10%	2.20%
Salary growth rate	0 - 1.90%	2.05 - 3.40%	1.90%	2.00%	2.25%
Pension growth rate	0 - 2.00%	2.05 - 3.10%	-	2.00%	0 - 1.75%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each country.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

- If the discount rate is 0.5 per cent higher (lower), the pension liability will decrease by approximately €115 million (increase by approximately €140 million).
- If the expected salary increase is 0.5 per cent higher (lower), the pension liability will increase by approximately €14 million (decrease by approximately €7 million).
- If the expected indexation is 0.5 per cent higher (lower), the pension liability will increase by approximately €61 million (decrease by approximately €51 million).
- If the life expectancy increases (decreases) by 1 year, the pension liability will increase by approximately €30 million (decrease by approximately €24 million).

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Plan assets are comprised as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland	Total
2015						
Equity instruments (quoted)	-	305,418	-	-	49,546	354,964
Debt instruments (quoted)	-	542,208	-	-	28,865	571,073
Property (quoted)	-	47,331	-	-	2,957	50,288
Qualifying insurance policies (unquoted)	390,214	-	1,654	18,297	366	410,531
Cash and cash equivalents	-	117,810	-	-	1,589	119,399
	<u>390,214</u>	<u>1,012,767</u>	<u>1,654</u>	<u>18,297</u>	<u>83,323</u>	<u>1,506,255</u>
2014						
Equity instruments (quoted)	-	314,555	-	-	47,799	362,354
Debt instruments (quoted)	-	482,097	-	-	28,614	510,711
Property (quoted)	-	32,007	-	-	2,513	34,520
Qualifying insurance policies (unquoted)	432,549	-	1,732	18,721	367	453,369
Cash and cash equivalents	-	123,880	-	-	-	123,880
	<u>432,549</u>	<u>952,539</u>	<u>1,732</u>	<u>18,721</u>	<u>79,293</u>	<u>1,484,834</u>

Plan assets do not include the Company's ordinary shares. The Group applies IAS 19.104 for the valuation of the plan assets in the Netherlands in connection with the insured contracts.

Through its defined benefit pension plans the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Salary growth	The plan liabilities are calculated based on future salaries of the plan participants, so increases in future salaries will result in an increase in the plan liabilities.
Pension growth	The majority of the plan liabilities are calculated based on future pension increases, so these increases will result in an increase in the plan liabilities.
Life expectancy	The majority of the plan liabilities are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan liabilities.

With regard to the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching ('ALM') framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Employer contributions to post-employment benefit plans for the year ending 31 December 2016 are expected to be significantly lower than 2015.

21. Provisions

	Warranty	Restructuring	Rental guarantees	Associates and joint ventures	Other	Total
As at 1 January 2015	67,083	56,876	5,265	35,275	22,251	186,750
Charged/(credited) to the income statement:						
- Additional provisions	15,691	40,075	142	1,435	4,102	61,445
- Unused amounts reversed	(5,295)	(12,095)	-	(311)	(633)	(18,334)
Used during the year	(13,652)	(43,622)	(1,853)	(15,126)	(5,436)	(79,689)
Reclassifications	(931)	-	-	-	931	-
Other movements	-	-	-	-	6	6
Exchange rate differences	-	-	-	-	13	13
As at 31 December 2015	62,896	41,234	3,554	21,273	21,234	150,191

Provisions are classified in the balance sheet as follows:

	2015	2014
Non-current	84,933	114,638
Current	65,258	72,112
	<u>150,191</u>	<u>186,750</u>

The provision for warranty concerns the best estimate of the expenditure required to settle complaints and deficiencies that become apparent after the delivery of projects and that fall within the warranty period. In reaching its best estimate, the Group takes into account the risks and uncertainties that surround the underlying events which are assessed periodically. Approximately 27 per cent of the provision is current in nature (2014: approximately 31 per cent).

The provision for restructuring concerns the best estimate of the expenditure associated with reorganisation plans already initiated. Approximately 87 per cent of the provision is current in nature (2014: approximately 82 per cent). The estimated staff restructuring costs to be incurred are recognised under 'personnel expenses'. Other direct costs attributable to the restructuring, including lease termination, are recognised under 'other operating expenses'. The additional provisions in 2015 mainly relate to the Back in Shape programme and other restructurings predominantly in the Netherlands.

The provision for rental guarantees consists of commitments arising from rental guarantees issued to third parties (predominantly in Germany), taking into account expected income from subleases. These obligations in Germany relate to two properties. Approximately 55 per cent of the provision is current in nature (2014: nil).

The provision for associates and joint ventures arise from the legal or constructive obligation in connection with structured entities for property development projects (associates and joint ventures) and the development of the hedging reserves in PPP joint ventures. An amount of €0.1 million (2014: €1.0 million) relates to associates and €21.2 million (2014: €34.3 million) to joint ventures.

Other provisions include the dividend guarantee amounting to of €8.5 million (2014: €9.2 million) in connection with the disposal of the Group's interest in Van Oord in 2011. Amounts provided for the liquidation of the old project development activities, claims and legal obligations in Germany and continuing rental commitments resulting from (temporarily) unused premises are also included. Approximately 59 per cent of the provision is current in nature (2014: approximately 15 per cent).

The non-current part of the provisions has been discounted at an interest rate of approximately 3 per cent (2014: approximately 3 per cent).

22. Deferred tax assets and liabilities

	2015	2014
Deferred tax assets:		
- To be recovered after more than twelve months	245,145	235,946
- To be recovered within twelve months	<u>6,570</u>	<u>6,546</u>
	251,715	242,492
Deferred tax liabilities:		
- To be recovered after more than twelve months	20,454	19,806
- To be recovered within twelve months	<u>10,505</u>	<u>6,100</u>
	30,959	25,906
Deferred tax liabilities (net)	<u>(220,756)</u>	<u>(216,586)</u>

The gross movement on the deferred income tax account is as follows:

	2015	2014
As at 1 January	(216,586)	(177,632)
Income statement charge/(credit)	(17,247)	(27,062)
Tax charge/(credit) relating to components of other comprehensive income	11,427	(13,242)
Change of income tax rate	(125)	30
Transfer to assets/liabilities held for sale	1,635	1,190
Exchange differences	<u>140</u>	<u>130</u>
As at 31 December	<u>(220,756)</u>	<u>(216,586)</u>

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Provisions	Tax losses	Fair value gains	Employee benefit obligations	Other	Total
Deferred tax assets						
As at 1 January 2014	2,077	172,466	12,448	18,184	46,256	251,431
(Charged)/credited to the income statement	111	37,303	78	(3,447)	(23,876)	10,169
(Charged)/credited to other comprehensive income	-	-	2,023	10,356	-	12,379
Changes in enacted tax rates	-	-	-	(30)	-	(30)
Transfer to assets held for sale	-	-	(1,190)	-	-	(1,190)
Reclassifications	-	(4,000)	-	-	4,000	-
Exchange rate differences	<u>124</u>	<u>-</u>	<u>196</u>	<u>105</u>	<u>178</u>	<u>603</u>
As at 31 December 2014	<u>2,312</u>	<u>205,769</u>	<u>13,555</u>	<u>25,168</u>	<u>26,558</u>	<u>273,362</u>
(Charged)/credited to the income statement	692	533	(291)	(2,259)	6,475	5,150
(Charged)/credited to other comprehensive income	-	-	148	(3,600)	-	(3,452)
Changes in enacted tax rates	(180)	-	-	-	(1,005)	(1,185)
Transfer to assets held for sale	-	-	(1,635)	-	-	(1,635)
Reclassifications	-	10,591	-	(750)	(10,591)	(750)
Exchange rate differences	<u>123</u>	<u>-</u>	<u>230</u>	<u>55</u>	<u>118</u>	<u>526</u>
As at 31 December 2015	<u>2,947</u>	<u>216,893</u>	<u>12,007</u>	<u>18,614</u>	<u>21,555</u>	<u>272,016</u>

	Construction contracts	Accelerated tax depreciation	Fair value gains	Employee benefit assets	Other	Total
Deferred tax liabilities						
As at 1 January 2014	38,802	13,147	779	1,505	19,566	73,799
Charged/(credited) to the income statement	(18,190)	525	-	2,676	(1,904)	(16,893)
Charged/(credited) to other comprehensive income	-	-	(83)	(780)	-	(863)
Exchange rate differences	-	577	1	155	-	733
As at 31 December 2014	<u>20,612</u>	<u>14,249</u>	<u>697</u>	<u>3,556</u>	<u>17,662</u>	<u>56,776</u>
Charged/(credited) to the income statement	(3,893)	(582)	-	3,999	(11,621)	(12,097)
Charged/(credited) to other comprehensive income	-	-	1,092	6,883	-	7,975
Changes in enacted tax rates	-	(980)	-	(330)	-	(1,310)
Reclassifications	-	-	-	(750)	-	(750)
Exchange rate differences	-	581	-	85	-	666
As at 31 December 2015	<u>16,719</u>	<u>13,268</u>	<u>1,789</u>	<u>13,443</u>	<u>6,041</u>	<u>51,260</u>

Deferred income tax assets in a country are recognised only to the extent that it is probable that future taxable profits in that country are available against which the temporary differences and available tax losses carry-forwards can be utilised.

Tax losses available to the fiscal unity in the Netherlands for carry-forward at year-end 2015 amount to approximately €985 million (2014: €895 million). These unused tax losses relate to the years 2009 up to and including 2015 and include an amount of €395 million (2014: €395 million) owing to the liquidation of old property development activities in Germany. The increase in the unused tax losses in 2015 is mainly caused by the impairments on property as well as the restructuring costs incurred as part of the Back in Shape programme. The legal term within which these losses may be offset against future profits is nine years.

Based on estimates of the level and timing of future taxable profits within the fiscal unity in the Netherlands for the upcoming nine years approximately €815 million (2014: €765 million) of these losses are recognised. Management estimates of forecasted taxable profits in the Netherlands are based on financial budgets approved by management, extrapolated using growth rates for revenue and profit before tax margins that are based on external market data and benchmark information, taking into account past performance. Growth rates for revenue and profit before tax margins are in line with the Group's mid- and long-term expectations. The estimated financial impact of the Back in Shape programme which includes the changes in the organisation structure and the corresponding changes in activities that take place at the Group, has been taken into account in the forecasted taxable profits.

Tax losses to a minimum of €567 million (2014: €635 million) are expected to remain available for the companies in Germany, which can be offset against future taxable profits in Germany. Based on estimates of the level and timing of future taxable profits per operating company and per fiscal unity, approximately €32 million (2014: €44 million) of these losses are recognised. The legal term within which these losses may be offset against future profits is indefinite. Management estimates of forecasted taxable profits in Germany are based on financial budgets approved by management, extrapolated using estimated growth rates that are considered to be in line with the Group's mid- and long-term expectations, taking into account past performance.

23. Trade and other payables

	Notes	2015	2014
Trade payables		903,640	816,490
Amounts due to customers	6	714,428	720,845
Amounts due to related parties	36	35,506	46,387
Social security and other taxes		118,622	147,617
Pension premiums		8,224	10,672
Invoices due for work completed		147,233	146,434
Invoices due for work in progress		571,698	540,412
Other financial liabilities		3,372	4,147
Other liabilities		150,137	164,257
Accrued expenses and deferred income		242,961	256,145
		<u>2,895,821</u>	<u>2,853,406</u>

24. Employee benefit expenses

	Notes	2015	2014
Wages and salaries		1,095,178	1,174,242
Social security costs		173,097	219,779
Pension costs - defined contribution plans		80,578	85,374
Pension costs - defined benefit plans	20	7,922	9,151
Other post-employment benefits		1,659	2,015
		<u>1,358,434</u>	<u>1,490,561</u>

Wages and salaries include restructuring costs and other termination benefits of €21.5 million (2014: €50.4 million).

At year-end 2015, the Group had 21,248 employees in FTE (2014: 23,137). The average number of employees in FTE amounted to 21,916 (2014: 23,325).

25. Impairment charges

	2015	2014
Property, plant and equipment	1,452	1,200
Intangible assets	3,298	511
Other financial assets	(949)	11,446
Inventories	<u>37,325</u>	<u>54,461</u>
Impairment charges	41,126	67,618
Share of impairment charges in investments	<u>(2,040)</u>	<u>48,240</u>
	<u>39,086</u>	<u>115,858</u>

In 2015, impairment charges in connection with inventories relating to land and building rights are €23 million and €14 million to commercial property development. Impairment charges in connection with inventories in 2014 solely related to land and building rights. The share in the reversal of impairment charges in investments relates to the favourable development of the associated land and building rights held for property development.

26. Exceptional items

Items that are material either because of their size or their nature, or that are non-recurring are considered as exceptional and are presented within the line items to which they best relate.

An analysis of the amount presented as exceptional items in these financial statements is given below:

	Notes	2015	2014
Impairment charges	25	39,086	115,858
Restructuring costs	21	27,980	60,178
Pension one-off	20	(2,815)	-
Other exceptional costs		<u>10,588</u>	<u>8,614</u>
		<u>74,839</u>	<u>184,650</u>

Other exceptional costs consist of consultancy fees of €11 million (2014: €9 million) directly related to the Back in Shape programme and have been included in 'other operating expenses' in the income statement.

27. Audit fees

The total fees for the audit of the consolidated financial statements 2015 amount to €4.6 million (2014: €4.3 million).

Expenses for services provided by the Company's independent auditor, PricewaterhouseCoopers Accountants N.V. ('PwC') and its member firms to the Group are specified as follows:

	2015			2014		
	PwC	Member firms	Total	PwC	Member firms	Total
Audit fees	3,084	713	3,797	2,835	727	3,562
Audit-related fees	443	468	911	377	432	809
Tax advisory fees	58	158	216	93	69	162
Other non-audit fees	10	201	<u>211</u>	92	329	<u>421</u>
			<u>5,135</u>			<u>4,954</u>

28. Finance income and expense

	2015	2014
Finance income		
- Interest income - cash at banks	2,348	3,178
- Interest income - other financial assets	1,925	2,475
- Interest income - PPP receivables	23,077	30,231
- Other finance income	<u>7,145</u>	<u>10,085</u>
	34,495	45,969
Finance expense		
- Subordinated loan	7,416	7,574
- Bank fees - subordinated loan	500	500
- Committed syndicated credit facility	196	3,718
- Bank fees - committed syndicated credit facility	4,688	3,747
- Non-recourse PPP loans	14,198	18,778
- Non-recourse project financing	4,511	5,789
- Other non-recourse financing	287	181
- Interest expense - bank overdrafts	642	1,026
- Finance lease liabilities	915	1,329
- Recourse property financing	2,056	2,031
- Recourse PPP loans	2,109	2,726
- Other recourse financing	787	899
- Interest expense - other liabilities	335	1,046
- Fair value result - forward exchange contracts	<u>(1,827)</u>	<u>497</u>
	36,813	49,841
Less: capitalised interest on the Group's own projects	<u>(13,323)</u>	<u>(15,941)</u>
	23,490	33,900
Net finance result	<u>11,005</u>	<u>12,069</u>

Included in the finance expense is an amount of €7 million (2014: €10 million) relating to interest rate swaps that was reclassified from equity to the income statement. An overview of the applicable weighted average interest rates is disclosed in note 18 to the consolidated financial statements.

29. Income tax

	2015	2014
Current tax	19,556	11,563
Deferred tax	<u>(17,247)</u>	<u>(27,062)</u>
	<u>2,309</u>	<u>(15,499)</u>

Income tax on the Group's result before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated companies as follows:

	2015	2014
Result before tax	13,341	(122,440)
Tax calculated at Dutch tax rate	3,338	(30,611)
Tax effects of:		
- Tax rates in other countries	(4,250)	3,428
- Income not subject to tax and previously unrecognised tax losses	(10,287)	(2,426)
- Remeasurement of deferred tax – changes in enacted tax rates	(125)	30
- Tax filings and previously unrecognised temporary differences	4,541	4,595
- Tax losses no(t) (longer) recognised	10,662	16,271
- Results of investments and other participations, net of tax	(4,040)	(6,979)
- Other including expenses not deductible for tax purposes	1,349	193
- Impairment of goodwill	1,121	-
Tax charge/(gain)	<u>2,309</u>	<u>(15,499)</u>
Effective tax rate	17.3%	12.7%

The weighted average tax rate applicable was -6.8 per cent (2014: 22.2 per cent). The difference is attributable to a different spread of results over the countries.

In 2015, the tax burden was influenced predominantly by tax losses which are not recognised (anymore), as well as the recognition of tax losses that were previously unrecognised. Exempt results of investments and other participations also influence the tax burden.

In 2014, the tax gain was influenced predominantly by tax losses which are not measured (anymore), as well as exempt results of investments and other participations, net of tax.

As at 1 April 2017, the main rate of corporation tax in the United Kingdom will be reduced from 20 per cent to 19 per cent and will be further reduced to 18 per cent as at 1 April 2020.

30. Earnings per share

	2015	2014
Weighted average number of ordinary shares in issue (<i>x 1,000</i>)	270,957	270,395
Net result attributable to shareholders	10,180	(108,172)
Basic earnings per share (<i>in €</i>)	0.04	(0.40)
Net result from continuing operations attributable to shareholders	10,180	(108,172)
Basic earnings per share from continuing operations (<i>in €</i>)	0.04	(0.40)
Net result from discontinued operations attributable to shareholders	-	-
Basic earnings per share from discontinued operations (<i>in €</i>)	-	-

Allowing for dilution, the earnings per share are as follows:

	2015	2014
Weighted average number of ordinary shares in issue (<i>x 1,000</i>)	270,957	270,395
Net result attributable to shareholders	10,180	(108,172)
Diluted earnings per share (<i>in €</i>)	0.04	(0.40)
Net result from continuing operations attributable to shareholders (diluted)	10,180	(108,172)
Diluted earnings from continuing operations per share (<i>in €</i>)	0.04	(0.40)
Net result from discontinued operations attributable to shareholders (diluted)	-	-
Diluted earnings from discontinued operations per share (<i>in €</i>)	-	-

31. Dividends per share

The Company proposes to declare a dividend over the financial year 2015 of 2 eurocents in cash per ordinary share or in shares, at the option of the shareholders (2014: nil). Based on the number of ordinary shares outstanding at year-end 2015, a maximum of €5 million will be distributed as dividend on the ordinary shares. As yet, the dividend proposal has not been deducted from retained earnings under equity.

In line with the Group's dividends policy the Company has not paid a dividend over the financial year 2014 following the net loss.

32. Contingencies

32.1 Legal proceedings

In the normal course of business the Group is involved in legal proceedings predominantly concerning litigation in connection with (completed) construction contracts. The legal proceedings, whether pending, threatened or unasserted, if decided adversely or settled, may have a material impact on the Group's financial position, operational result or cash flows. The Group may enter into discussions regarding settlement of these and other proceedings and may enter into settlement agreements, if it believes settlement is in the best interests of the Company's shareholders. In accordance with current accounting policies, the Group has recognised provisions with respect to these proceedings, where appropriate, which are reflected on its balance sheet.

32.2 Guarantees

In the ordinary course of business guarantees are issued to (prospective) clients and contracting parties. These contingent liabilities are not recognised in the balance sheet. It is not expected that any material risks will arise from these contingent liabilities.

Guarantees are issued either by the Company (parent company guarantees) or by banks and surety companies (bank guarantees, deposits and surety bonds). These guarantees could be forced to settle under the arrangement for the full guaranteed amount in case of non-compliance with or without the intervention of an independent third party.

