Royal BAM Group nv

Integrated Report 2017

Colophon

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Contents

BAM is subject to the structure regime as intented in Part 4, Book 2 of the Dutch Civil Code.
The Executive Board Report as intended in Part 9 of Book 2 of the Dutch Civil Code consists of chapters 1 - 4, with the exception of paragraphs 4.2 and 4.3,

Key figures

(x € million, unless otherwise stated)

	2017	2016
Profit		
Continuing operations		
Revenue	**6,604**	6,976
Adjusted result before tax	**63.3**	102.7
Result before tax	**58.3**	60.1
Net result attributable to the shareholders of the company	**12.5**	46.8
Earnings per share *(in €1)*	**0.05**	0.17
Dividends per ordinary share *(in €1)*	**0.10**	0.09
Dividend payout *(in %)* [1]	**50**	50
Number of shares as at 31 December *(x 1,000)*	**273,213**	270,622
Share closing price as at 31 December *(in €1)*	**3.83**	4.39
Equity attributable to the shareholders of the Company	**852.2**	834.3
Capital base	**967.2**	946.7
Total assets	**4,571.2**	4,812.1
Order book	**11,609**	10,193
Net investment in property, plant and equipment	**70.7**	45.1
Depreciation charges	**55.0**	60.3
Amortisation charges	**4.5**	4.1
Impairment charges	**4.8**	50.7
Cash flow before dividend	**76.8**	161.9
Ratios		
Adjusted result before tax as % of revenue	**1.0**	1.5
Net result attributable to the shareholders of the Company as % of revenue	**0.2**	0.7
Net result attributable to the shareholders of the Company as % of average equity	**1.5**	5.4
Solvency ratios		
ROCE *(in %)*	**2.8**	2.8
Equity attributable to the shareholders of the Company as % of total assets	**18.6**	17.3
Capital base as % of total assets	**21.2**	19.7

[1] The dividend pay out has been adjusted for a one-off non-operational and non-cash impairment of deferred tax assets.

Order book
(x € million)
11,609
2016
10,193

Revenue
(x € million)
6,604
2016
6,976

Adjusted result before tax
(x € million)
63.3
2016
102.7

Net result
attributable to the shareholders of the Company *(x € million)*
12.5
2016
46.8

For an explanation of the terms, see the glossary on page 256.

'It's important to share our knowledge'

Patrick Scheibinger, Wayss & Freytag Ingenieurbau

Patrick Scheibinger, Construction Manager at Wayss & Freytag Ingenieurbau: 'It's important to share our knowledge, so we all can learn from each other. How? For example by our weekly meetings on the building site to speak about and work on planned processes.'

Shares

	Earnings per share	Dividends per ordinary share
	0.05	0.10
2016	0.17	0.09

Trade Working capital

(in % of revenue)

	-10.4
2016	-10.0

Ratio's

	Adjusted result before tax as % of revenue *(x € million)*	Net result attributable to the shareholders of the Company as % of revenue	ROCE *(in %)*	Capital ratio as % of total assets
	1.0	0.2	2.8	21.2
2016	1.5	0.7	2.8	19.7

Key figures

(x € million, unless otherwise stated)

	2017	2016
People		
Human resource		
Average number of employees *(in FTE)*	**19,720**	20,370
Number of employees as at 31 December *(in FTE)*	**19,837**	19,486
Training costs per employee *(in €1)*	**614**	667
Female/male employees *(in %)*	**16/84**	15/85
Safety		
Incident frequency *(IF BAM)*	**4.6**	4.8
Planet		
Climate positive		
CO_2 emissions *(in kilotonnes)*	**186**	203
CO_2 emissions intensity *(in tonnes per € million revenue)*	**28.1**	29.1
Energy *(in terra joules)*	**2,644**	3,000
Resource positive		
Construction and office waste intensity *(in tonnes per € million revenue)*	**20.3**	21.3
Construction and office waste *(in kilotonnes)*	**134**	148
Construction waste separation *(in %)*	**23**	25
Total waste *(in million tonnes)*	**1.9**	2.8
Sustainable certified timber *(in %)*	**97**	98

BAM's operating companies:

Construction and Property
Civil engineering
Public Private Partnerships

Safety

Incident frequency (IF BAM)

4.6

2015	2016	2017
4.4	4.8	4.6

Safety behaviour audit

(in %)

72%

2016	2017
70%	72%

Number of employees

(at 31 December, in FTE)

19,837

2015	2016	2017
21,248	19,486	19,837

Training costs per employee

(in €1)

614

2015	2016	2017
509	667	614

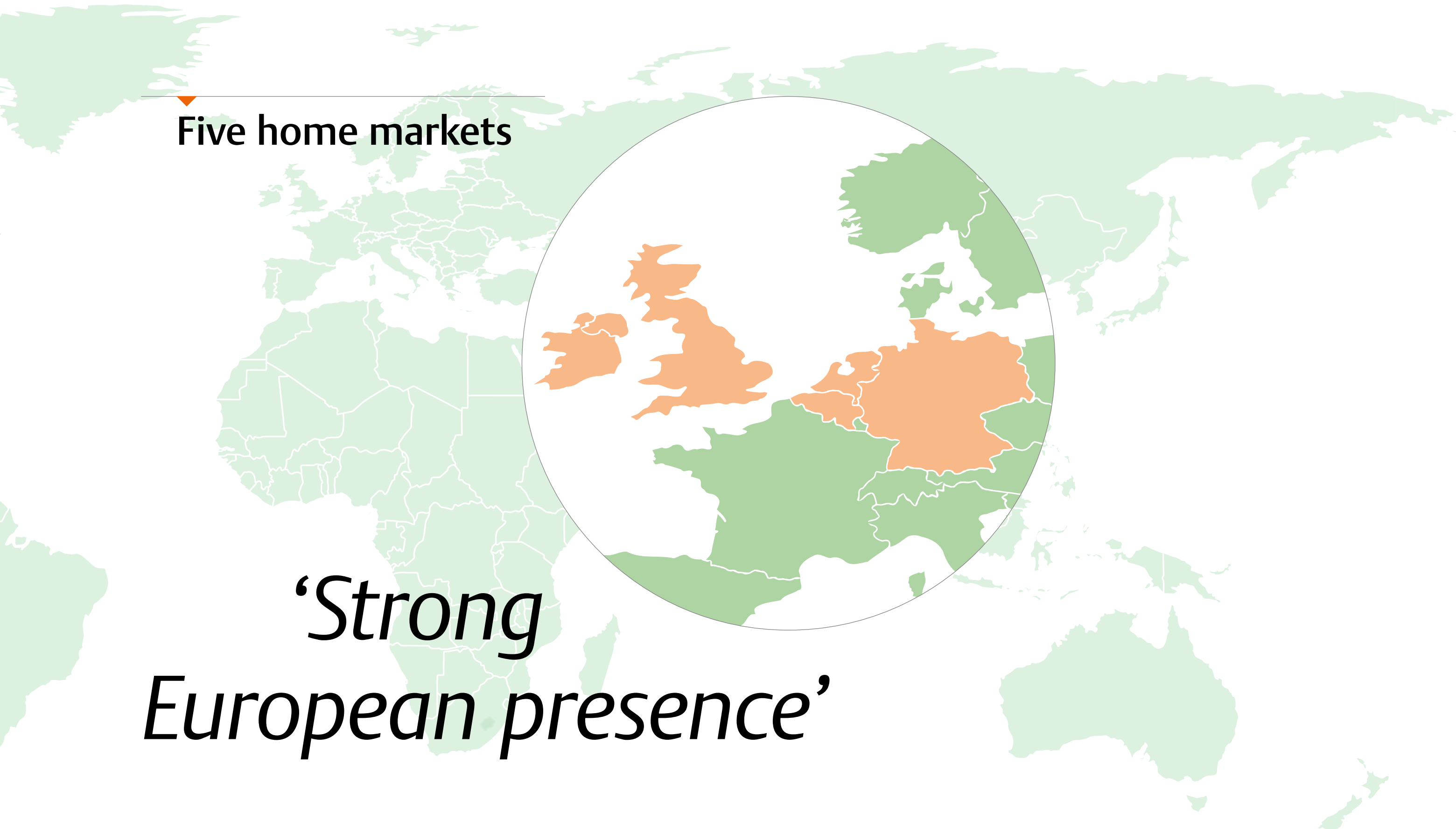
Diversity

Female/male employees (in %)

16/84

2015	2016	2017
14/86	15/85	16/84

Five home markets



'Strong European presence'

Resource positive

Construction and office waste *(in kilotonnes)*

134

2015	2016	2017
161	148	134

Construction and office waste intensity *(in tonnes per € million revenue)*

20.3

2015	2016	2017
21.6	21.3	20.3

Construction waste separation *(in %)*

23

2015	2016	2017
29	25	23

Sustainable certified timber (FSC and PEFC) in the Netherlands* *(in %)*

97%

2015	2016	2017
98%	98%	97%

Climate positive

CO_2 emissions intensity *(in tonnes per € million revenue)*

28.1

2015	2016	2017
30.9	29.1	28.1

CO_2 emissions *(in kilotonnes)*

186

2015	2016	2017
230	203	186

Energy consumption *(in terra joule)*

2,644

2015	2016	2017
3,356	3,000	2,644

1. Message from the CEO

BAM Construct UK has completed the exterior of the striking museum V&A Dundee in Scotland. Work continues on the interior. The museum will open in 2018.

'Working together to better serve our clients, improving our financial performance, and acting as preferred employer and partner, creating a better, more sustainable future. We made further progress delivering on our strategy Building the present, creating the future.

'Making it happen together'

The majority of our activities performed in line with our expectations in 2017. We had another year of positive business cash flow and our overall financial position remains strong. However, we are disappointed that the project loss at sea lock IJmuiden setback our 2017 result by €68 million and damaged our margin by 1 per cent-point.

BAM's total revenue of €6,604 million was €372 million (5 per cent) below the level of 2016, of which €142 million was attributable to the weaker pound sterling. We have consistently maintained our tender discipline throughout BAM and our order book improved to €11,600 million (31 December 2016: €10,200 million).

Looking ahead we will accelerate our strategy execution to capitalise on our potential, and of course implement the key learnings from sea lock IJmuiden. Key priorities for 2018 are further IT standardisation, enhancing business control, digitalisation and improving pre-construction management.

Ensuring a safe working environment remains a top priority for BAM. Our safety and sustainability performance further improved. We are proud that BAM has won the 2017 Crystal Prize, the award for the most transparent 2016 integrated report in the Netherlands. The jury appreciated BAM's efforts to firmly keep social issues on the agenda, and to include them in its integrated report. It specifically welcomed the way in which BAM invites its stakeholders to participate in discussions on the long-term vision and the 2020 strategic objectives.

Values

Our strategic agenda for 2020 is aimed at achieving a double-digit return on capital employed in that year, by improving the performance of our current project and business portfolio, and positioning us well for future opportunities. A more disciplined focus on market segments and projects where we can use either scale or expertise as critical success factors ('doing things better'), will contribute to improving our profitability and capital efficiency.

Secondly, we are shaping our business portfolio towards 'doing better things' by rationalising our propositions and developing new solutions for customers. Thirdly, we keep investing in digitalisation to be an industry leader in how we build and what we build – 'doing new things'.

Our distinctive capabilities are enhanced by our One BAM culture through learning and collaboration and employee engagement. Four values – predictable performance, scalable learning, proactive ownership and open collaboration – underpin the successful further development of our Group. We work together to better serve our clients, improve our financial performance, and be a preferred employer and partner to create a better, more sustainable future.

Outlook

Most of BAM's markets are developing in a positive direction which is reflected in our order book. At the same time, we are feeling rising pressure on cost and availability in some parts of our supply chain. For the full year 2018 we expect an adjusted result before tax margin of around 2 per cent.

Also on behalf of Thessa Menssen and Erik Bax, I would like to thank all our stakeholders for their confidence in BAM and especially our employees for their hard work and commitment throughout the year. I am confident we will be able to accelerate on strategy delivery in 2018. With our combined capabilities and dedication we will reach our goals.'

Bunnik, the Netherlands, 20 February 2018

Rob van Wingerden,
CEO,
Royal BAM Group nv

2. Value creation

BAM Infra Speciale Technieken has set up its tallest piling rigs to drive 173 screwed piles into the sandy soil just opposite The Hague's central station. The piles, thirty metres in length and ninety centimetres in diameter, will support two residential towers and an underground bicycle park.

2.1 Business model

Business lines

BAM's operating companies are active in the business lines Construction and Property and Civil engineering, as well as through Public Private Partnerships.

BAM's European home markets are the Netherlands, Belgium, the United Kingdom, Ireland and Germany. In addition the Group delivers projects in Denmark, Luxembourg and Switzerland. BAM International is providing services to clients outside Europe: Africa, the Americas, Asia Pacific, Australia, the Middle East and Antarctica.

Construction and Property
BAM operates non-residential construction activities in all its home markets, as well as in Switzerland and Denmark. In addition, BAM delivers residential construction projects, primarily in the Netherlands and Belgium.

BAM's non-residential property development activities are carried out in the Netherlands, the United Kingdom, Ireland and Belgium. Family homes are developed and built mainly in the Netherlands. Development and construction of these projects are provided in fully integrated solutions.

The business line Construction and Property employs approximately 9,000 professionals.

Civil engineering
The civil engineering activities cover all BAM's home markets, as well as Denmark and Luxembourg. BAM International carries out civil engineering works in niche markets around the world.

The business line Civil engineering employs approximately 10,000 professionals.

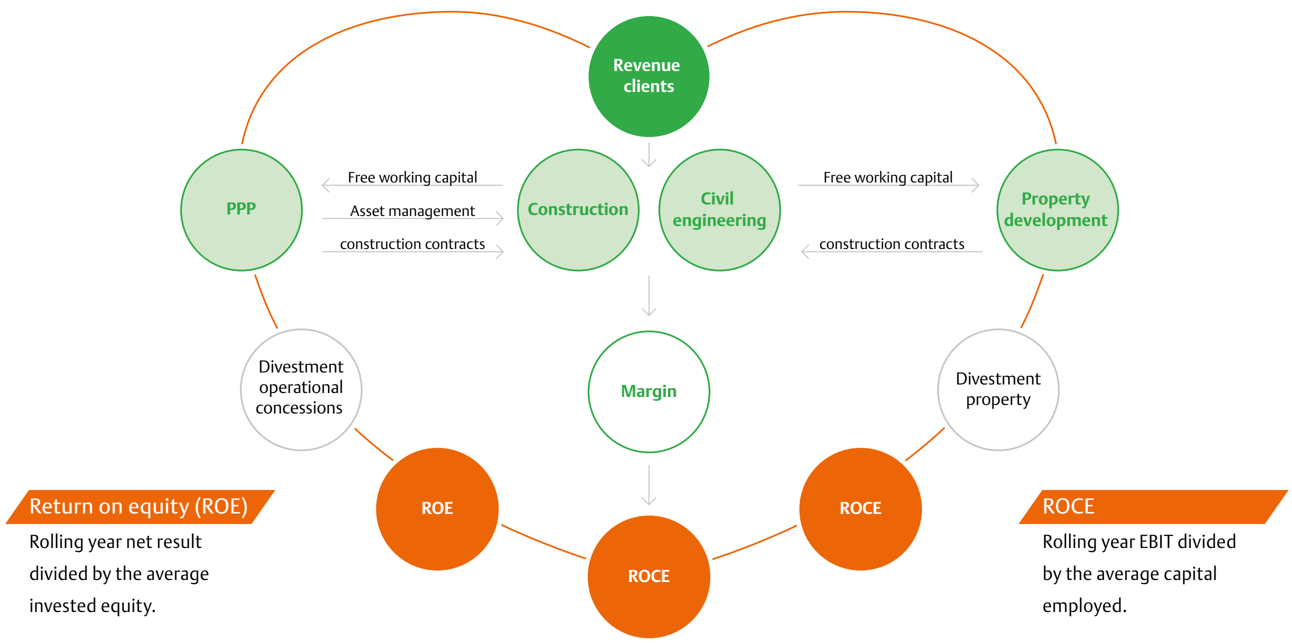
Public Private Partnerships
In addition BAM is a well respected player in the European market for Public Private Partnership projects. These projects deliver construction and recurring maintenance revenue for BAM's business lines, and operates concessions for roads, rail, education, health care and government buildings.

BAM PPP employs approximately 100 professionals.

For the financial, social and environmental performance of BAM's business lines see chapter 3.

1 - Organisational structure

2 - Creating financial value



New business models

BAM's unique product market combination and broad geographical presence, as well as its relationship with clients and the supply chain and stakeholders, enable BAM to continuously expand and improve its potential. BAM's strategic agenda 'Building the present, creating the future' – focus project portfolio, shape business portfolio, create future portfolio – is reflected in BAM's business model.

In line with BAM's strategic objective to create a future portfolio, a startup programme was designed and implemented in 2016. This programme focuses on developing new business models at the edge of BAM's existing organisation. Guided by the Lean Startup Methodology, new business models based on digital opportunities are being explored.

Creating financial value

Shareholders and financial institutions provide funds that BAM invests in its business lines Construction and Property and Civil engineering, as well as in Public Private Partnerships.

BAM's strategic target for 2020 is an ROCE of over 10 per cent. BAM uses free working capital from the (non-)residential construction and civil engineering activities in selected property and PPP projects. These projects generate a return on investment and provide construction and recurring maintenance revenue for the business lines.

BAM uses capital from within its businesses for the continuation of an extensive range of products and services in its construction and property, civil engineering and Public Private Partnership business lines. With the current product portfolio and expertise, and through the collaboration between these business lines in the five home markets, BAM can utilise free working capital from its activities for the investment in selected real estate and PPP projects, which again lead to new construction contracts.

For BAM's performance, see chapter 3.1.

Creating environmental value

Sustainability is used as an umbrella term for the broader focus on sustainable innovation, a solution-oriented approach (exceeding customer expectations) and for benefits arising from the use of digital construction. BAM aims to have a net positive impact on climate change, material resources and people by 2050. This is to be achieved in close conjunction with our supply chain, through a digital and innovative rational in our projects and realising social, economic and environmental benefits. BAM is able to offer lifecycle solutions that use less energy and are more efficient to manage and operate. The company uses as much materials that can be reused at the end of their current life and therefore maintain higher residual values for key assets in the built environment. In BAM's strategy these two strands are called 'climate positive' and 'resource positive'.

3 - BAM's vision on sustainable value creation

People

BAM's approach to sustainability delivers benefits to clients and the communities in which it works. As well as creating a more sustainable built environment, BAM aims to positively enhance the lives of more than 1 million people by 2020 by creating skills and learning opportunities and through its voluntary and charitable work.

Apprentices took part in an 'Enhancing Lives Challenge' in UK

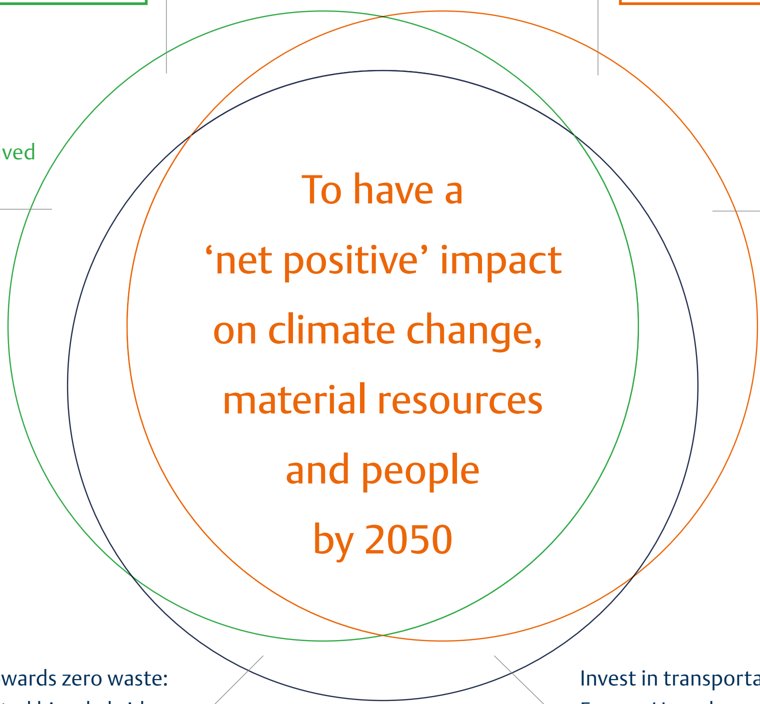
Profit

BAM's approach to sustainability creates financial value for its clients, by delivering facilities and buildings that have a longer life, are more efficient to manage and operate, and with materials that can be reused at the end of their current life.

Completion of two circular economy projects

Asylum status holders involved in training on BAM projects

Enhance digital processes for flawless execution



Moving towards zero waste: 3D printed bicycle bridge

Invest in transportation of the future: Europe Hyperloop

Planet

BAM wants to mitigate the impacts of the built environment on climate change. That is why BAM has launched its Net Positive Strategy. The company will work towards having a net positive impact, by reducing carbon emissions, reducing waste, adopting circular principles and innovating to create new methods and products that are climate positive.

The project AXA 2017 included the renovation three AXA offices at Troon Place in the centre of Brussels. The middle building was completely demolished and rebuilt. The different levels between the two flanking buildings were resolved with integrated ramps, stairwells and elevators. Architects: A2RC. Interbuild (in joint venture).

Climate positive
BAM delivers products to the market and/or services to its clients that lead to a greater reduction of emissions. This includes the development of new assets that have a low or zero carbon footprint, or improves the existing; the deployment of renewable energy systems or energy reduction measures for clients or communities, as part of an ESCO (Energy Service Company) offering. Additionally BAM offers the delivery of reductions in lifecycle carbon impact of buildings and infrastructure through material selection, design or asset management. This way, BAM strives to reduce its own impact on natural capital as well as the impact in the supply chain, both up- and downstream.

Resource positive
Consumption of raw materials, land use and producing waste during the building process have a negative impact on natural capital. The Group has made great progress in reducing construction waste by increasing efficiency, using off-site production and by eliminating waste from the supply chain during the lifecycle of its developments. The ultimate goal is to design out waste and avoid the creation of waste. The ability of BAM to achieve this depends in part on matters over which the company has limited direct influence, such as national and European waste legislation. However, acknowledging that the creation of waste costs money – in wasted materials and in processing, disposing of and dealing with waste – and therefore by aiming to reduce BAM's waste 'budget' to zero, will lead to benefits across the value chain as well.

BAM creates value by having the lowest possible negative impact on natural capital and, ideally, contributing to the restoration of natural resources. By embracing the principles of the circular economy, products and services are (re)designed to ensure that materials for constructing buildings and infrastructure are natural and renewable or can be recovered at a high quality. This may include working together with suppliers in developing 'circular' materials and building elements, new business models, as well as designs that allow assets to be used in different ways and therefore retain their value over a longer period of time. Circular economic value propositions provide new opportunities to deploy new business models.

For BAM's environmental performance see chapter 3.3.

Liesbeth Lebbink

Before the renovation of her apartment, Liesbeth Lebbink got her hot water from a gas-fired kitchen boiler and did not have central heating. 'It could often be very cold.' Now her social housing apartment, built in 1954, has been fully modernised by BAM Wonen in a three-month project. 'I didn't move out but stayed here, along with my dog and cat. The dust and sand were everywhere, even in the bedding! When the builders left, it was a relief to finally enjoy a clean and comfortable home. But it was also a little sad to see those 'BAM people' go. They have been so helpful throughout! In return I have often cooked meals for them, like soup or pastas. We had a lot of fun together.'

Creating social value

Enhancing lives
BAM aims to make a real and positive difference in the lives of people with whom colleagues come into contact with through its activities. This is about adding real value through activities that would not occur without BAM's support/intervention, and also about supporting people through grassroots movements as well as those with a wide reach. BAM's activities for 'enhancing lives' are largely focused on employment, training, education, community involvement and charity. Outcomes support one or more of social, economic and environmental sustainability leading to a positive impact on social and human capital. This will involve direct support from BAM, but also through partnerships with its supply chain.

For BAM's social performance see chapter 3.2.

Value chain

The Group's value chain management and subcontractor engagement provide the opportunity to bring value to BAM's clients from innovations and cross-fertilisation from the value chain. With lean planning techniques, BAM incorporates 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 sustainability, including its targets, and BAM requires its major value chain partners to share information on their CO_2 emissions and circular developments.

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, 97 per cent of BAM's purchases were locally sourced in 2017. BAM expects comparable percentages in its other home countries. 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 as well as property investment and development companies. An example of typical supply chain partners are mechanical and electrical suppliers, often in conjunction with local labour suppliers as well as local small and medium enterprises.

The construction sector provides services on project basis. An increasing part of the design and engineering takes place digitally according to the concept 'make it before you make it'. A project is virtually built using simulation techniques, which among other things leads to a reduction in failure costs and a more efficient construction process.

The sooner BAM becomes involved in the development, the greater the ability to realise sustainable development at lower costs. As soon as BAM is the project developer or BAM is part of a Public Private Partnership, BAM is in the best possible position to maximise the sustainability results, because the company can then already set sustainability ambitions in the early stages of its development. This makes it possible to consider lifecycle thinking already in the early design stages, allowing better utilisation of the invested capital against lower maintenance and operational costs.

Innovative solutions and intellectual capital are developed by BAM's operating companies during the advancement of sustainable solutions to meet the needs of its customers. BAM also supports a number of organisations in the research of specific technology and process innovations. Moreover BAM is a member of a number of international and leading forums that share best practices on sustainability (see chapter 3.2 Stakeholder engagement and material themes).

Ralf Märtens, Wayss & Freytag Ingenieurbau

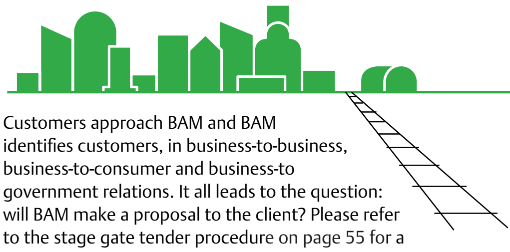
Ralf Märtens, Senior Quality Control Manager at Wayss & Freytag Ingenieurbau (on the right): 'We have used the new possibilities of digitalisation in open collaboration with our subcontractors. The digital construction management tool BIM 360 Field was tested on site for the reconstruction project Medical Logistical Center in Kaiserslautern. A team of ten project engineers inserted 2,200 documents as well as 5,000 photos. Almost 50 subcontractors with 250 employees were able to make comments and have handled the open issues within seven months with a success rate of 98,7 per cent. The large construction team in Kaiserslautern worked cooperatively and realised production dynamics as well as quality.'

'We have used new possibilities of digitalisation in open collaboration with our subcontractors'

Tamesis One, offering 11,600 m² of office space over five storeys as well as a 300-space carpark and landscaping alongside the River Thames in Egham, Surrey. BAM Construct UK.

Designed by Eric Parry Architects, 4 Pancras Square is a Grade A office building located at King's Cross. BAM Construct UK.

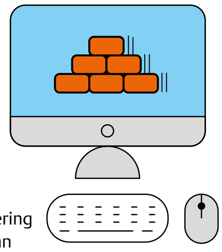
4 - How BAM creates value



See an opportunity

Customers 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 the stage gate tender procedure on page 55 for a detailed description of the supporting decision making process.

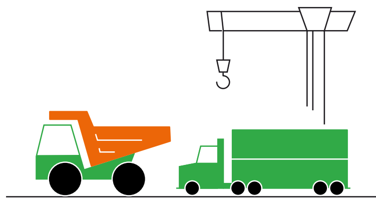
Digital design, simulate



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. Financial, human and intellectual capital are used to make the project design. An increasing part of design is done digitally.

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.

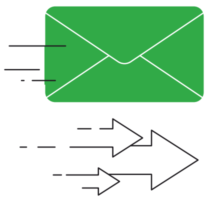


Engage with suppliers

Suppliers are a special stakeholder category. Their knowledge, people and other resources provide 76 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 and to deliver net positive solutions whilst considering its impact on 'people' and 'planet'.

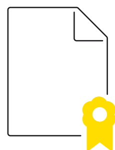
Propose to the client

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 the impacts on natural and social capital.



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.

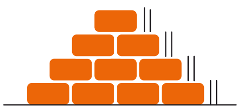


Order materials

BAM's suppliers provide the materials that BAM orders, which creates jobs and stimulates supply chain innovations. Financial capital is used to finance materials and services before the project is finished. An increasing amount of materials is recycled yet the majority of material is extracted from its source.

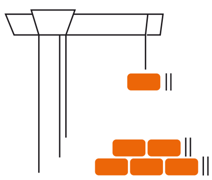
Prepare the site

Society and local communities are impacted at the site that BAM prepares before building starts: excavations and landscaping can have a negative impact on society (noize, dust).

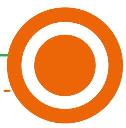


Assembly on site

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. Hindrance during construction hours can have a temporary negative impact on local society.



Deliver value



- Functionality to the client
- Turnover to the suppliers
- Knowledge to the employees
- Shareholder value to the shareholders
- A better world to society
- Financial capital is net positive

Maintain asset value

In order to deliver maximum value to clients, BAM offers flexibility, adaptability, and expertise, considering value retention, not just for the first life, but with subsequent uses in mind. Learn from buildings and improve designs for future projects.

End of life — Re-use

End of life is generally the starting point of a new development. Construction elements and materials are assessed for re-entering the value chain.

‘Digitalisation contributes to a culture of transparency, honesty and accuracy’

James Pellatt, Great Portland Estates

30 Broadwick Street, a 92,300-square-foot office and retail development situated in the heart of Soho in London. BAM Construct UK.

What is the added value of open collaboration in the construction industry?

‘To me the biggest barrier to innovation, productivity and collaboration in the construction industry is the dominance of blame culture. Too many clients create a culture of fear that trickles down to the main contractor and supply chain, leading to poorer outcomes all round. The added value of open collaboration is simply that creating an environment in which people are willing to come forward with good ideas allows all parties to improve their respective outcomes.’

Can you give an example?

‘The way in which we have enhanced the digitalisation of the supply chain through the use of BIM has always been non-contractual. As a result we have been able to provide co-ordinated drawings in 2D without recourse to having to rely on the 3D model in contract. In turn this allowed BAM the freedom to develop the digital co-ordination in terms of delivery but also now in terms of 6D operation in the facilities management of 30 Broadwick Street. I doubt that this would have happened if we wanted contractual outcomes from the outset. We have a key set of performance criteria in place now, but only after we worked out how to deliver it in the first place.’

How can we learn from each other?

‘By learning to listen, and I mean genuinely listen. Be brave enough to say ‘I’m sorry but I don’t understand what it is you are asking of me.

James Pellatt is Head of Projects at Great Portland Estates. BAM was appointed to deliver 30 Broadwick Street, a 92,300-square-foot office and retail development situated in the heart of Soho in London, surrounded by thriving restaurants and bars.

We as clients can often assume that people know what we want them to do. I don't believe that to be the case and the more time we take to explain the economic drivers then the more value you can add as a contractor. For example, a greater floor-to-ceiling height is often more important to the end value of a building for a client than the cost of steel. How many times do clients hear from contractors though that 'the building weighs too much – cut out the tonnage'? But if they understood our value drivers better they could come up with better options for increasing the floor to ceiling height even if it meant us spending a bit more on steel.'

What are the benefits of digitalisation for the construction industry?

'It creates transparency and reduces tension. Too often in projects where we are not working in a digital environment, the design is not co-ordinated. This doesn't happen in a digital environment, as people are more likely to solve problems when presented with them visually. Also design teams are no longer capable of fully designing a building. A digitised model that builds accuracy over time from many different people, architect, engineer, main contractor and trade contractor has more and more benefit.'

What is the benefit of digitalisation for your organisation?

'For every £1 we have invested in designing the model, we have earned at least £3 back. The economics make sense. But, for me, it is also as much to do with culture of transparency, honesty and accuracy. The investment we made at 30 Broadwick Street has led to a first-class award-winning building, one in which teamwork was a genuinely important part of delivery.'

How does your organisation contribute to a sustainable future?

'We take sustainability very seriously. Responsible business has sustainability at its core. Managing and balancing the needs of our occupiers, investors and the communities in which we work is key to maintaining the long-term value of the business. Sustainable buildings are more attractive to occupiers, cost less to run and are less likely to become obsolete, enhancing the long term value of our property portfolio. Our Sustainable Development Brief sets out our aspirations for each step of the design process in respect of energy, water, waste, materials sourcing, transport, ecology, occupiers, community, emissions, wellbeing and supply chain. Our Sustainability Tracker helps us monitor progress against the brief throughout the development.'

How can BAM assist you?

'BAM already has! At 30 Broadwick Street BAM has helped us to create our most sustainable development to date, an EPC rating of A which is BREEAM excellent and fully FSC accredited.'

2.2 Strategy

Building the present, creating the future

It is BAM's mission to create sustainable environments that enhance people's lives by enabling the right people to capitalise on state-of-the-art knowledge, resources and digital technologies, providing solutions across the total construction lifecycle for the Group's clients and generating maximum value for its stakeholders.

It's BAM's vision that by 2020 the Group will be recognised as one of Europe's leading sustainable and innovative construction businesses, with healthy profits and a strong balance sheet, active across the total construction lifecycle in its European home markets and in selected growing economies around the world.

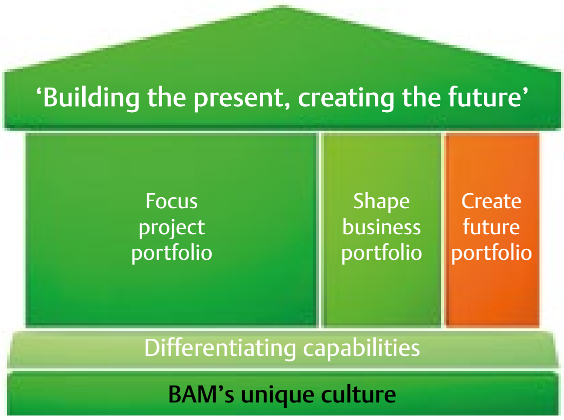
BAM's vision and unique culture are underpinned by four values that guide the people of BAM: predictable performance, scalable learning, proactive ownership and open collaboration.

To realise the strategy Building the present, creating the future, BAM will position itself as leader in the digitalisation of the industry.

The construction industry has shown a limited increase in productivity over the last decades [1]. Furthermore, several external influences impact the construction industry. Firstly, economies across our home markets are growing but are still vulnerable with global geopolitical uncertainties and unclarity about the outcome of the Brexit process. Secondly, sustainability and mega trends such as urbanisation and energy efficiency are creating new areas for increased growth.

Thirdly, digitalisation is increasingly transforming the construction industry and the built environment. Against this background, the main focus of BAM's strategy for 2016-2020 is to continue to improve profitability and capital efficiency. The strategy is based on three pillars: focusing the project portfolio, shaping the business portfolio and creating the future portfolio. These are supported by a strong foundation consisting of two layers: culture and capabilities.

6 - Strategy 2016-2020



[1] Mc Kinsey Global Institute, Reinventing Construction: a route to higher productivity, February 2017

5 - Values

Strategic targets

BAM's vision is translated in specific goals for profit, planet and people. The objectives of BAM for 2020 are: a return on capital employed (ROCE) of more than 10 per cent, an increase of the adjusted margin before taxes to between 2 and 4 per cent, reduction of the real estate portfolio to less than €500 million and a reduction of working capital to less than -10 per cent, in order to have a net positive impact on the planet and reach an incident frequency of less than 3.5.

'It all comes down to trust'

Roger Mol, Central Government Real Estate Agency (Rijksvastgoedbedrijf)

What is the added value of open collaboration in the construction industry?

'True collaboration between client and contractor breeds understanding, and thus efficiency in terms of planning and cost management', says Roger Mol, Director of Transactions and Projects at Central Government Real Estate Agency (Rijksvastgoedbedrijf). 'When parties work well together – including co-creators – this benefits the construction process in general and may be conducive to the development of innovative and sustainable solutions. When collaboration is less than optimal, it may lead to situations in which contracts are followed to the letter and there is a lack of openness, flexibility and willingness to adapt.

It all comes down to trust. Trust between co-creators and trust between clients and contractors. We should be able to trust that everyone wants the best for each other and for the project. In short: we should be able to count on each other.'

Can you give an example?

'One type of project that shows the value of collaboration as a key factor are Public Private Partnerships, also known as DBFMO contracts. These include the management of maintenance and operations of a building for a set time, meaning that we choose to commit to long-term collaboration with a contractor – up to 25 or 30 years. To name two examples: the Nationaal Militair Museum in Soesterberg and the Hoge Raad building in The Hague, the seat of the Dutch Supreme Council. Both buildings are now operational, and both projects have seen a strong focus on collaboration from the early beginning.

In the case of Hoge Raad, our style of conflict management is to provide maximum mutual transparency regarding our interests. Rather than risking miscommunication in an e-mail exchange, we sit down together first for a face-to-face discussion. Another example: before we finalise letters we give the consortium an opportunity to respond to a draft version. This way we can prevent misunderstandings and make life easier for both parties.
Our DBFMO contracts further state that the contractor is required to develop a monitoring plan. Rather than unilaterally drawing their own plan, a contractor can consult with us to share their vision and allow us to add our interests and concerns. As a result, they are able to write a plan that is surprise-free and immediately acceptable. This process greatly benefits mutual trust and saves plenty of time and money. So why do it any differently?'

How can we learn from each other?

'One way to gain an understanding of a partner's way of thinking is by spending a few days inside their organisation. It can be major boost to collaboration when you know what influences their choices and how decisions are made. Something I realised during such a working visit was how as a government agency we have such a strong awareness of our public responsibility. At the same time Ilearned that on many issues, such as HR or the organisational impact of mergers, our private partners face very much the same challenges.

Another important learning opportunity is provided by project evaluations. In the Netherlands, we have introduced Marktvisie, a programme that aims to support a vital and sustainable construction sector. Our contract managers and those of many possible private partners use the principles of this programme to evaluate their behaviour within their projects and benefit from the lessons learned.'

How can we – all parties together – live up to 'best for project'?

'It all begins with recognising that the interests of the project are the interests of all involved. Next, maximum transparency is a must. In my view, collaboration will only work if partners are able to have open communication, mutual trust and common goals.

Looking back at some of our own projects, I'd say that an important factor in their success has been careful selection of our partners at the start of a project, plus thorough investment into the relationship once a choice has been made – aligning our vision of the project and what will be a successful approach.

Bottom line, the decisive factor is people: it's they who bring their skills and enthusiasm to make the project work. So, as a recipe for smooth partnerships I'd suggest our main investment should be in being able to put the right people in the right place.'

With a capacity of 2,656, MCC's new Warner Stand at Lord's was designed by Populous, engineered by Arup, supervised by Gardiner + Theobold and built by BAM Construct UK.

Focusing project portfolio – Doing Things Better

Project portfolio

BAM is focusing the project portfolio ('Doing Things Better'). Using either scale or differentiation to win projects will be the main driver of performance improvement at the operating companies.

In an environment that showed little productivity improvements historically, BAM is focusing its project portfolio ('Doing Things Better') and continuously analyses its existing project portfolio thoroughly. For winning projects the main drivers for performance improvement are either scale ('cost leadership') or differentiation through specialisation ('knowledge partnership'). In market segments characterised by price-led competition, BAM can achieve cost leadership through project bundling, industrialisation and/or digitalisation. For complex projects, BAM will use its knowhow, digital leadership, innovative drive and quality assurance as key differentiating factors. This focus leads to continuous scalable learning in relevant market segments with better propositions for our clients.

Examples of project focus areas include sustainable products like circular buildings and gravity-based foundations for offshore windfarms, hospitals, smart infrastructure and buildings and tunnel-based infrastructure. In its Property sector, BAM focuses on customer-oriented equity-light developments in main urban areas and further integration of activities with construction to unlock synergies. PPP will continue to target DBFMO (design, build, finance, maintain, operate) contracts in home markets where payments are based on availability of the asset, excluding volume-related risks.

Performance
In 2017, BAM acquired new projects mainly in market segments where it is distinguished on the basis of scale or knowledge. As a result, the quality of BAM's order book improved further, reflecting the choices for the market segments where the company could best be active. Some good examples of project awards during 2017 reflecting these choices are The Children's Hospital (Dublin), Museum of the Future (Dubai), the redevelopment of the former Bijlmer prison facility (Amsterdam) and the modernisation of UK research facilities in the Antarctic. Challenges occurring in the 4th quarter on the IJmuiden Sea Lock project stress the need to continuously improve our processes.

BAM's good progress in focusing and de-risking its projects portfolio in 2017 is built on a rigorous data-driven decision process. During 2017 progression was made with further tightening of its tendering stage gate process and conducting more peer reviews and operational audits. Peer reviews conducted by experienced colleagues ensure that BAM's global knowledge is made available to generate the best propositions for our customers.

In 2017 BAM also completed its Project Management Information tool that brings all financial data on projects together and helps colleagues around the globe making the best decisions. The information from this tool will continue to be combined with other data to further improve data based decision making, thus improving our projects portfolio. These tools along with specific key performance indicators support BAM in delivering predictable performance to all of its stakeholders.

Shaping business portfolio – Doing Better Things

Business portfolio

BAM is shaping the business portfolio ('Doing Better Things') by rationalising its propositions in selected market segments and developing new solutions for clients.

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 exit from operational activities not offering sufficient opportunities to use scale or distinctiveness as critical success factors. BAM will continue to reduce its portfolio of property assets.

Performance
In 2017, BAM launched a new investment review process and explored various options to strengthen its position in supporting its customers in the product lifecycle in facility management and mechanical and electrical engineering. BAM remains very selective and has not made any investments. BAM will continue to build a portfolio of investment opportunities that match its criteria.

Creating future portfolio – Doing New Things

Future portfolio

BAM is creating its future portfolio by integrating digital construction solutions in its construction process and by accelerating innovative solutions for its clients (both digital and non-digital)

BAM creates its future portfolio ('Doing New Things') by supplying construction services using a digital construction platform and by accelerating innovative solutions generated within BAM. BAM wants to be a leader in the field of digitalisation through advanced design, project implementation and visualisation tools to meet the changing needs of customers. BAM will facilitate this transition by investing in innovation to create an attractive environment for partnerships and rapid prototyping in order to shorten the time to market.

Irina Scheffler, Wayss & Freytag Ingenieurbau

'It's important to support young colleagues in their development'

Irina Scheffler, HR Officer at Wayss & Freytag Ingenieurbau: 'In my daily work I have the rewarding task of supporting young colleagues in their professional development. It's important that all collagues know my door is always open for a chat and I like to stay in close contact. Wayss & Freytag Ingenieurbau is warmly welcoming young talent and we offer newcomers and more experienced colleagues a wide variety of training courses that are specifically tailored to profession and interests.'

By creating this future portfolio, BAM strives for:

- Creating competitive advantage on the basis of innovation, and recurring superior financial returns for its shareholders;
- Improving product and project quality for its clients;
- Improving the attractiveness of the company on the job market and developing and retaining talent;
- Contributing to innovation at its suppliers and subcontractors;
- Building a sustainable environment for society in general.

To become the leader in digital construction, BAM structures its innovation with a clear focus on tangible results, embracing and driving scalable learning and open collaboration. Moreover, BAM creates a lively ecosystem for co-creation of innovative solutions. In 2017, a community for digital construction was set up, which represents digital construction experts from all operating companies within the Group. This community drives the digitalisation of the construction process within BAM.

Performance

BAM distinguishes innovation into two streams: business (or 'incremental') innovation and transformational innovation.

In 2017, BAM continued with increasing innovations in its innovation funnel process. This process consists of a stage gate review process of business innovations in a process based on the Lean start up methodology that includes the following five phases:

1. Idea initiation
2. Discovery
3. Prototyping
4. Delivery
5. Scale up.

In 2017 eighteen innovation initiatives were managed within this innovation funnel. These eighteen initiatives progressed one or more phases within the process. BAM clusters these initiatives around value spaces like modular design and construction, end-to-end building solutions, smart solutions including new materials and digital construction.

Some examples of innovation in BAM's innovation funnel are the first 3D-printed bridge in Gemert, the Netherlands, the gravity-based foundations for Blyth Offshore Demonstrator wind farm in the northeast of England, support of the Hyperloop team and the Circular Building Platform, both in the Netherlands. These innovations show the involvement of BAM and its investments in technologies at an early stage that lead to digital and sustainable solutions that can disrupt the construction sector.

After BAM's stronger focus on innovation from 2016 onwards, the Group noticed in 2017 that partners find BAM easier to collaborate in innovation projects. BAM has further strengthened and improved partnerships, including startup platforms, to grow its innovation ecosystem. For passionate explorers across BAM, a knowledge-sharing platform was launched to facilitate learning and collaboration across the Group and accelerate the delivery to the market of innovative solutions and services.

In our ambition to become the leader in digital construction, BAM has made good progress in 2017. We have been awarded international prizes in the area of digital construction, like the first-place winner Synchro's digital construction awards with the 30 Broadwick Street project in London; first-place winner in buildingSMART International's award for the Frankfurt Höchst hospital project and first-place winner in Autodesk's AEC excellence awards with the Museum of the Future project in Dubai.

The execution of our digital construction programme is well on track and successes have been reported, such as the BIM Level 2 Kitemark certification by BSI for BAM Infra. With that, more than fifty per cent of our operations (United Kingdom, Ireland and BAM Infra) are now certified towards BIM Level 2. The remaining part of the operations will be certified in 2018. Other successes are the development of maturity measurement dashboards, development of training and e-learning programs, communication on BAM's website about digital construction and the specific growth of maturity in our projects around the globe.

A world first: the first fully 3D-printed, structurally pre-stressed concrete cycle bridge in the world.

BAM Infra developed the world's first 3D printed fully structurally pre-stressed concrete cycle bridge in collaboration with TU Eindhoven. It was opened as part of the northern ring road of Gemert, the Netherlands, in October.

‘We create sustainable roads’

Marco Oosterveld, BAM Infra

Road Engineer Marco Oosterveld was involved in BAM Infra’s test project with low-energy asphalt concrete (LEAB PA+) in the surface of the A4 highway near Leiden, the Netherlands. Oosterveld: ‘LEAB’s special production process to make ensures significant energy savings. The product also has a much longer lifespan, which positively impacts long-term road maintenance. Together, the low-energy production process and long life of LEAB PA+ roads mean a significant contribution to the sustainability objectives of both BAM and its clients.’

The use of 3D and 4D (time) BIM is becoming standard practice in tenders and projects and the developments in increasing the use of 5D (cost) and 6D (quality control and handover) are on track. We are seeing professional use of digital construction on projects such as the museum V&A Dundee in Scotland; the Museum of the Future in Dubai; the gravity-based foundations for Blyth Offshore; the Driebergen-Zeist railway station in the Netherlands; the Children's Hospital in Dublin in Ireland. And developments in the area of VR/AR, such as the development and use of an augmented reality app for BAM FM, which is being used in projects like Zaans Medisch Centrum in the Netherlands, are very promising.

BAM's startup named b.Home continued its development of the digital platform that will bring together the full construction value chain (including users of the projects to be build). In 2017 the startup launched its first minimum viable product for the platform and executed the first transactions over the platform to validate its value generation assumptions.

Differentiating capabilities

BAM's differentiating capabilities and operating model are being sharpened, with a focus on employee training and development and setting minimum requirements. 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. The Group has a blueprint target-operating model around strategic enablers and gradually aligns core processes in accordance with these enablers.

Performance
The business planning and performance review process is integrated with the strategic planning process for all operating companies and business functions, ensuring full alignment of business planning initiatives across the Group. In 2017, BAM's operating companies agreed to harmonise and coordinate the tools used to record their sales funnels in order to learn from each other and to facilitate collaboration within the Group.

Operating companies strengthened their collaboration in many fields to optimise the offering for BAM's clients. This resulted in the awarding of several prestigious projects such as the Children's Hospital in Dublin, the Museum of the Future in Dubai and a new sealock in Terneuzen and the redevelopment of the former Bijlmerbajes prison in the suburb of Amsterdam.

BAM's unique culture

Reaching BAM's strategic goals will be supported by its four values:
1. Scalable learning;
2. Predictable performance;
3. Open collaboration;
4. Proactive ownership.

Another fundamental part of BAM's unique culture is its safety ambition of 'zero accidents', allowing everyone to go home healthy every day, and recognition as a leader in safety in the European construction sector.
CSR (corporate social responsibility) is an important aspect of BAM's sustainability journey. CSR best describes the impact BAM will have as a business on the environment and its social responsibility towards both internal and external stakeholders.

Performance
In 2017 all operating companies and corporate functions adopted the four values. BAM put a lot of emphasis on these values and the behaviour that follows these values. Among other initiatives a leadership meeting in autumn was dedicated to BAM's values and related behaviour. The Group organised eleven leadership dialogues between BAM's Executive Board and all business units and staff functions.

Another step to grow on BAM's unique culture in 2017 was the formation of so-called communities. These communities are created along many functions and themes. The communities are formed by representatives from all operating companies and are chaired by a community lead. The activities of these communities reflect BAM's values and accelerate learning and collaboration across the Group. Fourty BAM colleagues from across the Group completed the Olympus project managers development program.

BAM's sustainability performance has led to several third-party recognitions, The company was awarded a leadership score on the CDP ranking and won the prestigious Dutch Crystal Prize as part of the Transparency Benchmark (see section 3.3 Environmental Performance). BAM recognises more and more market and legislative drivers for more solution-oriented, innovative and collaborative projects. A good example is the construction of the circular Circl pavillion for ABN AMRO.

Sven Matthijsens, Interbuild

‘In construction things are never routine nor boring’

‘It’s really satisfying to know you have delivered what you promised’, says Sven Matthijsens, Project Manager at Interbuild. The first project I ever managed was the construction of a retirement centre. The planning schedule was extremely tight, but we worked night and day and handed over the building as per schedule. The average time to complete a construction project is about two years, and there is zero chance of things ever being routine and boring. Each day you see tangible results of your efforts. For me, that is highly motivating.’

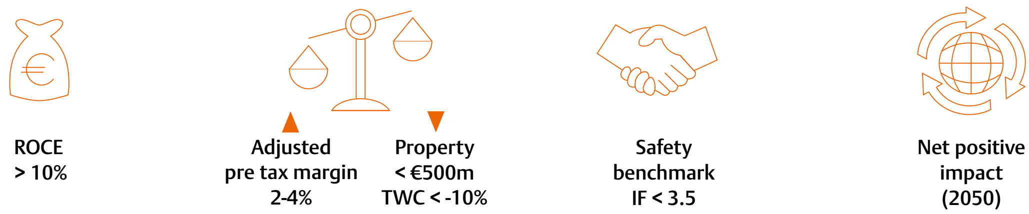
Alignment BAM’s strategy with Sustainable Development Goals

BAM values alignment of its strategy with regard to the UN-adopted Sustainable Development Goals (SDGs): 17 goals that serve as a roadmap for good growth by 2030. In 2016 BAM evaluated the key areas of alignment of the goals with its people and planet strategy and the relevant stakeholder material themes (see graph 8).

BAM’s business potentially impacts all of the SDGs. However, some have more direct influence within current markets, given the nature of its business. BAM has subsequently considered these global issues in relation to its 2020 strategy and has identified key focus areas where progress will be monitored going forward. BAM therefore strives to make a positive contribution to seven SDGs in particular, because these best fit in with its strategy.

BAM has a seat in the United Nations Environmental Programme steering committee for Buildings and Construction, in order to move forward the SDG’s in construction.

7 - Targets 2020



BAM International has a certified diving team, stationed in Dubai and on hand to move projects forward 24/7. The volume of underwater work on the Jebel Ali Terminal project warranted the establishment of an in-house diving team. The investment in recruitment and certification pays out in terms of efficiency and cost control for BAM and its clients.

8 - Sustainable Development Goals - key focus areas and alignment with 2050 ‘net positive’ strategy (see more at page 30)

	Sustainable development goal	BAM’s strategy 2016-2020: aspiring to net positive	
3 GOOD HEALTH AND WELL-BEING	**Ensure healthy lives and promote wellbeing for all at all ages**	Enhancing lives	This target is about making a real and positive difference to the lives of people BAM comes into contact with through its work
4 QUALITY EDUCATION	**Ensure inclusive and equitable quality education and promote life-long learning opportunities for all**	Enhancing lives	This target is about making a real and positive difference to the lives of people BAM comes into contact with through its work
8 DECENT WORK AND ECONOMIC GROWTH	**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all**	Enhancing lives and resource positive	This target is about about building sustainable workforces within BAM and through our supply chains
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation**	Climate positive and resource positive	BAM aims to have a net positive impact on resources and climate
11 SUSTAINABLE CITIES AND COMMUNITIES	**Make cities and human settlements inclusive, safe, resilient and sustainable**	Resource positive	Work towards eliminating waste throughout the lifecycle of construction projects and integrated developments
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Ensure sustainable consumption and production patterns**	Resource positive	Contribute to restoring natural resources. Adopt principles of the circular economy
13 CLIMATE ACTION	**Take urgent action to combat climate change and its impacts**	Climate positive	Deliver products and services which contribute to wider emission reductions

Current alignment with SDG goals	Planned activities by 2020
• Healthy workspaces for employees • Provide employees access to health benefits, including mental health • Create a culture of giving through community and charity partnerships	• Develop methodologies to increase indoor air quality and eradicate polluting sources/materials • Increase support across BAM on health and wellbeing activities (Chapter 3.2 Social performance)
• Apprenticeships and getting people back into work • Encourage good training for our workforce (direct and indirect) • Work with schools and educational institutes to strengthen industry specific skills • Show career opportunities and routes to enter the construction business	• Increase diversity and equality in workforce • Enhance 1 million lives by 2020 (Chapter 3.2 Social performance)
• Promote careers in the industry to a diverse group of people • Support unemployed people to take steps towards employment • Work with suppliers and sub-contractors to encourage them to develop new ways of working which encourage a diverse mix of people to enter employment with them	• Proactively recruit people into the industry from a diverse base • Promote to use responsible sourcing schemes for more materials (Chapters 3.2 Social performance, 3.3 Environmental performance)
• Research and development and innovation programs to foster collaboration • Investment in digitalisation and working with BAM's supply chain • Realising the benefits of circular economic business models	• Value creation and business growth by pursuing new business opportunities • Development of circular economic business models (Chapters 2.1 Business model, 3.3 Environmental performance)
• Waste reduction strategies in place for all of BAM's key projects • Health and safety strategy implemented	• Work with industry partners towards achieving zero construction waste • Encourage our stakeholders to reduce waste by taking a life cycle approach (Chapter 3.3 Environmental performance)
• Advise BAM's clients and project partners of options to increase productivity of materials, products and components throughout the lifecycle	• Development of circular products and services across the Group by 2020 (Chapter 3.3 Environmental performance)
• Scope 1 and 2 emission reduction strategies for BAM's key operations • Developing assets which are low or zero carbon (or improve existing assets) • Deliver a reduction in lifecycle carbon impacts of buildings and infrastructure (through material selection, design and asset management)	• Produce a baseline analysis of scope 3 emissions • Work with supply chain to reduce overall impact on climate change • Create new energy solutions for clients and partners to reduce reliance on fossil fuels (Chapter 3.3 Environmental performance)

The United Nations published the SDGs in September 2015. In total 17 Goals and 169 targets, BAM shows its alignment with the SDGs and depicts the goals where BAM has a high level of influence to make a positive contribution.

2.3 Stakeholder engagement and material themes

Stakeholder engagement

BAM recognises that real business benefits can only be achieved by involving all stakeholders in the process. In 2017, BAM met with its customers, main suppliers and other stakeholders in a multi-stakeholder forum, with the aim of further aligning BAM's policy with the wishes of stakeholders.

The Group has defined its stakeholders as those groups which significantly influence or are influenced by the economic, environmental and social performance of BAM. The Group 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 contacts. BAM's key stakeholder groups, and its interactions with those stakeholders are:

Clients
BAM is in daily conversation with its clients about project expectations and projections. In addition, BAM organises client meetings to share knowledge, best practices and innovation within its value chain. Some customers have developed their own sustainability benchmarks, including government implementing organisation ProRail, responsible for the maintenance and expansion of the Dutch railway infrastructure, with its CO_2 performance ladder.
Positioning on the ladder forms part of the tender evaluation process and and has a positive influence on BAM's ability to win contracts. It is therefore important that BAM remains informed of and proactively responds to these and similar initiatives.

Providers of financial capital
Communication with investors, financial institutions and the financial community in general is actively pursued and usually takes place through meetings, project visits, road shows, seminars, presentations, investment meetings and press releases. The main recurring topics of discussion are financial performance, transparency and control. 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 employees are the company's most important asset. As part of BAM's performance management process, the personal learning and development plans of employees are evaluated annually between manager and employee. The most important discussion points are development plans and expectations. BAM also has active works councils within the operating companies to discuss organisational changes and other related matters. For younger employees in the Netherlands and in the United Kingdom 'Young BAM' commitees organise events to learn about projects and inspire to provide feedback.

Suppliers and subcontractors
BAM's procurement officers are in daily contact with suppliers and subcontractors to discuss health and safety, among other things. Circular economy practices and waste-reducing activities are also increasingly being discussed. Supply chain partners are increasingly involved in the early stages of the bidding process and in the development and planning of BAM projects through lean planning meetings. This optimises the efficiency of the construction programme via the value chain. By involving its partners in the supply chain, BAM invests in relationships.

Society
By its nature, the construction and civil engineering works of BAM have an impact on local communities, residents and other users of buildings and on infrastructure and society as a whole. Main discussion points differ per governmental body, but health and safety as well as human rights are common. Chapter 4 of this report describes BAM's results and provides examples of its activities for social involvement in 2017. BAM's target of improving a million lives shows its ambition to increase its positive impact on the social level.

Regulators
By delivering projects, BAM is in constant contact with local government authorities about issuing permits, compliance with regulations and monitoring its activities.
BAM is involved in many governmental initiatives including several Green Deals in the Netherlands. BAM Nuttall and BAM Construct UK are members of the UK Green Building Council. BAM aims to engage regulators in issues such as carbon-free buildings, carbon impact in the infrastructure lifecycle and other sustainability-related issues within the built environment.

Multi-stakeholder dialogue

In addition to its engagements with different stakeholders across its operating companies, the Group organises annual multi-stakeholder meetings hosted by BAM's CEO. Both local smaller parties and managers of international stakeholders and government agencies and institutions have been present. These meetings are used not only to present and check BAM's strategy to and with all parties directly or indirectly involved, but more importantly to jointly discuss cross industry trends and movements throughout the entire construction value chain.

In 2017 BAM organised its stakeholder meeting with the theme 'Creating value through cooperation'. The stakeholders selected for the dialogue were some 60 representatives of clients, financial institutions, suppliers, architects, startups, NGOs, and knowledge institutes that are actively involved with BAM activities. BAM executives and internal stakeholders from the BAM operating companies also took part in the meeting.

One of the operating rooms for Equipe's health clinic in Eindhoven, the Netherlands, realised by Interflow, the clean air specialists of BAM Bouw en Techniek.

At this year's meeting, BAM used an interactive voting tool to allow all participants in the programme to express their opinions on the topics discussed. The programme consisted, among other things, of project-oriented interviews and an interactive panel interface. The interviews were conducted with both a client and a BAM representative and with the subject of how open collaboration could improve the value of the projects and the relationship between BAM and its clients. The panel consisted of a governmental client, a supplier, a digital partner and the CEO of BAM, and focused on the following themes:

- Digitalisation in the (pre-)building process. Items discussed were the possible differing motivation of different stakeholders in going digital. Conclusion: the industry is in a transition phase;
- Sustainable processes leading to a sustainable world. The conclusion for this theme was that taking too large steps may lead to paralysis. Start small and together (client-contractor) and test before scale-up;
- End user involvement: this remains a challenge in industry due to the scale of projects;

The conclusions of the multi-stakeholder dialogue are shared with relevant BAM colleagues to ensure that the lessons learned are used in practice.

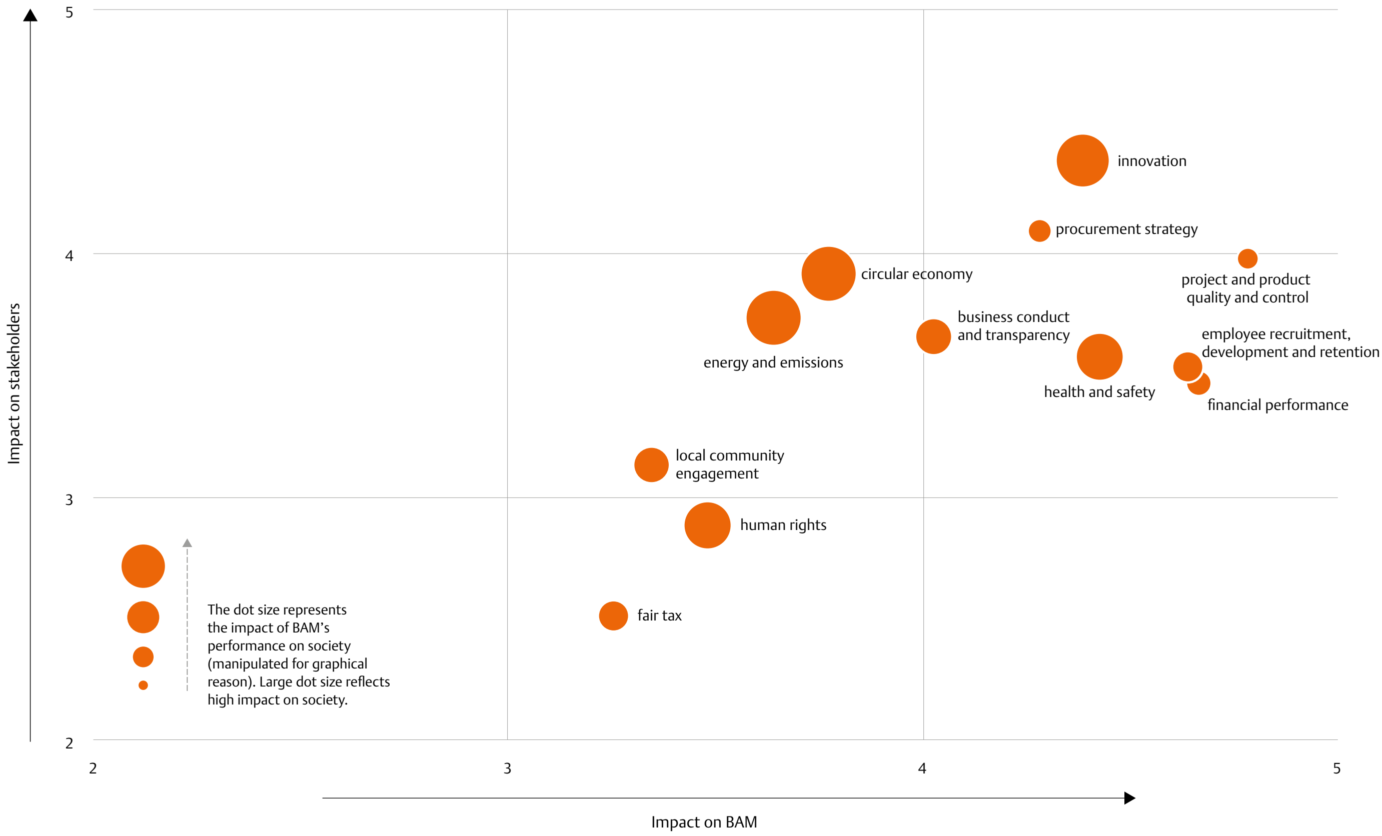
Material themes

As part of the development of the strategic agenda for 2016-2020, the Group carried out a materiality assessment. Material themes are themes that significantly influence BAM's ability to create value in the short, medium and long term.

As a first step in the process of identifying material themes, BAM selected relevant issues from a long list of topics based on their ability to influence financial, environmental and social value creation for BAM's stakeholders. This longlist included aspects derived from the Global Reporting Initiative (GRI), the Group's strategy, the results of research into stakeholders' interests and feedback from stakeholder dialogues and general meetings of shareholders.

Subsequently, a groupwide selection of BAM employees assessed the importance of these relevant matters on their known or potential effects on the activities, products, services and relationships of BAM, both within and outside BAM, in the timeframe 2016-2020. 'Effect' within BAM was defined as 'impact on BAM's success'.

9 - Materiality matrix



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 'project and product quality and control' is most relevant to their organisations, next to 'business conduct and transparency'. BAM's subcontractors and suppliers as well as the Group representing society – NGOs, 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 missing in BAM's original materiality assessment. A topic that was added as important was 'supplier environmental assessment'. BAM already has tools for assessing suppliers and will pay even more attention to purchasing in the coming year.

The stakeholders that were invited to the stakeholder dialogue were asked to fill out a materiality survey.

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 vary.

This report has been structured according to the material themes. It 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. Health and safety at work contribute to the satisfaction of the employees of the Group and their family members, BAM's subcontractors, its supply partners and others involved in BAM's construction sites. Safety also affects BAM's clients and BAM's reputation.

Management approach: BAM has developed a Groupwide guideline for safety management. All safety management systems from operational companies must comply with this framework.

Meeting the strategy means focusing on the quality of the underlying goals: striving for the ambition 'zero accidents' every day is the goal for safety. Zero accidents means the mind-set (intrinsic motivation) and the true belief that it is feasible to create a safe working environment that means 'everyone at home safely every day!'. To create a change in safety ladership, in the first quarter of 2017 BAM installed a Safety Leadership Team consisting of a representation of BAM's managing directors and the Group's Corporate Safety Officer. This team shows proactive ownership, open collaboration and accountability regarding the Group's safety targets and focuses on a predictable safety performance on leadership, culture and behaviour.

▶ For BAM's performance, see chapter 3.2 Social performance.

Project and product quality and control

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

Impact: In order to exceed customer expectations, BAM must continuously improve the experienced performance of BAM's products. Product quality means that BAM does what it has promised to do, within budget and on time. Operational performance is crucial for achieving the right level of financial and non-financial results for construction projects.

Management approach: BAM has the tender prpocess focused on quality of its tenders in order to guarantee the current and future results of construction projects.
The evaluation of the internal governance framework has resulted in the updating of the business principles and management guidelines, including the strengthening of project selection and BAM's tender process for large and high-risk projects. In connection with this development, peer reviews are carried out on project estimates under the leadership of the Tender Desk Director.
In order to comply with product responsibility, BAM assures that projects where its operating companies are responsible for 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.
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 chapters 2.2 Strategy and 2.4 Risk management.

Business conduct and transparency

Definition: Openness and compliance with generally accepted standards and values and compliance with local legal and other rules and regulations, in particular with regard to the acquisition and execution of contracts.

Impact: BAM's reputation and licence to operate depend on responsible business conduct, by stimulating dialogue about dilemmas. Ensuring compliance with anti-corruption legislation improves efficiency through lower transaction costs for BAM and its stakeholders. Moreover, BAM is of the opinion that doing business honestly is of vital importance for the strengthening of the competitive position of both BAM and BAM's partners. Competitive behaviour contributes to innovation and collaboration. It creates an environment in which the best products will win and in which BAM's clients 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: For BAM, it is fundamental to comply with generally accepted standards and values but also with local legal and other rules and regulations, particularly with respect to the acquisition and performance of contracts. This is set out in the Group's core values, the code of conduct and ajoining policies such as those relating to bribery, corruption and competition. All employees must act honestly, comply with agreements and deal carefully with customers and business partners, including suppliers and subcontractors. The Executive Board encourages this compliance, which is continuously evaluated in order to make integrity a fundamental part of the daily activities. The Group has an enhanced Speak up policy with an external reporting line, so that breaches of the code and policy can be reported through various channels. This policy is easily accessible to employees (e.g. on the intranet) and there is frequent communication around the themes. Compliance officers monitor compliance and advise on integrity issues.

For BAM's performance, see chapter 3.2 Social performance.

Claire Brittain, BAM Construct UK

Claire Brittain, Assistant Site Manager at BAM Construct UK: 'Construction sites can be challenging when dealing with issues such as materials or labour delays, but I love having that challenge as it really pushes you. There's no doubt that you can be a woman, have children and have a career in construction. I receive exceptional training and support at BAM and I'm so glad I continued with my education and never gave up on my dream career.'

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, leading to the possibility to develop new activities and to pay BAM's employees and shareholders.

Management approach: Constant attention is paid to strengthening BAM's balance sheet and net results by improving financial processes to ensure a solid track record of project execution and margin stability, including rigorous monitoring of the cost base in line with BAM's portfolio. Other key elements are working capital management and the execution of a property divestment programme.

Example KPI: Return on capital employed (ROCE) >10 per cent by 2020. For BAM's performance, see chapter 3.1 Financial performance.

Employee recruitment, development and retention

Definition: Encourage employees to use their skills, abilities and experience in a way that adds value to the company and delivers personal growth, technical innovation and profit.