The parent company guarantees issued amount to €156 million (2014: €176 million). Guarantees issued by banks and surety companies amount to €1,776 million (2014: €1,760 million). Guarantee facilities amount to €2.4 billion (2014: €2.5 billion).

33. Commitments

33.1 Purchase commitments

Capital expenditure contracted for at the end of the reporting period but not yet incurred and conditional contractual obligations to purchase land for property development activities is as follows:

	2015	2014
Property, plant and equipment	232	970
Land	<u>121,272</u>	<u>166,384</u>
	<u>121,504</u>	<u>167,354</u>

The conditional nature of the contractual obligations to purchase land relate to, among other items, the amendment of development plans, the acquirement of planning permissions and the actual completion of property development projects.

33.2 Lease commitments

The Group leases various office buildings, equipment and company cars from third parties under non-cancellable operating lease agreements. The lease agreements vary in duration, escalation clauses and renewable options. In 2015 the costs associated with operating leases amount to €69 million (2014: €64 million).

The future aggregate minimum lease payments are as follows:

	2015	2014
Up to 1 year	64,507	59,182
1 to 5 years	114,167	112,827
Over 5 years	<u>23,245</u>	<u>21,927</u>
	<u>201,919</u>	<u>193,936</u>

The Group leases office buildings and equipment to third parties under non-cancellable operating lease agreements. The lease agreements vary in duration, escalation clauses and renewable options. The carrying amount of the leased assets amounts to €23 million at year-end 2015 (2014: €22 million). The lease income, including lease bonuses, is recognised as revenue in the income statement. In 2015 the income associated with operating leases amount to €1.7 million (2014: €1.8 million).

The future aggregate minimum lease income is as follows:

	2015	2014
Up to 1 year	1,562	1,143
1 to 5 years	7,298	6,205
Over 5 years	<u>6,629</u>	<u>5,182</u>
	<u>15,489</u>	<u>12,530</u>

34. Business combinations

No material acquisitions have taken place in 2015 nor 2014.

35. Assets held for sale and discontinued operations

	2015	2014
PPP receivables	39,391	117,401
Deferred tax assets	1,635	1,190
Trade and other receivables	367	2,730
Cash and cash equivalents	<u>421</u>	<u>5,722</u>
Assets held for sale	<u>41,814</u>	<u>127,043</u>
Borrowings (non-current)	35,470	106,859
Derivative financial instruments	6,538	4,761
Borrowings (current)	3,983	15,325
Trade and other payables	<u>471</u>	<u>1,821</u>
Liabilities held for sale	<u>46,462</u>	<u>128,766</u>

At year-end 2015, the assets and liabilities held for sale related to the planned disposal of one PPP project (2014: one) to the joint venture BAM PPP/PGGM. Other comprehensive income related to this project amounts to €3.9 million (2014: €2.8 million).

During 2015 the Group transferred two operational projects (2014: seven projects), to the joint venture BAM PPP/PGGM and, after deduction of costs, realised a net result of €5.2 million (2014: €24.5 million). The total consideration received amounted to €41.7 million, of which €35.0 million in cash. The Group retained a 20 per cent share of its original share in these projects.

The Group had no discontinued operations in 2015 nor 2014.

36. Related parties

The Group identifies subsidiaries, associates, joint arrangements, third parties executing the Group's defined benefit pension plans and key management as related parties. Transactions with related parties are conducted at arm's length, on terms comparable to those for transactions with third parties.

The following transactions were carried out with related parties:

36.1 Sales and purchase of goods and services

A majority of the Group's activities is carried out in joint arrangements. These activities include the assignment and/or financing of land as well as carrying out construction contracts.

The Group carried out transactions with associates and joint arrangements related to the sale of goods and services for €125.6 million (2014: €99.9 million) and related to the purchase of goods and services for €5.2 million (2014: €7.8 million).

The 2015 year-end balance of receivables arising from aforementioned transactions amounts to €5.4 million (2014: €9.3 million) and the liabilities to €35.5 million (2014: €46.4 million).

36.2 Loans to related parties

At year-end 2015, the Group granted loans to related parties (mainly relating to associates and joint ventures) for the amount of €76 million (2014: €72 million). These transactions were made on normal commercial terms and conditions, except that for a number of loans there are no fixed terms for the repayment of loans between the parties. Interests for these loans are at arm's length. Loans to related parties are included in 'Other financial assets' in the statement of financial position.

36.3 Key management compensation

Key management includes members of the Executive Board and the Supervisory Board.

Executive Board

The compensation paid or payable to the Executive Board for services is shown below:

	2015						
	Gross salary	Other short-term benefits	Post-employment benefits	Share-based payments	Other benefits	Crisis levy	Total
R.P van Wingerden ¹	620	350	46	371	8	-	1,395
T. Menssen	470	265	38	266	8	-	1,047
E.J. Bax ²	470	265	52	111	-	-	898
	<u>1,560</u>	<u>880</u>	<u>136</u>	<u>748</u>	<u>16</u>	<u>-</u>	<u>3,340</u>

	2014						Total
	Gross salary	Other short-term benefits	Post-employment benefits	Share-based payments	Other benefits	Crisis levy	
R.P van Wingerden ¹	508	-	64	-	8	54	634
T. Menssen	470	-	30	-	8	48	556
E.J. Bax ²	313	-	35	-	-	34	382
	<u>1,291</u>	<u>-</u>	<u>129</u>	<u>-</u>	<u>16</u>	<u>136</u>	<u>1,572</u>

¹ Appointed as Chairman of the Executive Board with effect from 1 October 2014

² Appointed as a member of the Executive Board with effect from 1 May 2014

Other short-term benefits relate to the short-term incentive ('STI') as part of the remuneration package of the Executive Board with a target pay-out of 55 per cent with a maximum of 75 per cent. The STI is based on financial criteria (67 per cent) and non-financial performance targets (33%). Performance incentive zones are defined for each of the targets. Pay-out gradually increases with performance, starting with a pay-out of 35 per cent of the target at threshold performance and potentially going up to 75% pay-out at maximum performance per individual target. Performance below the threshold will result in a zero pay-out. The Supervisory Board sets the performance ranges (i.e. threshold, at target and maximum performance levels) and corresponding payout levels, with the constraint that the STI payout will not exceed 75% of base salary. The Supervisory Board determined the pay-out for 2015 at 56.5 per cent (2014: nil).

Post-employment benefits relate to the pension costs of the defined benefit plans recognised in the income statement and are determined on the basis of the individual pension obligations. Interest results and return on plan assets are not allocated on an individual basis. Certain components of the post-employment benefits are conditional and paid if employment continues until the retirement age.

Share-based payments relate to the Performance Share Plan and Phantom Share Plan. Additional information is disclosed in note 37.

Other benefits relate to annual fixed expense allowances and insurance premiums.

No share options have been granted to the members of the Executive Board. The members of the Executive Board do not hold any shares in the Company, except for the conditionally granted shares under the Performance Share Plan, nor have loans or advances been granted.

Supervisory Board

The compensation paid or payable (including annual fixed expense allowance) the Supervisory Board for services is shown below:

	2015	2014
P.A.F.W. Elverding, Chairman	58	58
H. Scheffers, Vice-Chairman	52	52
J.P. Hansen	47	47
C.M.C. Mahieu	47	47
H.L.J. Noy	47	47
K.S. Wester	47	47
	<u>298</u>	<u>298</u>

No share options have been granted to the members of the Supervisory Board. The members of the Supervisory Board do not hold any shares in the Company nor have loans or advances been granted.

Other related parties

The Group has not entered into any material transaction with other related parties.

37. Share-based payments

In 2015, BAM's long-term incentive plan consisted of a conditional share-based compensation plan called Performance Share Plan. This equity-settled plan replaced the cash-settled Phantom Share Plan effective from 2011 through 2014 and is applicable for members of the Executive Board and selected positions below the Executive Board ('Participants') whereas the Phantom Share Plan solely included members of the Executive Board. In principle, plan rules will not be altered during the term of the plans.

37.1 Performance Share Plan

Under the Performance Share Plan the number of performance shares granted is calculated by dividing the award value (expressed as a percentage of gross salary) by the average share price based on the five trading days after the Annual General Meeting ('AGM').

The shares were granted on the fifth trading day following the day of the AGM and vest subject to the achievement of pre-determined performance conditions during a three-year period and provided that the participant is still employed by BAM. Participants are not allowed to divest any shareholding until the two year lock-up period has lapsed and the above minimum share ownership requirements are met, with the exception of any sale of shares during the lock-up period except to finance tax (and other levies) payable at the date of vesting. The maximum value at the date of vesting of the Performance Share Plan is capped at 2.5 times the award value.

The number of shares that will ultimately vest depends on BAM's performance compared to ten other listed construction companies in Europe, measured over a three-year period using total shareholder return ('TSR'), which is the sum of share price growth and dividends paid. The peer group on balance sheet date consists of Balfour Beatty, Boskalis, Carillion, Heijmans, Hochtief, Eiffage, Skanska, Strabag, Vinci and YIT. TSR is complemented with an additional financial target and a non-financial target. On top, the TSR measure will function as a 'circuit breaker' for the vesting part linked to the other two criteria. When BAM Group ranks at the bottom two places of the TSR peer group, the other parts will not payout regardless of the performance in this area.

The tables below indicate the percentage of conditional shares that could vest in connection with the pre-determined performance conditions:

TSR		Financial		Non-financial	
Ranking	Vesting	Score	Vesting	Score	Vesting
1	150%	Above maximum	150%	Above maximum	150%
2	125%	Maximum	150%	Maximum	150%
3	100%	Target	100%	Target	100%
4	75%	Threshold	50%	Threshold	50%
5	50%	Below threshold	0%	Below threshold	0%
6	25%				
7	0%				
8	0%				
9	0%				
10	0%				
11	0%				

At the end of each reporting period, BAM revises its estimates of the number of shares that are expected to vest based on the non-market vesting conditions (financial and non-financial) and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Upon termination of employment due to retirement, disability or death, the same vesting conditions as described above apply. Upon termination of employment without cause in certain circumstances (e.g., restructuring or divestment), a pro rata part of the granted shares will vest on the date of termination of employment. For the performance shares, the most recent performance results will be applied to calculate the number of vested shares.

The status of the Performance Share Plan (in number of shares) during 2015 for the members of the Executive Board and for all other participants is shown below:

	As at 1 January 2015		Granted	Vested	Forfeited	As at 31 December 2015	
R.P. van Wingerden	-	114,319	-	-	-	114,319	
T. Menssen	-	74,281	-	-	-	74,281	
E.J. Bax	-	74,281	-	-	-	74,281	
Other participants	-	342,094	-	-	-	342,094	
	-	604,975	-	-	-	604,975	

The fair value per share of the 2015 grant, for the Participants, in connection with the TSR performance part amounted to €2.61 per share and is determined using a Monte Carlo simulation model. For the other financial and non-financial performance part, the fair value equals the share price at the date of grant, corrected for the expected value of the possibility of achieving the 'circuit breaker'. As participants receive dividend compensation the dividend yield on the awards equals nil.

The most important assumptions used in the valuations of the fair values were as follows:

	2015
Share price at grant date (in €)	3.74
Risk-free interest rate (in %)	0.01
Volatility (in %)	48.23

Expected volatility has been determined based on historical volatilities for a period of three years.

In 2015, an amount of €302 thousand was charged to the income statement arising from the Performance Share Plan.

37.2 Phantom Share Plan

Under the Phantom Share Plan the number of performance shares granted is calculated by dividing the award value (expressed as a percentage of gross salary) by the average share price based on the five trading days after the AGM.

The shares were granted on the fifth trading day following the day of the AGM and vest subject to the achievement of pre-determined performance conditions during a three-year period and provided that the participant is still employed by BAM.

The number of shares that will ultimately vest depends on BAM's performance compared to five other listed construction companies in Europe, measured over a three-year period using TSR, which is the sum of share price growth and dividends paid. The peer group on balance sheet date consists of Balfour Beatty, Ballast Nedam (until delisting), Bilfinger, Heijmans and Skanska. Participants are not allowed to divest any shareholding until the two year lock-up period has lapsed. The maximum cash distribution to the Participants at the date of vesting of the Phantom Share Plan is capped at 1.5 times the gross salary of the Participant.

The tables below indicate the percentage of conditional shares that could vest in connection with the pre-determined performance condition:

TSR Performance	Vesting
< 0	0%
0 – 5	35%
5 – 10	45%
10 – 15	55%
15 – 20	65%
20 – 25	75%
25 – 30	85%
≥ 30	100%

Upon termination of employment due to retirement, death or in the event of a restructuring or divestment, the granted shares will be reduced for a pro rata part reflecting the period between the date of termination of employment and the vesting date.

The status of the Phantom Share Plan (in number of shares) during 2015 for the individual Executive Board members is as follows:

	As at 1 January 2015	Stock dividend	Vested	Forfeited	As at 31 December 2015
R.P. van Wingerden	218,361	-	-	-	218,361
T. Menssen	130,331	-	-	-	130,331
E.J. Bax	<u>54,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>54,064</u>
	<u>402,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,756</u>

In addition, 189,204 shares are allocated to retired Executive Board members at year-end 2015.

The fair values per share of the conditionally granted shares outstanding amount to €4.93 and €4.81 for the 2013 respectively 2014 grant and are determined using a Monte Carlo simulation model.

The most important assumptions used in the valuations of the fair values were as follows:

	2015	2014
Risk-free interest rate (in %)	(0.26)	0.01
Volatility (in %)	49.31	47.77
Assumed dividend yield (in %)	2.00	2.00

In 2015, an amount of €772 thousand (2014: nil) was charged to the income statement arising from the Phantom Share Plan. As at 31 December 2015, the liability amounts to €1,035 thousand (2014: €265 thousand).

38. Joint operations

A part of the Group's activities is carried out in joint arrangements classified as joint operations. This applies to all activities and all countries in which the Group operates. These arrangements remain in place until a project is finished. In practice, the duration of the majority of the joint operations is limited to a period of between 1 and 4 years, with the exception of joint operations in connection with land and building rights held for strategic purposes.

The Group's share of the revenue of these joint operations amounts to approximately €1.1 billion in 2015 (2014: approximately €1.3 billion), which represents approximately 15 per cent of the Group's revenue (2014: 17 per cent).

The Group's share of the balance sheets of joint operations is indicated below:

(in € million)

	2015			
	Construction and M&E services	Civil engineering	Property	Total
Assets				
- Non-current assets	-	57.7	-	57.7
- Current assets	119.2	763.7	105.3	988.2
	119.2	821.4	105.3	1,045.9
Liabilities				
- Non-current liabilities	1.3	12.7	52.3	66.3
- Current liabilities	123.2	795.6	40.6	959.4
	124.5	808.3	92.9	1,025.7
Net balance	(5.3)	13.1	12.4	20.2

	2014			
	Construction and M&E services	Civil engineering	Property	Total
Assets				
- Non-current assets	-	39.6	-	39.6
- Current assets	96.3	491.6	131.1	719.0
	96.3	531.2	131.1	758.6
Liabilities				
- Non-current liabilities	1.4	7.7	62.9	72.0
- Current liabilities	100.6	512.9	50.6	664.1
	102.0	520.6	113.5	736.1
Net balance	(5.7)	10.6	17.6	22.5

The Group has no contingencies or capital commitments under joint operations. Transfers of funds and/or other assets are made in consultation with the partners of the joint operations.

39. Service concession arrangements

The Group operates various service concession arrangements, both in the accommodation and infrastructure areas. These activities comprise the construction, exploitation, maintenance and divestment of (a part of) concession arrangements structured through separate legal entities and are principally carried out by BAM PPP independently and/or in collaboration with third parties.

The Group has a stake in the following concession arrangements:

	Interest	Classification	Category	Country	Operational	As from	Concession period (in years)
<i>Accommodations</i>							
East Ayrshire Hospital	100%	Group company	Health	United Kingdom	Yes	2000	25
Wharfedale Hospital	75%	Group company	Health	United Kingdom	Yes	2004	30
Derby Police	100%	Group company	Justice	United Kingdom	Yes	2000	30
Cheshire Police	100%	Group company	Justice	United Kingdom	Yes	2003	30
Peacehaven Schools	100%	Group company	Education	United Kingdom	Yes	2001	25
Bromsgrove Schools	20%	Joint venture	Education	United Kingdom	Yes	2008	30
Solihull Schools	20%	Joint venture	Education	United Kingdom	Yes	2010	25
West Dunbartonshire Schools	20%	Joint venture	Education	United Kingdom	Yes	2010	30
Somerset Schools	17.8%	Joint venture	Education	United Kingdom	Yes	2012	25
Camden Schools	18%	Joint venture	Education	United Kingdom	Yes	2012	25
Irish Schools Bundle 3	20%	Joint venture	Education	Ireland	Yes	2014	25
Irish Schools Bundle 4	100%	Group company	Education	Ireland	No	2016	25
Irish Courts Bundle	100%	Group company	Justice	Ireland	No	2017	25
Gent Universiteit	100%	Group company	Education	Belgium	Yes	2011	33
Beveren Prison	20%	Joint venture	Justice	Belgium	Yes	2013	25
Dendermonde Prison	100%	Group company	Justice	Belgium	No	2016	25
Schiphol	20%	Joint venture	Justice	Netherlands	Yes	2012	25
High Court	100%	Group company	Justice	Netherlands	Yes	2015	30
Ministry VROM	100%	Group company	Other	Netherlands	No	2017	25
Potsdam	100%	Group company	Other	Germany	Yes	2012	30
Bremervoerde Prison	20%	Joint venture	Justice	Germany	Yes	2013	25
University Hospital Schleswig-Holstein	50%	Joint venture	Health	Germany	No	2015	29
Burgdorf Prison	17.6%	Joint venture	Justice	Switzerland	Yes	2012	25
<i>Infrastructure</i>							
Dundalk By-pass	6.7%	Joint venture	Motorway	Ireland	Yes	2005	28
Waterford By-pass	33.3%	Joint venture	Motorway	Ireland	Yes	2009	30
Portlaoise	33.3%	Joint venture	Motorway	Ireland	Yes	2010	30
N11/N7	20%	Joint venture	Motorway	Ireland	Yes	2015	25
M11	50%	Joint venture	Motorway	Ireland	No	2019	25
A59	14%	Joint venture	Motorway	Netherlands	Yes	2005	15
N31	33.3%	Joint venture	Motorway	Netherlands	Yes	2007	15
A12	20%	Joint venture	Motorway	Netherlands	Yes	2012	25
N33	20%	Joint venture	Motorway	Netherlands	Yes	2014	20
Infraspeed HSL	10.5%	Associate	Railway	Netherlands	Yes	2006	25
Lock Ijmuiden	50%	Joint venture	Lock	Netherlands	No	2019	26
A8	5%	Joint venture	Motorway	Germany	Yes	2010	30
A9	50%	Joint venture	Motorway	Germany	Yes	2014	17
Liefkenshoektunnel	10%	Joint venture	Railway	Belgium	Yes	2013	38
Brabo II	80.1%	Joint venture	Tramway	Belgium	No	2019	25

The Group is also involved in (accommodation and infrastructure) concession arrangements and energy service companies through other group companies.

The Group's equity investment in PPP projects amount to €72 million (2014: €59 million).