Impact: BAM increases its intellectual capital and the human capital of its stakeholders by investing in employee development. Although the impact of the development of employees on society in general is minimal, it is much greater within BAM, where it contributes to the involvement of employees and lifelong learning. BAM recognises the importance of Groupwide development and implementation of the talent strategy and agenda, succession planning and internal mobility, based on BAM's organisational development and strategic objectives. 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 are better aligned with the wishes and expectations of its clients and to society in all BAM markets. In line with its vision on diversity, BAM wants to attract people with different profiles and backgrounds to build teams that are suitable for future challenges and will contribute to the achievement of BAM's strategic goals.

Management approach: The Group's development approach is aimed at encouraging employees to take their development into their own hands, with the manager/company taking on a supporting and facilitating role. The employee's personal development is recorded 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, and which are all accessible via the internal My BAM Career site. With the BAM Business School, BAM offers an integrated approach to support employees in achieving their goals. The training portfolio enables employees to keep up with their professional knowledge and to further develop the broader skills related to their role and career paths. Courses include topics like integrity, entrepreneurship, commerce, new contract forms, project- and 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 chapter 3.2 Social performance.

Energy and emissions

Definition: Energy consumption for BAM's direct activities and the entire lifecycle of its products, and the CO_2 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. The construction industry has a high energy consumption compared to others, therefore BAM's energy use has a major impact on society. Buildings represent about 40 per cent of energy demand in the European Union (EU). The renovation of existing buildings represents more than 17 per cent of the estimated primary energy saving potential within the EU up to 2050. In terms of energy and emissions, BAM can create value by building energy efficient buildings and renovating buildings according to higher energy performance standards, since approximately 80 per cent of total CO_2 emissions are emitted in through the building's lifecycle.

Climate adaptation and mitigation options can help address climate change, but no single option is sufficient by itself. Effective implementation depends on policies and cooperation from governmental bodies. Urgent action is needed to significantly reduce GHG emissions and BAM supports global developments like the UN's Sustainable Development Goals (see chapter 2.2 Strategy for BAM's alignment), the Paris Agreement and the EU Emissions Trading System.

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. The Company focuses on reducing its direct CO_2 emissions by lowering energy consumption during the construction process. The Group also maintains its efforts to use higher proportions of renewable energy. By joining the Dutch Climate Coalition (Nederlandse Klimaat Coalitie), BAM has committed to:

- Having climate-neutral operations by 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.

Example KPI: To be included in CDP Climate A list Leadership. For BAM's performance, see chapter 3.3 Environmental performance.

Circular economy

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

Impact: BAM has a continuous need for raw materials, water and energy. This means that primary processes are influenced by the increasing volatility of raw materials and energy prices. The products made by the Group must also comply with current and future requirements, with particular attention to the significant influence of changing laws and regulations.
Waste production influcences BAM's licence to operate and is an indicator for the efficiency of the business processes. In addition, waste products lead to costs due to the low value of residual material. Approximately 25-30 per cent of the total demolition and construction waste in the EU is generated by the construction process. Being a large construction company, the Group's waste production has an impact on society. Since about 83 per cent of all the material is recycled, it involves large quantities that have to be reused. BAM has identified opportunities for innovation on the basis of changing customer requests, especially with regard to greater attention for the recycling of materials and the use of sustainable materials, including wood from sustainable forests.

Management approach: First, BAM is innovating to reduce material consumption during the design process. The Group works with its supply chain partners to identify more sustainable alternatives for production and operational processes, both upstream and downstream. BAM focuses on improving the recycling potential of materials and renewable materials by asking its most important suppliers to provide insight into their origin.

BAM has set targets for waste reduction, waste recycling and responsible sourcing. The Group monitors and benchmarks progress on these targets on a quarterly basis for various activities within the company. BAM is also the only major construction member of the Ellen MacArthur Foundation's CE100 programme, which promotes the circular economy.

Example KPI: source 100 per cent sustainable timber by 2020. For BAM's performance, see chapter 3.3 Environmental performance.

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, residents and other users of buildings and infrastructure and society as a whole. Community engagement affects the Group's licence to operate and enables BAM to build faster, leading directly 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. Involvement of people from diverse backgrounds provides an opportunity to create social value. BAM actively supports Social Return, providing work for people who are unemployed for various reasons, for example due to poor education, health issues and people with disabilities. Through the support of BAM, these people benefit from social return initiatives.Initiatives such as these can be defined as providing 'social return on investment'.

Management approach: For many of its projects, BAM identifies the local interests and, on that basis, chooses the best approach to increase the license to operate, which may mean that BAM participates in local events. BAM also participates in the Considerate Constructors Scheme in the United Kingdom, as well as its Dutch equivalent (Bewuste Bouwers).

Example KPI: Enhance one million lives in local communities by 2020. For BAM's performance, see chapter 3.2 Social performance.

Procurement strategy

Definition: Selecting suppliers and subcontractors and stimulating them to practise their skills and improve their products in a way that adds long-term value to BAM and its clients as well as the suppliers and subcontractors, providing process and product innovation and profit.

Impact: Labour policies of the Group's suppliers and subcontractors can affect BAM's reputation. Loss of reputation can lead to less work. The suppliers and subcontractors of the Group must at least adapt their policies to the BAM standards in order to be able to work for the company.
As a result, these standards also have a positive influence outside the Group.

Management approach: To integrate the development of the Group's supply chain and its values, BAM strives for added value, long-term, mutually beneficial relationships with partners that can help to improve the Group's supply chain. In order to achieve this, BAM is developing selected groups of suppliers and subcontractors on different levels – unit, operating company, country and Group level – within BAM. By having a preferred group of suppliers and subcontractors BAM is able to further interact with the supply chain on a regular basis, thereby creating the possibility to challenge each other to learn, innovate and improve its joint performance to the client. Based on the level of the relationship, there are different types of suppliers and subcontractors, such as preferred suppliers, partners and co-makers. Based on the challenges in client markets, development in the supply chain and performance of the suppliers and subcontractors, the position and role of the suppliers and subcontractors can change. The challenge is, on the one hand, to select up-front supply chain partners, products and services that really make a difference to the value proposition of BAM, and on the other hand let go of suppliers and subcontractors who add value. Apart from a more standardised due dilligence, suppliers are assessed against five different themes: safety, quality, total cost, logistics and engineering and process. If they score below the required level, 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 chapter 3.2 Social performance.

Innovation

Definition: The creation of new viable business offerings.

Impact: Innovation influences the ability to adapt to changing market needs and competitiveness in relation to current competition and future newcomers to the BAM market. Digital construction is a main theme within BAM's innovation agenda. The benefits of digital construction for BAM and its stakeholders are higher resource productivity, end-user value, sustainability and outcome predictability.

Management approach: BAM shapes its future portfolio over two tracks. Both tracks are supported by an organisation and a lively ecosystem for innovation. In both tracks BAM focuses strongly on digital innovation.

- Track one, 'Business innovation', follows an innovation stage gate-process to improve and align BAM's current innovation portfolio.
- Track two, 'Scaling edges', uses scalable learning and sprint methodology to develop and scale new business offerings at the edges of BAM's current business.

For BAM's performance, see chapter 2.2 Strategy.

BAM Construct UK delivered No.1 Spinningfields – the tallest commercial office building in Manchester – within just 106 weeks. Architects: SimpsonHaugh.

Human rights

Definition: 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 up to at least BAM standards to be able to work for the company and in doing so will have a positive influence outside of the Group as well.

Management approach: BAM signed a framework agreement with Building and Wood Workers' International (BWI), to promote and protect employee rights. By signing the agreement BAM agreed 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 Principles 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. Regular meetings are held with management representatives from BAM and trade union organisations, including BWI, to monitor implementation of the agreement.

Subcontractors must comply with labour conditions as stated in BAM's purchasing conditions.

The UK Modern Slavery Act 2015 requires all larger companies to prepare a statement of its activities in this area. Both BAM Construct UK and BAM Nuttall have initiated working groups and are working towards developing their approaches.

For BAM's performance, see chapter 3.2 Social performance.

Fair 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 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.

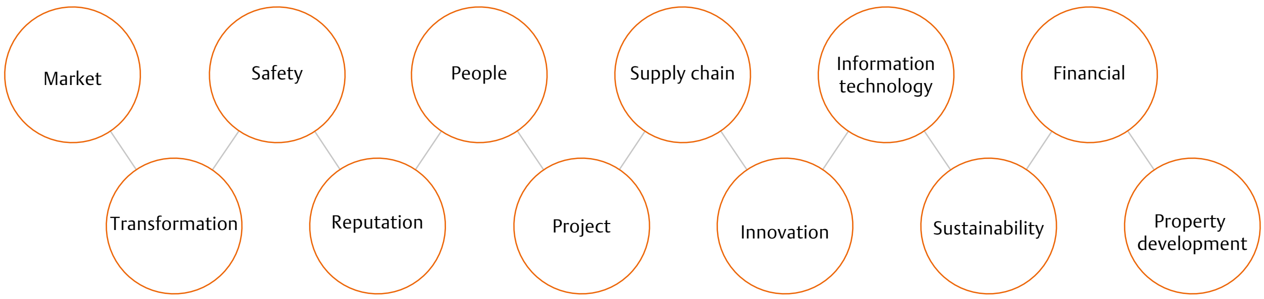
Management approach: Therefore, BAM strives to come to a responsible approach to tax and supports it as an integral part of its sustainability agenda.

BAM's tax policy statement is published on the website www.bam.com.

For BAM's performance, see chapter 3.1 Financial performance.

2.4 Risk management

10 - Main risk areas



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 risks. Effective risk management enables BAM to capitalise on opportunities in a carefully controlled way.

Risk profile and appetite

The focus areas of BAM's strategy Building the present, creating the future have a positive impact on the risk profile of the Group. In the current project and business portfolio, BAM has a more disciplined focus on market segments and projects where the company can use either scale or expertise as a critical success factor. For the future business portfolio, BAM is rationalising its propositions and developing of new solutions for clients and is investing in digitalisation to be an industry leader in how and what BAM builds. The new strategy also places a stronger emphasis on cultural values, to further support the brand and the strategy of BAM. Risk appetite is defined as the level at which BAM is willing to accept risk in the ordinary course of business in order to achieve its objectives. The general willingness of the Group to run risks in rather low, taking into account the sector in which managing risk is a necessary core competence to survive and to carry out sustainable business.

Key factors in determining risk appetite are the risk categories:

Strategy: Based on knowledge and experience in the home markets, BAM participates in tenders for complex multidisciplinary projects, in which the risks are distributed in a controlled manner between the customer and BAM. Outside the home markets, BAM operates worldwide in niche areas, provided they are in line with the Group's business principles. In PPP investments, BAM only invests in Design Build Finance Maintain Operate contracts in home markets where payments are based on availability of the asset, excluding volume related risks. BAM invests in property development projects on condition that they are profitable and have a clear and profitable exit strategy that has been defined in advance.

Operations: BAM seeks to limit the risks that may jeopardise the execution of its business activities.

Finance: BAM strives to maintain a solid financial position for ensuring access to the financial markets and retaining its customers, supply chain and other partners. BAM has a low risk appetite in relation to financial reporting risks.

Compliance: Compliance with all applicable laws and regulations including BAM's code of conduct is of fundamental importance for the Group.

Risk appetite statements are further underpinned by our strategic agenda, governance, core values, code of conduct and policies and procedures.

Improvements to the risk management framework

In 2017 BAM further strengthened its enterprise risk management. The enterprise risk management is embedded in different levels of the organisation and has various areas of attention. The core of BAM's risk management at project level covers the full lifecycle of the project, from opportunity to tendering, and from execution to handover. BAM has further strengthened the risk management tools and business intelligence in these areas to improve predictability. In addition, the Group has further structured corporate risk management at strategic and management level by more indepth risk focus and assessment. BAM continues to improve its risk management capabilities in order to realise the strategic agenda and guarantee value creation in the long term.

Building the present for the future generation

Damers First School, Poundbury, was officially opened by HRH Prince of Wales on 27 November 2017. BAM Construct UK.

New Scotland Yard, the Metropolitan Police Service headquarters on Victoria Embankment. BAM Construct UK.

11 - BAM's risk management framework

BAM's risk management framework

At group level, the BAM strategy is the starting point. The Group's strategy offers guidance on focusing the project portfolio (Doing Things Better), shaping the business portfolio (Doing Better Things) and the creation of the future portfolio (Doing New Things). These areas and underlying strategic objectives and initiatives form the basis for the focus on enterprise risk management, taking into account BAM's risk appetite. The Supervisory Board supervises and advises the Executive Board, which has the overall responsibility for enterprise risk management within the Group. There is an annual risk assessment for the Group in relation to the strategic agenda and operating plans.

BAM's risk management framework, which is based on COSO (Committee of Sponsoring Organisations of the Treadway Commission, version 2017), addresses strategic, operational, financial and compliance risks. Risks are assessed and prioritised on their impact and probability and on effectiveness of the controls. The cycle is concluded with a risk response and monitoring of effectiveness in the organisation. The Executive Board receives progress updates on the status of the strategic objectives, initiatives and leading indicators through dashboards in periodic reports and in management meetings. This is also periodically shared with the Supervisory Board.

At the operating company level, management of the portfolio and tender management is essential for a healthy order intake and supervises a tender in various phases. BAM focuses on data-driven tendering where there is a close link between the sales funnel, tendering and execution. Lessons learned during the implementation are used for tender selection and for improving the stage gate database. The management of the operating companies closely monitors the progress of projects, the risks and the opportunities and actions goning forward in periodic reports and in project and management meetings.

At project level, the project team wants to manage the contract and the expectations of customers in the most effective and efficient way, by forming the right team that can make this possible and choosing the right tools and capabilities to support them. Digital construction is one of the means to minimise risk and cost. In addition, project teams manage risks and opportunities, both qualitatively and quantitatively, developed in the tendering phase as input for the periodic reporting of project performance. The periodic reporting also includes a bandwidth for the best and worst case scenarios to be reported to senior management.

The risk management and control system provides a platform for the structured sharing of knowledge and expertise between the operating companies, so that risk management plays a key role in achieving the strategic objectives. Business functions and topics across the Group accelerate the process of acquiring and sharing knowledge and expertise through a consistent language and approach to risk management.

Scotland Yard

In July 2017, Her Majesty The Queen, accompanied by His Royal Highness The Duke of Edinburgh, officially opened New Scotland Yard, the Metropolitan Police Service headquarters on Victoria Embankment, built by BAM Construct UK. Architects: AHMM.

Governance, Risk and Compliance (GRC)

Since 2017, enterprise risk management and the interconnected pillars related to governance and compliance have been further enhanced by establishing a new Governance, Risk and Compliance (GRC) function. The main responsibility for this role is to further evolve the GRC areas in line with the strategy 2016-2020. The GRC areas relate to the implementation and periodically recalibrating of BAM's governance structure in line with market trends and strategic development of the Group, enhancing the enterprise risk management (ERM) programme and further develop compliance (including privacy) in accordance with social standards and relevant laws and regulations.

Insurance management

Insurance management is part of the risk management strategy of the Group. Insurance management is identifying insurable risks and buying the right insurance cover, with a balance between cover, cost and certainty of cover. The focus is on high impact events, and not on insuring frequent losses with low impact. All insurances are placed via professional insurance brokers and results are monitored at Group Level. All insurers have a minimum rating of S&P A-.

Within the operating company dedicated insurance management teams assess and insure the risks associated with the construction of projects. The Group sets the minimum requirements for insurances to be secured by the operating company.

Operational audit

Within BAM, the Operational Audit Department has been established as an objective, independent function to assess the effectiveness and efficiency of the control environment. The capacity of the audit function is focused on the main risks the company faces in the project business it is involved in. Operational audits are an important and powerful tool in the mitigation of project-related risks at an early stage.

In 2017, high-risk projects throughout the Group were visited shortly after contract award to assess the effectiveness of the project control system.

Operating model supporting internal control framework

The BAM strategy is supported by the BAM operating model that creates clarity and uniformity in the way the company operates. All key processes are identified around strategic enablers and are aligned with existing core processes in accordance with these enablers. BAM has derived its internal control framework from this operating model and underlying core processes and uniform guidelines and policies (for accounting, treasury, legal, compliance, information security, and so on). The internal control framework ensures insight in the effectiveness of internal risk management and control systems, as well as the reliability of the financial reporting and compliance with laws and regulations. Moreover, the internal control framework uses COSO as an external reference framework.

Comfort on the effectiveness of the internal control framework is obtained by a semi-annual assessment of the requirements in the framework. The Group and operating companies carry out self-assessments and the results are reported to the Group Governance Risk & Compliance function. No significant deviations are identified and improvement areas are defined. Most important improvement areas are finance, IT, procurement and project execution. The results of these self-assessments are challenged by the Group and improvement actions are discussed and monitored.

In control statement process

BAM has a structured 'in control statement process', resulting in an end-of-year 'in control statement' in the integrated report. The underlying assessments on operating company level form the basis for management's accountability for the effectiveness of the internal control framework, together with the formal issuance of a statement and letter of representation to the Executive Board. Any deviations from the minimum requirements are highlighted, including identified follow-up actions to resolve these deviations. The Executive Board report is included in this integrated report.

Core values supporting the right risk culture

BAM's risk management and internal control system is supported by BAM's core values. These elements are instrumental in steering the behaviour of BAM's people and help to ensure that BAM's risk profile remains in line with the risk appetite. The Group's culture is further strengthened by scalable learning from tenders and projects, more predictable performance, working together in open collaboration and ownership of challenges and opportunities. BAM's people are fundamental to its success. This is why project and business careers are being aligned. A stronger culture will be promoted to make the Group more attractive as an employer and a partner par excellence.

Main risk areas

Several risk areas and measures have been identified with respect to BAM's strategic objectives. Follow-up and feedback are part of the regular management reporting cycle. The main risk areas are specified on the following pages.

Market risk

Risk description
The markets in which BAM operates are subject to macro-economic volatility and are affected by government investment programmes, economic recession and political developments. There is fierce competition in most of the Group's home markets.

Possible impact
Limited availability of capital may lead to cancellation and postponement of property development, construction and PPP projects, putting the value of BAM's portfolio under pressure. Intense competition may lead to a buyer's market, which influences margins, causes a shift in design and contract risks for the contractor and endangers the pre-financing of projects by customers.

Management measures
Because the market conditions differ per country, BAM strives for a diversified geographical footprint. Based on the Group's strategy, BAM applies a more disciplined focus on market segments and projects, where it can use either scale or expertise as a critical success factor. For its future business portfolio, BAM rationalises its propositions, and thus develops new solutions for customers and invests in digitalisation to be a market leader in how and what BAM builds. BAM invested in the required capabilities to support the achievement of the strategic objectives, for example by creating or strengthening corporate functions in the areas strategy, digital construction, innovation and governance, risk and compliance, but also by harmonising processes and procedures.

Transformation risk

Risk description
The re-focus within BAM following the 2016-2020 strategic programme Building the present, creating the future has influenced the way the Group wants to work. The transition to a new organisation involves the rationalisation of business models and businesses. This should involve a greater role for cooperation and more harmony and agility, so that BAM can follow the developments in the sector and be a leader in the selected markets.

Possible impact
BAM may not realise a successful and agile implementation of the Group's strategic (One BAM) agenda, together with other strategic initiatives and targets.

Management measures
The Executive Board is closely steering and monitoring the progress of the transformation activities as defined in the strategic agenda and translated in the yearly operating plans. Furthermore, there is extensive attention for leadership to embed BAM's core values and behaviour.

Safety risk

Risk description
The nature of BAM's business can pose safety risks to its people. The well-being and safety of the people of BAM are of vital importance to the company.

Possible impact
Safety incidents may lead to serious injuries or even fatalities and may lead to project disturbance. Incidents may lead to loss of time, additional costs and as a result impact BAM's performance.

Management measures
The chapter 'Stakeholder engagement and material themes' describes BAM's management measures as part of section Health and Safety.

Reputation risk

Risk description
The trust of customers, shareholders, lenders, construction partners and employees in the Group is vital to ensure the continuity of the company.

Possible impact
BAM's reputation may be damaged if it fails to successfully mitigate the main reputational risks, such as fraud, bribery and corruption.

Management measures
The chapter 'Stakeholder engagement and material themes' describes BAM's management measures as part of section Business conduct and transparancy.

People risk

Risk description
Attracting, training and retaining talented people is crucial for BAM, because it enables the Group to respond more effectively to changes in the market by exploiting its full potential. It is essential that BAM remains a preferred employer.

Possible impact
The inability to keep the right talent, expertise and human capital within BAM will have a negative effect on success.

Management measures
BAM strives for an open culture of learning and exchanging knowledge in the form of training and education, building on the available knowledge and expertise. To attract top talent, BAM has a professional recruitment team that works together with recruitment agencies through advertisements, but also with various training institutes. BAM increases the mobility of employees between the core businesses. The Group invests in the further development of employees through various training programmes, including a programme for management trainees, project directors and project managers, and prepares candidates for key positions to improve (inclusive) leadership.

Project risk

Risk description
BAM is active in thousands of projects where the company is exposed to a wide variety of risks, in a sector known for its asymmetrical risk profile. Selecting the right projects against balanced contractual conditions is crucial.

Possible impact
Failure to achieve a healthy order intake and flawless project execution leads to fluctuations in the project results, possible claims and litigations and ultimately to the failure to achieve BAM's strategic objectives.

Management measures
BAM implemented several measures to manage the project risk. The starting point is a selective tender with a focus on portfolio management, a robust tender stage gate procedure and peer reviews. The results of projects are largely determined during the tendering phase, and work is constantly being done to strengthen this process. Moreover, in projects that exceed €300 million, BAM basically makes bids together with partners. This usually involves the establishment of a general partnership – a legal form in which all parties are jointly and severally liable for mutual obligations in connection with the implementation of the project. The Group only enters into joint agreements with solid and solvent partners. If the risk to which a partner is exposed nevertheless is judged to be too high, BAM requires other securities in the form of, for example, a bank guarantee or the investment by the partner of sufficient cash in the joint agreement. During the implementation phase, much attention is paid to achieving operational excellence with, among other things, the right composition of the project team, design management, schedule management, contract management, working capital management and project monitoring.

Supply chain risk

Risk description
On an annual basis, the Group purchases more than 70 per cent of its turnover from suppliers and subcontractors. These companies have a major impact on the projects, both financially and technically.

Possible impact
Failure to manage the cost of the supply chain (subcontractors, materials) and insufficient acces to qualified and cost-effective vendors has impact on succesful and profitable execution of the projects.

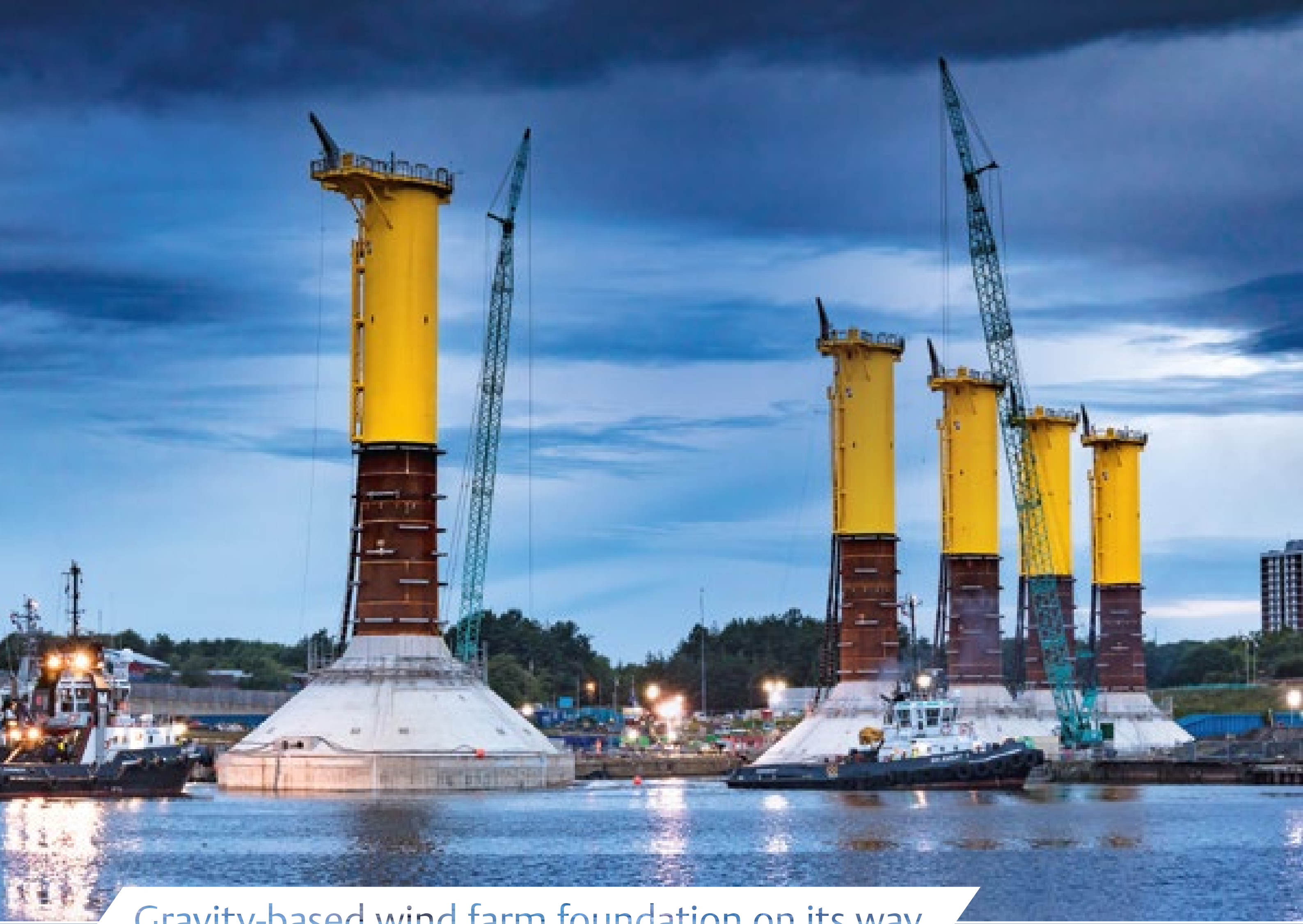
Management measures
The chapter 'Stakeholder engagement and material themes' describes BAM's management measures as part of section Procurement.

Innovation risk

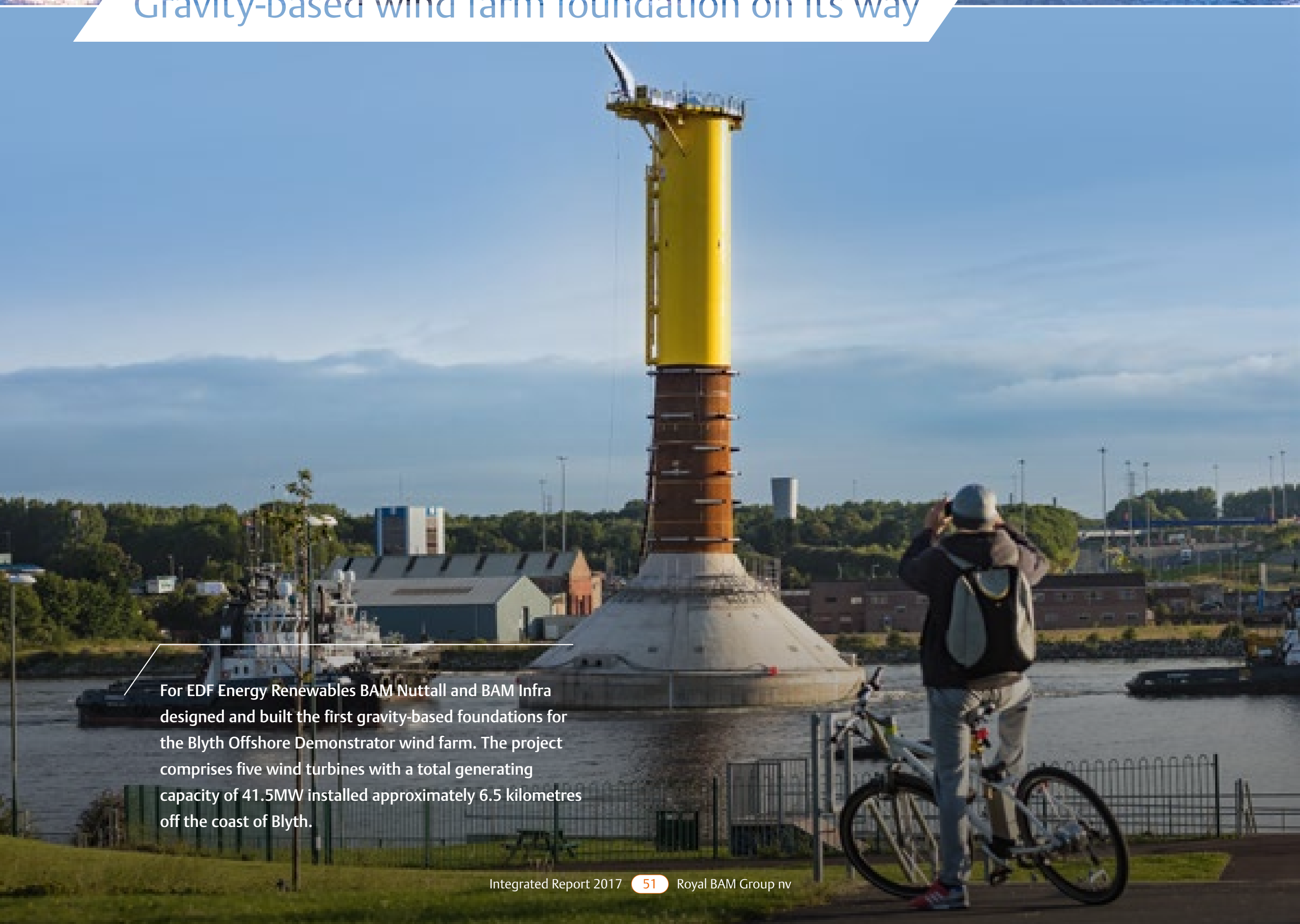
Risk description
The Group's industry is at the brink of major technological changes. Digital technology is beginning to change value creation within the construction industry where traditional capabilities may become commoditised.

Possible impact
Competitors or newcomers on the market can marginalise BAM's distinctive capabilities and thus jeopardise the existing business model.

Management measures
The chapter 'Stakeholder engagement and material themes' describes BAM's management measures as part of section Innovation.



Gravity-based wind farm foundation on its way



For EDF Energy Renewables BAM Nuttall and BAM Infra designed and built the first gravity-based foundations for the Blyth Offshore Demonstrator wind farm. The project comprises five wind turbines with a total generating capacity of 41.5MW installed approximately 6.5 kilometres off the coast of Blyth.

On the banks of the large Außenalster lake in Hamburg, BAM Deutschland delivered an office complex on behalf of Alsterufer 1-3 Immobilien GmbH & Co KG. Architects: APB Architekten, Hamburg, and Riemann Architekten,Lübeck.

Information technology risk

Risk description
Digitalisation, data, communication and connectivity are essential for BAM. A global presence also leads to cyber security challenges, which require the Group to have the flexibility to continually adapt.

Possible impact
Information technology is crucial in supporting and protecting the core and supporting processes. BAM increasingly relies on digital communication, connectivity and the use of technology. The Group has to remain alert to prevent the use of compromised data and the unavailability, loss or theft of critical strategic, financial and operational data.

Management measures
BAM aims to improve the maturity of the IT function to keep up with external developments. In addition, BAM increased its security efforts to remain resilient to growing cyber risks. This includes implementing and testing of confidentiality and continuity measures as well as the integrity of data. Training and communication increase familiarity with safe IT use among BAM people and partners, as this is considered essential.

Sustainability risk

Risk description
The construction industry relies heavily on natural resources, which will be depleted as soon as the consumption goes faster than the natural supplement. Global warming and climate change cause more frequent extreme weather conditions, such as storms, heat waves, droughts, heavy rainfall with flooding and heavy snowfall.

Possible impact
Failure to deliver more sustainably and innovatively could disrupt BAM's position vis-à-vis customers and chain partners. Extreme weather events and material shortages can lead to disruption of the building process.

Management measures
BAM has a strong corporate team to support continuous improvement and makes considerable efforts to reduce the impact on the environment with the ambition to achieve a net positive result. To reduce the impact of BAM on resource use, the company works with partners in the supply chain and customers to explore circular economic business models.

Financial risk

Risk description
The attractiveness of BAM as a trusted partner to cooperate with or to invest in is strongly influenced by its financial position and the ability to manage financial risks.

Possible impact
Failure to achieve the status of trusted partner may prevent BAM from working with preferred parties and lead to restrictions on access to financial markets.

Management measures
BAM's financing strategy is based on long-term relationships with reputable financial institutions and a well-spread debt maturity schedule. A strong centralised focus on cash and working capital, including financing by clients and suppliers, limits the need for extra capital. The company enters 'equity-light' in property development projects and in PPP investments. It is the intention of the company to sell these projects to investors.

Specific financial risk management measures, including those in the area of interest rate risk, foreign exchange risk, price risk, credit risk and liquidity risk are disclosed in note 3 of the financial statements.

Property development risk

Risk description
BAM is involved in property development for its own account. The level and timing of both income (sale/rent) and costs (site acquisition and building costs) of these projects may deviate from the initial expectations as a result of divergent market and process (planning/permits) conditions. BAM's capital employed position is important to adequately finance the projects.

Possible impact
Property development projects can be postponed or completed at higher costs than budgeted. Furthermore the realisable value of our land bank and property development positions may be lower than book value. This again has consequences for the financial results (level and duration of the capital employed, profit).

Management measures
If the Group intends to take on property development risks, this requires the prior consent of the Executive Board. The latter takes a decision on the basis of project proposals from the relevant operating company and associated analyzes carried out by the Group's Property Investment function. The general rule is that construction does not start before a significant number of properties have been sold or, for non-residential buildings, a large part of the project has been rented out 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 a system of phased project execution.