The Group has approximately €45 million (2014: €27 million) of obligations for capital contributions (after deduction of the PGGM share) in projects which have been awarded to the joint venture BAM PPP/PGGM. Construction revenue to be realised in connection with PPP projects amounts to approximately €1.5 billion (2014: approximately €0.9 billion).

A further description of the Group's concession arrangements is as follows:

Accommodation

The accommodation concession arrangements relate to schools, police stations, hospitals, sport complexes, a penitentiary institution and a laboratory building. These arrangements are located in the United Kingdom, Ireland, Germany, Belgium, the Netherlands and Switzerland. The concession payments are contractually agreed and are linked to the availability of the accommodation. The actual usage of the accommodation does not affect the amount of the concession payments. Most arrangements include maintenance and facility management services.

During the concession periods, payments are based on the availability of the related accommodation and the maintenance and facility management services. The majority of the concession arrangements are subject to indexation. The part of the concession payment that relates to the services will be evaluated every five years in general, using a benchmark. There may consequently be a limited settlement with the principal as a result. However, the volatility of the revenue and result is limited.

Infrastructure

The infrastructure concession arrangements relate to motorways in Ireland, the Netherlands and Germany, a railway tunnel in Belgium, a railway line in the Netherlands and a coastal defence scheme in the United Kingdom. The concession arrangements started between 1999 up to and including 2014, for periods varying from 15 to 30 years.

The majority of the concession payments are contractually agreed and are linked to the availability of the related infrastructure. This availability is evaluated based on the contractually agreed upon criteria. These criteria cover the intensity of usage, temporary closures and maintenance. There may consequently be (temporarily) adjustments to the concession payments with the principal as a result. However, the volatility of the revenue and result is limited.

For three motorways in Ireland and one in Germany, concession payments are directly linked to the traffic volume (toll collection) and revenue and result are consequently volatile to some extent.

40. Government grants

Government grants received in 2015, predominantly relating to education, amount to €3.1 million (2014: €3.6 million).

41. Research and development

Research and development costs, which predominantly relate to projects, are considered to be part of contract costs. Other research and development costs, in the amount of approximately €0.9 million (2014: approximately €0.8 million), are recognised in the income statement.

42. Events after the reporting period

No material events after the reporting period have occurred.

Company statement of financial position as at 31 December

(before appropriation of result, x €1,000)

	Notes	2015	2014
Non-current assets			
Property, plant and equipment	2	20,010	17,230
Intangible assets	3	386,698	377,278
Financial assets	4	1,568,864	1,470,121
Deferred tax assets	5	<u>188,649</u>	<u>205,449</u>
		2,164,221	2,070,078
Current assets			
Receivables	6	44,432	32,695
Cash and cash equivalents	7	<u>16,312</u>	<u>70,456</u>
		60,744	103,151
Total assets		<u>2,224,965</u>	<u>2,173,229</u>
Equity attributable to shareholders of the Company			
Issued and paid capital	8	27,099	27,099
Share premium		812,212	812,212
Reserves		(330,087)	(397,450)
Retained earnings		382,743	493,705
Net result		<u>10,180</u>	<u>(108,172)</u>
		902,147	827,394
Provisions			
Employee benefits	9	56,060	68,123
Provisions		<u>-</u>	<u>15,080</u>
		56,060	83,203
Non-current liabilities			
Borrowings	10	<u>132,104</u>	<u>133,030</u>
		132,104	133,030
Current liabilities			
Borrowings	11	1,424	48,923
Other liabilities		<u>1,133,230</u>	<u>1,080,679</u>
		1,134,654	1,129,602
Total equity and liabilities		<u>2,224,965</u>	<u>2,173,229</u>

Company income statement

(x € 1,000)

	2015	2014
Result of subsidiaries and investments, net of tax	29,116	(97,641)
Other gains and losses, net of tax	<u>(18,936)</u>	<u>(10,531)</u>
Net result	<u>10,180</u>	<u>(108,172)</u>

Notes to the company financial statements

1. Summary of significant accounting policies

1.1 Basis of preparation

The company financial statements of Royal BAM Group nv ('the Company' or 'BAM') have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Netherlands Civil Code, the recognition and measurement principles applied in these parent company financial statements are the same as those applied in the consolidated financial statements (see note 2 to the consolidated financial statements).

1.2 Investments in subsidiaries

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

2. Property, plant and equipment

	Land and buildings	Other assets	Total
As at 1 January 2014			
Cost	16,557	12,186	28,743
Accumulated depreciation	<u>(5,023)</u>	<u>(7,697)</u>	<u>(12,720)</u>
	<u>11,534</u>	<u>4,489</u>	<u>16,023</u>
Additions	1,560	2,768	4,328
Disposals	-	(27)	(27)
Depreciation charges	<u>(764)</u>	<u>(2,330)</u>	<u>(3,094)</u>
	796	411	1,207
As at 31 December 2014			
Cost	16,360	14,846	31,206
Accumulated depreciation	<u>(4,030)</u>	<u>(9,946)</u>	<u>(13,976)</u>
	<u>12,330</u>	<u>4,900</u>	<u>17,230</u>
Additions	1,649	6,654	8,303
Disposals	(350)	(567)	(917)
Depreciation charges	(854)	(2,989)	(3,843)
Impairment charges	<u>(763)</u>	-	<u>(763)</u>
	<u>(318)</u>	<u>3,098</u>	<u>2,780</u>
As at 31 December 2015			
Cost	16,896	17,076	33,972
Accumulated depreciation	<u>(4,884)</u>	<u>(9,078)</u>	<u>(13,962)</u>
	<u>12,012</u>	<u>7,998</u>	<u>20,010</u>

3. Intangible assets

	Goodwill	Non-integrated software	Total
As at 1 January 2014			
Cost	539,587	1,724	541,311
Accumulated amortisation	<u>(155,731)</u>	<u>(806)</u>	<u>(156,537)</u>
	<u>383,856</u>	<u>918</u>	<u>384,774</u>
Reclassifications	(16,598)	-	(16,598)
Amortisation charges	-	(376)	(376)
Exchange rate differences	<u>9,478</u>	<u>-</u>	<u>9,478</u>
	(7,120)	(376)	(7,496)
As at 31 December 2014			
Cost	532,467	1,724	534,191
Accumulated amortisation	<u>(155,731)</u>	<u>(1,182)</u>	<u>(156,913)</u>
	<u>376,736</u>	<u>542</u>	<u>377,278</u>
Additions	-	375	375
Amortisation charges	-	(332)	(332)
Exchange rate differences	<u>9,377</u>	<u>-</u>	<u>9,377</u>
	9,377	43	9,420
As at 31 December 2015			
Cost	541,844	2,099	543,943
Accumulated amortisation	<u>(155,731)</u>	<u>(1,514)</u>	<u>(157,245)</u>
	<u>386,113</u>	<u>585</u>	<u>386,698</u>

4. Financial assets

	Shares in subsidiaries	Receivables from subsidiaries	Other participating interests	Other loans and receivables	Total
As at 1 January 2014	856,765	727,344	1,182	125	1,585,416
Net result for the year	(97,535)	-	(106)	-	(97,641)
Dividends	(17,477)	-	-	-	(17,477)
Additions	-	-	467	-	467
Reclassifications	59,053	(59,053)	-	-	-
Adjustments in group structure	453	-	-	-	453
Capital contributions	32,018	-	-	-	32,018
Loans granted and repayments	-	(47,144)	-	-	(47,144)
Cash flow hedge	38,867	-	-	-	38,867
Remeasurements of post-employment benefit obligations	(40,381)	-	-	-	(40,381)
Exchange rate differences	15,543	-	-	-	15,543
As at 31 December 2014	847,306	621,147	1,543	125	1,470,121
Net result for the year	29,116	-	-	-	29,116
Dividends	(3,595)	-	-	-	(3,595)
Additions	-	-	368	-	368
Reclassifications	24,068	(24,068)	-	-	-
Capital contributions	21,000	-	-	-	21,000
Loans granted and repayments	-	(3,224)	-	(125)	(3,349)
Cash flow hedge	2,932	-	-	-	2,932
Remeasurements of post-employment benefit obligations	35,405	-	-	-	35,405
Exchange rate differences	16,866	-	-	-	16,866
As at 31 December 2015	973,098	593,855	1,911	-	1,568,864

None of the financial assets were subject to impairment.

A list of the principal subsidiaries is disclosed in section Other information.

5. Deferred tax assets

	2015	2014
Deferred tax assets	<u>188,649</u>	<u>205,449</u>
	<u>188,649</u>	<u>205,449</u>

Deferred tax assets include the liquidation of old property development activities in Germany and the tax loss carry-forwards of the operations in the Netherlands to the extent that the realisation of the related tax benefit through future taxable profits is probable offset against deferred tax liabilities.

Additional information on deferred tax assets and liabilities is disclosed in note 22 to the consolidated financial statements.

6. Receivables

	2015	2014
Amounts due from subsidiaries	27,685	15,120
Social security and other taxes	544	-
Prepayments and accrued income	<u>16,203</u>	<u>17,575</u>
	<u>44,432</u>	<u>32,695</u>

Receivables are due within one year.

7. Cash and cash equivalents

	2015	2014
Cash at bank	<u>16,312</u>	<u>70,456</u>
	<u>16,312</u>	<u>70,456</u>

Cash and cash equivalents are at the free disposal of the Company.

8. Equity attributable to shareholders of the Company

At year-end 2015, the authorised capital of the Group was 400 million ordinary shares (2014: 400 million) and 600 million preference shares (2014: 600 million), all with a nominal value of €0.10 per share (2014: €0.10 per share). All issued shares have been paid in full.

Movements in the number of ordinary shares are as follows:

	Number of ordinary shares	Number of treasury shares	Number of ordinary shares in issue
As at 1 January 2014	269,424,089	-	269,424,089
Dividends	<u>1,574,868</u>	<u>-</u>	<u>1,574,868</u>
As at 31 December 2014	<u>270,998,957</u>	<u>-</u>	<u>270,998,957</u>
Repurchase of ordinary shares	<u>-</u>	<u>604,975</u>	<u>(604,975)</u>
As at 31 December 2015	<u>270,998,957</u>	<u>604,975</u>	<u>270,393,982</u>

Movements in shareholders' equity are as follows:

	Issued and paid capital	Share premium	Reserves	Retained earnings	Net result	Total
As at 1 January 2014	26,942	806,326	(411,476)	461,165	46,157	929,114
Net result for the year	-	-	-	-	(108,172)	(108,172)
Appropriation of result	-	-	-	46,157	(46,157)	-
Dividends	157	5,886	-	(13,471)	-	(7,428)
Remeasurements of post-employment benefit obligations	-	-	(49,157)	-	-	(49,157)
Cash flow hedges	-	-	37,972	-	-	37,972
Other movements	-	-	-	(146)	-	(146)
Exchange rate differences	-	-	25,211	-	-	25,211
At 31 December 2014	<u>27,099</u>	<u>812,212</u>	<u>(397,450)</u>	<u>493,705</u>	<u>(108,172)</u>	<u>827,394</u>
Net result for the year	-	-	-	-	10,180	10,180
Appropriation of result	-	-	-	(108,172)	108,172	-
Remeasurements of post-employment benefit obligations	-	-	37,026	-	-	37,026
Cash flow hedges	-	-	4,094	-	-	4,094
Repurchase of ordinary shares	-	-	-	(3,092)	-	(3,092)
Share-based payments	-	-	-	302	-	302
Exchange rate differences	-	-	26,243	-	-	26,243
At 31 December 2015	<u>27,099</u>	<u>812,212</u>	<u>(330,087)</u>	<u>382,743</u>	<u>10,180</u>	<u>902,147</u>

8.1 Reserves

Reserves relate to the reserves for (cash flow) hedging, remeasurements of post-employment benefits and translation differences. The reserves for (cash flow) hedging and translation differences are legal reserves that are required by Dutch law. Distributions to the shareholders of the Company are restricted to the extent of the negative balance.

The hedging reserve amounts to €77 million negative (2014: €81 million negative), the remeasurements of post-employment benefits €226 million negative (2014: €263 million negative) and the translation reserve €27 million negative (2014: €54 million negative).

8.2 Dividends per share

The Company proposes to declare a dividend over the financial year 2015 of 2 eurocents in cash per ordinary share or in shares, at the option of the shareholders (2014: nil). Based on the number of ordinary shares outstanding at year-end 2015, a maximum of €5 million will be distributed as dividend on the ordinary shares. As yet, the dividend proposal has not been deducted from retained earnings under equity.

In line with the Group's dividends policy the Company has not paid a dividend over the financial year 2014 following the net loss.

9. Provisions

	2015	2014
Employee benefits	56,060	68,123
Other	<u>-</u>	<u>15,080</u>
	<u>56,060</u>	<u>83,203</u>

10. Borrowings

	2015	2014
Subordinated loan	125,000	125,000
Other loans	<u>7,104</u>	<u>8,030</u>
	<u>132,104</u>	<u>133,030</u>

Additional information on borrowings is disclosed in note 18 to the consolidated financial statements.

11. Current liabilities

	2015	2014
Bank overdrafts	1,163	48,499
Subordinated loan	(665)	(500)
Other loans	926	924
Amounts due to subsidiaries	1,086,403	1,044,491
Social security and other taxes	-	208
Provisions	9,647	-
Other liabilities	<u>37,180</u>	<u>35,980</u>
	<u>1,134,654</u>	<u>1,129,602</u>

Provisions include the dividend guarantee provision relating to the disposal of the interest in Van Oord (€8.5 million) as well as a restructuring provision (€1.1 million).

12. Employees

During the year 2015, the Company had 210 (2014: 262) employees on average in FTE.

13. Related parties

The Company has entered into arrangements with a number of its subsidiaries and affiliated companies in the course of its business. These arrangements relate to service transactions and financing agreements and were conducted at market prices.

Additional information on key management compensation is disclosed in note 36 to the consolidated financial statements.

14. Commitments and contingencies

14.1 Guarantees

The Company has issued parent company guarantees amounting to €156 million (2014: €176 million) at year-end 2015.

14.2 Third-party liability

The Company is jointly and severally liable for the debts of the subsidiaries based in the Netherlands pursuant to section 403, Book 2 of the Netherlands Civil Code.

The Company, together with other participants, has a joint and several liability for deficits in the Group's cash pool as a whole.

The Company forms a fiscal unity with BAM's major Dutch and certain other subsidiaries for income tax and VAT purposes and, for that reason, it is jointly and severally liable for the Dutch income tax and Dutch VAT liabilities of the whole fiscal unity.

Bunnik, the Netherlands
17 February 2016

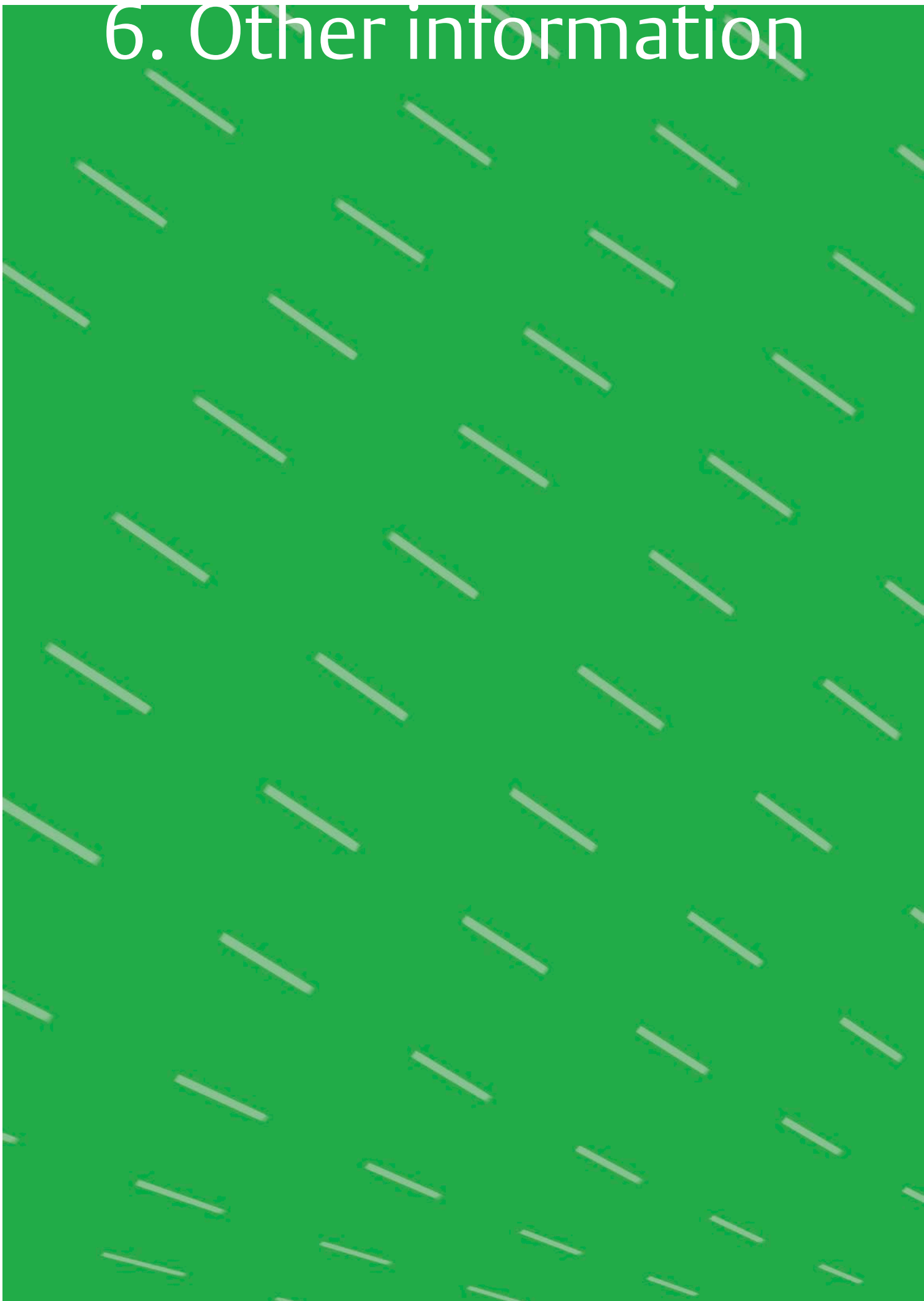
Supervisory Board:

P.A.F.W. Elverding
H. Scheffers
J.-P. Hansen
C.M.C. Mahieu
H.L.J. Noy
K.S. Wester

Executive Board:

R.P. van Wingerden
T. Menssen
E.J. Bax

6. Other information

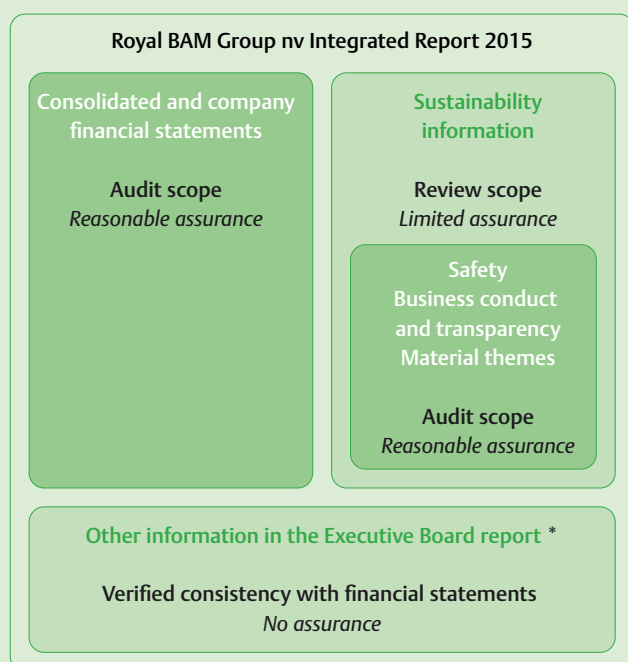


6.1 Independent auditor's and assurance report

General

Our assurance procedures consisted of an audit of the company's financial statements, and a combination of reasonable assurance procedures (audit procedures) over the safety information, business conduct and transparency information (scope extension 2015) and the section material themes and limited assurance procedures (review procedures) over the other sustainability information in the company's integrated report.