Data driven tendering

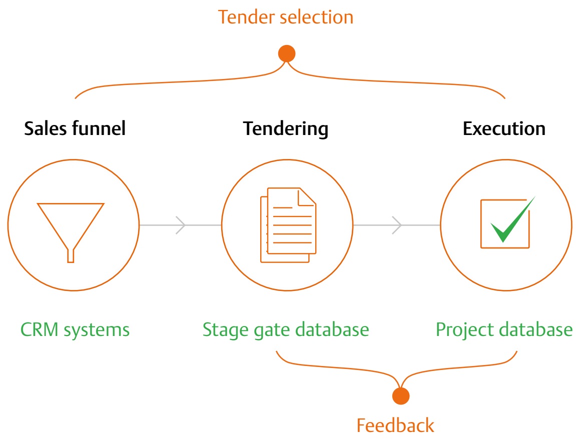
BAM has further strengthened its data driven decision process by linking sales, tendering and project execution data with each other. During 2017 BAM completed its project management database covering financial data of projects. This information is used as input for our sales and tender decision making process. Additionally, BAM started with the development of a BAM wide sales funnel to track projects leads from all operating companies in an integrated manner. In the meantime, BAM has created extensive tender data over the years to make better data-driven decisions. Lessons learned from these tenders are shared with the management of the operating companies, focusing on product type, client relationship, geographical location, contract type and preferred partners for the tender at hand. Combining this data with project execution data ensures even better focus on business development and selective tendering.

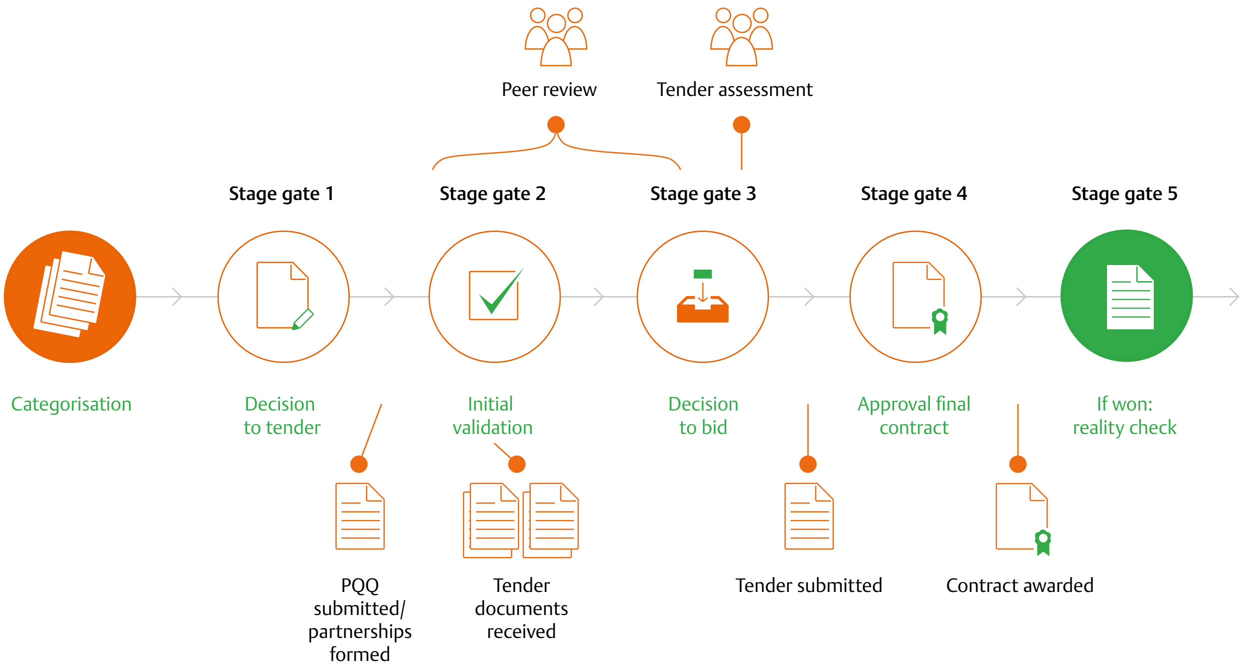
Fundamental behind managing a healthy order intake is BAM's tender stage gate procedure (see scheme below). Material tenders are guided through various stage gates based on the complexity and size of the tender (tender category). Through the process, qualitative and quantitative risks and opportunities that may impact the success of the tender are considered. Areas considered include client, contract, team, work schedule, finance, partners, safety, location et cetera.

The stage gate procedure also includes several approval rounds depending on the risk profile. The procedure follows a governance structure based on tender categories to ensure tenders are reviewed and approved by the right level of management. Bids for major projects or projects involving exceptional risk are submitted and presented to the Executive Board and – if necessary – the Supervisory Board for prior approval.

Peer reviews and Tender Assessments are performed by experts from other operating companies in the Group during the tender phase of major projects. These reviews mobilise the full knowledge of the Group and contribute in robustness of the proposal made to the client.

12 - Tender stage gate procedure





What impacted BAM in 2017?

Some risks and uncertainties related to the nature and complexity of the business environment but also opportunities had an impact on BAM in 2017. Some examples are given in this section.

Brexit

The United Kingdom is BAM's second largest home market after the Netherlands. BAM's UK activities are split between three operating companies: BAM Construct UK in non-residential construction and property development, BAM Nuttall in civil engineering and the UK operations of BAM PPP. They are widely diversified by location (strong regional presence across the United Kingdom), client base (public and private) and market (retail, office and industrial construction, and across all civil sectors.) The operating companies are among the leaders in their markets.
The impact of Brexit remains uncertain, which is why BAM will continue to monitor developments closely, maintain tender discipline and adapt its organisation and operations if required.

Design management

BAM's performance in 2017 was impacted by an asymmetric risk profile. There was a considerable project loss on the sea lock in IJmuiden. The loss mainly related to the redesign of the two caissons (the construction holding the lock doors) to prevent torsion and cracking during immersion. The new design specified reinforced caissons and heavy temporary structures, which lead to significantly higher costs for specialist materials, equipment and personnel. The redesign is expected to be finalised in April 2018. There have been changes in the management of the project and there will be close monitoring on the progress of the project. The project is still in an early stage. Furthermore, there has been additional attention for improvements in the design management process within BAM.

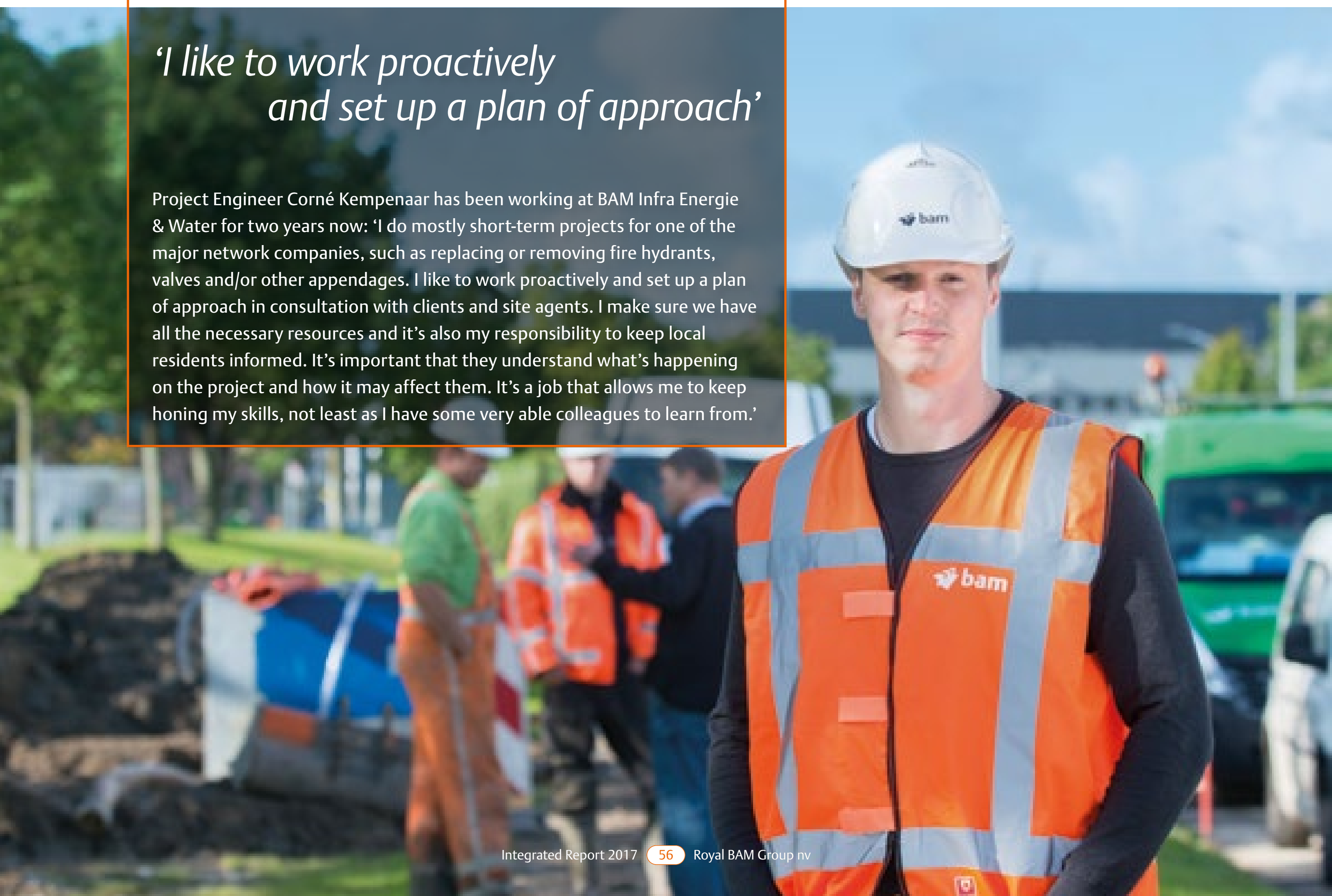
Safety

Although the focus on safety remains high, the company still faces incidents at project sites. Besides having the knowledge and tools to work safely, it is crucial that employees can always communicate openly about unsafe situations with each other and their managers.

Corné Kempenaar, BAM Infra

'I like to work proactively and set up a plan of approach'

Project Engineer Corné Kempenaar has been working at BAM Infra Energie & Water for two years now: 'I do mostly short-term projects for one of the major network companies, such as replacing or removing fire hydrants, valves and/or other appendages. I like to work proactively and set up a plan of approach in consultation with clients and site agents. I make sure we have all the necessary resources and it's also my responsibility to keep local residents informed. It's important that they understand what's happening on the project and how it may affect them. It's a job that allows me to keep honing my skills, not least as I have some very able colleagues to learn from.'



In Antwerp BAM Contractors nv (as partner in the joint venture THV Schijnpoort) is responsible for the reconstruction of part of the Noordersingel, the relocation of the watercourse Grote Schijn, drainage works, the reconstruction of cycle paths, constructing new ducts and modifying existing ones beneath the R1 ring road, and redesigning the public space. Wayss & Freytag Ingenieurbau has undertaken the construction of a number of foundation shafts for microtunnelling on behalf of the joint venture.

Creating the future in Dubai

‘The Museum of the Future, an incubator of visionary innovations’

Artist’s impression of the 30,000 square meter iconic Museum of the Future, located adjacent to Emirates Towers in Dubai. The building will have an instantly recognisable distorted torus shape, epitomised by its futuristic stainless steel façade with illuminated glazed Arabic calligraphy. Seven floors of exhibition space will showcase innovative and futuristic concepts, services and products for the future of cities, healthcare and education along with areas devoted to labs and a 400-seat auditorium.

Collapse of parking garage

There was a partial collapse of the P1 parking garage under construction at Eindhoven Airport on Saturday 27 May 2017. Investigations have shown that the sheer strength of the interface between the precast concrete floor slabs was insufficient to convey the traction. As a result, the structural capacity of the floor was compromised. Further discussion among all parties involved will have to determine who can be held responsible for the incident. BAM and Eindhoven Airport agreed to rebuild the parking garage in 2018. In addition, BAM performed a review of other buildings constructed by BAM with a similar production method. Based on this review the financial impact is considered to be limited.

Digital and sustainable solutions

A positive impact is BAM's progress with its development and implementation of digital and sustainable solutions that ensures our leadership in the construction sector. BAM has been awarded international prizes in the area of digital construction. BAM sees a growing number of circular and energy neutral opportunities, which BAM also won because of our innovative construction methods. Some examples are Circl and Bijlmer prison facility in Amsterdam and the gravity based foundations for Blyth Offshore Demonstrator wind farm in the northeast of England.

Executive Board statement

The Executive Board is responsible for the design and operation of the internal risk management and control systems. In discharging this responsibility, the Executive Board has made an assessment of the effectiveness of the design and operation of the internal control and risk management systems. Furthermore, the Executive Board determined the outlook based on market developments, orderbook, cash flow and financing.

On the basis of this management report and in accordance with best practice 1.4.3 of the Dutch corporate governance code as adopted on 8 December 2016, and article 5:25c of the Financial Supervision Act ('Wet op het financieel toezicht'), the Executive Board confirms that, to the best of its knowledge:

- the management report provides sufficient insights into any significant failings in the design and operating effectiveness of the internal risk management and control systems of Royal BAM Group;
- the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- the management report states those material risks and uncertainties that are relevant to the expectation of Royal BAM Group's continuity for the period of twelve months after the preparation of the management report.

Shaun McGinley, BAM International

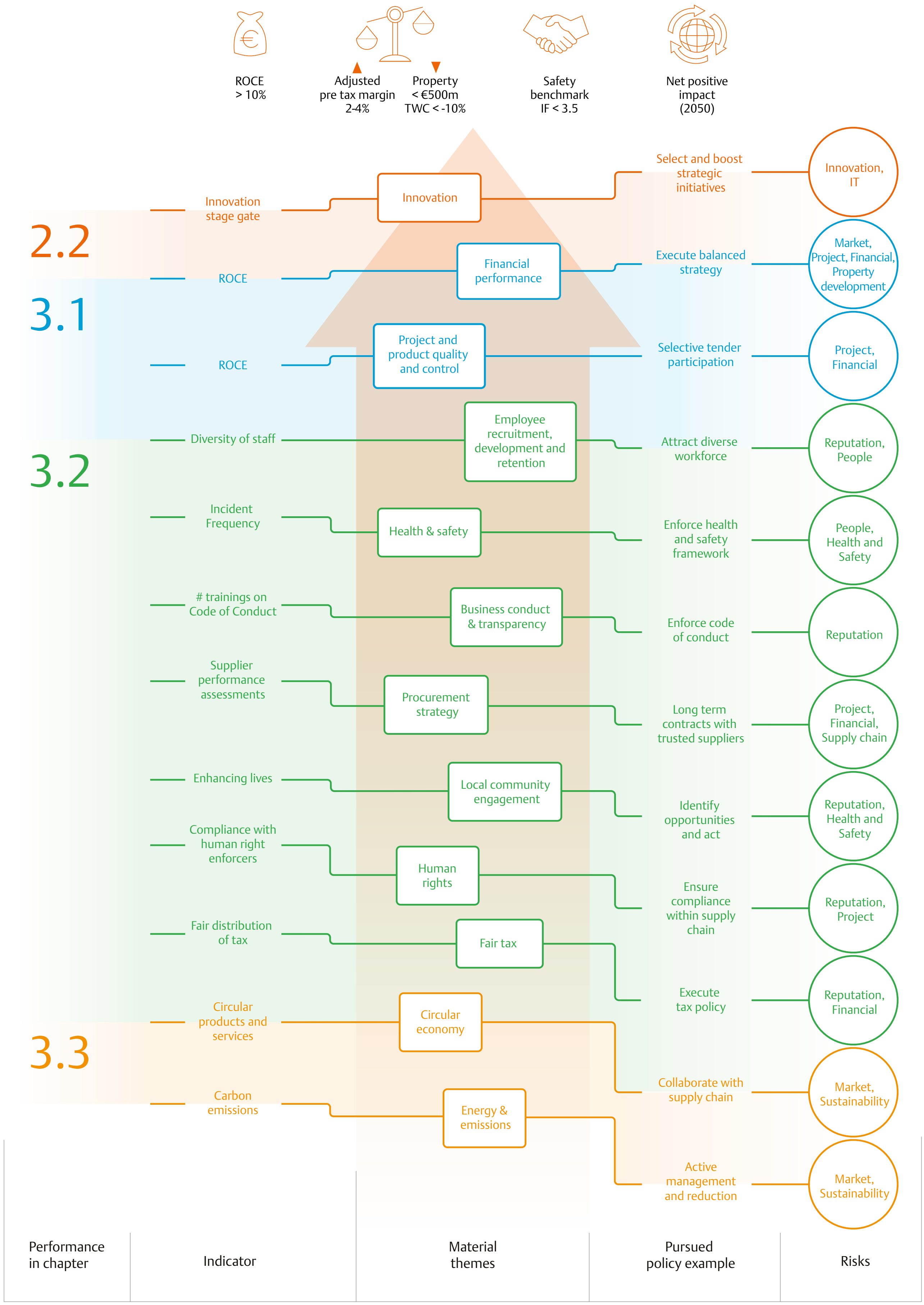
Shaun McGinley, Project Manager of the Museum of the Future project, marked two major milestones in the first quarter of 2017: one was achieving over 1,000,000 man hours without a lost time injury and the team poured the ring beam which will hold the diagrid superstructure housing the main exhibition spaces. McGinley: 'A lot of credit has to go to our site team who worked tirelessly to ensure we poured the beam on time and as per the contract programme. Casting the ring beam on time ensures the structural steel will now be able to commence as per our contract programme date. We did the modelling in conjunction with our in house BIM team.'

It should be noted that the above does not imply that these systems and procedures provide absolute assurance as to the realisation of operational and strategic business objectives, or that they can prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. Nor can they provide certainty that we will achieve our objectives.

In view of all of the above, the Executive Board confirms that, to the best of its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Royal BAM Group and of companies included in the consolidation;
- the management report provides a fair review of the position at the balance sheet date, the development and performance of the business during the financial year of Royal BAM Group; and
- the management report describes the principal risks and uncertainties that Royal BAM Group faces.

Maintenance student housing SSH Utrecht. BAM FM.



13 - Linkage between BAM's strategy, material themes and performance indicators

3. Business performance

3.1 Financial performance

14 - Target: Creating return on capital employed above 10 per cent

Targets	Performance in 2017	Progress
Return on capital employed (ROCE) >10 per cent by 2020 In order to reach that target return must go up and capital employed must go down.	ROCE in 2017 amounted to 2.8 per cent (2016: 2.8 per cent).	
Key performance indicators (KPIs) Return: BAM aims to get its results on projects into a 2 to 4 per cent range.	The margin on the adjusted result before tax for 2017 deteriorated to 1.0 per cent, 0.5 per cent points down compared to 2016.	
Capital employed: Increase trade working capital efficiency below -/- 10 per cent of revenue.	The trade working capital efficiency improved to -/- 10.4 per cent at year-end 2017 compared to -/- 10.0 per cent at year-end 2016.	
Capital employed: Reduce investment in land bank and property development below €500 million.	BAM achieved divestments of land bank and property for a total of €35 million in 2017 (2016: €62 million). Balance sheet value for land bank and property down to €591 million.	
Improve capital ratio towards 25 per cent by 2020.	Capital ratio amounted to 21.2 per cent compared to 19.7 per cent at year-end 2016.	

Management summary

We are disappointed that the project loss at sea lock IJmuiden set back our 2017 result by €68 million and damaged our margin by 1%-point. Apart from this, the majority of our activities performed in line with our expectations. Our order book grew as anticipated while we maintained our tender discipline. We had another year of positive business cash flow and our overall financial position remains solid.

We made further progress delivering on our strategy Building the present, creating the future. Looking ahead, we will accelerate execution to capitalise on our potential. Key priorities remain pre-construction management, business controls, digitalisation and IT standardisation and of course implementing the key learnings from sea lock IJmuiden.

15 - Key financial results
(x €1 million, unless otherwise stated)

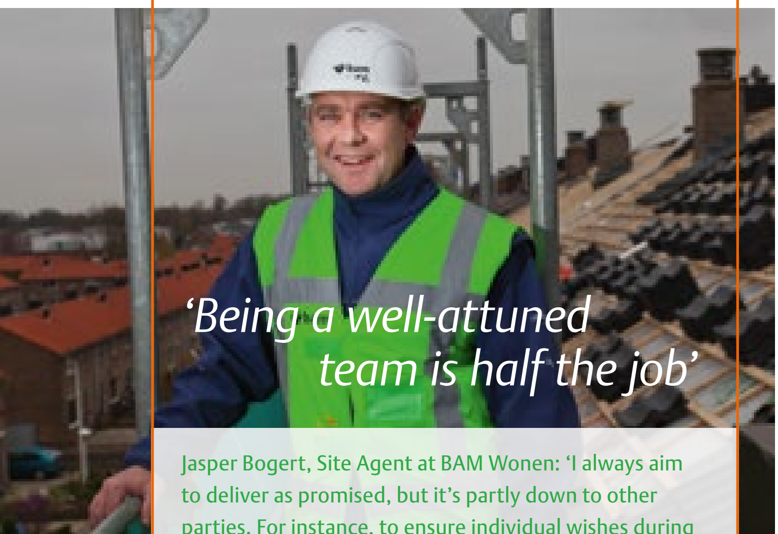
	2017	2016
Revenue	**6,604**	6,976
Adjusted result before tax	**63.3**	102.7
Margin *(%)*	**1.0**	1.5
Result before tax	**58.3**	60.1
Net result attributable to the shareholders of the Company	**12.5**	46.8
Order book	**11,609**	10,193
Earnings per share	**5 cents**	17 cents
Dividend proposal	**10 cents**	9 cents

16 - Result before tax

(x €1 million, unless otherwise stated)

	2017	2016
Continuing operations		
Adjusted result before tax, depreciation and amortisation charges	**122.8**	167.1
Depreciation and amortisation charges	**(59.5)**	(64.4)
Adjusted result before tax	**63.3**	102.7
Impairment charges	**(4.8)**	(50.7)
Restructuring and other exceptional costs	**(0.2)**	(33.5)
Pension one-off	**-**	41.6
Result before tax	**58.3**	60.1
Income tax	**(44.9)**	(10.9)
Result for the year	**13.4**	49.2
Non-controlling interests	**0.9**	2.4
Net result attributable to shareholders of the Company	**12.5**	46.8

Jasper Bogert, BAM Wonen



Jasper Bogert, Site Agent at BAM Wonen: 'I always aim to deliver as promised, but it's partly down to other parties. For instance, to ensure individual wishes during renovations, like an additional roof window, my word is as good as the willingness of other parties to pull their weight. Collaboration is crucial.' As Bogert sees it, being a well-attuned team is half the job. 'I've been working with Woonforte's renovation team for many years. We know each other through and through, which makes it so much easier to hone and improve the construction process.'

Revenue

Revenue of €6,604 million was €372 million (5 per cent) below the level of 2016. Of this, 40 per cent (€142 million) came through the weakening of the pound sterling with softening of revenue in the Construction and Property sector offset by some growth in Ireland and Germany.

Result

The adjusted result before tax for the year 2017 was heavily impacted by the project loss (€68 million) at the lock IJmuiden in the Netherlands. There was also some negative impact from the Eindhoven Airport parking garage collapse. Both items were included in the result for the fourth quarter. These were partly offset by the strongly improved performance of Construction and Property sector. The result of PPP was slightly ahead of last year. Net result is impacted by an impairment of €40 million of deferred tax assets, triggered by the loss on sea lock IJmuiden and cumulative past underperformance in the Dutch fiscal entity.

Order book

As at 31 December 2017 the order book (orders in hand for the next five years) amounted to €11.6 billion, representing an increase of €1.4 billion in the year (2016: decrease of €1.3 billion in the year). Of the current order book position, €5.7 billion (2016: €5.4 billion) is expected to be carried out in 2018 and €5.9 billion (2016: €4.8 billion) in the years after. In addition, the Group has more than €1.8 billion (2016: €2.1 billion) in the order book beyond five years, mainly comprising of long-term maintenance contracts for PPP projects.

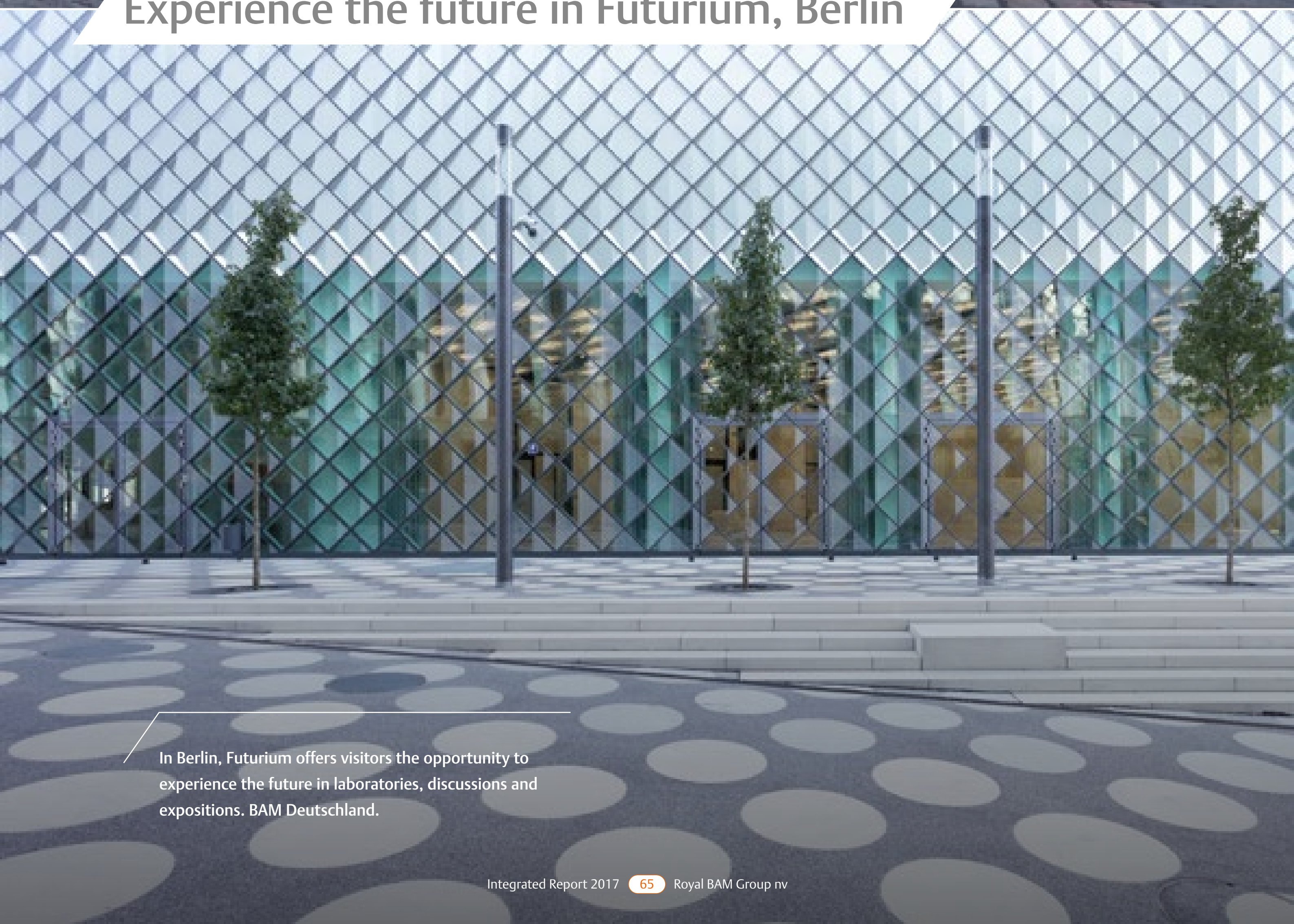
Earnings per share

The number of outstanding ordinary shares of the Group increased by 2.6 million in 2017 to 273.2 million shares as at 31 December 2017, due to stock dividend minus the repurchase of shares for the conditional performance share plan. (Diluted) earnings per share amounted to 5 euro cents (2016: 17 euro cents).

Dividend proposal

BAM's policy is to pay out 30 to 50 per cent of the net result for the year subject to considering the balance sheet structure supporting the strategic agenda and the interests of the shareholders. BAM's net result for 2017 of €12.5 million included a charge of €40 million for the impairment of deferred tax assets. Since this item is one-off non-operational and non-cash in nature, BAM has added back this item for the payout calculation. Therefore, BAM proposes a dividend of 10 euro cents per ordinary share for 2017 (2016: 9 euro cents) which equates to a payout ratio of 50 per cent of the adjusted net result. Subject to approval by the Annual General Meeting on 18 April 2018, this will be paid in cash with a scrip alternative on 16 May 2018. BAM will repurchase and cancel shares to offset the dilution due to shareholders taking the scrip alternative. The dividend return amounts to 2.6 per cent, based on the 2017 closing price (2016: 2.1 per cent).

Experience the future in Futurium, Berlin



In Berlin, Futurium offers visitors the opportunity to experience the future in laboratories, discussions and expositions. BAM Deutschland.

Design and construction of third terminal complex at Julius Nyerere International Airport, Dar es Salaam, Tanzania. BAM International and BAM Nuttall.

17 - Financial position
(x €1 million, unless otherwise stated)

	2017	2016
Cash and cash equivalents	**696**	739
Less: borrowings	**(503)**	(612)
Net cash	**193**	127
Add: non-recourse financing	**265**	368
Recourse net cash	**458**	495
Capital employed		
- Non-current assets	**1,407**	1,446
- Net working capital	**(515)**	(456)
Shareholders' equity	**852**	834
Capital base	**967**	947
Total assets	**4,571**	4,812
Solvency *(%)*	**21.2**	19.7

18 - Business cash flow [1]
(x €1 million)

	Full year 2017	Full year 2016
Group: net cash result [2]	**78**	90
Investments (in)tangible fixed assets	**(83)**	(55)
Trade working capital [3]	**(39)**	116
Net investment:		
- Property	**80**	(1)
- PPP	**1**	7
Other changes in working capital	**(24)**	27
Business cash flow	**13**	**184**
Dividend	**(7)**	(2)
Restructuring	**(25)**	(33)
Pensions (additional)	**(12)**	(12)
Other	**(12)**	(35)
Change in cash position	**(43)**	**102**

[1] These metrics are not directly compatible with the IFRS-based condensed cash flow statement.

[2] Net cash result is net result excluding depreciation, impairments, cash out related to restructuring, movements of provisions and book profit on sale of PPP projects.

[3] Working capital excluding property positions, PPP receivables, assets and liabilities held for sale, derivatives, provisions, taxes, other receivables and other payables.

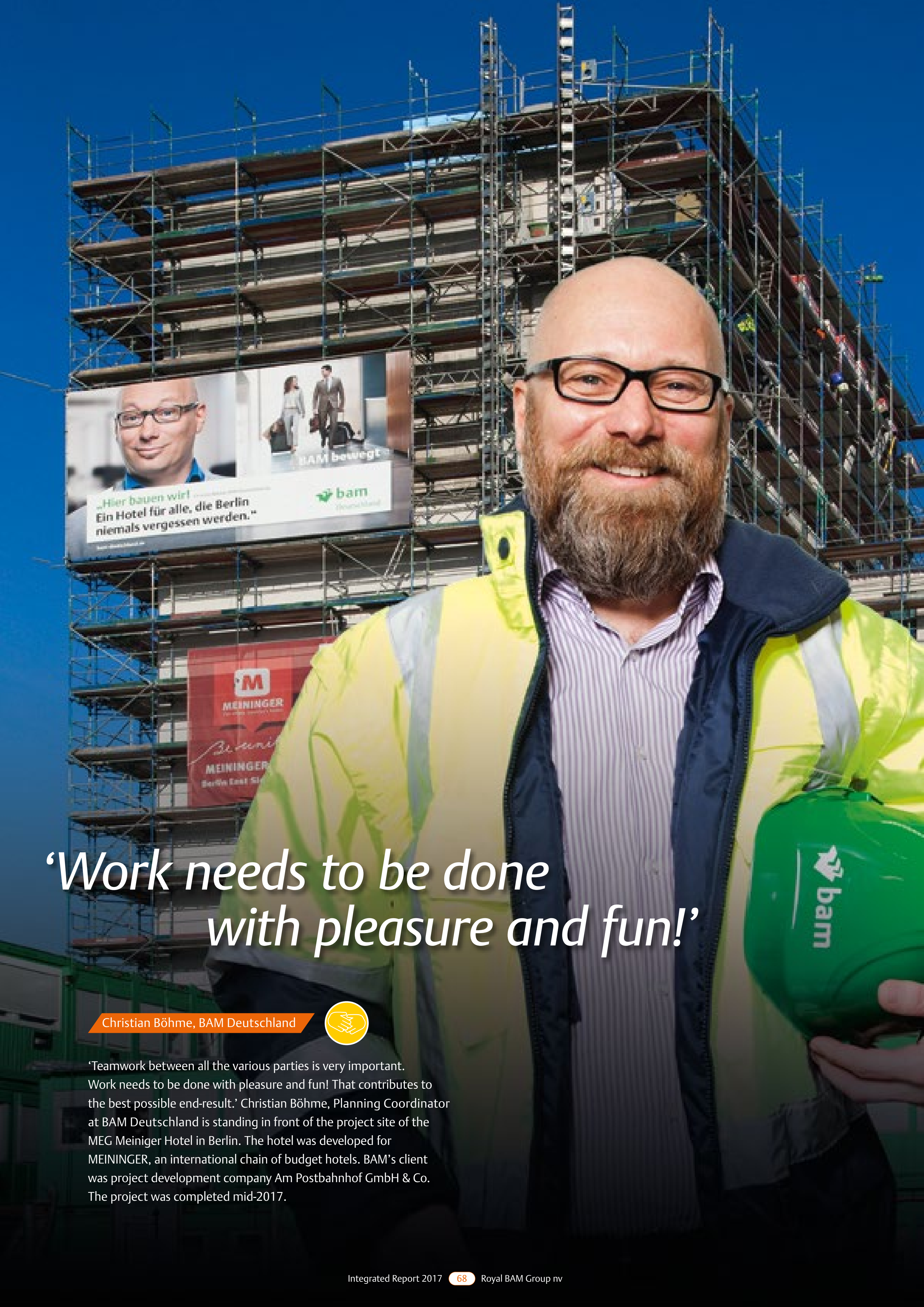
Cash and cash equivalents

Cash and cash equivalents was €696 million as at 31 December 2017 (2016: €739 million), of which €217 million (2016: €223 million) concerns the Group's share of cash and cash equivalents in joint operations.

The business cash flow was again positive. Investments in (in)tangible assets increased after years of structural lower investments. BAM invested in equipment and in the patented development of Gravity Based Foundations for offshore wind power.

The property cash flow was mainly driven by the transfer (as announced in November 2016) of the property positions in the north east of the Netherlands and the sale of the Stadium Complex Zwolle. Other changes in working capital in 2017 were driven by changes in accruals and negative effects from the cash flow in relation to joint arrangements, whereas in the same period in 2016 there was a favourable effect from the cash flow in relation to joint arrangements.

The cash outflow from restructuring in 2017 relates mainly to the Netherlands for prior year restructurings. Other included the effect of the weaker pound sterling and the purchase of treasury shares.



‘Work needs to be done with pleasure and fun!’

Christian Böhme, BAM Deutschland

‘Teamwork between all the various parties is very important. Work needs to be done with pleasure and fun! That contributes to the best possible end-result.’ Christian Böhme, Planning Coordinator at BAM Deutschland is standing in front of the project site of the MEG Meiniger Hotel in Berlin. The hotel was developed for MEININGER, an international chain of budget hotels. BAM’s client was project development company Am Postbahnhof GmbH & Co. The project was completed mid-2017.

Borrowings

As at 31 December 2017 total borrowings amounted to €503 million (2016: €612 million) of which €265 million (2016: €368 million) concerned non-recourse debt. Non-recourse loans associated with PPP projects decreased with €84 million (2016: increase €79 million) and property development decreased in 2017 with €17 million (2016: €30 million decrease) principally due to PPP project divestments in the year and consequential debt repayments.

As at 31 December 2017 a net cash position is achieved of €193 million (2016: €127 million net cash position). This position comprised of cash and cash equivalents minus borrowings of €503 million (2016: €612 million).

The Group had two credit facilities as at 31 December 2017: unsecured subordinated convertible bonds for €125 million and a committed syndicated credit facility of €400 million. The bonds will be convertible into ordinary shares of BAM with a nominal value of €0.10 each. The bonds are subordinated to BAM's senior payment obligations. The bonds will carry an annual coupon of 3.5 per cent payable semi-annually and a conversion price of €5.2245. The bonds will be redeemed at their principal amount on or around 13 June 2021. BAM will have the option to call all but not some of the outstanding bonds at their principal amount plus interest from 28 June 2019, if the value of a BAM share exceeds for a specified period of time a price which is 30 per cent higher than the conversion price.

The committed syndicated credit facility has a duration until 31 March 2022 and as at 31 December 2017 the committed syndicated credit facility was not used, just as in 2016.

19 - Borrowings
(x €1 million, unless otherwise stated)

	2017	2016
Non-recourse debt		
PPP	**190**	274
Property	**69**	86
Other	**6**	8
	265	368
Subordinated convertible bonds	**115**	113
Recourse debt		
PPP	**30**	50
Property	**80**	74
Financial lease	**13**	7
	238	244
Borrowings	**503**	612

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 €458 million as at 31 December 2017, €37 million down compared to 2016.

Capital employed

Non-current assets
On balance, non-current assets decreased in the year with €39 million (2016: decrease €61 million).

As the net capital expenditures in the year were higher than the annual depreciation, the carrying amount of property, plant and equipment increased with €12 million to €282 million. The majority of the capital expenditures concerned the asset category equipment and installations in the sector Civil engineering.

Intangible assets predominantly comprises goodwill with a carrying amount of €375 million, a decrease of €4 million compared to 2016 owing to the lower exchange rate of the British pound sterling. Goodwill is tested for impairment annually and this did not result in an impairment. The sensitivity analyses indicated that for a 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.

Besides decrease in goodwill, intangible assets increased with €18 million, mainly due to investment in Gravity Based Foundations and non-integrated software.

PPP receivables decreased in 2017 to €249 million from €359 million principally due to construction progress on current PPP projects (€127 million) compensated by the transfer of one project to the joint venture with PGGM (€150 million). In 2017, just as in 2016, no PPP receivables were reclassified to assets held for sale to the PGGM joint venture.

The carrying amounts of investments (accounted for using the equity method) and other financial assets increased in the year with €10 million (from €86 million to €96 million) respectively remains at the same level as last year (€92 million).

Net working capital
Net working capital (current assets excluding cash and cash equivalents minus current liabilities excluding current borrowings) as at 31 December 2017 amounted to minus €515 million (2016: minus €456 million). Gross investment in property development has been reduced with €39 million in 2017 to €591 million, as a consequence of property sales, divestments and an impairment charge of €4 million (2016: €48 million). Net investment in property development, taking into account associated borrowings, amounted to €446 million (2016: €475 million).

Alistair Hynd, BAM Construct UK

According to Alistair Hynd, Commercial Manager at BAM Construct UK, is predictable performance about having an honest and transparent approach. 'So people know that you will deliver on your promises. This is important because through past performances, the people we work with know that we will do all that we can to ensure a positive impact is made. We always look for the best solution and meet problems head on to ensure they are resolved in a way that guarantees the trust of our clients and demonstrates that we are committed to delivering quality projects on time and on budget.'

Shareholders' equity and capital base

Shareholders' equity increased by €18 million in 2017 to €852 million as at 31 December 2017. This increase is principally due to the net result for the year of €13 million.

Capital base includes the subordinated convertible bonds of €115.0 million (2016: €112.5 million). The difference between the nominal value of the convertible bonds of €125 million and the reported value of €115.0 million, consists of the valuation of the conversion right and transaction cost.

Solvency

As at 31 December 2017 solvency is 21.2 per cent (2016: 19.7 per cent) determined by using the capital base. Given the higher capital base and the lower balance sheet total, solvency increased in 2017. Recourse solvency, the ratio in accordance with the bank covenants, slightly increased to 29.4 per cent as at 31 December 2017 (2016: 29.0 per cent), which comfortably exceeds the required minimum of 15 per cent.

Other significant movements in balance sheet items

Post-employment benefits
The net benefit liability amounted to €43 million as at 31 December 2017, a decrease of €39 million compared to 2016 principally due to changes in actuarial assumptions, specifically the discount rate used.

Provisions
Provisions, other than post-employment benefits, decreased by €28 million to €114 million (2016: €142 million), predominantly effected by the decrease of the restructuring provision by €27 million. In 2017 €3.0 million were added to the restructuring provision, €2.9 million of unused provisions were released and €24.7 million were used for payments on restructurings, mainly in the Netherlands.

Deferred tax assets and liabilities
The Group has a net deferred tax asset of €190 million (2016: €223 million) principally reflecting the tax losses carried forward in the Netherlands and Germany. The valuation as at 31 December 2017 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. In 2017 an impairment of the deferred tax assets of €40 million was made, triggered by the loss on sea lock IJmuiden and cumulative past underperformance in the Dutch fiscal entity, including large impairments on property and restructuring charges in prior years.

Assets and liabilities held for sale
The assets and liabilities held for sale as at 31 December 2017 amount to €9 million (2016: €40 million) for the assets and €0 million (2016: €4 million) for the liabilities and are fully

attributable to one remaining property position to be transferred in the Northeast part of the Netherlands. In 2016 the assets and liabilities held for sale were fully attributable to the proposed sale of all 47 property development positions in the Northeast part of the Netherlands.

Tax

In 2017, BAM recognised a tax expense of €44.9 million (2016: €10.9 million). Excluding the impairment of deferred tax assets of €40 million, the effective tax rate of the Group for 2017 is 8.4 per cent (2016: 18.1 per cent), influenced predominantly by the use of previously unrecognised tax losses.

On corporate income tax, taxes on wages, social security contributions and VAT, the Group paid a total amount of €725 million in 2017. Relative to the Group's revenue, the share of taxes paid deviates most from the share of revenue in the Netherlands. Here, the Group's share of taxes is relatively high compared to revenue.

20 - Taxes paid in 2017

(x €1 million, unless otherwise stated)

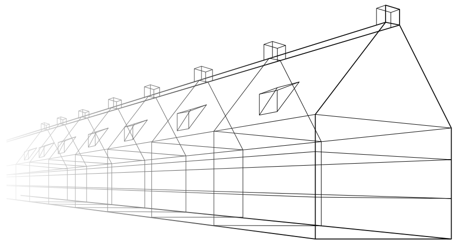
	Taxes	%	Revenue	%
Netherlands	390	54	2,322	35
United Kingdom	179	25	1,929	29
Belgium	39	5	690	10
Germany	82	11	804	12
Ireland	20	3	421	6
Rest of the world	15	2	438	7
Total	**725**	**100**	**6,604**	**100**

Business line results

With effect from 2016, the Group has changed its reporting sectors to align with its implemented updated strategy. The ten operating companies now report as three sectors: Construction and Property, Civil Engineering and PPP. The Construction and Property activities are now managed and reported as one integrated business line. In addition, construction activities in Ireland, Belgium and at BAM International have been reclassified from Civil engineering to Construction and Property.

Construction and Property

21 - Construction and Property



	2017	2016
Revenue	**3,708**	4,124
Adjusted result before tax	**73.0**	3.5
Margin (%)	**2.0**	0.1
Order book	**6,890**	6,264

(x €1 million, unless otherwise stated)

At Construction and Property, revenue was €3,708 million, which was lower by €416 million including the negative impact of the pound sterling of €82 million. Revenue reduced mainly at Dutch non-residential construction following the trend of the order book and in the United Kingdom due to caution in the construction market and the absence of property development transactions. Ireland had higher revenues reflecting BAM's strong position in a growing market.

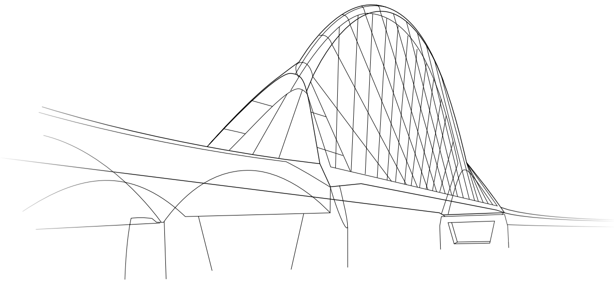
The total sector result was €73.0 million including a property development result of €26.7 million, equal to 2016, with a good contribution from Dutch residential. Germany delivered a break even result for the full year after the refocusing of activities in 2016. The benefits of the recently acquired projects will become slowly visible in the results, while negotiations on settlements at older projects are ongoing. All other regions delivered solid margins according to expectations. Dutch house sales were up by 7 per cent to 2,316 due to planning and zoning constraints at municipalities.

The year-end order book was higher by €626 million (10 per cent) including a negative FX of €61 million. The increase came mainly from the Netherlands and Ireland. The order book at Dutch non-residential started to grow slowly after years of decline and the increase at residential construction and property reflects the increasing demand for new build homes. Order book at BAM International grew due to onshore project wins.

The gross investment in property reduced by €39 million to €591 million at the end of 2017. These investments were financed by €75 million recourse property loans (year-end 2016: €69 million) and €69 million non-recourse property loans (year-end 2016: €86 million).

Civil engineering

22 - Civil engineering



	2017	2016
Revenue	**2,964**	2,899
Adjusted result before tax	**(24.3)**	83.4
Margin (%)	**(0.8)**	2.9
Order book	**4,693**	3,950

(x €1 million, unless otherwise stated)

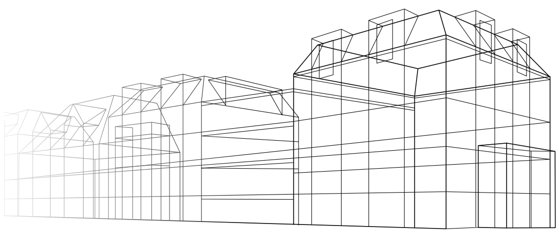
In Civil engineering, revenue rose by €65 million to €2,964 million, including negative FX of €59 million. Revenue in the Netherlands and at BAM International reduced slightly and was up in all other regions including the United Kingdom at constant currency.

The sector result was severely impacted by the project loss at sea lock IJmuiden in the Netherlands. The Dutch activities were also held back by the competitive regional market. The small losses at Belgium and BAM International reflected the challenging market conditions, however both markets appear to have bottomed out. All other regions had margins of 2per cent or above.

The order book rose by €743 million (19 per cent), mainly due to multiyear project awards in the United Kingdom and Germany.

PPP

23 - PPP



	2017	2016
Revenue	**135**	197
Adjusted result before tax	**19.0**	17.1
Order book	**210**	342
Average invested equity	**110**	103
Return on equity (%)	**17.3**	16.6

(x €1 million, unless otherwise stated)

PPP had a result of €19 million coming mostly from existing portfolio. One project was transferred to the joint venture with PGGM. At the end of the year the BAM/PGGM joint venture was selected preferred bidder for the German road project A10/A24 and financial close was reached in February 2018. The order book reduced during the year due to the progress on the construction of projects. The pipeline of active bids remains healthy. The total directors' valuation of the PPP portfolio as at the end of 2017 was €229 million, which included €75 million of unrealised value.

At the end of 2017 the number of PPP projects in the portfolio was 44 of which BAM PPP retains an interest in 40; for the remaining 4 projects only asset management services are provided by BAM PPP. In 2017 BAM PPP was awarded a contract to provide asset management services to a further project (Zaanstad Prison) owned by third party investors.

BAM PPP's projects are spread across BAM's European markets with revenue based mainly on the availability criterion. The ratio of accommodation to civil engineering projects is balanced, although civil engineering projects are generally greater in size.

The joint venture with PGGM continued to grow in 2017, with an investment in a further project. 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 whole lifecycle solutions for the benefit of our public-sector clients. The company focuses on BAM's European home markets where the Group has proven construction and maintenance skills and expertise. The strategy aims to grow the portfolio providing 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. The bidding opportunities are spread across all of our markets. Opportunities in new markets working in conjunction with BAM International are looked at on a project by project basis. Interest in providing long term debt remains strong from both bank and institutional lenders for both primary and refinancing transactions.

BAM PPP Portfolio financial performance
At year-end 2017, shareholders equity invested by BAM PPP totaled €68 million (2016: €66 million). BAM PPP invested €18 million and transferred €15 million to the BAM PPP PGGM joint venture in 2017. 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 €101 million, all by the joint venture. The invested and committed equity totaled €169 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 (dividends, interest and repayment). The discounted value of this future cash inflow is the Director's valuation and totals €229 million (2016: €238 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 €75 million (2016: €73 million).

Business development

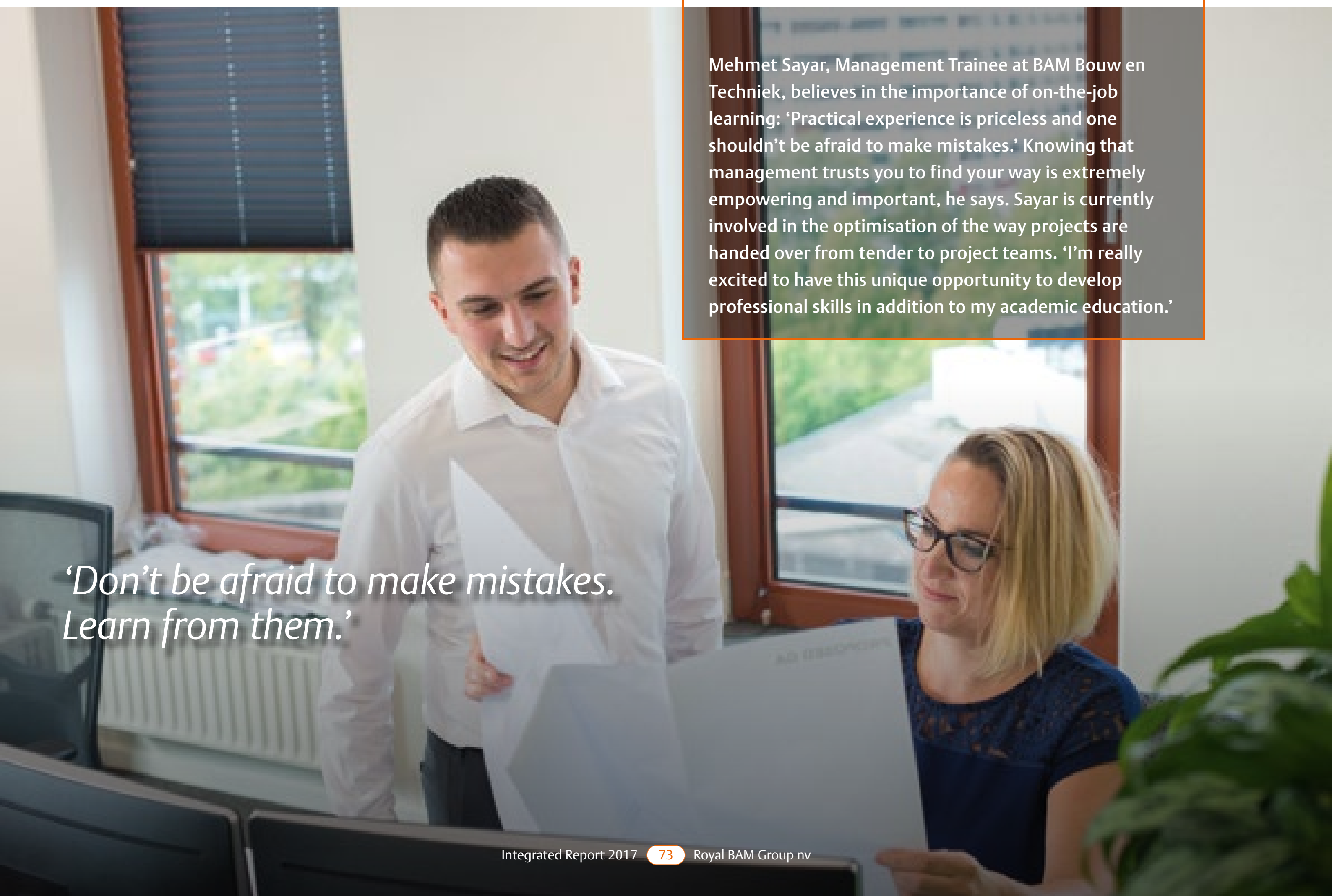
The current portfolio provides BAM PPP with returns on equity investments, in addition, as at year-end 2017, to an order book of construction turnover of €382 million and facility management and lifecycle turnover for BAM sister companies of €3.5 billion. BAM PPP has in the pipeline 10 active bids, providing potential equity investments of €214 million, potential construction turnover of €2.1 billion and potential facility management turnover (excluding lifecycle) of €0.9 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 are excluded until financial close is achieved.

Mehmet Sayar, BAM Bouw en Techniek

Mehmet Sayar, Management Trainee at BAM Bouw en Techniek, believes in the importance of on-the-job learning: 'Practical experience is priceless and one shouldn't be afraid to make mistakes.' Knowing that management trusts you to find your way is extremely empowering and important, he says. Sayar is currently involved in the optimisation of the way projects are handed over from tender to project teams. 'I'm really excited to have this unique opportunity to develop professional skills in addition to my academic education.'



'Don't be afraid to make mistakes. Learn from them.'

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.

24 - Portfolio financial performance 2017

(x €1 million, unless otherwise stated)

		Nominal	Discounted
Invested equity		68	
Committed equity		101	
Total invested and committed equity	(a)	169	154
Future equity cash flows	(b)	805	229
Implied forecast unrealised value in the portfolio	(b)-(a)		75

Annetschka Teeuwen

Annetschka Teeuwen (left) is a proud property owner in the apartment building De Reder developed by AM. She loves her new home with its view on the port of Scheveningen and the North Sea. 'The level of finishing is excellent and we had many customisation opportunities throughout the construction stage. Moreover, we've got the supermarket at our doorstep and the beach is just a stone's throw away. It's the perfect place to enjoy our retirement.'

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.

25 - Sensitivity of the directors' valuation

Discount rate adjustment	Portfolio valuation *(€ million)*	Difference in valuation *(€ million)*
+2%	196	-33
+1%	211	-18
0%	229	-
-1%	250	21
-2%	273	44

26 - Directors' valuation 2017

(x €1 million, unless otherwise stated)

Valuation as at December 2016	238
Dividends and distributions received since December 2016	-11
Repayments and divestments since December 2016	-19
Exchange rate movements	-2
Rebased December 2016	206
Valuation at December 2017	229
New projects added	2
Revaluation 2017 [1]	21
Increase/decrease in portfolio valuation	23

[1] The revaluation 2017 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.

AM-developed apartment building De Reder in the Dutch seaside town of Scheveningen.

3.2 Social performance

Safety | Human Resources | Enhancing lives

27 - Ambition: to offer added value to clients, employees, business partners and the community

Targets	Performance in 2017	Progress
Fully incorporate safety in daily activities to achieve a BAM incident frequency (IF BAM) of ≤ 4.0 for 2017 and of ≤ 4.0 for 2018.	IF BAM of 4.6 (2016: 4.8).	●○○
BAM values implemented in the operating companies in 2017.	This goal has been achieved. Further cascading will take place in 2018.	○○●
Leadership development programme for top business management in 2019.	As a foundation for the design of this leadership programme ten dialogue sessions were organised between the Executive Board and Opco Board members.	○○●
Olympus: project management development programme for top project managers in 2018.	The Olympus leadership programme was launched in April 2017. Approximately sixty project managers participated in this programme in 2017. The programme will be offered to another group of eighty project managers in 2018.	○○●
Enhance one million lives in local communities by 2020.	Continue to develop Groupwide strategy and resource whilst beginning to collect meaningful data and evidence of life-enhancing activities across the group.	○●○

Where BAM can improve

Despite BAM's ambition and continuous effort to improve safety on its projects, the company deeply regrets the sad loss of four employees of subcontractors. The first meeting of the Management Board in 2017 was combined with the international safety officers meeting, with the aim of drawing up a specific action plan to prevent fatal and serious incidents for the future, both at company level and on a personal level. Commitment, visible leadership and knowledge-sharing are some of the most important topics in this plan.

BAM aims for zero accidents. The Group is working hard on fostering a genuine and sustainable safety leadership culture within senior management. During the first quarter of 2017 a Safety Leadership Team (see chapter 2.2 stakeholder engagement and material themes) was established to underline and reinforce these ambitions. To achieve this ambition the Group's strategic objectives are to create the right environment for knowledge-sharing and learning, enhancing leadership, culture and behavioural performance throughout the organisation, create uniform safety reporting across operating companies, build relationships and create interaction with all stakeholders.

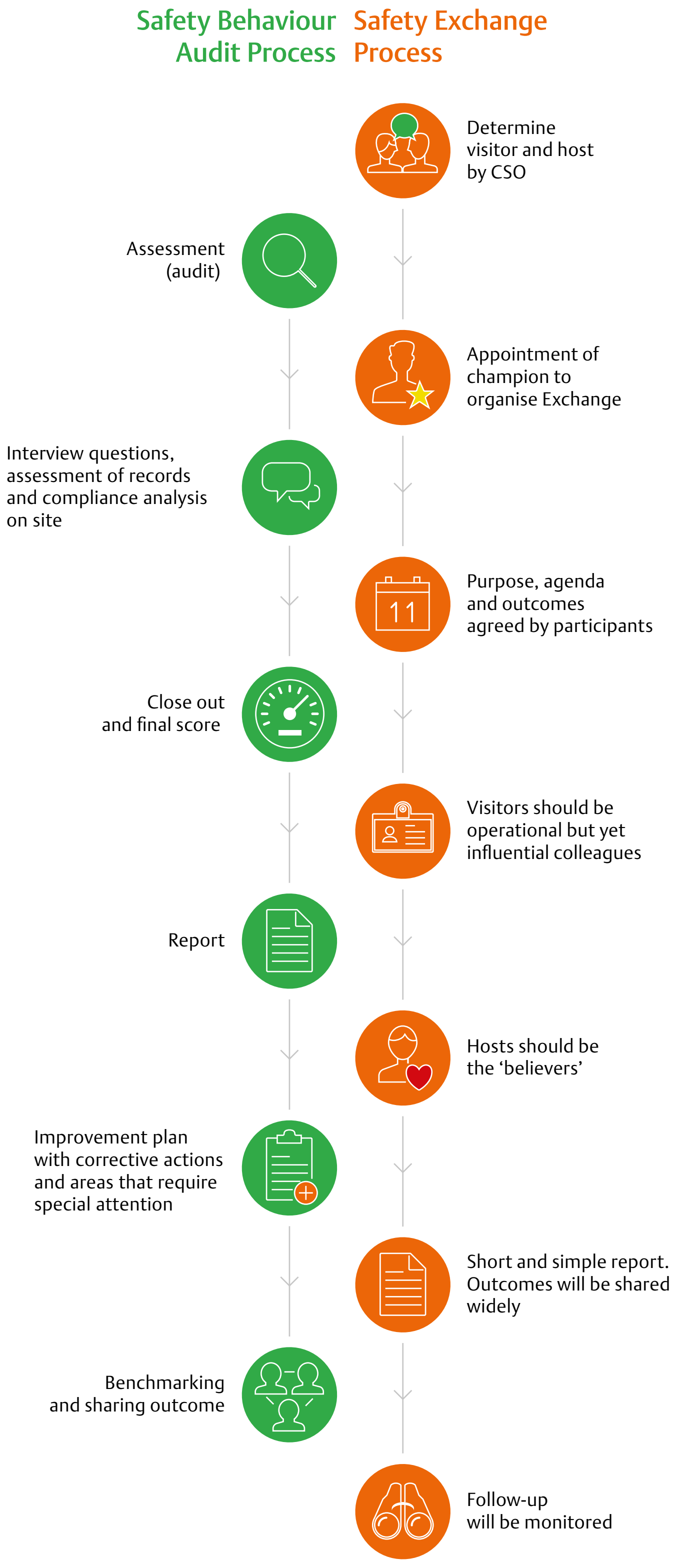
Mental health, stress and well-being are a growing concern for BAM. To create awareness around these topics, an employee assistance programme (e-learning module) was started at BAM in 2017. BAM will increase the focus on health related matters in the construction sector in the coming years.

Social value for BAM

BAM's activities have an impact on local communities, occupants and other users of buildings and infrastructure and society as a whole. BAM aims to create sustainable environments that enhance people's lives. This chapter describes how all social subjects are interrelated and how BAM actively collaborates with all stakeholders to create long-term (social) value. Without any doubt health and safety is the most important element of our social performance: we want every employee to return home safe every day. This requires excellent performance from all employees and supply chain partners on thousands of construction sites every day. The construction supply chain is increasingly complex and fragemented and needs active collaboration to manage responsible supply chain management, human rights and ethical business conduct. The Group increases intellectual capital and human capital by investing in its employees and in the development of the supply chain. BAM recognises the importance of Group-wide development and implementation of its talent strategy, based on BAM's organisational development and strategic objectives. The positive legacy to society is increasingly important and is reflected in the programme for enhancing lives: making a real and positive difference to the lives of people with whom BAM comes into contact through its work.

King's Cross in London. BAM Construct UK.

29 - **Safety** - Safety behaviour audit (SBA) process and safety exchange (SE) process



Health and safety

Creating the right environment for knowledge-sharing and scalable learning in BAM's complete supply chain is most important to reach the Group's safety targets (See chapter 2. Strategy – material themes). This is done by:

- Strengthening the operating companies to develop leadership and behaviour by carrying out safety behaviour audits (SBAs);
  With the introduction of the SBA in 2016, 'awareness' (of safety risks inherent in projects) was replaced by 'behaviour'. This type of auditing should lead to an increased focus on safety behaviour, commitment and performance, still based on an assessment and interviews, leading to a report and improvement plan. Moreover, an SBA is not just about safety, but also about leadership and behaviour in all parts of the company and supply chain. Across the Group, fifteen SBAs took place in 2017.

- Recognition of performance by carrying out and follow-up on the safety exchanges (SEs);
  These make it possible to have an open dialogue between two operating companies that focusses on a debate for challenging and learning in which they have to come up with solutions together. Across the Group, four SEs took place in 2017.
  After a year of developing and learning BAM officially launched the SBAs and SEs in 2017 as new types of dialogue (scalable learning).

- Strengthening BAM's (safety) culture supported by uniform safety communication processes, modern methods and channels;
  In 2017 an online safety portal was launched to share and connect safety information and best practices amongst all BAM companies, Group-wide, where content is added and maintained by each operating company. A Safety Task Force has been set up to create a joint Groupwide safety campaign to develop a harmonised and visible safety branding/communication platform which reinforces the One BAM message.

- Improving the safety performance: IF BAM < 3.5 in 2020.
  IF BAM (Incident Frequency) is determined by the total number of industrial accidents leading to absence from work per million hours worked on construction sites (all BAM site employees on own work and joint ventures on risk). In 2017 IF BAM decreased to 4.6 (2016: 4.8), which is above the 2017 target of 4.0.

This safety approach is established to continuously improve BAM's safety performance and to meet strategic targets.

Rewarding excellence
Safety behaviour audits (SBAs) will make excellence count and reward (safety) innovations. By disclosing the results through the safety portal, safety excellence becomes visible to other operating companies with an emphasis on continuous improvement within organisations and throughout the Group.

Safety Behaviour Audit (SBA) scores focus on three areas: safety climate, management system and site conditions. In 2017, overall performance increased from 70 per cent to 72 per cent.
Page 78 shows the SBA process in detail.

Excellent performance in leading and lagging indicators (IF) by group companies will result in less control by Royal BAM Group's safety behaviour audits, but should increase commitment to share excellence performance by organising a safety exchange. A safety exchange, or safety review, is like a peer review and focuses on a debate for challenge and learning, which are themes from the safety maturity model. It is a dialogue between two operating companies that want to kwow what works best. This will result in a tailor-made knowledge exchange.

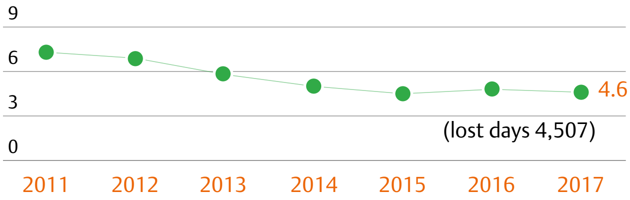
Good practices: sharing and learning across the Group
- BAM International completes a global, safety related survey every year. Most organisations limit themselves to objective assessments, while BAM International realises that subjective indicators can provide valuable information that, when used effectively, can continuously improve the company. The key element of the survey (and its results) is to provide an insight into company perceptions and subsequently to target areas they can improve;
- Safety and digitalisation: SAFER is BAM International's digital system to streamline everything related to health and safety;
- Occasionally, BAM organises inspirational sessions with leading companies, such as Shell and Siemens, for the exchange of knowledge related to safety leadership in the Management Board.

30 - **Good practices** - Themes for knowledge-sharing with leading companies

SAFER

SAFER is BAM International's digital system to streamline everything related to health and safety: an online and Android database that will make life easier for project management and the Health and Safety Department. SAFER stands for secure, accurate, fast and effective and all of that in real time. The SAFER system is a new, comprehensive online and Android tool that is fully compliant with the approved BMS procedures and follows the PDCA (Plan-Do-Check-Act) cycle. SAFER is currently being successfully tested on our Saqr Port project in Ras Al Khaimah, UAE. The system contains and makes it easy to find all relevant information and documents regarding health and safety matters, such as legislative resources, training information, safety performance statistics, project profile, employee profile, task list, safety inspections, incident reporting, sub-contractor management, statistics and reporting.

31 - Group incident fequency (IF BAM)

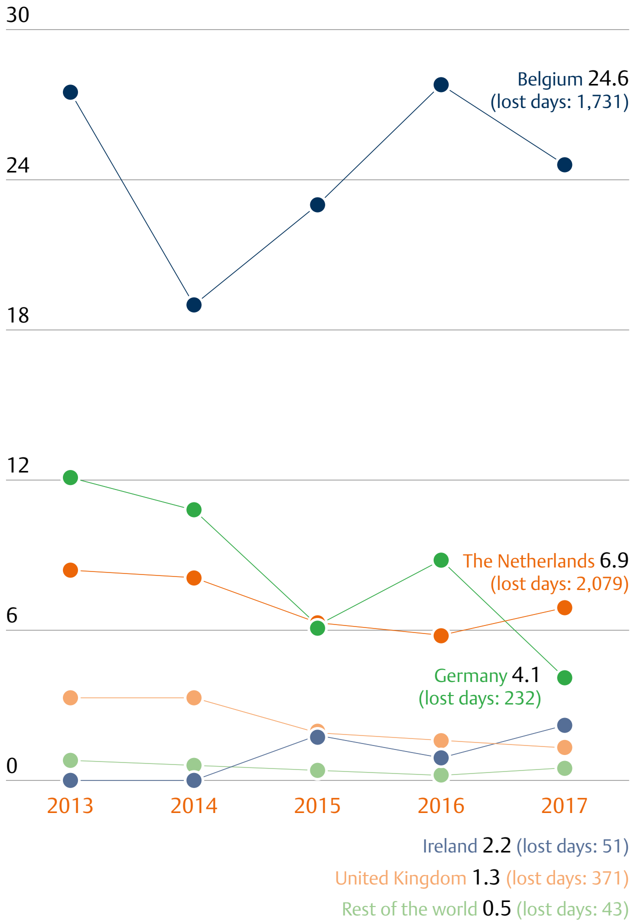


Serious accidents
BAM is highly committed to prevent all incidents. BAM feels responsible for all people who are involved in or are influenced by the activities of the Group. This includes BAM's employees, clients, engineers, partners, suppliers, subcontractors and members of the public. The number of fatal and serious accidents (BAM employees, hired, subcontractors' employees, or other) decreased from 135 in 2016 to 119 in total in 2017. An accident is classified as serious when an employee is admitted to hospital for more than 24 hours or results in electrocution (with enter and exit mark on the body), amputation or a fracture.

Irish Construction Awards

BAM Ireland was the winner of the 'Excellence in Health and Safety' award at the Irish Construction Industry Awards 2017. The award was won due to BAM Irelands Behavioural Safety Programme – Beyond Zero. The Beyond Zero programme is a cultural change programme implemented on BAM projects which is based on the principles of behavioural science. It is a blend of behavioural science techniques and project management skills with the aim of improving safety performance on each project. The programme has a focus around the supervisor/operative relationship and aims to ensure that local environments are set up in a manner that makes it more likely that the project will be completed safely and successfully.

32 - Incident frequency (IF BAM) by country



Incident frequency (IF)
IF BAM shows large regional differences where maturity deviates per operating company. BAM Belgium is working to improve its overall safety performance through a safety culture programme ('Expedition safety'), as well as a partnership with an external behavior specialist which will result in specific improvement actions. In 2018, BAM Belgium started the year with a safety week involving all co-workers (management, project leaders, white and blue collars). Management involvement will be accentuated through more proactive collaboration on the field to establish open safety communication. In Germany, Wayss & Freytag Ingenieurbau AG shows significant improvement compared to 2016. In 2017, the company made sure that every monthly Management Team meeting between the board and regional directors included discussing safety with the safety officer. To pursue further improvement safety remains a subject that is under discussion within the board of Wayss & Freytag Ingenieurbau. In the Netherlands, results for BAM Bouw en Vastgoed show a deterioration towards 2016. The company has experienced an unexpected setback in the fourth quarter of the year. The most important actions to improve results within BAM Bouw en Vastgoed are focus on behavior, focus on discussing unsafe situations on a daily basis, guidance to letting subcontractors work safe and participation in Group activities.