Our scope can be summarised as follows:



* As included in section 1 to 3 of Royal BAM Group nv's annual report.

Independent auditor's report

**To: the general meeting and Supervisory Board of
Royal BAM Group nv**

Report on the financial statements 2015

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Royal BAM Group nv as at 31 December 2015 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 accompanying company financial statements give a true and fair view of the financial position of Royal BAM Group nv as at 31 December 2015 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 2015 of Royal BAM Group nv, Bunnik ('the company'). The financial statements include the consolidated financial statements of Royal BAM Group nv and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2015;
- the following statements for 2015: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company statement of financial position as at 31 December 2015;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

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

The basis for our opinion

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

We are independent of Royal BAM Group nv in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

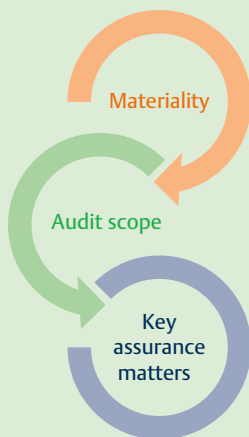
Our audit approach

Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements.

In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates about the valuation of projects, project related claim receivables and land and building rights, which are directly related to the core activities of Royal BAM Group nv. We also paid specific attention to the valuation of deferred tax assets relating carry forward losses and the goodwill impairment testing. These estimates involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a construction company. We therefore included specialists in the areas of IT, construction projects, tax, actuarial valuations, financial instruments and accounting and valuations in our team.



Materiality

- We determined an overall financial audit materiality of € 10 million. Our materiality for 2015 represents 0.15% of the 2015 net revenues.

Audit scope

- We conducted audit work primarily in the five home countries (the Netherlands, Germany, United Kingdom, Ireland and Belgium) and at BAM International.
- All operating companies are covered by the audit work of the group engagement team or component auditors.

Key audit matters

- Valuation of large and complex construction projects.
- Valuation of claims receivables
- Valuation of land held for residential property development.
- Valuation of deferred tax assets.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibility for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€10 million (2014: €10 million).
How we determined it	0.15% of the net revenues for 2015 (rounded to €10 million).
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. Profit before tax is not considered to be an appropriate benchmark, given the volatility of results over the years. We used net revenue as alternative benchmark which is also an appropriate metric. We used a relatively low percentage against the revenue benchmark to reflect the relative low profit margins on projects. Considering the users of the financial statements and their needs we estimate that a relative low threshold of 0.15% is appropriate.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between €2.0 million and €7.6 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

The scope of our group audit

Royal BAM Group nv is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Royal BAM Group nv. In our

view, due to their significance and/or risk characteristics, each of the operating companies required an audit of their complete financial information. We used component auditors from other PwC network firms and other audit firms who are familiar with the local laws and regulations of the countries in which the components operate to perform this audit work. Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The group engagement team attended all clearance meetings of the component teams with local management and the Executive Board. The group team engagement leader and the other senior members of the group engagement team were also directly involved in the audit of a significant part of the operating companies. In addition they reviewed all reports about the audit approach and findings of the other component auditors in detail, especially on how management of the operating companies made their judgments involved in the construction contracts, land and building rights and property development projects. Two operating companies in the UK are audited by another 'big four' audit firm. We reviewed their audit files and for some high risk projects and claim receivables we assessed management's estimates against legal opinions ourselves as well.

The group consolidation, financial statement disclosures and a number of complex items are audited by the group engagement team at the head office. These include goodwill, deferred tax assets, pensions, derivative financial instruments and share based payments.

By performing the procedures mentioned at components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

Key audit matter**How our audit addressed the matter***Valuation of large and complex construction contracts*

Refer to pages 28-30 (Executive Board Report), page 140 (Significant accounting estimates) and pages 145-146 (notes).

The group's result for 2015 is significantly influenced by the results of large and complex construction projects. The valuation of these construction projects is considered a key audit matter because the valuation of these projects is subject to uncertainty as a result of the complexity of underlying contracts as well as the complexity concerning assessment of the costs to complete and settlement of significant amounts of variation orders and claims on principals.

Our audit procedures and the audit procedures of our component auditors on these projects included an assessment of BAM Group nv's project control, site visits and substantive testing of management's positions against underlying documentation. We also analysed differences with prior project estimates and assessed consistency with the developments during the year. We verified that the claims and variation orders on these projects meet the recognition criteria and are valued accurately based on expert opinions of lawyers or other supporting documentation. We challenged management's assumptions at the project, local entity and group management levels in order to evaluate the reasonableness and consistency of the valuation of the variation orders and claims within these projects and the final forecast project result.

Because of the increase of risks being transferred to construction companies in combination with the low margins in the construction sector, the group has procedures in place which are designed to reduce the risk that loss making projects are acquired. During 2015, the group implemented a stage gate tender approval process.

Based on request of Royal BAM Group nv we particularly considered the newly implemented stage gate approval process in our audit. We involved our specialists and assessed the design and the effectiveness of the group's stage gate process in detail.

Valuation of claim receivables

Refer to pages 28-30 (Executive Board Report), page 141 (Significant accounting estimates) and pages 156-157 (notes).

As at year-end BAM has a number of claims receivable on principals relating finished projects and insurance claims as reimbursement for certain loss events on projects. Project related claims on principals can be recognised as far as it is probable that the claim amounts will be received. Insurance claims can be recognised only if it is virtually certain that the amounts recognised will be received. The recognition and valuation of these claims receivable is considered a key audit matter because the assessment whether they meet the virtually certain or probable criterion as well as the valuation in itself is subject to a high degree of judgment.

Our audit procedures and the audit procedures of our component auditors on these claims receivable included testing management's positions against underlying documentation including expert opinions and confirmations of lawyers, quantity surveyors and insurance companies. We also analysed differences with prior estimates and valuations and assessed consistency with the developments during the year. We verified that the claims receivable meet the recognition criteria. We challenged management's assumptions at local entity and group management levels in order to evaluate the reasonableness and consistency of the valuation.

Key audit matter**How our audit addressed the matter***Valuation of land held for residential property development*

Refer to page 30 (Executive Board Report), page 141 (Significant accounting estimates) and page 155 (notes).

The valuation of land held for residential property development ('land') is based on cost or lower net realisable value. The calculations of the net realisable value are based on assumptions relating to future market developments, decisions of governmental bodies, interest rates and future changes in costs and price. Because these estimates relate to terms which vary from one year to more than thirty years, the estimation uncertainty relating to the valuation of land held for residential property development is significant.

During our audit, amongst others, we have assessed the calculations of the land's net realisable values and challenged the reasonableness and consistency of the assumptions used by management. We verified that management's assumptions around the possibilities for future residential property development are consistent with documentation which include the plans and decisions of government bodies and with the information included in external appraisals.

We also compared management's assumptions concerning the development of house prices with independent expectations of external parties and institutions. Expected future costs and interest expenses are assessed based on underlying documentation and assessed based on reasonableness. A part of the land portfolio has also been appraised by external appraisers and we have involved our own appraisers as audit experts to assess the underlying assumptions and methodology of the appraisals.

Valuation of deferred tax assets

Refer to page 43 (Executive Board Report), page 141 (Significant accounting estimates) and pages 173-174 (notes).

The valuation of deferred tax assets relating to carry forward tax losses (which mainly relate to the fiscal unity in The Netherlands) is based on the expected future tax profits for 9 subsequent years. We considered this as a key audit matter because of the degree of estimation uncertainty about the company's future taxable profits within the maximum off-set period and tax optimisation possibilities.

Our audit approach included, amongst others, an assessment of the company's assumptions underlying the estimated future tax profits for their reasonableness and consistency with internal budgets and strategic plans for future years.

We challenged management's expectations on the improvements of the tax results for next years compared to 2015. This expectation is based on the fact that this year's tax loss relates to exceptional costs for the group's Back in Shape program and impairments of land held for property development. We also assessed the status of tax optimisation measures and management plans to improve project control improve project results. We also involved our tax specialists to verify that the possibilities for tax optimisation are consistent with applicable tax laws.

Last year we also reported the goodwill impairment assessment as a key audit matter because of the judgments with respect to the assumptions in combination with the decline of the company's share price in 2014 which was considered to be an impairment trigger. Because of the recovery of BAM's share price during 2015 to a level which exceeds total equity in the financial statements, improved market conditions in the countries in which the BAM entities identified as cash generating unit operate and because we did not identify other impairment triggers, we did not consider the goodwill impairment assessment to be a key audit matter in this year's audit.

Responsibilities of the Executive Board and the Supervisory Board

The Executive Board is responsible for:

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

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Executive Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

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

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Report on other legal and regulatory requirements*Our report on the Executive Board report and the other information*

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Executive Board report and other information):

- We have no deficiencies to report as a result of our examination whether the Executive Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the Executive Board report, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of Royal BAM Group nv on 22 April 2015 by the passing of a resolution by the shareholders at the annual meeting, following such a proposal at 18 February 2015 by the Supervisory Board. This appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of over 25 years. This year is our last year as auditor of Royal BAM Group nv.

Independent assurance report

To: the general meeting and supervisory board of Royal BAM Group nv

The Board of Directors of Royal BAM Group nv ('the company'), Bunnik, engaged us to provide assurance on certain information ('Sustainability Information') in the Integrated Report 2015 ('the report'). We believe our engagement fulfils a rational objective as disclosed by the company in chapter 7.1 Sustainability reporting process and methods.

Our engagement consisted of a combination of limited assurance and reasonable assurance procedures. We performed limited assurance (review) procedures on the Sustainability Information as presented in chapters 2.1, 2.2, 2.3, 3.2, 3.3 and 7, leading to a conclusion. We performed reasonable assurance (audit) procedures on the sections material themes, safety and business conduct and transparency, leading to an opinion.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Sustainability Information for the year ended 31 December 2015 does not provide a reliable and appropriate presentation of the company's policy for sustainable development, or of the activities, events and performance of the organisation relating to sustainable development during the reporting year, in accordance with the company's reporting criteria.

Our opinion

Based on the procedures we have performed and the evidence we have obtained, in our opinion the sections 'material themes' on page 8, 'safety' as included on pages 54-55 and 'business conduct and transparency' as included on page 56 for the year ended 31 December 2015 are, in all material respects, presented reliably and adequately, in accordance with the company's reporting criteria.

This conclusion and opinion are to be read in the context of the following content of our report.

What we are assuring

We have reviewed the Sustainability Information included in the following chapters:

- 2 Value creation (2.1 until 2.3);
- 3.2 Social performance;
- 3.3 Environmental performance;
- 7.1 Sustainability reporting process and methods;
- 7.2 GRI Disclosures; and
- 7.3 Charters, memberships and certifications.

We have audited the following sections in the report:

- Material themes (page 8);
- Safety information (pages 54-55); and
- Business conduct and transparency (page 56).

The Sustainability Information comprises a representation of the policy, the activities, and performance of the company relating to sustainable development during the reporting year 2015. The disclosures made by management with respect of the scope of the Sustainability Information are included in chapter 7.1 Sustainability reporting process and methods.

Limited assurance, leading to the above-mentioned conclusion, is substantially less in scope than reasonable assurance in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

Reasonable assurance, leading to the above-mentioned opinion, is expressed on the figures as well as the assertions in the surrounding text on the scope in the sections material themes, safety and business conduct and transparency.

The basis for our opinion and conclusion

Professional and ethical standards applied

We conducted our engagement in accordance with Dutch law, including Standard 3810N 'Assurance engagements relating to sustainability reports'.

We are independent of the company in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

Limitations in our scope

The Sustainability Information, sections material themes, safety and business conduct and transparency contain prospective information, such as ambitions, strategy, targets, expectations and projections. Inherent to this information is that actual future results may be different from the prospective information and therefore it may be uncertain. We do not provide any assurance on the assumptions and feasibility of this prospective information.

The auditor is not expected to, and cannot, reduce audit risk to zero and cannot therefore obtain absolute assurance that the Sustainability Information is free from material misstatement due to fraud or error. This is because there are inherent limitations of an assurance engagement, which result in most of the audit evidence on which the auditor bases the auditor's opinion being persuasive rather than conclusive.

Reporting criteria

The company developed its sustainability reporting criteria (including criteria to report on material themes safety and business conduct and transparency) on the basis of the G4 Guidelines of the Global Reporting Initiative (GRI), which are disclosed together with detailed information on the reporting scope in chapter 7.1 Sustainability reporting process and methods (pages 215-217). We consider the sustainability reporting criteria to be relevant and appropriate for our examination.

Understanding reporting and measurement methodologies

The information in the scope of this engagement needs to be read and understood together with the reporting criteria, which the company is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw, to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Our assurance approach

Materiality

We set thresholds for materiality at the planning stage and reassessed them during the engagement. These helped us to determine the nature, timing and extent of our procedures and to evaluate the effect of identified misstatements on the information presented, both individually and in aggregate. Based on our professional judgment, we determined specific materiality levels for each element of the Sustainability Information. When determining our materiality thresholds, we considered the relevance of information for both the stakeholders and the company based on the materiality assessment of the company.

Area of particular focus

We considered the following areas to be one that required our particular focus and discussed this area with the company's management. This is not a complete list of all areas of focus identified by our work.

Area of focus	How the scope of our work addressed the area of focus
<p>The maturity of the sustainability reporting process at the local entities varies and in general is lower than the financial reporting processes.</p>	<p>As a result, our assurance approach for the sustainability information focused more on substantive procedures and less on internal controls reliance. As part of our assurance procedures we traced reported information back to underlying source documentation, reperformed calculations and assessed estimates by challenging underlying assumptions and comparing estimates with actual data for comparable periods or projects.</p> <p>We challenged the company to further align and integrate its sustainability related internal controls with the internal control environment relating to the financial reporting. Some improvements were made during the year, but progress was limited due to the unfilled vacancy for a CSR Director. The company acknowledges this area of focus and aims to improve the maturity of the sustainability reporting process in the coming years.</p>
<p>The process of registration of hours worked on construction sites highly depends on manual input and is fragmented. In addition, limited level of internal controls exist.</p>	<p>Our assurance approach towards sustainability information, including worked hours is more substantive in nature. The company concluded that the data collection process and level of internal controls for the worked hours of the company's subcontractors needs further improvement in order to reach the required maturity level to obtain assurance. The company acknowledges the importance of this information and aims to improve the level of internal control in order to obtain reasonable assurance in the near future.</p>
<p>As an outcome of the materiality analysis, the company focused on the aspect of business conduct and transparency. The company requested reasonable assurance on this key material aspect and redefined the quantitative performance indicator. We believe the indicator and related qualitative disclosures provide meaningful information in the report.</p>	<p>The company identified business conduct and transparency as a key material topic and requested PwC to provide reasonable assurance on this aspect for the first time. We have evaluated the policies, control activities and outcomes and discussed meaningful reporting on business conduct and transparency based on reliable information with management.</p> <p>The Company decided to focus its reporting about business conduct and transparency on creating awareness within the company. As a result, Royal BAM Group nv reports quantitative information about the roll-out of the company's business conduct and transparency training program, which started in the Netherlands. The company acknowledges the importance of business conduct and transparency and confirmed to take further steps in rolling out the program across the entire company. Furthermore, management is evaluating the options to report more detailed quantitative information in this respect. Next to assessing the quantitative information we assessed the qualitative business conduct and transparency disclosures through interviews with management and compliance officers as well as corroborating disclosures with underlying evidence.</p>

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the information in the sections material themes, safety, business conduct and transparency information and of the Sustainability Information in the other chapters.

Our work was carried out by an independent and multi-disciplinary team (which is part of the group audit engagement team) with experience in sustainability reporting and assurance and was performed at the head office in Bunnik and during conducted visits to the significant operating companies.

Our most important procedures related to the Sustainability Information were amongst others:

- making enquiries of Royal BAM Group nv management, including the CSR team and those with responsibility for CSR management and group CSR reporting
- performing an external environment analysis and obtaining insight into the industry, relevant social issues, relevant laws and regulations and the characteristics of the organisation;
- assessing the acceptability of the reporting policies and consistent application of this, such as assessment of the outcomes of the stakeholder dialogue and the process for determining the material subjects, the reasonableness of estimates made by management, as well as evaluating the overall presentation of the sustainability information;
- understanding the systems and processes for data gathering, internal controls and processing of other information, such as the aggregation process of data to the information as presented in the sustainability information;
- reviewing internal and external documentation to determine whether the sustainability information, including the disclosure, presentation and assertions made in the report, is substantiated adequately;
- assessing the consistency of the sustainability information and the information in the Integrated Reporting 2015 not in scope for this assurance report; and
- assessing whether the sustainability information has been prepared 'in accordance' with the GRI G4 Guidelines.

In addition to the procedures mentioned above, for the sections material themes, safety and business conduct and transparency we performed the following:

- assessing the systems and processes for data gathering, including testing the design, existence and the effectiveness of the relevant internal controls during the reporting year;
- conducting analytical procedures and substantive testing procedures on the relevant data;
- assessing the processing of other information, such as the aggregation process of data to the information as presented in

the sustainability information; and

- corroborating internal and external documentation to determine whether the sustainability information is substantiated adequately.

Responsibilities

The Board of Directors' responsibilities

The Board of Directors of the company is responsible for the preparation of the Report in accordance with the company's Reporting Criteria, including the identification of the stakeholders and the determination of material subjects. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our responsibilities

Based on our assurance engagement in accordance with Standard 3810N, our responsibility is to:

- express a conclusion on the Sustainability Information in the Report; and
- express an opinion on the section material themes, the safety information and the business conduct and transparency information in the report.

This requires that we comply with ethical requirements and that we plan and perform our work to obtain limited assurance about whether the report is free from material misstatement.

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant for the preparation of the report in order to design 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. An assurance engagement aimed on providing limited and reasonable assurance also includes evaluating the appropriateness of the reporting framework used and the reasonableness of estimates made by management as well as evaluating the overall presentation of the report.

Rotterdam, 18 February 2016

PricewaterhouseCoopers Accountants N.V.

Drs J.G. Bod RA

Appendix to our auditor's report on the financial statements 2015 of Royal BAM Group nv

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 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. Our audit consisted, among others of:

- 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 Executive Board.
- Concluding on the appropriateness of the Executive Board'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 company's 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.

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

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

6.2 Proposed appropriation of result

The net result for 2015, amounting to €10.2 million, has been accounted for in shareholders' equity.

The Company proposes to declare a dividend over the financial year 2015 of 2 eurocents in cash per ordinary share or in shares, at the option of the shareholders. Based on the number of ordinary shares outstanding at year-end 2015, a maximum of €5 million will be distributed as dividend on the ordinary shares. As yet, the dividend proposal has not been deducted from retained earnings under equity.

6.3 Articles of Association provisions governing the distribution of profit

(Summary of Article 31 of the Articles of Association)

From the profit realised in any financial year, an amount will first be distributed, where possible, on the class B cumulative preference shares, calculated by applying the percentage stated below to the mandatory amount paid up on those shares as at the start of the financial year for which the distribution is made. The percentage referred to above will be equal to the average of the Euribor rates for money market loans with a maturity of twelve months – weighted according to the number of days for which these rates prevailed – during the financial year for which the distribution is made, plus one percentage point. Euribor refers to the Euro Interbank Offered Rate as determined and published by the European Central Bank.

Subsequently, if possible, a dividend will be distributed on each financing preference share of a certain series, with due consideration of the provisions of this article, equal to an amount calculated by applying a percentage to the nominal amount of the financing preference share concerned at the start of that financial year, plus the amount of share premium paid up on the financing preference share issued in the series concerned at the time of initial issue of the financing preference shares of that series, less the amount paid out on each financing preference share concerned and charged to the share premium reserve formed at the time of issue of the financing preference shares of that series prior to that financial year.

If and to the extent that a distribution has been made on the financing preference shares concerned in the course of the year and charged to the share premium reserve formed at the time of issue of the financing preference shares of the series and sub-series concerned, or partial repayment has been made on such shares, the amount of the distribution will be reduced pro rata over the period concerned according to the amount of the distribution charged to the share premium reserve and/or the repayment with respect to the amount referred to in the preceding sentence. The calculation of the dividend percentage for the financing preference shares of a

certain series will be made for each of the series of financing preference shares referred to below, in the manner set forth for the series concerned.

Series FP1-FP4:

The dividend percentage will be calculated by taking the arithmetical mean of the yield to maturity on euro government loans issued by the Kingdom of the Netherlands with a remaining term matching as closely as possible the term of the series concerned, as published in the digital Official Price List of Euronext Amsterdam, plus two percentage points.

Series FP5-FP8:

The dividend percentage will be equal to the average of the Euribor rates for money market loans with a maturity of 12 months – weighted according to the number of days for which these rates prevailed – during the financial year for which the distribution is made, plus two percentage points.

The above percentages may be increased or reduced by an amount of no more than three hundred basis points.

The above percentages apply for the following periods: series FP1 and FP5: five years; series FP2 and FP6: six years; series FP3 and FP7: seven years; and series FP4 and FP8: eight years. After a period expires, the percentage will be modified in accordance with the rules laid down in Article 31 paragraph 6(c) of the Articles of Association.

The Supervisory Board shall determine, on the basis of a proposal by the Executive Board, what part of the profit remaining after application of the above provisions will be added to the reserves. The part of the profit that remains thereafter is at the disposal of the General Meeting, subject to the provision that no further dividends will be distributed on the preference shares and with due consideration of the other provisions of Article 31 of the Articles of Association.

6.4 Anti-takeover measures

The Company has taken the following measures to protect itself against any undesired developments that might have an impact on the independence, continuity and/or identity of the Group.

Pursuant to a resolution passed by the General Meeting held on 12 June 1972, the Articles of Association include the possibility of issuing preference shares. Stichting Aandelenbeheer BAM Groep (hereafter referred to as 'the Foundation') was founded with a view to this possibility in 1978. The object of the Foundation is to look after the interests of the Company and the companies that are held by the Company and the group of companies associated with the Company. Specifically, the Foundation seeks to ensure that the

interests of the Company and of those companies and all their stakeholders are safeguarded as well as possible and that influences which could undermine the independence and/or continuity and/or identity of the Company and those companies and which are in conflict with those interests are averted to the best of the Foundation's ability.

The Foundation attempts to achieve its objective by acquiring – whether or not by exercising the option referred to above – and holding class B cumulative preference shares in the Company's capital, by exercising the rights connected with those shares and/or by using its right of enquiry.

As announced at the General Meeting held on 4 June 1992 and considered at the General Meeting on 8 June 1993, the Company granted the Foundation an option to acquire class B cumulative preference shares in the Company's capital on 17 May 1993. This option was granted up to such an amount as the Foundation might require, subject to a maximum of a nominal amount that would result in the total nominal amount of class B cumulative preference shares in issue and not held by the Company equalling no more than ninety-nine point nine per cent (99.9 per cent) of the nominal amount of the issued share capital in the form of shares other than class B cumulative preference shares and not held by the Company at the time of exercising of the right referred to above. The Executive Committee of the Foundation has the exclusive right to determine whether or not to exercise this right to acquire class B cumulative preference shares.

On 6 October 2008, the Company granted the Foundation the right, under Article 2:346(c) of the Dutch Civil Code, to submit a petition as referred to in Article 2:345 of the Dutch Civil Code (right of enquiry).

The Foundation's Executive Committee consists of three members, namely a Category A director and two Category B directors. The Category A director is appointed by the Company's Executive Board, subject to approval by the Supervisory Board.

The Category A director may not be a member of the Executive Board or Supervisory Board of the Company or any of its subsidiaries.

The Category B directors are appointed by the Foundation's Executive Committee, subject to the approval of the Executive Board, for which the latter in turn requires the approval of the Supervisory Board. A Category B director may not be a person affiliated to the Company as referred to in the now lapsed Appendix X to the General Regulations of Euronext Amsterdam Stock Market, Rule Book II (Algemeen Reglement Euronext Amsterdam Stockmarket, Rulebook II).

The current composition of the Executive Committee is:

R. Pieterse, Chairman (B)

F.K. Buijn (A)

R. de Jong (B)

The Chairman of the Foundation's Executive Committee receives an annual fee of €12,000 from the Foundation. The Foundation pays an annual fee of €10,000 to each of the other members of its Executive Committee.

The particulars of the Executive Committee members are:

R. Pieterse (1942), Chairman

Member of the Foundation's Executive Committee since 2009 and Chairman since 2012. A Dutch national. Former Chairman of the Executive Board of Wolters Kluwer. Mr Pieterse is member of the Supervisory Board and Chairman of the Audit Committee of Corbion, member of the Supervisory Board of eVision and Chairman of the Board of Stichting Preferente Aandelen USG People. In 2003, Mr Pieterse was a member of the committee that drew up the first Dutch Corporate Governance Code.

F.K. Buijn (1960)

Member of the Foundation's Executive Committee since 2012. A Dutch national. Former civil-law notary, well-versed in business law. Mr Buijn is member of the Executive Board of the ARCADIS Preferred Shares Foundation. He is involved at various large family companies as chair or director of foundation trust offices and Chairman of the Board of the Instituut Gak foundation.

R. de Jong RA (1948)

Member of the Foundation's Executive Committee since 2009. A Dutch national. Former member of the Executive Board and Chief Financial Officer of Essent. Mr De Jong is Chairman of the Supervisory Board of Nederlandse Gasunie, Chairman of the Supervisory Board of Bakeplus Holding and Chairman of the Supervisory Board of Rabobank Arnhem en Omstreken. He is member of the Supervisory Board and Chairman of the Audit Committee of Enexis Holding, member of the Supervisory Board and Chairman of the Audit Committee of USG People, member of the Supervisory Board of Hogeschool of Amsterdam and advisor Hogeschool of Amsterdam. He is a member of the Executive Committee of the Foundation of Holding Preferred Shares in Wereldhave.

No class B cumulative preference shares have been issued at this time.

The Supervisory Board and the Executive Board reserve the right, in the interests of the Company and its associated companies, to resolve to take measures other than the issue of class B preference shares in order to protect the Company against influences that might be regarded by the Supervisory Board and the Executive Board, after balancing the interests of the Company and all of the stakeholders in the Group, as being potentially damaging to the independence, continuity and/or identity of the Group.

6.5 Five-year overview

(x 1 million, unless otherwise stated)

	2015	2014	2013	2012 ⁴	2011
Revenue	7,423	7,314	7,042	7,225	7,920
Operating result	(10.7)	(104.7)	15.9	(273.1)	150.7
Result before tax	13.3	(122.4)	44.4	(224.3)	158.7
Net result attributable to the shareholders of the Company	10.2	(108.2)	46.2	(183.8)	126.0
Basic earnings per share (in €1)	0.04	(0.40)	0.19	(0.77)	0.54
Diluted earnings per share (in €1)	0.04	(0.40)	0.19	(0.77)	0.54
Dividend per ordinary share (in €1) ¹	0.02	-	0.05	0.10	0.16
Equity attributable to the shareholders of the Company	902.1	827.4	929.1	728.6	1,162.4
Subordinated loan ²	124.3	124.5	124.0	123.5	200.0
Capital base	1,026.5	951.9	1,053.1	852.1	1,362.4
Net investment in property, plant and equipment	41.7	39.0	65.2	94.6	57.2
Depreciation, amortisation and impairment charges of:					
- Property, plant and equipment	67.9	80.8	85.9	80.2	94.9
- Intangible assets	7.4	3.7	3.2	154.5	11.1
- Other impairment charges	34.3	114.1	29.5	247.7	-
Cash flow before dividend	119.8	90.5	164.8	298.6	232.0
Total impairment charges	39.1	115.9	30.0	398.1	-
Order book ³	11,480	10,268	10,021	10,700	10,400
Average number of employees (in FTE)	21,916	23,325	23,502	23,143	23,702
Number of employees as at 31 December (in FTE)	21,248	23,137	23,329	23,691	23,830
Ratios (in %)					
Result before tax and impairment charges as % of revenue	0.7	(0.1)	1.2	2.4	2.0
Net result to the shareholders of the Company as % of revenue	0.1	(1.5)	0.7	(2.5)	1.6
Net result to the shareholders of the Company as % average equity	1.2	(12.3)	5.6	(19.4)	11.1
Solvency ratios (in %)					
- Equity attributable to shareholders as % of total assets	18.6	16.7	17.5	13.7	16.1
- Capital ratio as % of total assets	21.2	19.2	19.8	16.1	18.9
Current ratio	1.07	1.09	1.10	1.07	1.39

¹ Dividend proposal 2015

² Including current part

³ Order book comprises both signed contracts and verbally agreed upon orders

⁴ Figures are adjusted due to IFRS 11 and IAS 19 (as revised in 2011).

6.6 List of principal subsidiaries, joint arrangements and associates

Subsidiaries	%
BAM Bouw en Vastgoed bv*, Bunnik (Netherlands)	100
uniting the activities of:	
BAM Bouw en Techniek bv*, Bunnik	100
BAM Woningbouw bv*, Bunnik	100
AM bv*, Utrecht	100
BAM Infra Nederland bv*, Gouda (Netherlands)	100
uniting the activities of:	
BAM Infra bv*, Gouda	100
BAM Infra Rail bv*, Breda	100
BAM Infraconsult bv*, Gouda	100
BAM Belgium nv	100
uniting the activities of:	
Interbuild nv, Wilrijk-Antwerp	100
Galère sa, Chaudfontaine	100
BAM Contractors nv, Brussels	100
BAM Technics sa, Louveigneur	100
Kairos nv, Wilrijk-Antwerp	100
BAM Construct UK Ltd, Hemel Hempstead (United Kingdom)	100
BAM Nuttall Ltd, Camberley, Surrey (United Kingdom)	100
BAM Deutschland AG, Stuttgart (Germany)	100
Wayss & Freytag Ingenieurbau AG, Frankfurt am Main (Germany)	100
BAM International bv*, The Hague (Netherlands)	100
BAM Contractors Ltd, Kill, County Kildare (Ireland)	100
BAM PPP bv*, Bunnik (Netherlands)	100
Joint arrangements	
BAM PPP PGGM Infrastructure Coöperatie U.A	50.0
Associates	
Infraspeed (Holdings) bv, Haarlem (Netherlands)	10.5
Justinvest nv, Wilrijk-Antwerp (Belgium)	33.3
Rabot Invest nv, Wilrijk-Antwerp (Belgium)	25.0

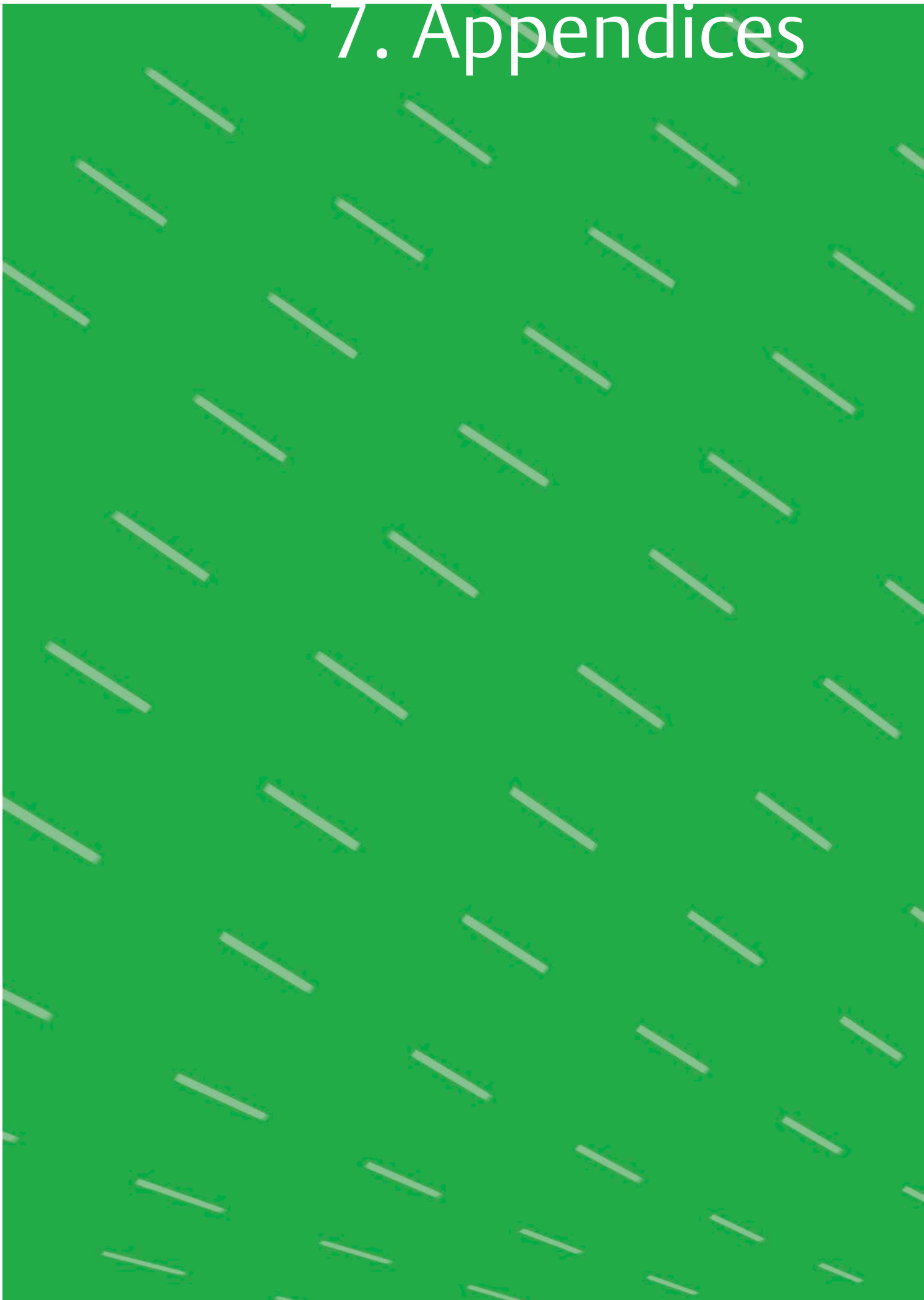
A list of associates as referred to in Sections 379 and 414, Book 2, of the Netherlands Civil Code has been deposited at the Office of the Trade Register in Utrecht.

* In respect of these subsidiaries, Royal BAM Group nv has deposited a declaration of joint and several liability pursuant to Section 403, Part 9, Book 2 of the Netherlands Civil Code.

6.7 Glossary

Adjusted result before tax	Result before tax excluding restructuring costs and other exceptional costs, impairment charges and pension one-off.
Adjusted pre-tax margin	Adjusted result before tax divided by rolling year revenue.
Capital base	Equity attributable to the shareholders of the Company plus subordinated debt.
Capital employed	Non-current assets plus net working capital and cash and cash equivalents.
Capital ratio	Capital base divided by total assets.
Carbon footprint	Total amount of greenhouse gas (GHG) emissions caused during a defined period, or across the total or part of the duration of a project. It is expressed in terms of the amount of carbon dioxide equivalents CO ₂ (e) emitted.
Cash flow before dividend	Net result attributable to the shareholders of the Company adjusted for depreciation, amortisation and impairment charges
Community engagement	The process by which community benefit organisations and individuals build ongoing, permanent relationships for the purpose of applying a collective vision for the benefit of a (local) community.
Comprehensive income	The change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with shareholders in their capacity as shareholders.
Earnings per share	Net result attributable to shareholders divided by the weighted average number of ordinary shares in issue during the year.
EBIT	Earnings before interest and tax.
Emissions and waste	BAM solely reports CO ₂ emissions. Other greenhouse substances, such as CH ₄ (methane), N ₂ O (nitrous oxide) are excluded as they are considered not material. BAM reports all waste leaving its sites and offices.
General Meeting	Annual General Meeting of Shareholders.
GHG	Greenhouse gases which have a global warming impact.
HSE	Health, safety and environment
IF BAM total	Incident frequency including all employees working for BAM (BAM, hired, subcontractors and third parties).
Incident frequency (IF)	The total number of industrial accidents leading to absence from work per million hours worked on construction sites.
Net debt	Long-term borrowings plus short-term borrowings less cash and cash equivalents.
Return on capital employed (ROCE)	Rolling year EBIT divided by the average capital employed.
Return on equity (ROE)	Rolling year net result divided by the average invested equity.
Serious accident	An industrial accident that leads to the person involved being admitted to hospital for more than 24 hours or results in electrocution, amputation or fracture with lost time.
Solvency	Equity attributable to shareholders of the Company divided by total assets.
Total shareholder return (TSR)	Metric used to compare the performance of companies in BAM's peer group's shares over time. The relative TSR position reflects the market perception of overall performance relative to the peer group.
Trade working capital	Working capital (excluding cash and cash equivalents and current borrowings) related to the ordinary operations.
Trade working capital efficiency	The average four-quarters' trade working capital divided by rolling year revenue.

7. Appendices



7.1 Sustainability reporting process and methods

This chapter provides specific information on the reporting process and reporting methods BAM used to arrive at the sustainability figures and topics included in this report.

Target audience

BAM reports its sustainability policy and the associated results to all stakeholders. BAM's stakeholders include clients, the company's employees, suppliers and subcontractors, shareholders, other organisations in the construction industry, NGOs and public authorities.

Reporting criteria – GRI G4 'In accordance' – Comprehensive

This report has been compiled 'in accordance' with the Comprehensive Option of the G4 Guidelines of the Global Reporting Initiative (GRI). Chapter 7.2 includes an overview of the GRI G4 and CRESS economic, environmental and social performance indicators covered by this report. Certain indicators are reported qualitatively rather than quantitatively. Chapter 7.2 discloses the nature of reporting per G4 – Comprehensive Indicators e.g. quantitatively or qualitatively.