No more dry taps in Freetown

Access to safe water is limited in Sierra Leone and in as far as the distribution network is up, leakage is a major problem. In a project funded by the British government, a consortium of IMC Worldwide, Atkins and BAM (represented in the consortium by BAM Nuttall and BAM International) has been chosen to rehabilitate the water supply system in Sierra Leone's capital Freetown. No more dry taps in Freetown!

Construction sector collaboration in the Netherlands

Three years ago, BAM was one of the fifteen major Dutch construction companies that signed the Governance Code 'Safety in construction'. In this, customers and contractors work together to improve their safety cultures and gain recognition as safety leaders in the construction sector as a whole. Both Management Directors from the two Dutch operating companies are members of the steering committee behind and as part of the Governance Code, facilitating the Governance Code work group regarding safety in the construction sector. On 17 March 2017, the first Dutch Safety Day ('Bewust Veilig-dag') was held, in which Royal BAM Group and its Dutch companies BAM Bouw and Vastgoed Nederland and BAM Infra Nederland participated by actively showing their commitment on a personal level. In addition, BAM shared various learning experiences within the sector, such as best practices on working with buckets and the general site induction, to contribute to sectorwide scalabe learning and uniform processes.

Construction sector collaboration in Europe

For the last five years BAM has presided the working group on health and safety and stimulated the collaboration in ENCORD (European Network of Construction Companies for Research and Development). The purpose and objectives of the working group are to be a continously learning organisation, collaborating on research and development, to find common approaches to the issue and to ensure the health and safety of our workforce. The future focus is output-oriented: it's not about what we do today, it's about what we want to do in the future. We have improved communication, alignment and collaboration between the working groups such as BIM and Lean Management, Council and the Board through positive results and a focus on common themes such as selecting subcontractor management and prevention through design and planning to be prepared by the participants.

Reporting
As of 1 October 2016 internal reporting was extended with high-potential near hit/miss incidents. Creating uniform safety reporting across all operating companies is one of the strategic objectives, which creates access to the right management information.
BAM is still in the process of enhancing the reporting process for worked hours of subcontractors. The Group strives to obtain reliable information by implementing automated on-site entrance systems such as tourniquets, fingerprint readers, iris scans and card systems.

When a fatal industrial accident occurs that involves a BAM employee or a subcontractor, the following actions are taken:
1. The operating company informs the Executive Board and the Corporate Safety Officer (CSO) immediately after the accident;
2. The first details of the accident are communicated within 24 hours after the accident;
3. At the latest on the day after the fatal accident, a notice will be published on the BAM intranet;
4. If the accident occurred in Western Europe, the COO, assisted by the CSO, will visit to the operating company within 15 days of the accident;
5. For accidents occurring outside Western Europe a video conference replaces this visit;
6. Three weeks after the accident, a 'safety start' takes place in the country where the fatality occurred and a safety presentation/bulletin is drawn up, highlighting the lessons learned and whose responsibility it was to intervene. This must be communicated to all operations.

Setting minimum health management requirements
More insidious than the fatal and serious industrial accidents is the number of employees with a health damage or a long-term illness that has been caused or worsened at work. Many of these diseases manifest themselves only years after exposure and many are ultimately deadly. BAM believes that all injuries, deaths and illnesses can and must be prevented. BAM is in the process of setting minimum health management requirements. Within ENCORD, Europe's forum for industry-led research, development and innovation in the construction industry, the Group has put research and development in the field of quartz dust and asbestos inhalation, diabetes and skin cancer on the agenda.

Worldwide BAM Safety Day
The eighth Safety Day was held on 10 October 2017. This year's Safety Day theme 'The Value of Safety' expressed that the value of safe working is actually priceless and underlines the right of each BAM employee to return home safely at the end of the working day. That this right is unfortunately not always guaranteed is evidenced by the fatal accidents on some of BAM's building sites across the world. Thus, the highest safety risks remain current and deserve the Group's unwavering attention. In line with the updated strategic agenda – emphasis on the importance of working together, sharing knowledge and learning from each other – several interactive activities were undertaken at each construction site and in each office to raise awareness for the basic causes of BAM's most serious accidents and to discuss these and to come up with joint solutions and innovations.

Employee recruitment, development and retention

The 2016-2020 strategy has been the starting point for BAM's HR initiatives in 2017. Living the four values as written in the BAM strategy (predictable performance, scalable learning, proactive ownership and open collaboration) was an important theme in 2017. HR always keeps those values in mind while setting out new initiatives. These initiatives, for instance on digital innovation, the standardisation of Group HR processes and the creation of a single BAM career platform, form the basic fundament of being One BAM.

Continuous organisational development: BAM People
The focus of the strategy is to have similar processes and exploit synergies across the Group. The important HR areas for business support are insights and development from BAM's people, recruiting new talent, compensation and benefits, and HR people support and data insights. BAM has taken an important step towards the implementation of a single HR system in 2018 for the entire BAM organisation: 'BAM People'. BAM People provides in-depth insights into its workforce, its performance and costs and also facilitates responsive and critical decision-making. It provides trends in productivity and attendance, shows where BAM's top performers are located and helps to further shape careers for talent and succession planning purposes.

A BAM International team in Tanzania during BAM's eighth Worldwide Safety Day, 10 October 2017. This year's theme 'The Value of Safety' expressed that working safely is actually invaluable – what truly matters is the right of each and every BAM employee to return home safely at the end of the working day.

The Materials Innovation Factory is the latest addition to the historic city-centre campus of the University of Liverpool. It fosters collaboration between academia and industry and provides open access to one of the highest concentrations, automated, state-of-the-art materials chemistry equipment, anywhere in the world. Architects: Fairhursts Design Group. BAM Construct UK.

‘Digitalisation in the construction industry is still in its infancy’

Karl-Heinz Heller, Partnerschaft Deutschland

Karl-Heinz Heller, Director of ‘Partnerschaft Deutschland’. This organisation improves public service provision and investments in infrastructure and real estate projects; from the development of strategic concepts to assistance during the implementation process.

What is the added value of open collaboration in the construction industry?

‘Open collaboration, in a spirit of partnership, is particularly important to the success of a project because it fosters a better understanding of the user’s needs while also enabling the manufacturer’s problems to be taken into account, paving the way for a satisfactory outcome for both sides.’

Can you give an example?

‘One example is the construction of a ministry building in Berlin as part of a PPP project. This demonstrated partnership in action, which enabled all of the aims of the project to be met or exceeded, the building was completed on time and within budget and overdelivers on the quality requirements. It was gold-certified for sustainability, the energy savings targets were far exceeded, and it won an architecture prize. Partnership-based collaboration was also responsible for the achievement of all the goals of another PPP project, the Futurium in Berlin.’

How can we learn from each other?

‘Clients, contractors and consultants have very different previous experience which, through intensive dialogue and a collaborative approach, they can pool for the success of a project.’

What are the benefits of digitalisation for the construction industry?

‘Digitalisation in the construction industry is still in its infancy. But it has considerable potential, which only has to be exploited.’

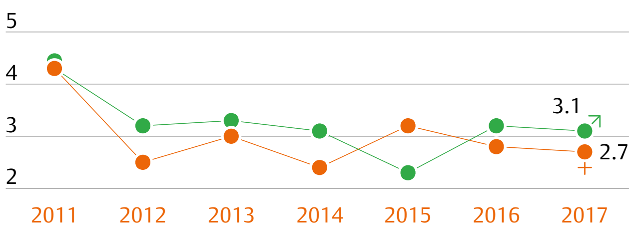
What is the benefit of digitalisation for your organisation?

‘Acceleration and greater transparency. We apply this through BIM.’

How can we together contribute to a sustainable future?

‘More collaborative processes and paying attention to the issue in our daily work; creation of steering mechanisms that promote the approach, such as PPP projects.’

33 - Absenteeism (number of sick days as a percentage of total number of available days)



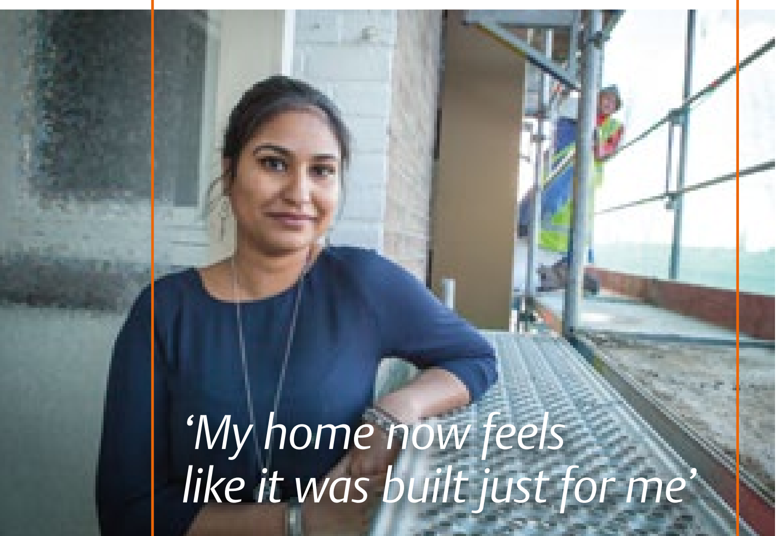
Employee engagement
In order to work together, share and learn from each other, it is essential to know what keeps all employees busy and what challenges lie ahead. To this end, various initiatives have been developed such as:

- BAM Panel
  Thanks to BAM Panel the Group's employee engagement research is now carried out on the basis of a uniform set of questions. By doing so BAM employees share worldwide experiences that contribute to an open collaboration. Moreover BAM Panel enables BAM to know how everyone within their organisation thinks about its values and strategy. All BAM employees learn from each other and will be better able to understand mutual expectations and act accordingly.

- Spring and Autumn meetings
  During two meetings, one in spring and one in autumn, around one hundred staff from all parts of the Group gathered in Amsterdam to discuss the strategy and to share initiatives. Sharing ideas has led to Group connections and scalable learning: sharing experiences instead of reinvent the wheel, shows the way to being One BAM.

- Establishment of the European Works Council
  BAM considers the contribution of its works councils to be very valuable to its business operations. Participation at European level will take place in a consistent and both practical and workable way. An agreement relating to the European Works Council (EWC) for BAM is expected in 2018.

Anjulie Sila



Anjulie Sila lives in a social housing apartment in Alphen aan den Rijn, the Netherlands, which was recently renovated by BAM Wonen. 'My place was built in the nineteen fifties and has seen a good many tenants before me. But now it's got a whole new bathroom, kitchen, toilet, windows and balcony. I was able to choose a lot of the finishes, like the size of the tiles and the colour of the walls. Every day, it feels like waking up in a whole new home, built especially for me! I love it.'

Recruitment
BAM aims to diversify its workforce and find potential talent with different capabilities, various degrees of experience and different genders, nationalities and cultural backgrounds. Together, they can help our company mirror its client base and implement its strategic agenda. That is why the Group evaluated all vacancies and candidate profiles in 2016. This will support BAM's search for the best fitting talent. To attract talent, BAM wants to be an attractive employer and our recruiters continually evaluate and improve on applicant experience.

BAM has launched a new international recruitment website: www.bamcareers.com. The new careers website enables BAM to target talent locally and to maintain its position in a scarce market. The platform showcases the stories of employees, BAM's projects and innovations, and its vacancies worldwide. So this is another positive step towards better knowledge exchange and better sharing of expertise within the entire group.

Diversity
BAM values equality, diversity and inclusion, and celebrates this through BAM's great people.

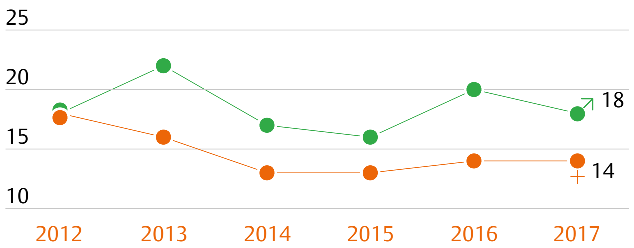
BAM believes that a company with diversified teams at all levels and disciplines is made stronger by the different perspectives that such diversity entails. This is reflected in BAM's vision and values employment and development processes. BAM supports local and national initiatives that want to create opportunities for all groups, particularly those who may not have considered civil engineering as an accessible career choice.

BAM works together with its peer companies, clients and suppliers to share ideas and implement changes that improve the image of our industry. More on diversity in the composition of BAM's Executive Board and the Supervisory Board can be found in Chapter 4.1 (Corporate Governance).

Talent development
A talent review process was conducted with the boards of all operating companies to discuss current and future required capacities for BAM. During the mid-year talent review, key positions and key business and project managers were discussed in terms of leadership, succession and opportunities for development. Follow-up meetings elaborated on development progress, talent exchange opportunities and short-term succession goals.

Attracting young graduates remains crucial to BAM. The existing Dutch graduate programme was refined and a first step was made towards a single BAM graduate programme for the benefit of all home markets. The young talent career proposition was complemented with a finance graduate programme.

34 - Average hours of training per employee



BAM's project managers are key to the success of BAM. In order to be our clients' partner of choice, BAM needs the most talented project and tender managers. To achieve this ambition, the Group-wide Project Olympus was initiated in 2016. Project Olympus wants to recognise and develop BAM's project managers and offer them rewarding career propositions. In order to realise this, the Group designed a leadership development programme for our most senior project managers, project leaders and tender managers focusing on personal, team and project leadership. In addition to establishing the Olympus Leadership Programme, approximately 195 project managers were brought together in several seminars in 2017 from across the BAM Group, with the opportunity to share experiences, establish networks for knowledge-sharing and to learn more about leadership and negotiation. The outcomes will be used as valuable input for future initiatives.

The Olympus leadership programme has also resulted in the creation of a focused learning and development programme that is aimed at experienced mid career tender managers, project managers, and project leaders: the Everest programme. In november 2017 a pilot has started in the Netherlands. The programme will become available for all OpCo's within BAM.

Annual total compensation by country
In 2016, the rounded ratios for the annual total remuneration of BAM's highest paid relative to the average annual total remuneration for all employees, remained at the same level as in

35 - Female/male employees by region
(in % of total employees)

	2017	2016
Netherlands	**12/88**	11/89
United Kingdom	**25/75**	24/76
Belgium	**12/88**	11/89
Germany	**21/79**	21/79
Ireland	**23/87**	26/74
Rest of the world	**6/94**	5/95

36 - Employees per gender by employment type
(in %)

	♂		♀	
	2017	2016	**2017**	2016
Full-time	**95**	95	**57**	57
Part-time	**5**	5	**43**	43

37 - Employees per employment contract by gender in 2017
(in %)

	permanent contract	temporary contract
♀	88	12
♂	86	14

38 - Employees per employee category by gender in 2017
(in %)

	Senior management	Middle management	Operational staff
♀	6	9	17
♂	94	91	83

39 - Employees by age group
(in %)

Age group	**2017**	2016
<20	**1**	1
20-29	**14**	13
30-39	**25**	24
40-49	**26**	27
50-59	**25**	26
≥60	**9**	9

2015, except in Germany. Here, 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 percentage ratio increased in the Netherlands and decreased in Belgium and Germany. In 2017, the rounded ratios for the annual total compensation of BAM's highest paid individual relative to the average annual total compensation for all employees, remained at the same level as in 2016, except in the Netherlands and rest of the world. In the Netherlands the ratio decreased which means that the average salary increased more than the salary increase of the highest paid individual.

The relatively high ratio for BAM's international business can be explained by the fact that Dutch management members work together with local workforce, which explains the difference in salary standards. In 2017 BAM International had a large shift in geographical spread of its construction projects.

40 - 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))

	Ratio of percentage Increase	2017 ratio	2016 ratio
Netherlands	-6%	13	14
United Kingdom	10%	7	7
Belgium	-6%	6	*6
Germany	-3%	7	7
Ireland	7%	6	6
Rest of the world	26%	30	25

Business conduct and transparency

BAM is committed to being an ethical company and to live up to the highest standards of honesty and integrity in the way BAM does business with clients, suppliers and each other. BAM's code of conduct includes principles and guidelines. New employees must sign a statement in which they acknowledge to comply with this code as part of their employment contract with BAM. An e-learning tool is used to train and remind employees of these values and standards. The training is available in English, German, French and Dutch and is mandatory for new white-collar BAM employees. Furthermore, BAM's blue-collar employees are trained by so called tool box meetings. BAM strongly believes in a targeted approach for the different working groups within the Group to achieve optimum understanding and adaptation.

In 2017 the Group strengthened its compliance framework by setting up of an independent Speak up line and an updated procedure for employees to report suspicions of misconduct.

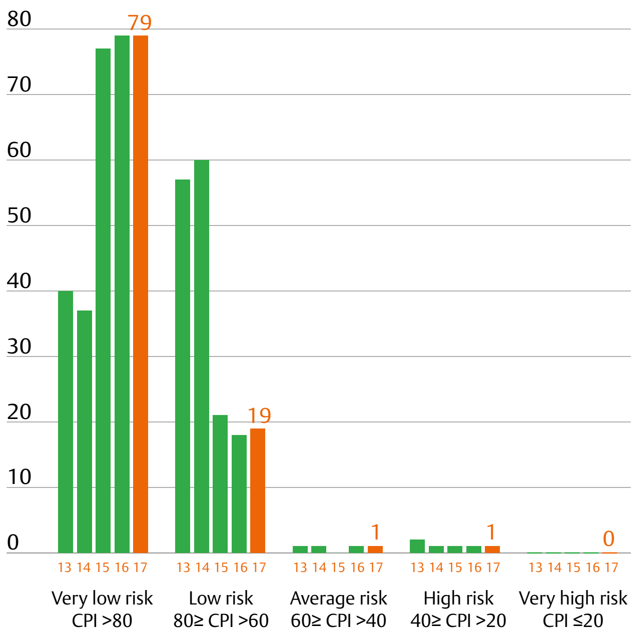
* Correction from 2016 Integrated report

BAM has communicated this strengthened approach to employees within all Operating Companies (except BAM Nuttall which already had an independent Speak up line). For example, the flyer of the Speak up procedure was sent to the home address of approximately 12.775 Dutch speaking employees in the Netherlands and part of Belgium via the periodic newsletter. Furthermore, there have been discussions within the companies to give extra attention to this subject as part of 'doing things right'. Also the integrity e-learning has this year been extended with a section on the new Speak up procedure.

The appointment of a Governance Risk & Compliance Director on Group level has enabled BAM to further streamline the compliance activities in an harmonised manner. The global compliance community has been working extensively on implementing new requirements, including a more robust internal reporting process. Potential cases of misconduct are discussed on a quarterly basis with the Executive Board and and every six months with the Audit Committee. No material incidents have been reported by operating companies to BAM's headoffice with regard to the code of conduct. Furthermore, on a yearly basis the effectiveness of the management approach is assessed and improvement activities are captured in the Operating Plan of the GRC function.

Corruption Perception Index
The Corruption Perception Index (CPI) is calculated annually by Transparency International, which focuses on the strict application 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 obtains the largest part of its turnover in countries with a Corruption Perception Index score higher than 80, that is, in countries with a very low risk of corruption.

41 - Revenue according to Corruption Perception Index *(in %)*



The first lean-designed hospital in Europe

Zaans Medical Centre was delivered as a DBMO contract (design, build, maintain and operate) by BAM subsidiary VitaalZorgvast and BAM Bouw en Techniek. It is the first lean-designed and -built hospital in Europe. BAM is responsible for the hospital's technical management and maintenance, cleaning services and for the energy consumption of the hospital for a period of 25 years. Architects: Mecanoo.

Human rights

As part of doing things right and taking responsibility, BAM facilitates annual BWI visits to its project locations to audit local working conditions on amongst others human right practices. Unfortunately, due to time constraints imposed by BWI, this year's visit has had to be postponed until 2018 so there has not been a report of (non-)compliance for the year 2017.

BAM endorses the importance of the International Finance Corporation, in particular with regard to the labour and working conditions and the promotion of good employee-management relations.

BAM is of the opinion that fair treatment of employees and the on-site offering of a comprehensive safety programme, avoiding discrimination on the work floor, not using child labor, paying fair wages, paying attention to education and training and creating healthy and decent working conditions, will result in tangible benefits, such as enhanced efficiency and productivity of BAM's business.

Combatting slavery

BAM is committed to preventing slavery and human trafficking throughout its operations and those associated with its business. This is not an isolated issue, but one that is part of BAM's integral approach to ensure that people are treated with dignity and respect, that goods and services are purchased responsibly, that transparency is promoted and that business is done with the highest professional and ethical standards.

In 2017 there was increased emphasis on preventing Modern slavery in the construction sector. BAM works closely with the industry and supply chain to identify areas of risk of modern slavery and work in partnership with them to help ensure their prevention. With the introduction of the new Speak Up procedure in 2017, BAM has updated the 'whistleblowing' process, which encourages the report of all suspicions of misconduct. BAM finalised the statement of compliance with the Modern Slavery Act 2015 (UK). In order to identify and limit risks, BAM has set up a working group for the correct and proportionate identification and implementation of measures.

Enhancing lives

BAM will play its part in addressing social issues at local and global level. To structure its efforts on community engagement, BAM launced its 'Enhancing lives' programme in 2016.

Enhancing Lives is about making a real and positive difference to the lives of people with whom BAM comes into contact through work. This involves supporting people and communities by giving them an opportunity to increase their personal aspirations, support broader social ambitions and meet their needs. As part of its strategy, BAM has set a target of enhancing around 1,000,000 lives by 2020. This includes:

- Connecting with, Improving and Transforming the lives of people BAM works with – both externally and with regard to our own employees;
- Focus on education and skills, employment, charity and community engagement;
- Recognising that this is the right thing to do and that it adds value to BAM's business through enhanced reputation, greater skills and diversity within the workforce.

Girl's Day 2017

During Girls' Day, an event held every year in the Netherlands as a means of introducing girls to the world of exact sciences and technology, BAM was among the companies who opened their doors so that girls could experience how virtual and augmented reality are shaping the world of technology. At the BIM Center (of BAM Advies & Engineering) girls could design their own school building and walk through its virtual model with the help of the Oculus Rift and the HoloLens. Elsewhere, girls were introduced to drones and BIM 360 Field software. Further activities included welding glass fibre, pouring concrete, doing science experiments with cola and lemons, and building spaghetti towers.

'Enhancing lives is about the way we do business, not the business we do'

In order to start measuring this social value, BAM has started a cross company steering group to understand the maturity of BAM in different operating countries and to make a roadmap to develop a consistent methodology and reporting framework. Ultimately BAM wants to demonstrate the added value it provides to society through its operations.

All Operating Companies began to record Enhancing Lives activities in 2017. The activities were different from one operating company to another as some focussed on local communities, others on training or wellbeing. The result is that this has started to become a common language which brings people together.

Community engagement progress
In 2017, local community engagement programmes that measure and manage the impact of building projects on the local environment were implemented in 35 per cent of BAM's projects. 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 Considerate Constructors Scheme, BAM was one of the companies that introduced the scheme Bewuste Bouwers in the Netherlands in 2009. After five years of BAM participation, Bewuste Bouwers decided to involve BAM in a further roll-out of the scheme. During 2017, 79 sites were registered under the scheme in the Netherlands (2016: 78).

Making TIME for Communities
BAM Construct UK continued to target social issues highlighted in the Making TIME for Communities strategy. For the fifth year running BAM Construct UK's initiatives were award winning:

- Highly Commended for 'Outstanding Contribution to a charity by a large organisation'. The nomination was made by a charity which tackles anti-social behaviour 'Mancunian Way'
- Finalist in the Construction Investing in Talent Awards for 'Best Community Engagement Programme' – this was for an 'Enhancing Lives Challenge' which was given to new trainees, apprentices, graduates and sponsored students
- Midlands – Silver and Gold for Coventry Charter for Business Responsibility BAM Construct UK also entered into its 4th 2 year-partnership with a charity – for 2017/18 the charity chosen is CLIC Sargent.

BAM Construct UK uses the London Benchmarking Model (www.lbg-online.net) to quantitatively measure the monetary value of its community efforts. In 2017, over €499,884 (£437,000) was invested into the communities surrounding BAM Construct UK's projects, which benefitted over 33,000 people. This figure is calculated based on time, cash donations and in-kind/material donations. The time calculations are based on an average hourly rate of a BAM Construct employee. A separate calculation is made for leverage of sub-contractor time (this is a lower value). Time which is spent delivering an activity is included in the overall value and in some cases preparation time also. The overall value for 2017 breaks down as £305k in time, £44k in cash donations, £15 in materials/ in-kind donations and £75k in management costs.

BAM Construct UK continued to use an apprentice-tracking tool to document the number of young people gaining expertise on its sites. In 2017, over 497 apprentices and over 74 trainees have gained over 26,523 days of site experience on BAM projects. Work experience is an important part of the support we offer to people – it helps to give young people a taste of the kinds of careers available in the sector and helps to provide unemployed people with an opportunity to gain valuable experience. In 2017 BAM provided 167 students and 51 unemployed people with 1 or 2 week work experience placements in the United Kingdom.

Enhancing Lives challenge at BAM Construct UK

Our new trainees and apprentices started working for BAM in September 2016. BAM challenged them with enhancing as many lives as they could in their local communities. They raised £15,000 and enhanced 4,257 lives in their first 6 months with BAM. Our new colleagues carried out a wide variety of community engagement and did some fantastic work with local community groups – this included refurbishing a women's refuge, upgrading an advice centre for a charity, volunteering with a homeless charity, providing employment support to unemployed people and refurbishing facilities for a food waste project.
The one thing they were all determined to do was to inspire the next generation to consider a career in the industry and through engagement activities they worked with 2,542 students from 44 schools, colleges and universities.

A number of 12,500 bicycles over three floors: the world's largest bicycle parking in the world was awarded the Dutch prize for concrete constructions (Betonprijs) 2017 in the category non-residential. Located adjacent to the Netherlands' most central of railway stations, Utrecht Central, the first part of the parking was opened to 7,500 bicycles in August 2017, with the final handover planned for 2018. BAM Infra and BAM Bouw en Techniek.

Procurement

The Procurement 'community' consolidated its vision through 2017 in line with BAM's strategic objectives in the following areas:
- Improve processes, develop people and systems
- Strengthen partnerships with suppliers
- Increase early involvement of procurement
- Leverage BAM scale and expertise

In 2017 BAM started the roll out of a group spend and contract tool (Bravo) to have an overview of all suppliers and subcontractors working for BAM. The implementation is ready in the Operating Companies in the Netherlands and in the first half of 2018 will be rolled out internationally. This will give BAM the opportunity to further monitor and manage its supply chain.

BAM uses a tool to measure supplier performance in order to generate benefits and savings across the group. 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 are at liberty to add any specific criteria. On a scale of 1 to 4, each supplier has to score at least 3 for each criterion. In 2017 a total of 538 supplier performance assessments were carried out in the Netherlands.

During 2018 BAM will evaluate measures to further support its supply chain health and safety performance (aligned with its top 5 H&S risk categories). BAM will also focus on increasing minimum standards for supply chain transparency, with the launch of a group wide ethical policy/ statement. It will continue to work with key/ priority suppliers in order to reduce their own CO_2 and material resources. BAM will also review its stage gate processes to further enhance decision making during the tendering process (i.e. in order to mitigate health and safety or sustainability risks).

3.3 Environmental performance

Resource positive

Climate positive

42 - Ambition: to achieve a net positive impact on climate and natural resources

Targets	Performance in 2017	Progress
To achieve 25 per cent relative emissions reduction scope 1, 2 and 3 by 2020 (base year 2015).	BAM reduced its CO_2-intensity by 9 per cent compared to 2015, emissions went down to 186 kilotonnes in 2017 (2015: 230 kilotonnes).	○○●
To be included in the CDP Climate A List Leadership Index by achieving performance band A.	BAM achieved leadership status on CDP's climate change benchmark in 2017 and performance was rated A-.	○●○
Deliver at least one product or service contributing to wider emissions reduction (zero carbon product).	The group set up a definition to measure performance on this target going forward.	○●○
To aspire zero construction waste to landfill and incineration in 2025.	BAM reduced construction and office waste from 161 kilotonnes in 2015 to 134 kilotonnes in 2017, a reduction of 16 per cent. 65 per cent of this waste was reused.	○●○
Deliver at least one BAM circular project, product or service in each operating company by 2020.	BAM built two circular projects in the Netherlands. One refurbishment and one new building. BAM completed one circular consultancy project in the United Kingdom	○○●
Source 100 per cent sustainable timber by 2020.	BAM verified 97 per cent sustainable certified timber in the Netherlands and 99 per cent in the United Kingdom.	○●○

Where we can improve

While environmental incidents are always avoided or compensated, they can occur during projects. An example in 2017 being a damaged coral reef in Curacao. BAM always adheres to its environmental management system and takes action to improve its environmental practices following any such incident.
BAM emits greenhouse gases through its operations and often uses virgin materials in its construction activities. The dilemma between sustainable procurement and procurement costs is constantly present. The Group aspires to deliver greater environmental value; transparency and ethical standards through its supply chain. BAM recognises the benefits of working with clients for whom sustainability is important as this improves its reputation whilst decreases its ESG risks.

Sustainability strategy

By collaborating with our supply chain, encouraging innovative and digital thinking through our products, and realising the benefits of circular business models, BAM aims to have a net positive impact in the long term (towards 2050). This chapter describes BAM's performance towards creating a sustainable built environment from an environmental perspective. The sustainability strategy emphasises both climate change (climate positive strand) and resource constraints (resource positive strand).

BAM acknowledges that the company needs to prepare for a low-carbon economy and needs to reduce its own emissions as well as supply chain emissions. Our company has a large impact on reductions in lifecycle carbon impact of buildings and infrastructure (through material selection, design or asset management), deploying renewable energy systems or energy reduction measures for our clients or communities.

The company works towards a circular economy and believes the industry will be able to leave a positive legacy to the environment if they are able to work from reversible designs that are regenerative. BAM has made progress on reducing construction waste by becoming more efficient, utilising off-site manufacturing and by working with its supply chain to eliminate waste throughout the lifecycle of its projects.

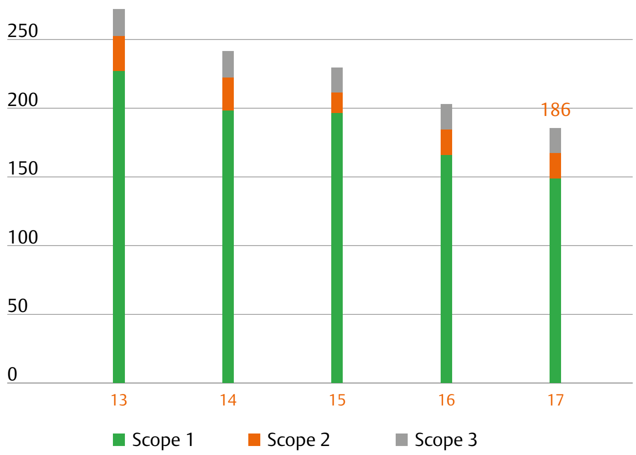
Climate positive

BAM aims to have a net positive impact on the climate by 2050, reducing its own carbon emissions towards zero and helping others to reduce carbon more widely. This means BAM will:

- Minimise the energy it uses through driving new efficiencies through the business
- Use as much power, fuel and heat from renewable sources as possible
- Work with its clients and supply chain to drive carbon out of the whole system

In order to monitor its emissions, BAM measures its carbon footprint using the greenhouse gas (GHG) protocol. The GHG protocol defines three scopes for greenhouse gas accounting and reporting purposes. BAM includes emissions directly resulting from the 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). BAM measures all material scope 1 and 2 emissions, and – before 2017 – a limited number of scope 3 travel-related emissions. Scope 1 CO_2 emissions form the majority of BAM's total CO_2 emissions (80 per cent).

43 - Total absolute CO_2 emissions
(in kilotonnes)

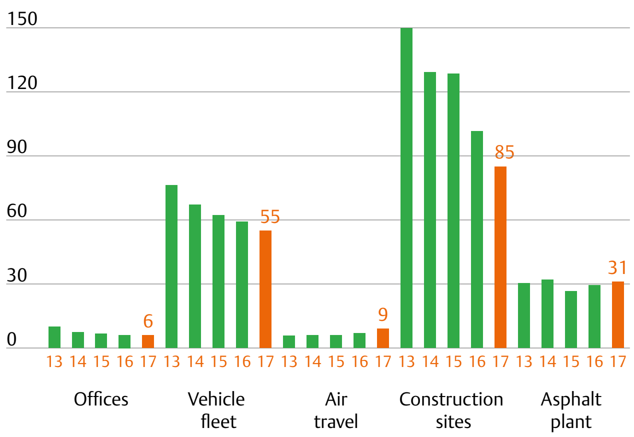


The Group's 2020 reduction target on CO_2 emissions intensity is 25 per cent compared to 2015 levels (scope 1, 2 and 3). BAM's carbon footprint is calculated based on the energy consumption of all operating companies. In 2017 BAM emitted 186 kilotonnes CO_2 (2016: 203 kilotonnes). BAM's carbon footprint fell by 9 per cent to 2016 and 33 per cent to 2009 (the year BAM established its first full carbon footprint).
The CO_2 intensity, decreased by 3 per cent in 2017 to 28.1 tonnes CO_2 per million euro revenue and shows against 9 per cent improvement to base year 2015. BAM's energy intensity was 0.40 TJ per million turnover (2016: 0.43 TJ/mio).

In 2017 BAM established its first full scope 3 assessment and had this validated by a third party. The assessment provided better understanding of BAM's wider climate change impacts (via supply chain) and the Group's best opportunities to achieve reductions. In 2018 BAM will further improve its scope 3 assessment by improving measurement and performance monitoring and engage with supplier where BAM has the most control/influence over emissions. This approach will have two particular focus areas: 'purchased goods and services' and 'use of sold products'. Another area for improvement is the development of meaningful (and useful) performance targets through the identification and scalable deployment of practical, implementable and measurable project-level best practice initiatives. In 2018 we hope to complete our Science Based Targets; setting reduction targets in line with climate science is a great way to achieve future-proof growth.

Artist impression of BAM's area and property developer AM for the former Bijlmer prison in Amsterdam.
AM – as leading partner in a consortium with AT Capital, Cairn and the designers OMA, FABRICations and LOLA Landscape – will redevelop the district (Bajes Kwartier) with approximately 1,350 homes. AM won the tender due to its vision on sustainability and circularity - all buildings will be completely energy-neutral and 98 per cent of all materials will be reused in the new development.