Reporting period and reporting frequency

This report presents both quantitative and qualitative data for the calendar year 2015. An exception is made for all CO₂ and waste data reported by BAM International which applies a reporting period of 1 December 2014 to 30 November 2015. BAM allows for this different reporting period as BAM International has a complex operating and reporting structure and more time is required to ensure that the reported data is reliable and adequate. BAM believes that the effects of a different reporting period by BAM International is not material to the Group's annual report. All other data is reported annually.

Reporting boundaries

This report contains data of all operating companies and thus BAM's own activities. Sustainability performance and data are accounted for according to BAM's share of equity. As an exception to this rule, BAM International reports all sustainability data for joint arrangement projects in which it is the leading party. In general BAM views disclosure regarding acquisitions and divestments on a case-by-case basis. BAM is considering to make a better policy on how these are incorporated in reporting.

Reporting process

The Integrated Report, including all material aspects, is approved by the Supervisory Board and the Executive Board. Data collection takes into account BAM's organisational structure. Both qualitative and quantitative information is reported by operating companies to the Group. The data is consolidated and validated first at company level and then consolidated and further validated at group level. Every reporting entity has a CSR manager, CSR controller and director responsible for CSR who are involved with

ensuring reliable reporting. In 2009, a reporting system for CO₂ emissions and waste was launched as an extension of the financial reporting system.

The reporting process and definitions used are formalised in BAM's CSR reporting manual. The sustainability reporting manual provides guidance on how to measure, calculate and estimate data.

Reporting indicators

For BAM's main indicators this chapter provides further insight below. For other quantitative indicators disclosures on the reporting scope and methods used are given in the annual report itself. Where relevant, figures are presented in a relative way (using percentages and ratios) to make it possible for readers to monitor and measure progress year-on-year, unless the reporting criteria require absolute figures to be disclosed.

Safety

For safety BAM defined its incident frequency (IF) as the number of BAM employees and all persons working under supervision of BAM International involved in reportable incidents per million manhours worked on BAM's construction sites. Reportable incidents are based on actual occurrences and are never extrapolated or estimated. Reported hours are measured, calculated or estimated. For all companies, except for BAM International, BAM includes only BAM employee related accidents and hours. BAM International takes into account all persons working under their direct supervision although they may not have a labour contract with Royal BAM Group directly. As a result, the accidents and hours worked by all persons working under the supervision of BAM International and irrespective of their labour contract are included in the reported incident frequency. This is inherent to BAM International's business model. In its disclosures concerning the incident frequency BAM distinguishes between the incident frequency for all operating companies including BAM International and the incident frequency for all operating companies working in the five home countries which thus excludes data from BAM International.

Human Resources (HR)

HR data is obtained twice a year using a standardised questionnaire. HR data is derived from the HR accounts held by BAM's operating companies. Due to different definitions used, breakdowns in chapter 'Employee recruitment, development and retention' are based on figures that do not match the total number of FTE in 'Key figures'. This does not cause different insights. FTE and absenteeism definitions may vary per territory.

Energy consumption and CO₂ emissions

Our energy consumption and greenhouse gas inventory is based on the Greenhouse Gas Protocol Corporate Accounting and

Reporting Standard, Revised Edition (2004: 'Corporate Standard') as issued by the World Business Council for Sustainable Development and the World Resource Institute. For greenhouse gas emissions BAM has chosen to report only on CO₂. Other greenhouse gases, such as CH₄ (methane), N₂O (nitrous oxide) are excluded from BAM's emissions inventory as they are considered not material. BAM uses country specific emission factors for the calculation of the greenhouse gas emissions, or more accurate factors if available. BAM uses standardised conversion factors to calculate energy consumption. The Group's reporting scope includes its direct CO₂ emissions (scope 1 emissions, from BAM's own sources), indirect CO₂ emissions from the generation of purchased electricity consumed by BAM (scope 2 emissions) and three indirect categories of CO₂ emissions that are a consequence of BAM's business activities from sources not owned and controlled by BAM: employee air travel, employee car travel with privately owned cars and business travel (scope 3 emissions). Emissions from the use of private cars at BAM's German operating companies are excluded from scope 3 emissions, due to fiscal technicalities. The impact on the total scope 3 emissions is considered to be limited.

The GHG Corporate value chain (scope 3) accounting and reporting standard for full scope 3 reporting has not been implemented. Contrary to the Greenhouse Gas Protocol BAM reports fuel consumption by leased vehicles under scope 1 emissions. Energy consumption from district heating and use of public transport are considered negligible and therefore not included in BAM's overall energy consumption and related CO₂ emissions.

The basis for consolidated energy consumption and CO₂ emissions is activity data which in turn is based mostly on metre readings, invoices and data provided by suppliers. Where reliable data is not available, BAM uses calculations or estimations using reliable methods and input data. BAM is satisfied that the estimates are reliable in all material respects.

Where clients provide BAM with electricity and BAM is able to receive reliable information on its client supplied electricity consumption, the company includes this consumption in its carbon footprint. Also, as BAM only receives information on CO₂ emissions associated with air travel, which BAM includes in its scope 3 emissions.

Using conversion factors from reputable and authoritative sources, BAM determines the energy consumption in TJs and CO₂ emissions associated with BAM's energy consumption. BAM has updated its set of emission factors in 2013 compared to its previous reports. The factors follow the Kyoto protocol and UNFCCC charter as closely as possible. Each factor originates from a reputable source, which is updated annually.

It occurs on its projects that BAM supplies fuel and/or electricity to subcontractors. BAM's CSR reporting instructions state that fuel and electricity supplied to subcontractors should be measured and excluded from reported figures, unless fuel and electricity is supplied under the supervision of BAM, including for rented or leased machinery and possibly operating personnel. In practice, however, it is not always possible to unambiguously determine how much fuel is supplied to subcontractors. In that case BAM accounts for all CO₂ emissions. BAM continues to encourage measuring fuel and electricity supplied to third parties. This will result in more accurate figures of its own CO₂ emissions and further insight in reduction potential to all involved.

Waste

BAM's reporting scope includes all waste leaving its sites and offices, mainly based on waste tickets and data provided by suppliers. Excavation waste and demolition waste are especially difficult to measure. Reported waste is either measured, calculated or estimated using reliable methods and input data which can be based on BAM's experience in comparable works e.g. the relation of asphalt and aggregates.

Since 2011 BAM made a shift from reporting cubic metres to tonnes and recalculated the waste figures of 2009 and 2010. The percentage on waste separation relates to BAM's Dutch companies and is based on information from BAM's waste management suppliers. BAM is satisfied that the converted waste figures provide a reliable basis for comparison over time of its performance on this field.

Materials

In 2011 BAM started reporting on the amount of materials used and the recycled content of various materials used by Dutch operating companies. BAM has selected the raw materials which it consumes in large quantities and which have a significant impact on natural resources. The Group reports on concrete, timber, asphalt, bricks, steel and limestone.

The raw material consumption in the Netherlands was determined using solid statistical methods (weighted least square methodology) by random sampling of invoices from BAM's financial database. BAM has determined the average procurement volume per material based on evaluated invoices. From the sample, BAM also derived an average price per unit of material. The average procurement volume, divided by the average price, resulted in a volume or weight per material. BAM has sampled sufficient invoices to derive statistically reliable averages. The results of BAM's statistical analysis are within a 95 per cent confidence interval. The results are considered to be statistically reliable and are verified against suppliers' data, internal and external experts and with BAM's procurement database. The recycled content is determined based on information provided by suppliers.

True Price of asphalt

The True Price calculations of LEAB and STAB in chapter Materials are made by a third party and contain inherent estimates and specialised supplier data. The methodology has been checked for logic and consistency, yet it is known that different visions on the cost of CO₂ are available and that the cost of CO₂ is subjective. A comparison by True Price has been performed to evaluate the bandwidth of CO₂ cost, in which a conservative estimate is used by True Price. LEAB is a product with new data and is compared to STAB, of which the most accurate data is five years old.

Water

Potable water consumption volume is based on final settlements paid in 2014. BAM's entity regarding drainage activities was divested in 2015. The corresponding information on the extracted water volume is thereby excluded from the reporting scope and comparable figures have been removed.

Local sourcing

For the Dutch companies BAM has investigated the extent to which its purchases are sourced locally. BAM has defined local sourcing as a purchase done with a supplier who is located in the same country as the construction site. Based on the country of residence of its suppliers, BAM determined the percentage of local sourcing. BAM was able to examine 99.97 per cent of the purchasing volume in the Netherlands.

NO_x

BAM has reported the NO_x emissions from asphalt plants, some of which participated in the Dutch NO_x-trading system.

In 2014 the emission trade system for NO_x was terminated. Asphalt plants were obliged to report their NO_x emissions to the Dutch Emission Authority (NEa). An independent auditor determined the NO_x emissions per consumed unit of fuel. BAM continues to calculate the NO_x emission factors which were required in previous years. For joint arrangement asphalt plants BAM reports the NO_x emissions based on its share of equity in these asphalt plants.

Business conduct

Business conduct includes information regarding the Group's Business Principles and Code of Conduct, on which BAM reports qualitatively. In addition, this report contains quantitative information on a mandatory e-learning course to increase awareness and understanding of the Code of Conduct and expected ethical behavior. The performance indicators concerned are: the number of employees who received an invitation to participate, which applies to all BAM Infra NL, BAM Bouw en Vastgoed and BAM PPP staff with a BAM email account; and the percentage of these employees that successfully completed the course between introduction in 2014 and 31 December 2015.

Verification of this report

In order to provide BAM's stakeholders comfort over BAM's sustainability information, for the sixth consecutive year the Executive Board has appointed PricewaterhouseCoopers Accountants (PwC) to provide independent assurance of the Report. As in previous years, BAM obtained reasonable assurance for all information with regard to the Safety section as included in chapter 3.2, IF and SAA. Additionally PwC provided reasonable assurance over the 'Material themes' section in chapter 3.1 and the 'Business conduct and transparency' section in chapters 2 and 3.2. For all other information reported in chapters 2, 3 and 7 (with the exception of paragraph 3.1 and 3.4) BAM obtained limited assurance.

As BAM applies the 'best standard' principle with regard to external assurance, the Group asked PwC to apply NV COS 3810N, a standard explicitly developed to verify sustainability reports. This standard includes strict requirements for the quality of accounts, the indicators used and the wording of the Report. Readers can therefore be confident that the report provides a fair and true representation of sustainability within BAM. The Group aims to achieve the highest level of assurance (reasonable assurance) through a staged approach, focusing on the most material themes. Increasing the maturity of internal processes in the coming years will help in also increasing the level of assurance of the report.

Other sources of information

Royal BAM Group welcomes your comments on CSR. If you have any questions or remarks, please contact BAM's CSR department via e-mail (csr@bam.eu).

7.2 GRI Disclosures

		Page	Omissions
General Standard Disclosures			
G4-1	Statement from the most senior decision-maker of the organisation about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	5	
G4-2	Description of key impacts, risks and opportunities.	8-15, 28-32	
G4-3	Name of the organisation.	3	
G4-4	Primary brands, products and services.	3, 20	
G4-5	Location of the organisation's headquarters.	238 (back cover)	
G4-6	Number of countries where the organisation operates and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report.	20	
G4-7	Nature of ownership and legal form.	235-236	
G4-8	Markets served (including geographic breakdown, sectors served and types of customers and beneficiaries).	20, 21	
G4-9	Scale of the organisation.	2	
G4-10	A. Total number of employees by employment contract and gender. B. Total number of permanent employees by employment type and gender. C. Total workforce by employees and supervised workers and by gender. D. Total workforce by region and gender. E. Whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. F. Any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	2, 59-60	F. Not applicable, as this does not directly relate to BAM's business operations.
G4-11	Percentage of total employees covered by collective bargaining agreements.		
G4-12	Description of supply chain.	21	
G4-13	Any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain.	50, 233	
G4-14	Whether and how the precautionary approach or principle is addressed by the organisation.		
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.	226-232	
G4-16	Memberships of associations (such as industry associations) and national or international advocacy.	226-232	
G4-17	A. All entities included in the organisation's consolidated financial statements or equivalent documents. B. Whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report.	212	
G4-18	A. The process for defining the report content and the aspect boundaries. B. How the organisation has implemented the reporting principles for defining report content.	7-15	
G4-19	All the material Aspects identified in the process for defining report content.	8	
G4-20	For each material Aspect, the Aspect Boundary within the organisation.	9-15	
G4-21	For each material Aspect, the Aspect Boundary outside the organisation.	9-15	

Explanatory notes

G4-10	C. Information on total workforce by supervised workers is currently unavailable due to the significant amount of contracts in which labour is included in the total subcontracting performance contracts. These contracts do not provide specific conditions on the amount of labour supplied. BAM will resolve this in the next year. E. Work performed by workers who are legally recognised as self-employed mainly applies to the Netherlands.
G4-11	60 per cent
G4-14	Please refer to G4-EC2, G4-EN18, G4-en23 and G4-EN26.

		Page	Omissions
G4- 22	The effect of any restatements of information provided in previous reports and the reasons for such restatements.	121, 216, 217	
G4- 23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	216, 217	
G4- 24	List of stakeholder groups engaged by the organisation.	7	
G4- 25	Basis for identification and selection of stakeholders with whom to engage.	7	
G4- 26	Approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	7-8	
G4- 27	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns, including through its reporting. The stakeholder groups that raised each of the key topics and concerns.	7-8	
G4- 28	Reporting period (such as fiscal or calendar year) for information provided.	215	
G4- 29	Date of most recent previous report.		
G4- 30	Reporting cycle (such as annual, biennial).	215	
G4- 31	Contact point for questions regarding the report or its contents.	217	
G4- 32	A. 'in accordance' option the organisation has chosen. B. GRI content index for the chosen option (see tables below). C. Reference to the external assurance report, if the report has been externally assured.	215, 218-225, 199-208	
G4- 33	A. Policy and current practice with regard to seeking external assurance for the report. B. If not included in the assurance report accompanying the sustainability report, the scope and basis of any external assurance provided. C. Relationship between the organisation and the assurance providers. D. Whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report.	96-97, 217	
G4- 34	Governance structure of the organisation, including committees of the highest governance body; committees responsible for decision making on economic, environmental and social impacts.	81-98	
G4- 35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	89	
G4- 36	Whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics and whether post holders report directly to the highest governance body.	89	
G4- 37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	7-8, 91	

Explanatory notes

G4- 29 23 February 2015

		Page	Omissions
G4- 38	The composition of the highest governance body and its committees by: - Executive or non-executive - Independence - Tenure on the governance body - Number of each individual's other significant positions and commitments and the nature of the commitments - Gender - Membership of under-represented social groups - Competences relating to economic, environmental and social impacts - Stakeholder representation	83, 85, 109-111	
G4- 39	Whether the Chair of the highest governance body is also an executive officer.		
G4- 40	Nomination and selection processes for the highest governance body and its committees and the criteria used for nominating and selecting highest governance body members.	83-85, 95	
G4- 41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed; Whether conflicts of interest are disclosed to stakeholders.	82-85	
G4- 42	The highest governance body's and senior executives' roles in the development, approval and updating of the organisation's purpose, value or mission statements, strategies, policies and goals related to economic, environmental and social impacts.	89	
G4- 43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	24, 89	
G4- 44	A. Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not and its frequency. Report whether such evaluation is a self-assessment. B. Report actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice.	93	
G4- 45	A. The highest governance body's role in the identification and management of economic, environmental and social impacts, risks and opportunities; The highest governance body's role in the implementation of due diligence processes. B. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks and opportunities.	24, 85, 87, 8	
G4- 46	The highest governance body's role in reviewing the effectiveness of the organisation's risk management processes for economic, environmental and social topics.	92	
G4- 47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks and opportunities.	92-93	
G4- 48	Highest committee or position that formally reviews and approves the organisation's sustainability report and ensures that all material aspects are covered.	98	
G4- 49	Process for communicating critical concerns to the highest governance body.	83	

Explanatory notes

G4- 39 The Chair of the highest governance body is not an executive officer.

		Page	Omissions
G4- 50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	32, 91	
G4- 51	A. Remuneration policies for the highest governance body and senior executives for the below types of remuneration: <ul style="list-style-type: none"> - fixed pay and variable pay - Performance-based pay - Equity-based pay - Bonuses - Deferred or vested shares - Sign-on bonuses or recruitment incentive payments - Termination payments - Clawbacks - Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives and all other employees B. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	99-103	
G4- 52	Process for determining remuneration; Whether remuneration consultants are involved in determining remuneration and whether they are independent of management; Any other relationships which the remuneration consultants have with the organisation.	99	
G4- 53	How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	93	
G4- 54	Ratio of the annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	60	
G4- 55	Ratio of percentage increase in annual total compensation for the organisation's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	60	
G4- 56	Values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	32	
G4- 57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour and matters related to organisational integrity, such as helplines or advice lines.	32	
G4- 58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior and matters related to organisational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	32	

Explanatory notes

G4- 54	BAM calculated the ratios with average annual total compensation instead of median annual total compensation because of incomplete data.
G4- 55	BAM calculated the ratios with average annual total compensation instead of median annual total compensation because of incomplete data.

		Page	Omissions
Specific standard disclosures			
Disclosures on Management Approach			
EC	Economic performance	10	
EN	Materials	14	
EN	Energy	12-13	
EN	Emissions	12-13	
EN	Effluents and Waste	14	
EN	Transport	12-13, 14	
EN	Supplier environmental assessment	14	
LA	Occupational Health and Safety	9	
LA	Training and Education	10-11	
LA	Diversity and Equal Opportunity	10-11	
LA	Supplier Assessment for Labour Practices	14, 15	
HR	Supplier Human Rights Assessment	15	
SO	Anti-corruption	10	
SO	Anti-competitive Behaviour	10	
SO	Compliance	10	
PR	Compliance	9-10	
G4- EC1	Direct economic value generated and distributed.	2, 44-47	
G4- EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change.	12-13, 64-68	
G4- EC3	Coverage of the organisation's defined benefit plan obligations.	166-170, 72	
G4- EC4	Financial assistance received from government.		
G4- EN1	Materials used by weight or volume.	71	
G4- EN2	Percentage of materials used that are recycled input materials.	71	
G4- EN3	Energy consumption within the organisation.	65	
G4- EN4	Energy consumption outside of the organisation.	65, 215-217	
G4- EN5	Energy intensity.	65	
G4- EN6	Reduction of energy consumption.	65	
G4- EN7	Reductions in energy requirements of products and services.	66, 72	
G4- EN15	Direct greenhouse gas (ghg) emissions (scope 1).	66, 215-217	BAM only reports CO ₂ emissions, as other greenhouse gas emissions are considered not material.
G4- EN16	Energy indirect greenhouse gas (ghg) emissions (scope 2).	66, 215-217	BAM only reports CO ₂ emissions, as other greenhouse gas emissions are considered not material.
G4- EN17	Other indirect greenhouse gas (ghg) emissions (scope 3).	66, 215-217	BAM only reports CO ₂ emissions, as other greenhouse gas emissions are considered not material.
G4- EN18	Greenhouse gas (ghg) emissions intensity.	66, 215-217	BAM only reports CO ₂ emissions, as other greenhouse gas emissions are considered not material.
G4- EN19	Reduction of greenhouse gas (ghg) emissions.	66, 67, 72	BAM only reports CO ₂ emissions, as other greenhouse gas emissions are considered not material.
G4- EN20	Emissions of ozone-depleting substances (ods).	215-217	This indicator is not applicable, as ozone depleting gasses and SO ₂ (sulphur dioxide) are not emitted in material amounts.

Explanatory notes

G4- EC4	The most significant subsidies received by BAM (approximately €7 million) are part of funding from the European Commission for environmental initiative.
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		Page	Omissions
G4- EN21	NO _x , SO _x and other significant air emissions.	217, 233	Significant air emissions other than NO _x emissions are considered not material.
G4- EN22	Total water discharge by quality and destination.	70, 217	Information outside the Netherlands is not yet available, therefore water discharges by quality and destination have been omitted for BAM's operations outside the Netherlands. BAM aims to expand its scope by reporting country by country in the next years.
G4- EN23	Total weight of waste by type and disposal method.	68-69, 216	
G4- EN24	Total number and volume of significant spills.		
G4- EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention annex i, ii, iii and viii and percentage of transported waste shipped internationally.		Information been omitted, as this indicator does not directly relate to BAM's business operations.
G4- EN26	Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the organisation's discharges of water and runoff.		Information been omitted. BAM works according to national environmental legislation. This information is therefore not significant.
G4- EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations and transporting members of the workforce.	65-67, 215-217	
G4- EN32	Percentage of new suppliers that were screened using environmental criteria.		Information has been omitted. BAM aims to seek long term, mutually preferred relationships with partners who can help BAM improve its supply chain in the coming years.
G4- EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	72	Information has been omitted. BAM aims to seek long term, mutually preferred relationships with partners who can help BAM improve its supply chain in the coming years.
G4- LA5	Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programmes.		Information has been omitted due to incomplete data. BAM will resolve this in the coming year.
G4- LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism and total number of work-related fatalities, by region and by gender.	54-55	Due to the nature of BAM's business and composition of its workforce, BAM does not monitor information by gender, as this is less relevant for BAM's management processes
G4- LA7	Workers with high incidence or high risk of diseases related to their occupation.	54-55	
G4- LA8	Health and safety topics covered in formal agreements with trade unions.		
G4- LA9	Average hours of training per year per employee by gender and by employee category.	60	

Explanatory notes

G4- EN21	32 tonnes NO _x
G4- EN24	No spills are included in BAM's financial statements (such as due to resulting liabilities) or recorded as a spill by BAM.
G4- LA8	Laid down in Collective Labour Agreements
G4- LA9	Average hours of training per employee category is not included, as this is considered not relevant.

		Page	Omissions
G4- LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	11, 59	
G4- LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.		Although steps have been taken to improve completeness of the data, information is not as yet reliable enough for external reporting.
G4- LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership and other indicators of diversity.	109-111, 59-60	
G4- LA14	Percentage of new suppliers that were screened using labour practices criteria.		Information has been omitted. BAM aims to seek long term, mutually preferred relationships with partners who can help BAM improve its supply chain in the coming years.
G4- LA15	Significant actual and potential negative impacts for labour practices in the supply chain and actions taken.		Information has been omitted. BAM aims to seek long term, mutually preferred relationships with partners who can help BAM improve its supply chain in the coming years.
G4- HR10	Percentage of new suppliers that were screened using human right criteria		Information has been omitted. BAM complies with local legislation in the countries where it operates. In countries with poor human rights record, BAM internally and externally audits labour practices of its suppliers and subcontractors.
G4- HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	15, 61	Information has been omitted. BAM complies with local legislation in the countries where it operates. In countries with poor human rights record, BAM internally and externally audits labour practices of its suppliers and subcontractors.
G4- SO1	Percentage of operations with implemented local community engagement, impact assessments and development programmes.	61	
G4- SO2	Operations with significant actual and potential negative impacts on local communities.	14	
G4- SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	10, 56, 32	
G4- SO4	Communication and training on anti-corruption policies and procedures.	32, 56	
G4- SO5	Confirmed incidents of corruption and actions taken.	56	
G4- SO7	Total number of legal actions for anti-competitive behavior, anti-trust and monopoly practices and their outcomes.	56	
G4- SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	56	

Explanatory notes

G4- LA12	The composition of BAM governance bodies is based on the same principles for equal opportunity as all team compositions within BAM and complies with BAM's Business Principle on employee equality and diversity.
G4- HR10	In its General Purchase and Subcontract Conditions BAM warrants its suppliers to respect the Guiding Principles on Business and Human
G4- HR11	Rights of the United Nations and to monitor compliance in the chain of its own suppliers and contractors
G4- SO8	BAM defines 'significant' as 'of more than €5 million (passive), of more than €1 million (active) or with potential reputational damage'.

		Page	Omissions
G4- PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	56, 32	
Specific Standard Disclosures for Sector			
CRE1	Building energy intensity.	65	
CRE3	Greenhouse gas emissions intensity from buildings.	65	
CRE4	Greenhouse gas emissions intensity from new construction and redevelopment activity.	67	
CRE5	Land remediated and in need of remediation for the existing or intended land use, according to applicable legal designations.		
CRE6	Percentage of the organisation operating in verified compliance with an internationally recognised health and safety management system.	53	
CRE7	Number of persons voluntarily and involuntarily displaced and/or resettled by development, broken down by project.		
CRE8	Type and number of sustainability certification, rating and labeling schemes for new construction, management, occupation and redevelopment.	68	

Explanatory notes

G4- PR9	BAM defines 'significant' as 'of more than €5 million (passive), of more than €1 million (active) or with potential reputational damage'.
CRE3	Only in the Netherlands.
CRE5	BAM has no known locations which are in need of remediation due to BAM's activities, or its land that has been remediated or needs to be remediated.
CRE7	BAM is not aware of any operations that have led to voluntarily or involuntarily displacements.

7.3 Charters, memberships and certifications

Name	Operating company
 Global	
BWI (Building and Wood Workers' International)	Royal BAM Group
CDP: A List, CDLI	Royal BAM Group
CE100 (Ellen MacArthur Foundation)	Royal BAM Group
CEMARS: ISO 14064	BAM Construct UK, BAM Nuttall
FIB (The International Federation for Structural Concrete)	BAM Infraconsult
FIRA Platinum	Royal BAM Group
IABSE (International Association for Bridge and Structural Engineering)	BAM Infraconsult, BAM Contractors (Belgium)
INCOSE (International Council on Systems Engineering)	BAM PPP NL
International Integrated Reporting Council	Royal BAM Group
International Society for Gerontechnology	BAM Bouw en Techniek
IPFA (International Project Finance Association)	BAM PPP
ISO 14001	BAM Contractors nv, BAM Contractors Ltd, BAM Construct UK, BAM Infra Nederland, Galère, BAM International, BAM Nuttall, BAM Bouw en Techniek, Interbuild, Wayss & Freytag Ingenieurbau
ISO 26000	Royal BAM Group
ISO 9001	BAM Infra Nederland, BAM Construct UK, BAM Contractors Ltd, BAM Deutschland, BAM Infratechniek, BAM International, BAM Materieel, BAM Nuttall, BAM Bouw en Techniek, BAM Woningbouw, Balteau i.e., BAM Contractors nv, Galère, Heilijgers, Interbuild, Wayss & Freytag Ingenieurbau, Pennings
ITA (International Tunneling and Underground Space Association)	BAM Infraconsult, Wayss & Freytag Ingenieurbau
OHSAS 18001	Balteau i.e., BAM Construct UK, BAM Contractors, BAM Deutschland, BAM Infra Nederland, BAM International, BAM Nuttall, BAM Bouw en Techniek, BAM Woningbouw, BAM Contractors nv, Galère, Interbuild, Wayss & Freytag Ingenieurbau
 Europe	
E2BA (Energy Efficient Buildings Association)	Royal BAM Group
ECTP (European Construction Technology Platform)	Royal BAM Group
EFRTC (European Federation of Railway Trackworks Contractors)	BAM Infra Rail
EIC (European International Contractors)	BAM International
ENCORD (European Network of Construction Companies for Research and Development)	Royal BAM Group
Eurbanlab	Royal BAM Group
FIEC (European Construction Industry Federation)	Indirect membership Royal BAM Group through Bouwend Nederland
First Point Assessment (FPAL)	BAM Contractors Ltd
Horizon 2020, RENnovates, BAMB	Royal BAM Group
STTC (European Sustainable Tropical Timber Coalition)	Royal BAM Group
 Belgium	
ADEB - VBA	BAM Track, BAM Contractors nv, Galère
Adhesia	BAM Mat, BAM Track
ASENAS	Galère
Belgische Betongroepering (BBG)	BAM Contractors nv
Belgische Groepering voor Grondmechanica en Geotechniek	BAM Contractors nv
Belgische Vereniging van Asfaltproducenten	BAM Contractors nv
Belgische Vereniging voor Ondergrondse Technieken en Stedenbouw	BAM Contractors nv
CC Liège (Building Confederation Liège Region)	Galère

Name	Operating company
CCW (Walloon Building Confederation)	Galère
CNC (National Chamber of the Construction)	Galère
COBATY	BAM Contractors nv
Confederatie Bouw	BAM Track, BAM Contractors nv
COPRO (Impartial Certification Body in the construction sector)	Galère
CRR (Belgian Road Research Center)	Galère
CSTC (Scientific and technical center of the construction)	Galère
FEREB	BAM Contractors nv
FBEV-BFAW (Belgian Federation of Road Contractors)	Galère
Federation liegeoise des entrepreneurs de travaux de voirie	BAM Contractors nv
FEREDECO	BAM Contractors nv
FLEV (Roadworks Federation of Liège)	Galère
FWEV (Walloon Roadworks Federation)	Galère, BAM Contractors nv
Grondbank	BAM Contractors nv
OCW (Opzoekingscentrum voor de Wegenbouw)	BAM Contractors nv
Recy Liège (Recycle Construction Waste Center - Liège)	Galère
Road Federation Belgium	BAM Contractors nv
Scicc (Collective Guarantee Cooperative)	Galère
Seco (Technical control bureau for construction)	BAM Contractors nv, Galère
Sideco (Industrial society for construction waste)	Galère
Source O'Rama - sclr Chaudfontaine Promotion	Galère
SPMT	BAM Mat, Galère
Tradeco Liège (Construction Waste Treatment Cooperative - Liège)	Galère
Tradecowall (Construction Waste Treatment Cooperative - Wallonie)	Galère
Unie van Aannemers van Spoorwegwerken	BAM Track
VCA**	BAM Mat, BAM Track, BAM Contractors nv
Vevia	BAM Contractors nv
VKW Limburg	BAM Contractors nv
Vlaams Instituut voor Mobiliteit (VIM)	BAM Contractors nv
VMx (Vlaamse MilieuProfessionals)	BAM Contractors nv
VODKA	BAM Contractors nv
Voka (Vlaams netwerk van ondernemingen)	BAM Contractors nv
WTCB (BBRI, Belgian Builders, Research Institute)	BAM Contractors nv



Germany	
Beirat des TU Darmstadt Energy Center e.V.	Wayss & Freytag Ingenieurbau
BG Bau	BAM Deutschland
Central Federation Building Industry	BAM PPP
Deutsche Gesellschaft für Geotechnik e.V.	Wayss & Freytag Ingenieurbau
Deutscher Ausschuss für unterirdisches Bauen e.V.	Wayss & Freytag Ingenieurbau
Deutscher Beton- und Bautechnik-Verein e.V.	Wayss & Freytag Ingenieurbau
DGNB	BAM Deutschland
ee Embedded	BAM Deutschland
Entsorgungsgemeinschaft B + U	Wayss & Freytag Ingenieurbau
Förderverein der Freunde des Institutes für Geotechnik an der Technischen Universität Darmstadt e.V.	Wayss & Freytag Ingenieurbau
Freunde der FHT Stuttgart e.V.	Wayss & Freytag Ingenieurbau
Freunde des Institutes für Massivbau der Universität Darmstadt	Wayss & Freytag Ingenieurbau
GEFMA (German Facility Management Association Deutscher Verband für Facility Management e.V.)	BAM Deutschland
Gemeinschaft für Überwachung im Bauwesen e.V.	Wayss & Freytag Ingenieurbau
German Association Public Private Partnership	BAM PPP

Name	Operating company
German Society for Trenchless Technology	Wayss & Freytag Ingenieurbau
Gesellschaft für Freunde und Absolventen der Hochschule Biberach	Wayss & Freytag Ingenieurbau
Gesellschaft für Maritime Technik e.V.	Wayss & Freytag Ingenieurbau
GIF (Gesellschaft für Immobilienwirtschaftliche Forschung e.V.)	BAM Deutschland
Gütegemeinschaft Erhaltung von Bauwerken e.V.	Wayss & Freytag Ingenieurbau
Güteschutz Kanalbau	Wayss & Freytag Ingenieurbau
Hafenbautechnische Gesellschaft	Wayss & Freytag Ingenieurbau
Hauptverband der Deutschen Bauindustrie e.V.	Wayss & Freytag Ingenieurbau
Hessisches Wirtschaftsarchiv e.V.	Wayss & Freytag Ingenieurbau
Industrie- und Handelskammer	BAM Deutschland
Landesgütegemeinschaft Betoninstandsetzung Hessen-Thüringen	Wayss & Freytag Ingenieurbau
Neckarhafen Plochingen GmbH	Wayss & Freytag Ingenieurbau
RealFM e.V. (Association for Real Estate and Facility Managers)	BAM Deutschland
Schweizerischer Ingenieur- und Architektenverein	Wayss & Freytag Ingenieurbau
Society for Mining, Metallurgy and Exploration	Wayss & Freytag Ingenieurbau
Studiengesellschaft für unterirdische Verkehrsanlagen e.V.	Wayss & Freytag Ingenieurbau
VBG Power Tech e.V.	Wayss & Freytag Ingenieurbau
VDSI (Verband für Sicherheit, Gesundheit und Umweltschutz bei der Arbeit)	BAM Deutschland
Vereinigung von Freunden der Universität Stuttgart e.V.	Wayss & Freytag Ingenieurbau
WKO Bundesinnung des Baugewerbes	Wayss & Freytag Ingenieurbau
Ireland	
American Chamber of Commerce	BAM Contractors
Business in the Community (BITC)	BAM Contractors
Chambers Ireland	BAM Contractors
Civil Engineering Contractors Association (CECA)	BAM Contractors
Constructing Industry Federation	BAM Contractors
Construction Advisory Committee (CAC)	BAM Contractors
Construction Employers Federation (CEF)	BAM Contractors
Construction Excellence	BAM Contractors
Construction Industry Federation	BAM Contractors
Construction ITA Alliance (CITA)	BAM Contractors
Cork Chamber of Commerce	BAM Contractors
Dublin Chamber of Commerce	BAM Contractors
Engineers Ireland	BAM Contractors
Georgian Society	BAM Contractors
Heritage Contractor	BAM Contractors
Irish Concrete Society	BAM Contractors
Irish Mining and Quarrying Society	BAM Contractors
Irish Road Haulage Association (IRHA)	BAM Contractors
Pipeline Industries Guild	BAM Contractors
Society of Chartered Surveyors (SCS)	BAM Contractors
Netherlands	
ABC Architectuurinstituut Haarlem	AM
Amports	BAM Infra Civiël
Amsterdam Economic Board	AM
ASHRAE	BAM Bouw en Techniek
Astrin	BAM Verkeerstechniek
Avepa	BAM Bouw en Techniek
Avons Hogeschool	Royal BAM Group
Betoniek	BAM Infraconsult

Name	Operating company
Betonvereniging	BAM Infra, BAM Infraconsult, BAM Bouw en Techniek
Bewuste Bouwers	Royal BAM Group
BMC	BAM Infraconsult
Bouw en Hout Convenant	Royal BAM Group
Bouwcampus	Royal BAM Group
Bouwen met Staal	BAM Infraconsult
Bouwend Nederland	BAM Infra Nederland, BAM Bouw en Techniek, BAM Woningbouw, Heilijgers
Branchevereniging werkplekbeveiligingsbedrijf Railinfra	BAM Infra Energie & Water Noordoost
CEN	BAM Infra Rail
Cirkelstad	BAM Bouw en Techniek
COB (Centrum Ondergronds Bouwen)	BAM Infra, BAM Infraconsult
Connekt	BAM Infra Rail
Contactorgaan Zuid/COZ Hulsman	BAM Infra Civiel
CROW	BAM Infra, BAM Infraconsult
de Maatschappij	Heilijgers
Initiatiefgroep Ketenintegratie	BAM Bouw en Techniek
Delft Blue Technology Innovatieve tijdelijke waterkeringen	BAM Infraconsult
Deltalings	BAM Infra Energie & Water
Deltares Adviesraad	BAM Infraconsult
Digitale Rotonde	BAM Infra Energie & Water, BAM Infra Telecom
Dutch Green Building Council	Royal BAM Group
Duurzaam Gebouwd	BAM Bouw en Techniek
EAU (recomendations for waterfront structures)	BAM Infraconsult
Energy Valley	BAM Infra Nederland, BAM Bouw en Techniek
EVO	BAM Infra Energie & Water, BAM Infra Telecom
Expertgroep ABC Meldpunt (Aanpak Bouwincidenten Constructieve Veiligheid)	BAM Bouw en Techniek
FIB	BAM Infraconsult
Fiber to the Home Council Europe	BAM Infra Energie & Water, BAM Infra Telecom
FLOW (Far and Large Offshore Wind)	BAM Infra Civiel
FME	BAM Infra Energie & Water, BAM Verkeerstechiek
FMN	BAM Bouw en Techniek
Forum voor Stedelijke Vernieuwing	AM
Fosag	Heilijgers
FSC	BAM Bouw en Techniek, BAM Woningbouw, Pennings, Heilijgers
Gebiedsontwikkeling.nu	AM
Geo-Impuls	BAM Infraconsult
GSVB	BAM Bouw en Techniek
Havenclub Amsterdam	BAM Infra Civiel
Histechnica	BAM Infraconsult
Hogere Onderwijsgroep Bouw en Ruimte	AM
Hogeschool van Amsterdam Onderwijs Adviesraad	BAM Infraconsult
Hogeschool van Amsterdam Cluster Adviesraad	BAM Infraconsult
Holland Rail industry	BAM Infra Rail
IABSE Working Commission 3 'Concrete structures'	BAM Infraconsult
Innotrack	BAM Infra Rail
InstallatieWerk	BAM Bouw en Techniek
IOP SenterNovem Selfhealing	BAM Infraconsult
IPMA-NL Interessegroep Risicomanagement	BAM Infraconsult
IRSE Nederland (Institution of Railway Signal Engineers)	BAM Infra Rail