44 - CO_2 emissions per source
(in kilotonnes)



To reduce its carbon footprint, BAM continuously initiates energy reduction measures. This is driven by both its own policies and the European energy efficiency directive (EED), a set of binding measures to help the EU reach its 20 per cent energy efficiency target by 2020. In 2017 BAM made several energy studies to identify ways to reduce consumption.

In 2017, emissions from BAM's offices decreased by 3 per cent compared to 2016, as a result of continued focus on energy efficiency improvements across BAM offices and outfitting with energy-saving measures like LED lighting, motion sensors and time clocks to switch off devices. In 2017 BAM used 119 kWh per square metre in its buildings in the Netherlands (2016: 123 kWh). The CO_2 emissions intensity of BAM's office buildings in the Netherlands was 13,1 kilograms CO_2 per square metre (2016: 15.1).

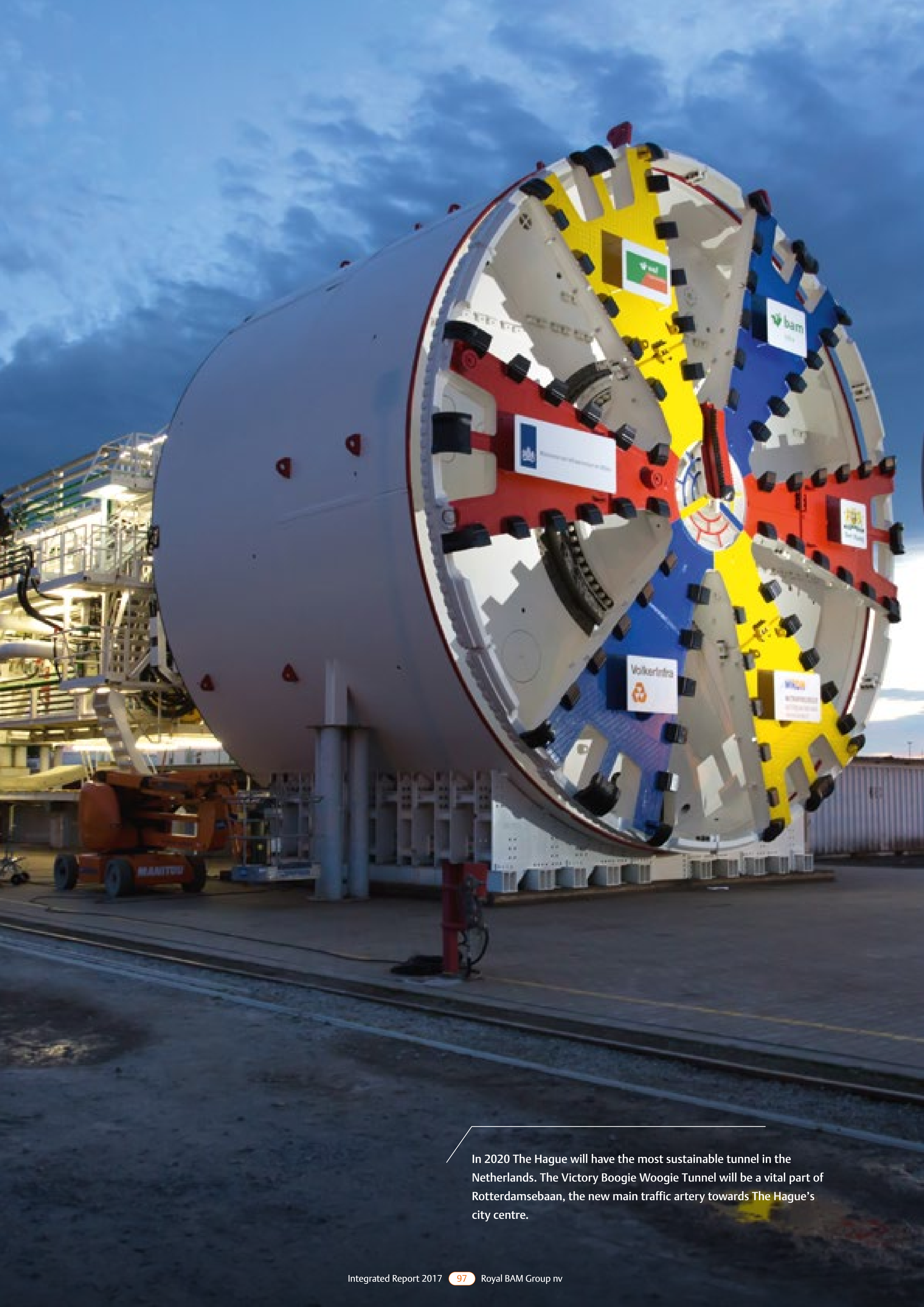
BAM has also decreased the emissions from its vehicle fleet, which attributed to 30 per cent of total emissions, and decreased by 7 per cent compared to 2016. This is the result of a continued programme to deploy fuel-efficient cars and programmes that stimulate fuel-efficient driving. In 2016, BAM introduced a CO_2 limit of 120 grams per kilometer for all new cars in its leased fleet which contritbuted to the reduction in fuel consumption by cars. In addition, employees are financially incentivised to choose smaller and more fuel-efficient cars (below 90 grams per kilometre). BAM also deploys electric vehicles to reduce fuel consumption, CO_2 emissions and air pollution. In 2017 more than 4.2 million kilometres were driven with the Group's fully electric vehicles and plug-in hybrid cars. BAM wants to have a more flexible and sustainable mobility policy, this is currently investigated for the Netherlands.

Emissions from BAM's construction sites fluctuate heavily due to the phase and type of work. Most CO_2 emissions are a result of civil engineering projects. In 2017 emissions decreased by 16 per cent due to completion of international near-shore marine projects and continued energy efficiency measures. Innovative solutions like smart meters, an early connection to the grid and more efficient equipment further reduced the CO_2 output.

In 2017, 24 per cent of BAM's revenue, approximately €1.6 billion, came from projects that have been registered with third-party green building or sustainable construction rating organisations, such as the US 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. Over the past years green revenue has become a larger part of BAM's turnover due to larger client demand.

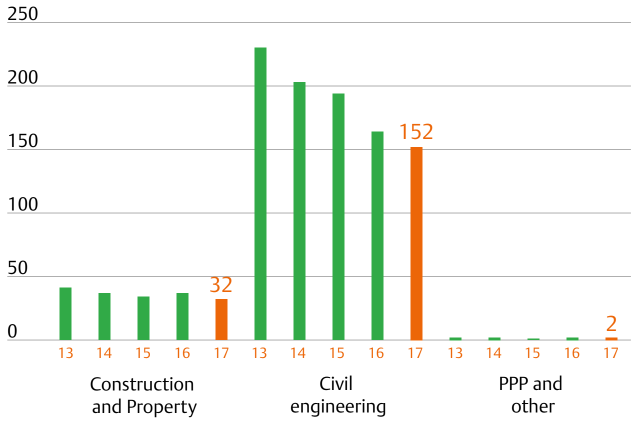
Martin Potter and Erik-Jan Mann

For the Rotterdamsebaan joint venture (BAM Infra, Wayss & Freytag Ingenieurbau and VolkerWessels) sustainability is a key word in the design and construction. Martin Potter (middle), Project Manager for the Rotterdamsebaan joint venture : 'This includes reusing the TBM itself', which was previously used on the Sluiskil tunnel project and has been completely refurbished with a new cutting shield.
The fuel that powers on-site equipment is Shell GTL (Gas-to-Liquids), which reduces emissions of fine particles and nitrogen oxides. Sustainability aspects of the tunnel itself include solar panels on the roof of the service building, particle capture at the mouths of the tunnel and absorption of traffic noise in so-called diffractors, which are hollow and open concrete contraptions. Across the whole length of the road, surfaces are made from sustainable asphalt.



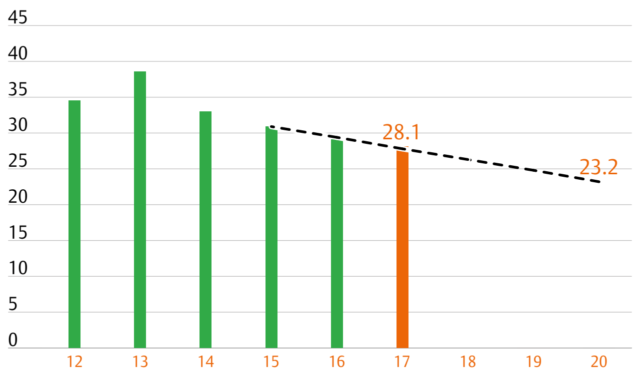
In 2020 The Hague will have the most sustainable tunnel in the Netherlands. The Victory Boogie Woogie Tunnel will be a vital part of Rotterdamsebaan, the new main traffic artery towards The Hague's city centre.

45 - CO_2 emissions per business line
(in kilotonnes)



BAM has again obtained a leadership status on the CDP climate change benchmark (score A-). The Group is valued for its actions to reduce CO_2 emissions and mitigate the business risks of climate change. This global ranking evaluates the corporate efforts to mitigate and adapt to climate change. The index is produced by CDP, the international NGO that promotes sustainable economies, at the request of 658 investors - representing more than a third of the invested capital in the world - Information provided by nearly 6,300 companies has been independently assessed on the basis of the CDP scoring methodology and ranked accordingly. Since 2012, BAM has been one of the leaders regarding transparency on impact on climate change. CDP's annual assesment on corporate action on climate change shows that companies are stepping up their response to climate change. BAM supports the focus on more ambitious targets to drive longer-term progress towards a low-carbon future.

46 - CO_2 emissions intensity
(in tonnes per €1 million revenue)



Resource positive

BAM's vision is to have a net positive impact on material resources in the design, construction, and use phase of its developments. The Group has made progress in reducing waste through becoming more efficient, utilising offsite manufacture and optimising designs. The ultimate goal is to produce zero construction and office waste. BAM is the only major construction member of the Ellen MacArthur Foundation's CE100 programme. BAM's long term objectives of becoming resource positive are:

- Protecting natural capital over the life cycle of the built environment
- Eliminating waste, using regenerative materials and creating opportunities through its supply chain to retain high levels of material value and utility
- Using resources which are healthy, natural and safe

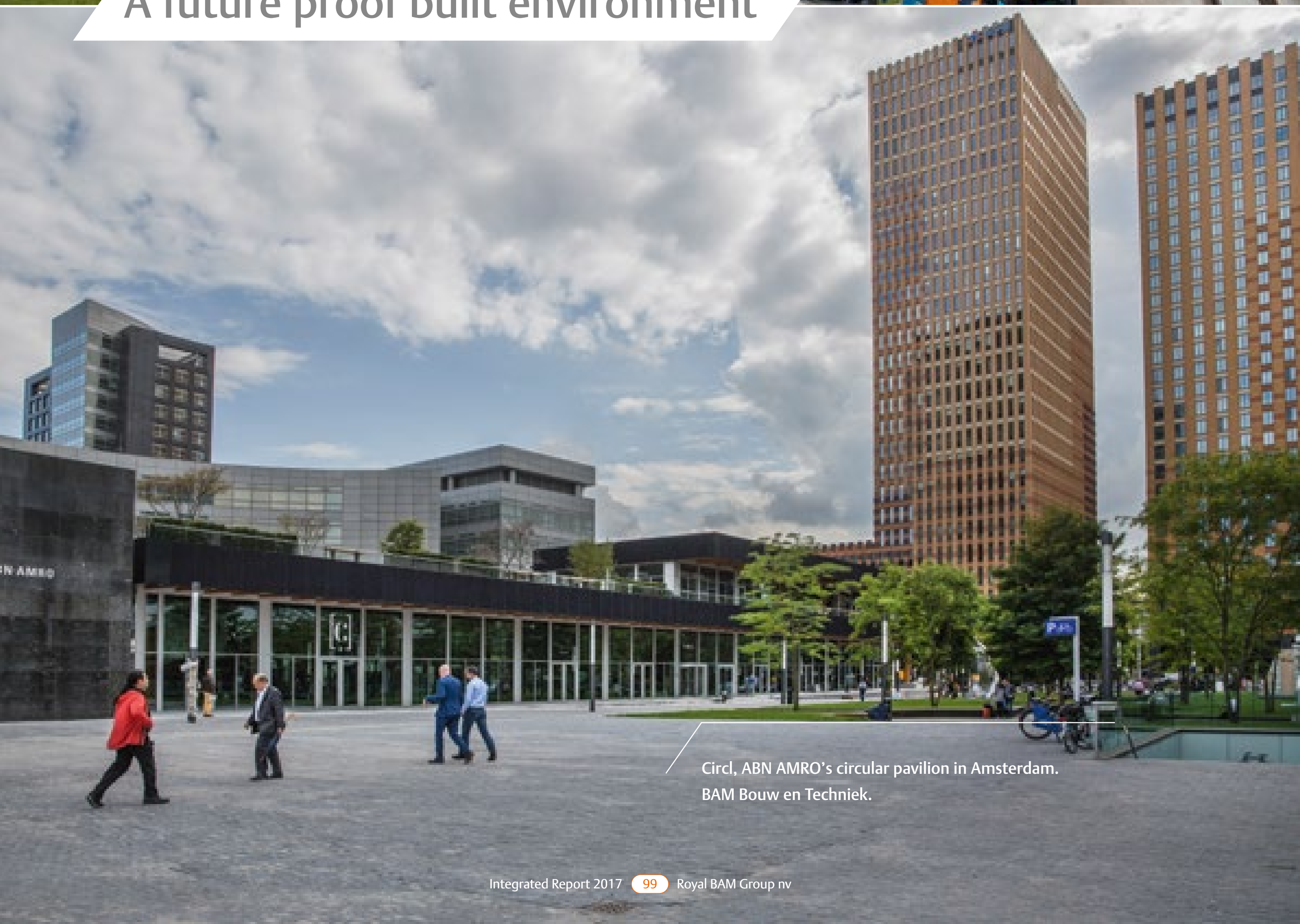
In 2017 BAM established a Group-wide resource-positive steering group to enhance intercompany collaboration on this theme. This steering group established a set of action plans to achieve strategic targets.

Moving towards a circular economy
The Group actively works with clients to develop business models for 'circular buildings', such as Circl Amsterdam, for ABN Amro, which was completed in 2017.

BAM's activities in pursuing the objectives of the circular economy in 2017 involved:

- Collaboration with Horizon 2020's research project 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.
- The organisation by BAM Construct UK and BAM Nuttall of a series of circular economy supply chain workshops. BAM Construct UK has also been commissioned as part of a consortium to advise on circular economic opportunities for the HS2 rail development in the United Kingdom.
- Initiation of a 'Circular Building Platform' and the development of a portal to enable reuse in the built environment.
- Involvement in committees and programmes:
  - The Ellen MacArthur Foundation CE100 programme, co-author of a circular economy business models publication and co-lead of a CE100 built environment group project 'Circular neighbourhoods';
  - London Waste and Recycling Board (LWARB), a circular economy steering group engaged in setting a roadmap to 2036 for circular economy in London (for the London Mayor's office);
  - The Green Construction Board Circular Economy working group.

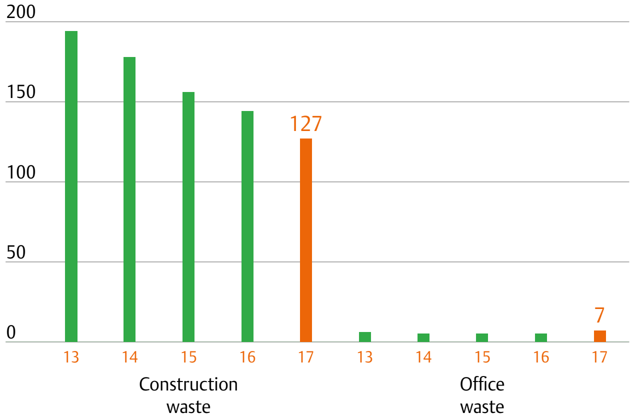
A future proof built environment



Circl, ABN AMRO's circular pavilion in Amsterdam.
BAM Bouw en Techniek.

Enabling zero construction waste
BAM's waste typically 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 processes and procurement. All construction and office materials are initially brought to BAM's sites and offices on its behalf, in contrast to excavation and demolition waste. Excavation and demolition waste are present at sites before BAM takes on a project and therefore less relevant as indicators of operational performance or sustainability; it is merely a part of BAM's business model to efficiently remove these types of waste from its sites.

47 - Waste production per source
(in kilotonnes)

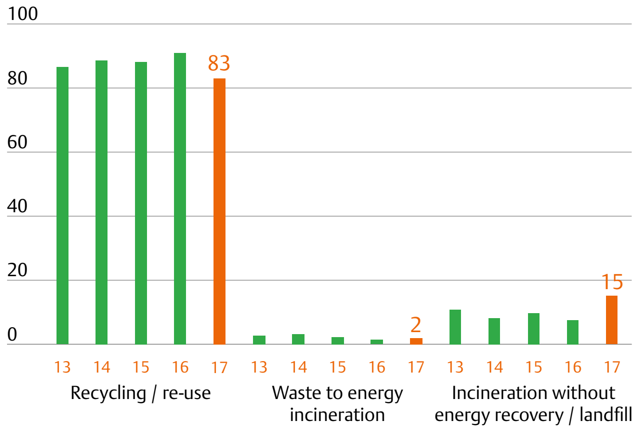


BAM winner of the Crystal Prize 2017

BAM has won the Crystal Prize 2017, the award for the most transparent 2016 annual report (as part of the Dutch transparency benchmark). BAM was nominated together with Royal Schiphol Group, Siemens Nederland and Alliander, last year's winner. The Crystal Prize for CSR reporting is a joint initiative of the Royal Dutch Professional Association of Accountants (NBA) and the Ministry of Economic Affairs and Climate.

The jury acknowledged that BAM is operating in a sector which has recently taken a heavy financial toll. The jury appreciates BAM's efforts to firmly keep societal issues on the agenda, incorporating them in its annual report. It specifically applauds the way in which BAM invites its stakeholders to participate in discussions about the long term vision and the 2020 strategic goals. 'Additionally, BAM offers clear insights on possible improvements, resulting in clear and excellent reporting by a company that dares to profile itself on the theme of sustainability', concluded the jury.

48 - Waste production per destination category
(in %)

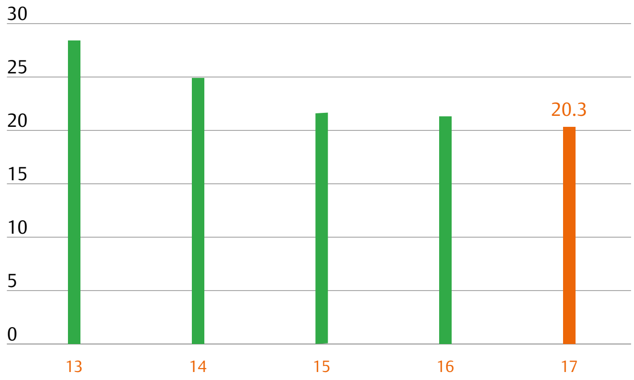


Just as with the reduction of CO_2 emissions, trends in waste disposal depend heavily on the phase and type of a project. This can lead to major differences between BAM's civil engineering companies in particular. It can therefore be a challenge to understand the relationship between Group-wide turnover, the type of activities and the amount of waste produced. In 2017, BAM treated large amounts of contaminated soil that was excavated in several tunnelling projects. This resulted in a lower reuse percentage of waste in comparison to previous years.

In 2017, BAM reduced its construction and office waste by 9 per cent compared to 2016, from 148 kilotonnes to 134 kilotonnes. A large contribution to this year's reduction of the volume of construction waste was due to the completion of several large construction projects. Improvements in efficiency of BAM's production process were achieved through the use of prefabrication of building elements and BIM technology, both of which reduce the amount of waste produced at construction sites.

To promote appropriate recycling, BAM has set an objective to improve the separation of construction waste. In 2017, 23 per cent of the Group's construction waste in the Netherlands was separated, compared with 25 per cent in 2016. BAM's efforts to separate construction waste on site result in improved reuse and recycling of materials. In 2017, large volumes of timber, metals and cardboard were separated. A proactive approach of project managers to separate these materials has resulted in a significant increase of the separation rate over time.

49 - Construction and office waste intensity
(in tonnes per €1 million revenue)



Ans Schmidt

Ans Schmidt is mere months away from her 92nd birthday and still living independently in her home in Vianen, the Netherlands. The houses on her street were recently renovated by BAM Wonen Renovatie Concepten. 'Lekstede is a lovely old street, with plenty of trees. In the fall, that means I'm often outside sweeping away the fallen leaves, getting greeted or waved at by everyone that walks by. Because of my knees I take half an hour everyday for some light exercise, like walking or sweeping the pavement.'

'Together we keep our street clean and tidy'

180 social rented homes in Hoef en Haag, a new village on the Lek, between Vianen and Hagestein. BAM Wonen. Hoef en Haag was developed by AM together with BPD.

Smartening up the infrastructure

One of BAM Infra's many projects for its client Rijkswaterstaat, the Dutch government agency responsible for the main infrastructure networks, is the management and maintenance of three highways in the Middle Netherlands region.

Ype Heijsman, Rijkswaterstaat

‘In any infrastructure project it is crucial that all stakeholders, such as governments and local residents, are involved as early as possible,’ is how Rijkswaterstaat’s Director Network Management Middle-Netherlands, Ype Heijsman (on the right), views open collaboration and stakeholder management. ‘Municipalities, environmental organisations and other interest groups should be able to have their say on aspects that they wish to endorse or improve. As their partner, we need to be trustworthy. If they are going to work with us, that puts them in our camp in the eyes of the public, so all communication with the public has to be one hundred per cent reliable. The only way we can make that happen is if everyone sticks to what has been agreed. We say what we do and we do what we say.’

Responsible sourcing: materials
Since 2011, BAM has identified the quantities of materials used in its construction projects in the Netherlands. The Group has identified the main categories of procured materials as shown in table 50. Depending on their nature, most used materials can be recycled and we strive to maximise this. BAM determined quantities and recycling percentages based on supplier data and industry averages. 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 as having been recycled rather than partly reused. Materials quantities and composition will also be used in limiting BAM’s supply chain impact (Scope 3 carbon footprint).

50 - Material consumption in the Netherlands

Consumption

Resource		2013	2014	2015	2016	2017
Ready-mix concrete	m^3	364,000	286,000	265,000	189,000	**173,000**
Timber	m^3	23,000	28,000	32,000	23,500	**19,000**
Asphalt	t	1,400,000	1,500,000	1,400,000	1,450,000	**1,300,000**
Steel	t	67,000	79,000	73,000	54,000	**61,000**

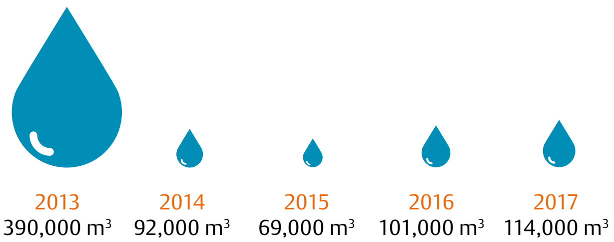
Recycled content

Resource		2013	2014	2015	2016	2017
Ready-mix concrete	m^3	11%	10%	12%	18%	**15%**
Timber	m^3	2%	2%	1%	3%	**1%**
Asphalt	t	39%	42%	40%	42%	**37%**
Steel	t	66%	64%	63%	71%	**72%**

Water

In 2017, construction sites, offices and asphalt plants consumed 114,000 m³ potable water in the Netherlands (2016: 101,000 m³). This is a slight increase mainly coming from large building projects that consumed significant amounts of water.

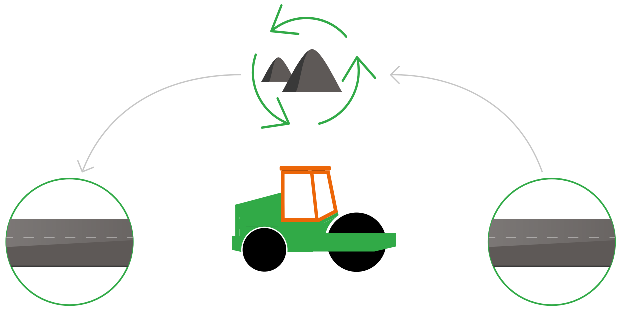
51 - Potable water usage in the Netherlands
x 1,000 m³



Research and development on asphalt

Asphalt production is typically a process that requires a lot of natural resources and energy. BAM already started with the development of low-energy asphalt concrete (LEAB, after the Dutch name: *laag energie asfalt beton*), an innovative type of asphalt that uses less energy and fewer scarce natural resources and results in lower CO_2 emissions than conventional asphalt.

52 - Research and development focusing on recycling asphalt



BAM more recently developed Low Energy and Emission Asphalt Pavement (LE2AP) with support of the EU LIFE+ program. LE2AP is the next circular milestone towards developing a silent (sonic) and sustainable road that optimises traffic flow. In the LE2AP pilot project, BAM developed and demonstrated asphalt pavement with at least 80 per cent reclaimed material. This is tested at two provincial roads in the Netherlands. The asphalt is produced and paved at a low temperature of 100°C and reduces traffic noise with 7dB.

BAM commissioned an assessment of the socio-economic impact of this product, focusing amongst others on the following impacts: human health, energy use, climate change, odour nuisance and material use. The impacts are assessed in comparison with a reference scenario representing the production of a conventional asphalt mixture.

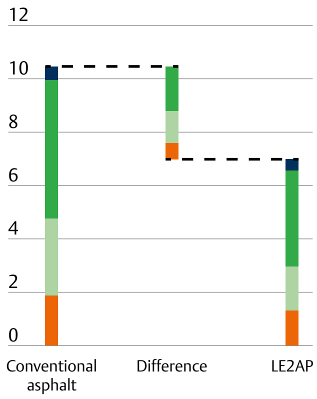
The impacts are converted to monetary units using a welfare-cost approach. This means that monetary values reflects the costs that society pays as a consequence of these adverse social and environmental impacts.

The assessment results in total external costs of a ton of LE2AP asphalt of €7.01, while a ton of conventional asphalt costs €10.57. This is a relative reduction of external costs of 34 per cent for LE2AP compared to conventional asphalt. The most material impact is climate change, which accounts for 49 per cent of the difference between the two scenarios. This difference in climate-change related external costs results mostly from lower transportation requirements in the LE2AP production chain.

Anne Ernest, BAM Infraconsult

'Writing a proposal takes several months' work. Every little detail has to be exactly right before we submit our bid to the client. If, despite our hard work, we don't win the contract it can be quite a blow. But that is how it goes: some you win, some you lose, but you always keep going. As a former athlete, that is something I know how to deal with. Actually, I am not quite the only former athlete in our department – competing in professional sports is apparently a good way to prepare for this type of work. You need the will to win and the ability to keep going despite setbacks.'

53 - Socio economic impact valuation of BAM's sustainable asphalt LE2AP and conventional asphalt *(€/t asphalt)*



Indicators	LE2AP (€/t asphalt)	Reference (€/t asphalt)	Relative difference between the scenarios
Health loss	1.33	1.93	-31%
Energy use	1.68	2.89	-42%
Climate change	3.55	5.28	-33%
Material use	0.45	0.47	-4%
Total	**7.01**	**10.57**	**-34%**

BAM Infra 'rejuvenated' a stretch of the A12 motorway near Utrecht, The Netherlands, with an asphalt's anti-aging cream. Over a length of 48 kilometres, the road surface was treated with a cream that is absorbed into the asphalt and improves its quality.

The construction of a fifth lock at Brunsbüttel, Germany, by the joint venture formed by the BAM operating companies Wayss & Freytag Ingenieurbau, BAM Infra and Wayss & Freytag Spezialtiefbau. The project includes the construction of a 360-metre-long sea lock between the Elbe and the Kiel Canal and the adjustment of the entrance of the harbour on the Elbe side.

Dirk Bennje, Wayss & Freytag Ingenieurbau

On the construction site of the sea lock in Brunsbüttel, Germany, Project Manager Dirk Bennje leads a mixed-nationality team of 45 BAM Infra and BAM Wayss & Freytag Ingenieurbau colleagues. 'While the Germans on the team tend to excel in close-reading the many details of the contract, the Dutch have a flair for finding optimisations of the construction process. Lucky for us, we have the best of both worlds!'

Responsible sourcing: 100 per cent sustainable timber
In 2007, BAM signed a covenant with FSC Netherlands, and committed itself to using certified timber only 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 certified timber in products which consist of composite materials including timber in for instance doors and window frames. Together with FSC Netherlands, BAM encourages its suppliers to improve the identification and reporting of certified timber.

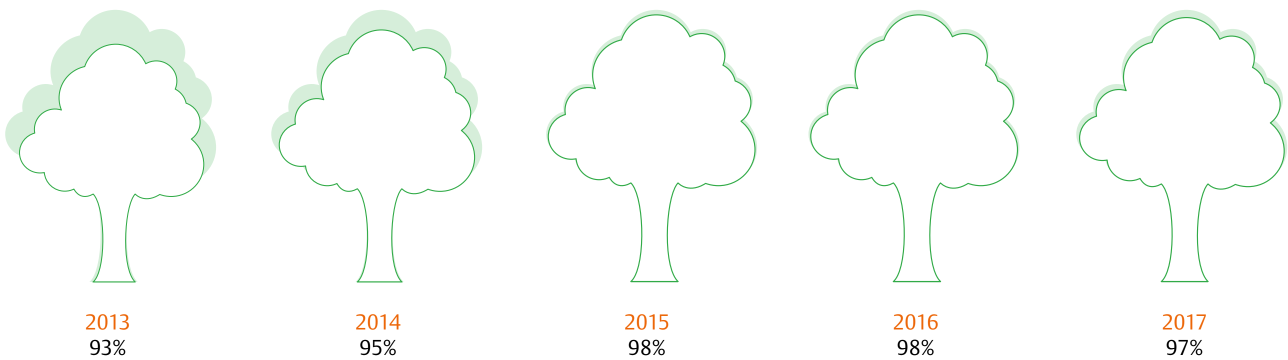
In the Netherlands, BAM requests information on the application of sustainable timber twice a year. BAM asks its suppliers to report on various types of timber supplied. These make up an estimated 85 per cent of all timber use in the Netherlands in all construction works carried out directly by BAM. The data used in this analysis therefore does not include timber consumption for subcontracted projects. BAM approached approximately 45 Dutch suppliers to report the amount of certified timber used in products. Based on their responses BAM estimates that 97 per cent was certified timber, 86 per cent was FSC and 10 per cent was PEFC certified.

In the United Kingdom, the origin of certified sustainable timber from both FSC and PEFC sources is registered in BAM's on-line data monitoring system BAM SMART. In 2017, 99 per cent of timber in the United Kingdom was from verified legal and sustainable sources, of which 92 per cent (2016: 92 per cent) was delivered with full FSC or PEFC Chain of Custody certification or reused from other sites.

BAM wins FSC Forest50 2017

FSC Netherlands assessed the fifty largest construction companies in the Netherlands on their communication and use of sustainable timber. Through the Forest50 award FSC Netherlands wants to increase transparency on the use of timber sourced from responsibly managed forests. BAM is progressing towards fully sustainable timber procurement and is close to its goal sustainable of 100 per cent in the Netherlands and UK. In 2017 BAM also signed the Vancouver Declaration to preserve and protect forest worldwide. By using FSC products BAM contributes to eleven of the seventeen Sustainable Development Goals (see page 32-33).

54 - Sustainable certified timber (FSC and PEFC) in the Netherlands



3.4 Outlook

Markets

In general, market conditions in BAM's home markets are expected to further improve following the anticipated growth of GDP and construction output volume.

The market in the Netherlands for the demand for new build homes and making homes energy neutral continued to grow, but the supply of new build homes is still constrained by availability of permitted locations. Non-residential construction and property are improving, including the transition to more energy efficient buildings. Both businesses experience increased supply chain pressure. Civil engineering remains competitive for regional and larger multidisciplinary projects. In the United Kingdom, the non-residential construction market is slowing down, particularly in the London area. Civil engineering remains relatively stable. Brexit is affecting labor supply at subcontractors. German construction and civil engineering markets are stable and competitive. Promising outlook for public infrastructure, including PPP. The Belgium civil engineering market shows signs of recovery. Construction and property markets are stable. Ireland continued positive momentum, especially in construction. International oil and gas markets stable at low level and showing signs of new investment decisions; BAM's activities gaining traction in selected onshore markets. The market for Public Private Partnerships remains promising in most BAM's home markets.

BAM started the financial year 2018 with an order book of €11.6 billion (2017: €10.2 billion), of which €5.7 billion will be carried out this year. The increased order book was driven by taking in some multiyear projects. Impact on revenue growth is therefore limited.

Sustainability

BAM expects the 2015 Paris Agreement on climate change will have an effect on national and European regulations to reduce energy demand resulting in demand for more energy efficient and energy positive solutions. Linear consumption patterns ('take-make-dispose') of products are coming up against constraints on the availability of resources. The construction sector needs to develop new opportunities and realise circular economy ambitions faster, which requires rethinking, redesign and innovative construction methods. BAM will continue its efforts to implement its sustainability strategy to have a net positive impact in the long term.

Human resources

Due to economic growth, especially in the field of technology, BAM will face a tight labour market. The Group's challenge to find technical skilled people will increase. This will be addressed in BAM's employer branding strategy. By offering learning programmes and other opportunities to grow the Group keeps developing the employees. Also BAM will focus on an attractive company culture to keep talent. To understand the people's needs and interest, regular engagement surveys will be held and actions will be defined.

Financing

BAM expects no material changes in the financing structure of the company in 2018.

Investments

BAM expects investments in strategic and project specific equipment in normal course of business.

Outlook 2018

Most of our markets are developing in a positive direction which is reflected in our order book. At the same time, we are feeling rising pressure on costs and availability in some parts of our supply chain. For the full year 2018 we expect an adjusted result before tax margin of around 2 per cent.

Executive Board
Bunnik, the Netherlands, 20 February 2018

Gerard Turk, BAM International

'Client British Antarctic Survey was aiming for a long-term partnership', tells Gerard Turk, Director of Operations Antarctica at BAM International. 'Among other things we have looked carefully at how we could communicate our team spirit to the client. Simply stating this in the proposal wouldn't be enough. One of the things we came up with was to introduce each other, not ourselves, in the presentation interview. A simple, but effective way of showing that we knew who we were working with.'