Name	Operating company
ISG	BAM Bouw en Techniek
ISIAQ.nl (International Society of Indoor Air Quality and Climate)	BAM Bouw en Techniek
I-society	BAM Infra Energie & Water, BAM Infra Telecom
ISSO	BAM Bouw en Techniek
KLO (Kabel- en Leiding Overleg)	BAM Infra Energie & Water, BAM Infra Telecom
Kenniscentrum Duurzaam Bouwen	Heilijgers
Kiwa	BAM Utiliteitsbouw
KLIC	BAM Infra Energie & Water, BAM Infra Telecom
KOMAT (Kontaktgroep Materieel Bouwend Nederland)	BAM Materieel
Koninklijk Nederlands Vervoer	BAM Infra Rail
Landelijk Nieuwbouw Portaal	AM
Landschap Overijssel	AM
MVO Nederland	Royal BAM Group
MVO Prestatieladder: Niveau 3	BAM Bouw en Techniek
Nabu (Netherlands Association of International Contractors)	Royal BAM Group
NAVS	Heilijgers
Nederlandse Klimaat Coalitie	Royal BAM Group
NVVK (Nederlandse vereniging voor Veiligheidskunde)	BAM Infra Nederland
Neprom	AM, BAM Bouw en Techniek, Heilijgers
Nevlock (Nederlands-Vlaams Onderzoekscentrum voor Kustconstructies)	BAM Infraconsult
NFPA	BAM Bouw en Techniek
NRW	AM Real Estate Devopment
NSTT (Nederlandse Vereniging van Sleufloze Technieken en Toepassingen)	BAM Infra Energie & Water
NVAF (Nederlandse Vereniging Aannemers Funderingswerken)	BAM Infra Speciale Technieken
NVB	BAM Woningbouw
NVDO	BAM Bouw en Techniek
NVOE	BAM Bouw en Techniek
NVSM	BAM Bouw en Techniek
NVTG	BAM Bouw en Techniek
NWP (Nederlands Water Partnership)	BAM International
OLC	BAM Infra Rail
PIANC (World association for waterborne transport infrastructure)	BAM Infraconsult
Platform Constructieve Veiligheid	BAM Bouw en Techniek
Platform Duurzaamheid	Heilijgers
Platform Gezond Binnen	BAM Bouw en Techniek
PLAXIS Development Committee	BAM Infraconsult
PSO Prestatieladder	Pennings
Coöperatie GEN (Gebieden Energie Neutraal)	Royal BAM Group
PWI	BAM Infra Rail
Raad van Advies Collegiaal In- en Uitleen	BAM Bouw en Techniek
Railforum	BAM Infra Rail
Rail-Tech	BAM Infra Rail
RAV	BAM Infra Rail
RBPI (OTIB/Uneto-VNI)	BAM Bouw en Techniek
RICS	AM
SBR Referentiedetails Utiliteitsbouw	BAM Utiliteitsbouw
SBRA/Bouwmensen	Heilijgers
SBRCURNET	BAM Infra Civiel
SKAO	BAM Woningbouw
Spoorzone Delft	AM
Stads Vastgoed Rotterdam	AM

Name	Operating company
Stichting Active House	BAM Woningbouw
Stichting Beoordeling Integriteit Bouwnijverheid	Royal BAM Group
Stichting BOEI	AM
Stichting Den Haag Nieuw Centrum	AM Real Estate Development
Stichting Het Nieuwe IJ	AM
Stichting Hoogbouw	AM, BAM Bouw en Techniek
Stichting Klantgericht Bouwen	BAM Woningbouw, Heilijgers, Pennings
Stichting NAP Dace	BAM Infra Civiel
Stichting Passief Bouwen	BAM Woningbouw
Stichting Sportive4Kids	AM
Stichting voor Wetenschappelijk Onderwijs en Onderzoek in de Vastgoedkunde	AM Real Estate Development
STUFIB	BAM Infra, BAM Bouw en Techniek
STUTECH	BAM Infraconsult
STW	BAM Infraconsult
SWK	BAM Bouw en Techniek, BAM Woningbouw, AM, Pennings, Heilijgers
Taskforce Wonen	Heilijgers
Techniekgilde Eemland	Heilijgers
Technocentrum	BAM Bouw en Techniek
TVVL	BAM Bouw en Techniek
UIC	BAM Infra Rail
UITP	BAM Infra Rail
Uneto VNI	BAM Infra Energie & Water
UNIFE	BAM Infra Rail
Utrechts Landschap	Heilijgers
VAB	Heilijgers
VIB (Vakgroep Ingenieursbureaus Bouwbedrijven)	BAM Infraconsult, BAM Bouw en Techniek
VAP Business Club (Verenigde Aannemers Petrochemie)	BAM Infra Civiel
VCA	BAM Woningbouw, Heilijgers, Pennings
VCCN	BAM Bouw en Techniek
VDEI	BAM Infra Rail
VEH	BAM Woningbouw, Heilijgers
Veilig en Duurzaam op weg	Royal BAM Group
Vereniging Delta Metropool	AM
Vernieuwing Bouw	Royal BAM Group
VGME	BAM Bouw en Techniek
VNO-NCW	Royal BAM Group
VOMI	BAM Bouw en Techniek



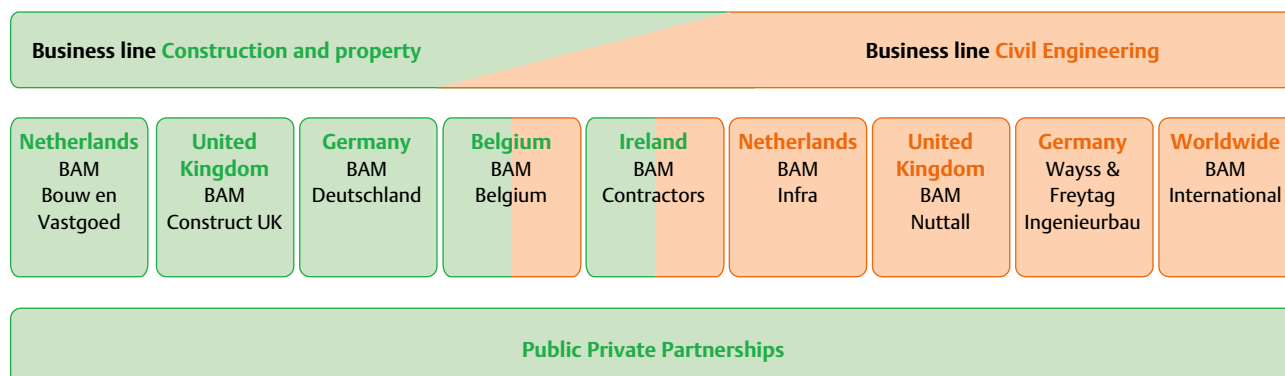
United Kingdom

AAT (Association of Accounting Technicians)	BAM PPP
ACCA (Association of Chartered Certified Accountants)	BAM PPP
BRE (Building Research Establishment)	BAM Construct UK, BAM Nuttall
British Water	BAM Nuttall
BQF (British Quality Foundation)	BAM Construct UK, BAM Nuttall
BS11000	BAM Nuttall
CBI	BAM Nuttall
CECA (Civil Engineering Contractors Association)	BAM Nuttall
CECA (Chartered Institution of Civil Engineering Surveyors)	BAM Nuttall
Chartered Institute of Water and Environmental Management (CIWEM)	BAM Nuttall
CIMA (Chartered Institute of Management Accountants)	BAM PPP

Name	Operating company
CIOB (Chartered Institute of Building)	BAM PPP
CIRIA (Construction Industry Research and Information)	BAM Nuttall
CITB (Construction Industry Training Board)	BAM Nuttall
CIWEM (Chartered Institution of Water and Environmental Management)	BAM Nuttall
CIWM (Chartered Institution of Waste Management)	BAM Nuttall
CIWW Chartered Institution of Waste Management	BAM Nuttall
CL:AIRE	BAM Nuttall
Concrete Society	BAM Nuttall
Considerate Constructors Scheme	BAM Construct UK, BAM Nuttall
Constructing Better Health	BAM Nuttall
Construction Health and Safety Group (CHSG)	BAM Nuttall
DIPFA (Diploma for Financial Advisors)	BAM PPP
EEGR Eastern England Energy Group	BAM Nuttall
FPAL	BAM Nuttall
Green Construction Board	BAM Construct UK
Grown in Britain	BAM Construct UK
HM Treasury Industry panel	BAM PPP
ICAEW (Institute of Chartered Accountants in England and Wales)	BAM PPP
ICAS (Institute of Chartered Accountants of Scotland)	BAM PPP
ICE (Institute of Civil Engineers)	BAM PPP
ICE EAST	BAM Nuttall
ICE Kent & East Sussex Branch Graduate & Students Committee	BAM Nuttall
ICE South	BAM Nuttall
ICW (Institute of Collaborative Working)	BAM Nuttall
Investors in People: Gold	BAM Nuttall
Law Society of England and Wales	BAM PPP
Law Society of Scotland	BAM PPP
LCI (Lean Construction Institute)	BAM Nuttall
Pipeline Industries Guild	BAM Nuttall
PPP Forum	BAM PPP
RICS (Royal Institute Chartered Surveyors)	BAM Nuttall
RoSPA (The Royal Society for the Prevention of Accidents)	BAM Nuttall
STEMNET: Science, Technology, Engineering and Mathematics Network	BAM Nuttall
Supply Chain Sustainability School	BAM Construct UK, BAM Nuttall
The Construction Training Group	BAM Nuttall
The Major Projects Association	BAM Nuttall
TRADA	BAM Construct UK
Tunnelskills	BAM Nuttall
UK Contractor Group	BAM Construct UK
UK Green Building Council (UK-GBC)	BAM Construct UK, BAM Nuttall

55 — Organisational structure

January 2016



Management Board



From the left: G. Cash (BAM Construct UK), T.M. Cullinane (BAM Contractors), S.C. Fox (BAM Nuttall), G.K. Mazloumian (BAM International), K. Meade (BAM PPP), A. Naujoks (BAM Deutschland), M. Peeters (BAM Belgium), M.H. Schimmel (BAM Infra Nederland), B.J. Wierenga (Wayss & Freytag Ingenieurbau), R.P. van Wingerden (CEO Royal BAM Group), T. Menssen (CFO Royal BAM Group), E.J. Bax (COO Royal BAM Group), S. Beckers (General Counsel / Company Secretary Royal BAM Group), T.W. Muntinga (Director of Finance Royal BAM Group) and A. Sundermeijer (Group IT Director Royal BAM Group). Not pictured: R. Vollebregt (BAM Bouw en Vastgoed, as of 19 February 2016).

Royal BAM Group nv shares

Stock exchange listing

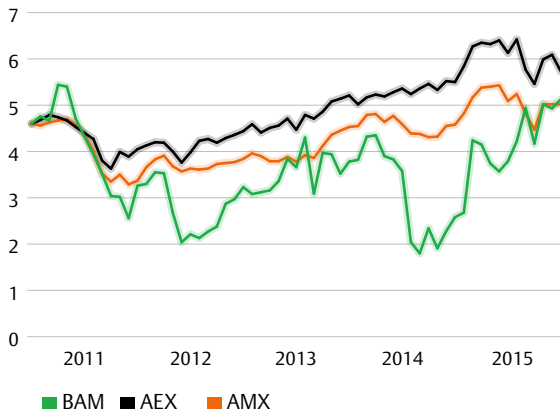
The shares of BAM have been listed on the Euronext Amsterdam stock exchange since 1959. BAM is listed on the AMX index (Midkap) as well as on the Euronext NEXT-150 Index. Royal BAM Group ordinary share options have been traded by Liffe, the Euronext derivatives exchange, since 2006.

The total stock exchange value (market capitalisation) of the Group was €1.4 billion at year-end 2015 (year-end 2014: almost €0.7 billion).

Share price

The 2015 closing price for the ordinary share was €5.13, which was 99 per cent higher compared to the closing price at year-end 2014 (€2.58). The share's performance was well above the AMX index (9.7 per cent increase). BAM's share price rose by about 12 per cent over the last five years. By way of comparison, the AEX and the AMX index rose by 25 per cent and 9 per cent in the same period.

> Graph 56 shows the history of the BAM ordinary share price over the past five years.



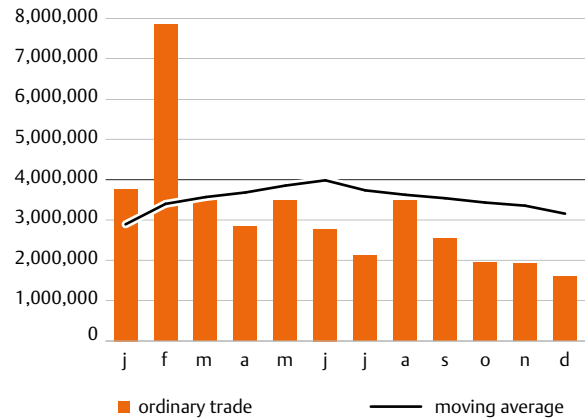
56 Ordinary share price movement
(in €)

Volume of trade on NYSE Euronext Amsterdam

The liquidity of the Royal BAM Group ordinary share increased in 2015. The number of ordinary shares traded increased by about 14 per cent to a total of 798 million in the financial year (2014: 699 million).

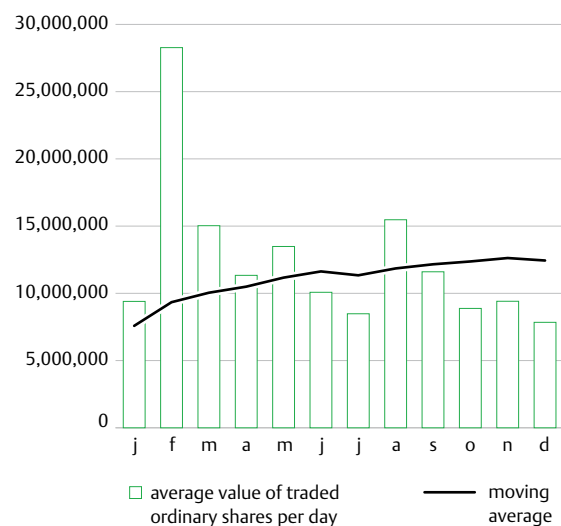
The average daily trade was 3,117,000 ordinary shares (2014: 2,742,000). The value of ordinary shares traded in 2015 rose by 68 per cent to €3,152 million (2014: €1,875 million). In 2015 the average daily trade in BAM shares was €12.3 million (2014: €7.3 million).

> Graph 57 shows the development of the average number of ordinary shares traded in 2015 on Euronext Amsterdam.



57 Number of traded ordinary shares in 2015
(average per day - Euronext 2015)

> Graph 58 shows the development of the average value of traded ordinary shares on Euronext Amsterdam in 2015.



58 Value of traded ordinary shares in 2015
(average per day - Euronext 2015)

If necessary, ING and Rabobank act as liquidity providers for the trade in ordinary shares.

59 — Number of ordinary shares in issue in 2015

	Ordinary	Total
Ordinary shares in issue as at 1 January 2015	270,998,957 100%	270,998,957 100%
Repurchase of ordinary shares for Performance Share Plan	(604,975)	(604,975)
Ordinary shares in issue as at 31 December 2015	270,393,982 99.8%	270,393,982 99.8%

60 — Numbers of ordinary shares

(in € per share, unless otherwise indicated)

	2015	2014	2013	2012 ¹	2011
Number of ordinary shares ranking for dividend as at year-end	270,393,982	270,998,957	269,424,089	241,524,914	232,937,569
Average number of ordinary shares	270,956,691	270,394,899	245,951,992	238,193,212	232,377,783
Net result	0.04	(0.40)	0.19	(0.77)	0.54
Net result from continued operations	0.04	(0.40)	0.15	(1.04)	0.49
Average number of ordinary shares ranking for dividend (<i>diluted</i>)	270,956,691	270,394,899	245,951,992	238,193,212	232,665,153
Net result (<i>diluted</i>)	0.04	(0.40)	0.19	(0.77)	0.54
Net result from continued operations (<i>diluted</i>)	0.04	(0.40)	0.15	(1.04)	0.49
Cash flow before dividend	0.44	0.33	0.67	1.26	1.00
Equity attributable to shareholders	3.34	3.05	3.45	3.82	4.99
Dividend	0.02	-	0.05	0.10	0.16
Payout (<i>in %</i>)	50	-	30	-	30
Dividend yield (<i>in %</i>) ²	0.4	-	1.4	3.1	4.9
Highest closing price	5.16	4.50	4.73	3.97	5.76
Lowest closing price	2.22	1.65	2.99	1.94	2.17
Price on 31 December	5.13	2.58	3.78	3.23	3.26
Average daily trade (<i>in number of shares</i>)	3,117,000	2,742,000	1,439,200	1,198,900	1,338,500
Market capitalisation at year-end (<i>x €1,000</i>) ³	1,387,121	698,093	1,019,321	779,401	759,376

¹ Comparative figures adjusted to IFRS 11 and IAS 19 (revised).

² Based on share price at year-end.

³ Based on total number of ordinary shares in issue.

Movements in the number of outstanding shares

In 2015, the number of outstanding ordinary shares decreased by 604,975 to 270,393,982, due to the repurchase of shares for the long term incentive plan. The movement in the number of outstanding shares in 2015 is shown in > Table 60. The average number of ordinary shares in 2015 was 270,956,691 (2014: 270,394,898).

According to the AFM register of substantial shareholdings, five institutional investors have real interests of 3 per cent or more.

Changes may have occurred, however, within the disclosure thresholds.

> Table 61 shows the interests of 3 per cent or more according to the AFM register of substantial shareholdings.

Dividend policy

Dividend policy and proposed dividend for 2015

BAM proposes a dividend of 2 eurocents per ordinary share, in line with its dividend policy to pay out 30 to 50 per cent of the net result for the year. This will be paid in cash, with a scrip alternative.

Investor relations

BAM attaches great importance to the provision of transparent and identical information to all investors. BAM's investor relations policy is geared to informing investors about the Group's strategy, objectives, performance and prospects in good time, fully and in clear and unambiguous terms. Business results will not be adequately reflected in the value of the shares unless there is high-quality communication with investors.

The explanatory comments organised by BAM upon the publication of the results (annual figures, half-yearly figures and interim statements) are accessible to anyone online (webcast).

The press meetings for the annual and half-yearly figures are held in Dutch. The analysts meetings will be held in English. More information on this subject can be found on the company's website.

The company organises road shows and participates at investor conferences during the year to meet investors. All data and venues are published on the website.

For questions or more information concerning BAM, please visit the company's website at www.bam.eu. Shareholders (or potential shareholders) and financial analysts can address any questions to the Investor Relations Manager of Royal BAM Group, Mr Joost van Galen, e-mail ir@bam.nl, telephone +31 (0)30 659 87 07.

61 — Interests of 3 per cent or more according to the register of substantial shareholdings kept by the Netherlands Authority for the Financial Markets (AFM)

	Interest in per cent issued share capital	Date of last notification	Interest above 3 per cent since *
A. van Herk	9.5	20 August 2015	October 2005
NN Group N.V.	5.5	26 May 2015	February 1992
I.M. Fares	5.0	24 October 2014	July 2013

* According to the AFM Register of Substantial Holdings and Gross Short Positions.

Key financial dates

20 April 2016	Annual General Meeting of Shareholders
12 May 2016	Interim management statement under Article 5:25e of the Dutch Financial Supervision Act
18 August 2016	Publication of half-year results 2016
3 November 2016	Interim management statement under Article 5:25e of the Dutch Financial Supervision Act
21 February 2017	Publication of annual results 2016
19 April 2017	Annual General Meeting of Shareholders
11 May 2017	Interim management statement under Article 5:25e of the Dutch Financial Supervision Act
24 August 2017	Publication of half-year results 2017
9 November 2017	Interim management statement under Article 5:25e of the Dutch Financial Supervision Act

Colofon

Layout:

Boulogne Jonkers Vormgeving, Zoetermeer, the Netherlands.

Printing:

GrafiServices, Utrecht, the Netherlands.

Illustrations:

Bart van Hoek Architectuurfotografie, De Beeldredactie, Jean-Luc Deru, Filip Dujardin, Quintin Lake, Rob Melchior, Walter Saenen, Studio Csany, Henk Tammens

Printed on FSC®-certified paper, Tom&Otto Silk from Antalis.

18.02.2016/2



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ISO 26000



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