Supporting polar science at Antarctica

BAM has been chosen to partner with British Antarctic Survey (BAS) to modernise UK Antarctic and other research facilities, enabling British scientists to continue delivering world class research into some of the most important issues facing our planet. BAM has teamed up with major European design consultants Sweco to assist with project delivery. Commissioned by the Natural Environment Research Council (NERC), this long-term UK partnership will last between 7-10 years and is worth an estimated approximately €120 million (£100 million). The modernisation programme will enable a world-leading capability to ensure that Britain remains at the forefront of climate, biodiversity and ocean research in the Polar regions.

One of the first projects to be undertaken is the redevelopment of the wharf at the BAS Rothera Research Station on the Antarctic Peninsula.

4. Governance

4.1 Corporate Governance

Legislative and regulatory developments

On 11 February 2016 the proposal for revision of the Corporate Governance Code was published by the Corporate Governance Code Monitoring Committee. The final version of the revised Corporate Governance Code was published on 8 December 2016 (the 'Code'). By means of a Decree dated 29 August 2017 the Dutch government has designated the Code as applicable for Dutch companies with a public listing. The Code is based on the comply or explain principle and applies as from the financial year 2017.

Decree with respect to the contents of the integrated report

This chapter reports on the application of the Dutch Corporate Governance Code at Royal BAM Group nv. Together with the information about the Corporate Governance structure and the BAM Corporate Governance Compliance Overview, this comprises the 'Corporate governance statement' as specified in section 3 sub 1 of the Decree with respect to the contents of the Executive Board report ('Besluit inhoud bestuursverslag').

Information about compliance with the Corporate Governance Code (clause 3.1 of the Decree) and functioning of the General Meeting and the rights of shareholders (clause 3a sub b of the Decree) can be found on the company's website under the corporate governance heading. The most important aspects of BAM's risk and control systems (clause 3a sub a of the Decree) are available in chapter 2.4 of this Integrated report. Information about the composition and functioning of the Executive Board and Supervisory Board (clause 3a sub c of the Decree) is available in chapters 4.2 and 4.5 and the diversity policy for both boards is explained in this paragraph and chapter 4.2. A declaration with regard to the Decree on Article 10 of the Takeover Directive (clause 3d of the Decree) can be found in chapter 4.4.

Corporate governance review 2017

Following the publication of the revised Code (see www.mccg.nl), the Executive Board and Supervisory Board, assisted by the Company Secretary, have assessed BAM's corporate governance and the consequences of the new Code for BAM.

The outcome of the assessment was submitted to and discussed with the Supervisory Board, including an implementation plan, consisting of – among other things – a proposal to amend the rules for the Supervisory Board, the Executive Board, the Supervisory Board committees as well as the profile of the Supervisory Board. In addition the annual meeting schedule for the Supervisory Board and its committees was updated in order to assure that the matters mentioned in the Code are addressed in the regular meetings. The new Code has also been discussed extensively with a number of staff directors on whose functions the new Code has an impact as well as with the external auditor.

The corporate documents mentioned above (rules for the Supervisory Board, the Executive Board, the Supervisory Board committees and profile of the Supervisory Board) were approved by respectively the Executive Board and/or the Supervisory Board in their meetings in November 2017.

Diversity

Best practise of the Corporate Governance Code stipulates that the diversity policy for the Executive Board and Supervisory Board should be explained in the Executive Board report as well as the way that it was implemented in practice, addressing (1) the policy objectives, (2) how the policy has been implemented and (3) the results of the policy in the past financial year.

As part of the implementation of the new Corporate Governance Code, the Supervisory Board adopted new rules in November 2017, which included an updated profile for the Supervisory Board. In this profile diversity aspects are included, providing a clear target for gender participation. This target of at least 30 per cent female and at least 30 per cent male members of the Supervisory Board does not differ from the target set in the previous profile. As per the General Meeting in 2017 the composition of the Supervisory Board is in line with this target, given that two out of six members are female. Besides gender, diversity in background, nationality, expertise and experience in the Supervisory Board is equally important in order to provide most value. The international composition of the board was strengthened with the appointment of two non-Dutch members. In addition the available experience and expertise were strengthened, e.g. in the fields of digital innovation, organisational transformation, and construction industry.

When adopting the new rules and profile for the Supervisory Board, the latter resolved that the diversity aspects set in the profile for the Supervisory Board will apply equally to the Executive Board. As far as gender participation is concerned, the composition of the Executive Board was already in line with the target as one out of three members is female.

CSR responsibility and delegation

The Executive Board is responsible for defining the CSR policy, in consultation with the Director Strategy and Group Director Sustainability and the management 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 CO_2 emissions, and strict waste management, along with business integrity,

Design and build Levenmouth Academy.
Architect: AHR. BAM Construct UK.

apply to all BAM operating companies. In addition, each operating company measures KPIs addressing issues of relevance to its own business.

Each operating company has a management team member who has the responsibility for BAM's sustainability activity. The operating companies report progress quarterly to the Executive Board, Director Strategy and Group Director Sustainability 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.

Compliance with the Corporate Governance Code

Compliance with the Corporate Governance Code is described in the BAM Corporate Governance Compliance Overview, which is available on the website of BAM (www.bam.com). This is to be read in conjunction with this section and is deemed to be incorporated into this section. In case there is a difference between the content of BAM's publication and this section, this section will prevail.

BAM fully complies with the principles and best practises of the Code. However, given the late publication of the revised Code in December 2016, it has taken a good part of 2017 to assess the consequences of the new Code and implement any required changes into the Company's governance.

In accordance with the Corporate Governance Code the company will submit any substantial changes in the main features of the corporate governance structure to the General Meeting for discussion purposes. The corporate governance structure and the compliance with the Corporate Governance Code as described on the website will be discussed with the shareholders during the Annual General Meeting on 18 April 2018.

4.2 Report of the Supervisory Board

The year 2017 was marked by the further implementation of BAM's strategy 'Building the present, creating the future'. This strategy was introduced early 2016 and aims to prepare the Company for the future while improving current performance and increasing predictability of results. The goal is to transform BAM from a fairly traditional, highly decentralised construction company to a company that applies digital innovation and industrialisation as key elements in the construction process. The strategy also includes clear objectives for the period 2016 – 2020 on people, planet and profit, with specific and in our view realistic financial targets.

In our discussions with management, also market developments were a recurring theme. The general outlook in the home markets in which BAM operates is positive. The oil and gas industry seems to be through its lowest point which will help BAM International. The Brexit though, may entail risks for the UK construction market while the geopolitical situation could negatively impact the economy and therefore also the construction industry. But in general, market developments support the achievement of the financial targets set for the period until 2020.

Unfortunately, these positive developments were overshadowed by a substantial loss at the Sea lock IJmuiden, a large project that BAM is executing in a 50/50 joint venture with another construction company. Although this project was on our radar screen and discussed quarterly, the big loss that had to be reported in early December 2017 came as a surprise. It shows that despite the steps taken to transform the organisation and improve risk management, BAM is not yet where it should be. We discussed the root causes and lessons learnt extensively with the Executive Board and agree that better design management in the tendering phase is crucial to limit risks. In addition, project management in the execution phase needs to be further strengthened, supported by additional business controls.

Although miscalculations or unforeseen circumstances can never be fully excluded in the construction industry, we support management's view that with all the actions taken, the company is on the right track to prevent major project losses and achieve its targets for the period until 2020. The Sea lock IJmuiden project once again raises the question how a better risk balance between client and contractors can be achieved for this type of unique, large and complicated projects. We welcome the ongoing discussions with the Dutch Ministry of Public Works on this theme, because a more balanced distribution of risks is ultimately in the interest of all parties involved.

Mainly as a result of the loss on the Sea lock IJmuiden project, the financial results in 2017 are very disappointing. When the company announced that the 2017 adjusted profit before tax would be substantially lower than expected, the stock market reacted very negatively, showing a loss of confidence. We agree with management that restoring confidence through predictable performance in line with the financial targets is a top priority. Despite the disappointing results in 2017, BAM is financially healthy. During the year 2017, BAM hardly needed to call upon its revolving credit facilities and the capital ratio at the end of the year was above 20 per cent.

2017 Financial statements and dividend

This annual report, which is presented in accordance with the International Integrated Reporting Framework, includes the 2017 financial statements, duly prepared by the Executive Board. The financial statements have been audited by the independent auditor, Ernst & Young Accountants LLP; the unqualified auditor's report is included on page 241 of this Integrated Report.

The Audit Committee discussed the draft financial statements with the Chief Executive Officer, the Chief Financial Officer and the independent auditor. The Audit Committee also discussed the auditor's report, the management letter and the quality of internal risk management and control systems and had a discussion with the auditor without BAM's management being present. Subsequently, our full board discussed this annual report, including the financial statements with the Executive Board in the presence of the independent auditor. We took note of the reporting from the Audit Committee and reviewed the auditor's report and the quality of internal risk management and control systems. We concluded that we agree with the 2017 financial statements. We agree with the Executive Board that a predictable dividend, based on a solid performance in line with the financial targets and taking into account the financial condition of the company, is important for the attractiveness of the BAM-share. We therefore agree with the proposal of the Executive Board to distribute a dividend of €0.10 per share.

We recommend the Annual General Meeting to be held on 18 April 2018, to adopt the 2017 financial statements. We are of the opinion that the financial statements, the report by the Executive Board and the report by the Supervisory 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 on these policies. 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.

Strategy and operational plan

We regularly discussed strategy implementation with the Executive Board. Our meeting in September was largely devoted to this subject. The discussions again showed that BAM is on a journey that includes considerable change. The values that BAM has defined require different behaviour compared to what BAM's people were used to and to what is still common in the construction industry. To reap the benefits of its scale, BAM has also introduced the One BAM philosophy. This means sharing knowledge, resources, systems, processes and innovation across operating companies. Since BAM comes from a very decentralised model with a high degree of local autonomy, this One BAM

Henk Jansen, BAM Bouw en Techniek

Henk Jansen, Installation Engineer and Lifting Supervisor at BAM Bouw en Techniek: 'On site, we depend on each other for safety and the best possible result. In situations such as this one – lifting a prefab piping system – we work together to achieve a smooth performance and deliver what we promised.'

Jansen oversees lifting operations at the WTC Utrecht site, which is almost literally the most central location in the Netherlands. Immediately adjacent Utrecht Central Station, the office has been awarded BREAAM-NL Excellent design certification and will offer over 29,000 square metres of office area on 19 floors. Completion has been scheduled for the first quarter of 2018.

'Building is teamwork'

World Trade Center (WTC) next to Utrecht Central Station will offer 19 floors of fixed and flexible office workplaces and public services which makes it a central meeting place for companies, institutions, entrepreneurs and the public Client: CBRE Global Investors. Architects: MVSA Architects. BAM Bouw en Techniek.

‘Now is the time

Tim Houter, Hardt Global Mobility

Delft-based start-up Hardt Global Mobility has formed a partnership with BAM to achieve its aim of creating Europe’s first hyperloop test facility. In this facility, HARDT will further develop the technology behind the hyperloop, a superfast means of transport that can carry people and cargo through very low-pressure tubes at speeds of 1,080 kilometres per hour. In addition to being superfast, the hyperloop is much more energy efficient then traditional forms of transport such as planes and trains.

Why did you start Hardt Global Mobility? What is your motivation?

We set up Hardt with the aim of creating something that could bring about a U-turn towards a much cleaner and more physically connected world. A world in which nothing prohibits people from living or working where they like. A world in which geographical distance no longer matters. In today’s world, travelling the distance from one city to the next almost inevitably means either a lengthy journey by train or car, or the massive amount of pollution of air travel. It must be possible to develop ways of travel that are faster, cheaper and more efficient. Hyperloop is the answer.

How did you come to collaborate with BAM, and what has been your experience so far?

We knew from the start that we wouldn’t be able to realise the facility without a partner. After careful analysis of possible infrastructure partners, we decided that BAM was our best option. Crucial factors here were the size of the organisation and BAM’s ambition to innovate. A first meeting made it clear that the enthusiasm was mutual. After that, we were soon able to agree that we would take concrete steps to realise Europe’s first hyperloop test facility.

Hyperloop test facility in Delft

Proud partners at the launch of the hyperloop test facility: (left to right) former Minister Melanie Schultz van Haegen, Hardt CEO Tim Houter, BAM Infra Director Marinus Schimmel and TU Delft President Tim van der Hagen.

to get everyone on the same page and make things happen'

What was the best moment of this project?
When we were able to actually launch the hyperloop test facility. The first of its kind in all of Europe!

What more can BAM do to contribute to innovation and a sustainable future?
From what I've seen, BAM already has a strong focus on innovation and sustainability, which is of course a good thing. I think, though, that it's important to remember that innovation is not a goal in itself. Innovations are often inspired by a desire to speed up a process or reduce costs, but it's not just about the processes. It's important to keep in mind what those processes are there for in the first place – take a step back and focus on the underlying challenge. It will open up new avenues for smart solution.

How have you developed your idea of the hyperloop facility to the actual realisation?
The only way to prove the viability of the concept is to perform a real-life test. So we rolled up our sleeves and sat down to design the test facility, down to the tiniest detail. Every nut, bolt and welding seam was included in the drawings and calculations. After that, the construction phase was a mere matter of weeks.

The test facility was launched in the fall of 2017. What progress have you made since then?
Since the launch we have been mostly busy preparing for the tests. There are many systems that need to be tested, such as the vacuum system we will connect to take the loop to its full testing capacity. All of those are now under development, with good progress being made.

What has been most surprising about the project?
It's amazing how much power a company like BAM can unleash in a short period of time. We're not shy about our capacity for speed and flexibility at Hardt, but the added 'oomph' of BAM took speed and flexibility to a new level. This has made the difference between 'a splendid idea' and 'a project that is really taking off'.

What's next – on the short and long term?
Our immediate focus is on realising the tests in our facility. On the long term we are looking to realise the next test facility – that one will include the aspect of high speed. Before we can start looking ahead towards the final goal of a live hyperloop system, we'll need to test things like maximum speed, taking curves and track changes. The response from the government and of course companies such as BAM has been very encouraging. Now is the time to get everyone on the same page and make things happen. Let the testing begin!

Which lessons can BAM and the world of science learn from each other?
In the world of science, we're seeing one new technology after the other being conceived and put to the test. Big data, artificial intelligence, machine learning – today's trends that will continue to shape the future. If you want to stay in the game, stay on top of those trends.

What drives the success of Hardt?
Above all, it's the combination of my passion for technology and the very diverse team. The hyperloop – and therefore Hardt as well – has unprecedented potential. It's greatly satisfying to know you're working toward the realisation of that enormous potential.

approach means a major change. It requires more central steering (with strong involvement of operating company management) while maintaining local entrepreneurship. We agree with BAM's strategy and fully support the Executive Board's commitment to the required changes. In our view, BAM is doing the right things, but it should be clear that the benefits of this change process will only gradually materialise to their full extent.

The operating companies and corporate functions have developed their own strategic agendas which are aligned with the BAM strategy. Within that framework, the operating companies and corporate functions have prepared operating plans for 2018, which were presented and discussed in our meeting in September. Subsequently these plans have been further developed and consolidated into the operating plan for the Group. We discussed this plan in an extra meeting in December and approved an updated version in our January 2018 meeting.

Risk management

Predictable performance requires ongoing improvements in risk management. This was therefore high on our agenda. As in previous years the need for selective tendering was regularly discussed with the Executive Board. The Tender Stage Gate Process that has been implemented throughout the company plays an important role in the early identification of potential risks and taking appropriate measures to limit these. The Operational Audit department audited the application of this process and we discussed the outcome with the Executive Board. This confirmed that the stage gate approach has been introduced throughout the Group and that its impact is increasing. Although this approach cannot prevent any risk to occur, it certainly helps to focus on projects where BAM can achieve decent margins.

Another important tool in that respect is the project data base. The Executive Board updated us on the development of this tool, which provides extensive information on projects executed by the Group. We were impressed by the insights this yields in the factors that influence the profitability of projects. It is a good example of learning by sharing information across BAM.

The audit plan for 2017 was presented to and discussed with the Audit Committee and subsequently the full Supervisory Board which approved the plan. The Operational Audit team continued to audit a number of high exposure projects, resulting in recommendations to improve risk control. Several very large projects in the tender stage were presented to the Supervisory Board in regular and extra meetings. We reviewed these projects by asking critical questions mainly focused on risks and how these were managed and taken into account in the pricing of the project.

Based on a presentation by the Governance, Risk and Compliance officer, we reviewed risks, including strategic risks, and risk management in the Group and concluded that although risk management has been strengthened, continuous attention and improvement is necessary in order to protect the company against the risks it faces. We also noted that the Group has in place internal risk management and control systems, financial reporting manuals and procedures for drawing up financial reports, as well as an established monitoring and reporting system. The ability of the Executive Board to monitor the operational activities of the Group improved further as a consequence of improved internal reporting, the Tender Stage Gate Process and monthly meetings with the Management Board, all of which contribute to increased transparency and awareness.

Safety and sustainability

Safety remained a focal area for the company. Therefore, we start every meeting with the Executive Board with a discussion on safety. BAM's safety performance slightly improved in the year under review (from IF BAM of 4.8 in 2016 to IF BAM of 4.6 in 2017). Nevertheless, the safety performance overall was unsatisfactory as BAM regrettably had to record 4 fatal incidents. These were extensively evaluated in the meetings with the Executive Board. In view of the lack of material improvement of safety performance in 2017 compared to 2016, we have emphasised the importance of even more attention to safety, not only with regard to guidelines and instructions but especially regarding behavioural aspects. The Safety Behaviour Audits, which are being held throughout the company, will support this goal. Together with the Executive Board, we remain of the opinion that the achievement of a higher safety level is one of the most important challenges for the Group. We fully support the Executive Board's commitment to further increase management's dedication to safety.

With respect to sustainability, we believe that BAM is a frontrunner in the construction industry. The sustainability strategy 2020 and beyond is aligned with the corporate strategy and forms the basis for KPIs on people and planet. The content of this Integrated Report is based on themes identified in the materiality assessment as being most relevant for BAM and its stakeholders. We were informed by the Executive Board on the proactive consultation of clients, partners and suppliers in stakeholder dialogues and were pleased to hear that these are highly appreciated by the participants.

Corporate governance

In December 2016, the new Dutch Corporate Governance Code was presented. It became effective as of 2017. Together with the Executive Board we reviewed the corporate governance structure of the Company and the consequences of the new Code. The overall conclusion was that BAM's governance was already broadly in line with the new Code. As a result of the review, the rules of the Executive Board, Supervisory Board and its three committees have been updated. The profile of the Supervisory Board has been amended and a diversity policy has been added that applies to the Executive Board as well. The annual meeting schedule for the Supervisory Board has also been amended in order to include discussion on all matters mentioned in the Code.

Compliance with the Corporate Governance Code will be explained via an overview, providing information on compliance per principle and best practice included in the Code. This overview is available on the Company's website.

The Supervisory Board and the Executive Board are of the opinion that Royal BAM Group's corporate governance is up to standard. Please refer to the corporate governance statement in this report and the overview on the Company's website concerning the Company's compliance with the Code.

Shareholders and investor relations

We are of the opinion that an open and regular dialogue with shareholders and investors is important to explain the Company's strategy and performance as well as to listen to and discuss their feedback. We regularly reviewed the Group's investor relations activities and shareholder base and were informed on the feedback given by shareholders, investors and analysts. We also took note of the feedback from the Capital Markets Day that was held in April 2017.

The Supervisory Board prepared the Annual General Meeting and evaluated it afterwards. We were pleased with the constructive dialogue with shareholders at the meeting but noted with disappointment the rejection by the meeting of the proposal to restrict or exclude preferential rights upon issuing respectively granting rights to acquire ordinary shares. This limits the possibilities to act efficiently in case the company wants to issue shares.

Discussions with external auditor

In the Annual General Meeting on 22 April 2015 Ernst & Young Accountants LLP was appointed as independent auditor for the financial years 2016, 2017 and 2018. During its review of the 2016 full year results and the 2017 half year results, the Supervisory Board met with Ernst & Young Accountants LLP to discuss their report. We established that the independent auditor had received the financial information on which the financial reports were based. The independent auditor had also been given the opportunity to discuss the information provided with BAM officers and the Executive Board.

We took note of the reports and management letters as prepared by the independent auditor. In our February 2017 meeting, we discussed with the independent auditor and the Executive Board the key items as presented by the auditor, being: valuation of projects and revenue recognition, valuation of deferred tax assets, IT controls and procedures, the valuation of land and building rights, the involvement of the finance function in key projects and the procedures the Group has in place regarding business conduct. In addition, we discussed in our August 2017 meeting the criteria for capitalisation of development costs and agreed that the patented development of Gravity Based Foundations for offshore wind power met these criteria. We also discussed the follow-up to the independent auditor's findings with the Executive Board.

Ernst & Young Accountants LLP attended the Annual General Meeting of 19 April 2017 and was available to answer questions. As part of the process to prepare this annual report and the 2017 financial statements, we assessed the relationship with Ernst & Young Accountants LLP, based on reports from the Executive Board and the Audit Committee. We concluded that the collaboration with BAM management and the employees involved in the audit is constructive and satisfactory.

Other activities and meetings

In addition to the items mentioned before, in each of our regular meetings, we discussed with the Executive Board the state of affairs, the financial performance of the Group and the operating companies, market developments and order intake, working capital and cash flow, the financial condition of the Group as reflected by the balance sheet, investments and divestments, major projects with a higher risk profile and the quarterly press releases. Each of our quarterly meetings featured a report on what had been discussed in meetings of the three permanent committees of our board.

Other matters discussed included the Integrated Report and financial statements for 2016, the 2017 half-year report and interim statements, the reserve and dividend policy and the dividend proposal for 2016, the various effects of changes in the International Financial Reporting Standards (IFRS) on the Group's financial reports, as well as compliance reports and material legal proceedings in which the Group is engaged.

In the presence of key staff involved, we took note of several lost tender analyses and of major projects in execution. The Executive Board regularly updated us on the situation regarding the parking garage at Eindhoven Airport which partly collapsed in the last phase of construction, fortunately without anybody being hurt. BAM immediately initiated its own investigation and fully cooperates with the investigations by the client and the Dutch Safety Board.

The corporate director HR informed us on the progress with respect to management development, succession planning for senior management positions and talent identification. He also presented a diversity analysis of operating company and project management in BAM. The recently appointed corporate compliance officer gave an update on compliance within the Group.

In September 2017, we went to Ireland for our annual working visit. We met with management and key staff of BAM Ireland and got presentations on market developments, business performance and major projects. We also met with the Management Board and discussed their preliminary views on the operating plans for 2018. During a breakfast meeting, the Irish

Minister of Foreign Affairs and Trade presented his view on the Brexit and economic developments in Ireland. We also visited several major projects, including the new European headquarters of Microsoft build by BAM.

A delegation of our Board met with the Central Works Council on several occasions. The annual meeting of the Supervisory Board and the Executive Board with the Central Works Council was held in August 2017.

The Supervisory Board actively engages with the Executive Board as well as other senior management in order to ensure it has the right information. The chairman of the Supervisory Board had regular contact with the Chief Executive Officer while the chairman and other members of the Supervisory Board met with senior managers in order to be briefed on specific topics such as HR, Finance, Corporate Governance and Operational Audit.

Remuneration
The Supervisory Board approved the remuneration report prepared by the Remuneration Committee. The remuneration report is included in paragraph 4.3 of the Integrated Report. The remuneration policy was not amended in 2017. The Supervisory Board agreed with the proposal of the Remuneration Committee regarding the remuneration of the Supervisory Board and decided to submit this proposal to the Shareholders meeting, which proposal was adopted at the Annual General Meeting in April 2017.

Meetings
In 2017, the Supervisory Board met on seven occasions in the presence of the Executive Board. In addition, three conference calls were held. The attendance rate of the individual members at the Supervisory Board meetings and the meetings of the committees was as follows:

	SB	AC	RC	NC
Mr H.L.J. Noy	100%		100%	100%
Mr K.S. Wester	100%	100%		
Mr G. Boon	100%	100%		
Mrs C.M.C. Mahieu	86%		100%	100%
Mr M.P. Sheffield	100%	100%		
Mrs H. Valentin	100%		100%	100%
Total	**97%**	**100%**	**100%**	**100%**

We also met without the Executive Board being present. These meetings were primarily devoted to the functioning of the Executive Board and the Supervisory Board. We also discussed our 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 and the targets for 2017.

Composition and functioning of the Supervisory Board

Early 2017, Mr Elverding had to announce his retirement as chairman of the Supervisory Board as per the Annual General Meeting in April 2017, due to illness. Regretfully, he passed away later in the year. In him we lost a very experienced chairman and a wise person. We are very grateful for the important and stabilising role he fulfilled as of 2011, in a period that the company was hit hard by the economic crisis.

In line with their already planned retirement, also Mr Scheffers and Mr Hanssen stepped down from the Supervisory Board at the end of the Annual General Meeting in April 2017. We thank them both for their contribution to BAM and Mr Scheffers especially in his role as chairman of the Audit Committee as of 2009 and vice chairman as of 2011.

As a result of these retirements, the composition of the Supervisory Board changed substantially. After the Annual General Meeting in April Mr Noy took over the role of chairman from Mr Elverding and Mr Wester succeeded Mr Scheffers as vice-chairman. Two new members were appointed, being Mrs Valentin and Mr Boon. The latter succeeded Mr Scheffers as chairman of the Audit Committee. In August, an Extraordinary General Meeting was held in which Mr Sheffield was appointed as a member of the Supervisory Board. There were no regular reappointments.

Diversity
Both the Supervisory Board and the Executive Board recognise the importance of diversity in the Group's managerial bodies. In our view diversity is not limited to gender, it also involves age, nationality and background. As part of the implementation of the new Dutch Corporate Governance Code, we updated the profile for the Supervisory Board. As before, it includes a minimum 30 per cent target for female and male board members. This gender target applies mutatis mutandis for the Executive Board.

We are of the opinion that our present composition is in line with the profile for our board. We meet the specific target regarding gender diversity. The Executive Board meets this target as well. We agree with the Executive Board that gender diversity at levels below the Executive Board needs serious attention. As the construction industry is traditionally pretty male dominated, a better gender balance requires measures to attract more women, which will take time.

Independence
The Supervisory Board meets the requirements of the new Dutch corporate governance code with regard to independence. In 2017 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.

Ashford College's new campus in Kent, England.
BAM Construct UK.

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.

Self-evaluation
Early 2018 we performed our annual self-evaluation. It was based on an extensive questionnaire that was filled in by all board members prior to the session. We concluded that despite considerable changes in our composition, the board is operating well, with open discussions and constructive contributions from all members. We also assessed the expertise of the individual board members and concluded that the combined expertise is in line with the characteristics of the company and its business. We noted that the Executive Board under the leadership of the Chief Executive, has an open and transparent attitude towards the Supervisory Board. Several suggestions were made for further improvement. These relate amongst others to the induction programme for new members, invitation of external experts to inform on specific issues as part of permanent education, information to the Supervisory Board in between meetings, contacts with members of the Management Board and the need to pay more attention to succession planning.

The Supervisory Board's committees

The Supervisory Board has three permanent committees: 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
Due to the retirement of Mr Scheffers and Mr Hanssen the composition of the Audit Committee changed substantially. Mr Boon took over the role as chairman after the Annual General Meeting and Mr Sheffield replaced Mr Hanssen. As per the end of 2017 the Audit Committee was composed of Mr Boon (chairman), Mr Wester and Mr Sheffield. 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 with regard to 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 of the Executive Board, the Chief Financial Officer and the Operational Audit Director also attended all the Audit Committee meetings.

In addition to its regular tasks and responsibilities, the Audit Committee addressed the following specific matters in 2017: the assurance plan 2017 of the independent auditor EY, internal audit plan for 2018, impact of new reporting standards IFRS 9, 15 and 16, material legal proceedings, development of working capital, investments in innovation, key projects, financing of the company and developments relating to taxes, IT and governance, risk and compliance. Furthermore, the Audit Committee participated in a work shop on project control.

The Audit Committee was briefed by the independent auditor on relevant developments in the audit profession, especially those related to the new EU directive on non-financial information, the revised Dutch corporate governance code and the transition to new IFRS reporting standards. The committee met with the independent auditor without the Executive Board being present and reported to the Supervisory Board on the relationship with the independent auditor. Furthermore, the chairman of the Committee regularly communicates on a one to one basis with the independent auditor. The Audit Committee considers the relationship with the independent auditor sound.

Remuneration Committee
In 2017, the composition of the Remuneration Committee changed as well. Mrs Valentin succeeded Mr Elverding as per the end of the Annual General Meeting. As per the end of 2017, the Remuneration Committee was composed of Mrs Mahieu (Chairwoman), Mrs Valentin 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.

The Committee submitted a proposal to the Supervisory Board relating to the short term incentive of members of the Executive Board based on the 2016 performance and the criteria for variable remuneration in 2017. In addition, the Remuneration Committee prepared a remuneration report on the way the remuneration policy has been implemented in practice.

The Committee also performed a comparative survey regarding the remuneration of Supervisory Board members of BAM and other Dutch AMX companies which led to the conclusion that the remuneration was no longer in line with what is customary in this peer group nor in proportion with the increased responsibilities and the intensity of its activities. As a result of this survey a proposal was prepared for the Supervisory Board for amendment of the remuneration for members of the Supervisory Board.

The Remuneration Committee met three times during the year under review. 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 conference calls were held.

Nomination Committee
Due to the retirement of Mr Elverding, Mr Noy took over the role of chairman after the Annual General Meeting and Mrs Valentin joined the Committee. As per the end of the year under review, the Nomination Committee was composed of Mr Noy (Chairman), Mrs Mahieu and Mrs Valentin. 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 the Supervisory Board and the Executive Board as well as assessment of their performance. 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 and held several conference calls. Items discussed were the vacancies in the Supervisory Board, the required profile of the individual positions, review of and interviews with a number of candidates and the final selection of the preferred candidates. Proposal for the appointment of the new members were submitted to the Supervisory Board. The Committee discussed with the Chief Executive Officer and with the corporate director Human Resources the succession planning process within the Company and the implementation of the One BAM value set.

Composition and functioning of the Executive Board

During 2017, the Executive Board was composed of three members. There were no scheduled reappointments in 2017.

The Supervisory Board reviewed the performance of the Executive Board. The Chief Executive Officer gave input regarding the performance of the other members of the Executive Board.
The Nomination Committee had meetings with each member of the Executive Board in which feedback was given on personal performance. The non-financial targets that had been set were evaluated as well as the functioning of the Executive Board as a team. The conclusions were discussed in an internal meeting of the Supervisory Board.

Based on these discussions, the Supervisory Board announced that Mrs Menssen will step down as CFO and member of the Executive Board of the company as per 1 July 2018. This decision was reached by mutual agreement as the further implementation of the strategic agenda requires a different fulfilment of the CFO role. The process to find a successor has been started. The Supervisory Board wants to thank Thessa Menssen for her contribution and dedication to BAM.

Per the Annual General Meeting in April 2018, the term of Mr Bax as a member of the Executive Board will end. The Supervisory Board of Royal BAM Group nv has decided to nominate Mr Bax for reappointment as member of the Executive Board. This reappointment will be for a term of one year.
Mr Bax has informed the Supervisory Board that he wishes to explore other opportunities and would therefore not seek reappointment as member of the Executive Board for four years. Reappointment for one year ensures continuity and a smooth transition of responsibilities, also in light of Mrs T. Menssen stepping down from the Executive Board effective 1 July 2018, as previously announced. The Supervisory Board very much appreciates Mr Bax' commitment to BAM.

The Supervisory Board concluded that none of the members of the Executive Board holds more than two supervisory board positions at large organisations or a position as chairman of such supervisory body. 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.

Final comments

The year 2017 was overshadowed by a few major incidents. Nevertheless, the underlying developments are positive. The company made good progress with the further implementation of its strategic agenda, and although not yet visible in the financial results, risk management improved. We are confident that consistent implementation of the 2016-2020 strategy, including the necessary cultural changes, will lead to results in line with the targets. This confidence is also based on the capabilities and dedication of BAM's management and employees to deliver a predictable performance. We want to thank all involved for their contribution and efforts under sometimes challenging circumstances.

Bunnik, the Netherlands, 20 February 2018

On behalf of the Supervisory Board,
Harrie Noy, Chairman

4.3 Remuneration report

The following remuneration report from the Supervisory Board describes how the remuneration policy was put into practice during the past financial year. The report includes summaries of information concerning remuneration received in 2017 and also contains a summary of the remuneration policy for the coming financial year and subsequent years.

Remuneration 2017

The Remuneration Committee is a permanent committee of the Supervisory Board and consists 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), Mrs Valentin and Mr Noy. The composition of the Remuneration Committee is in line with the provisions of the Code. The Remuneration Committee met three times during the past financial year. The committee members consulted with each other a number of times outside the context of a formal meeting.

Remuneration of the Executive Board members
A benchmark and adjustment of the fixed remuneration of the Executive Board took place in 2016. After the annual evaluation beginning 2017 as described in the remuneration policy, it was decided not to modify the fixed remuneration per January 2017. Per June 2017, the fixed expense allowances for members of the Executive Board were substituted by the reimbursement of actual incurred business expenses. A transitional measure as applicable within the Group for all comparable employees was applied, which led to a slight increase of the fixed remuneration per that date. The members of the Executive Board received remuneration in the past financial year in line with the remuneration policy adopted by the Annual General Meeting on 22 April 2015.

The members of the Executive Board were awarded a short-term incentive of 31 per cent of the fixed remuneration. The short-term incentive targets related to performance on the Group's financial priorities, measured by adjusted profit before tax, working capital and cash flow and to performance on strategy and One BAM Culture implementation initiatives for the non-financial targets. The financial targets adjusted profit before tax and cash flow were not achieved. The scoring on the other targets has resulted in the above mentioned percentage.

The conditional performance shares granted to the members of the Executive Board under the long-term incentive performance share plan in 2017 are stated in table 65.

A summary of the remuneration of the individual members of the Executive Board can be found in tables 59 and 65. No other compensation was awarded to members of the Executive Board in the financial year other than the compensation indicated in tables 59 and 65.

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 remuneration of the Supervisory Board was lastly determined by the General Meeting on 7 May 2008. After internal consultation in 2017, the Supervisory Board members came to the conclusion that this remuneration was no longer in proportion with the nature and intensity of its activities. In the past few years, the tasks and responsibilities of the Supervisory Board have increased significantly. This is also clear from the new Corporate Governance Code as published on 8 December 2016. A benchmark (performed by external remuneration advisers) of the remuneration of Supervisory Board members of other Dutch AMX companies also led to the conclusion that the remuneration was no longer in line with what is customary in this peer group. Therefore, the Supervisory Board proposed to adjust its remuneration per 1 May 2017 as follows: an annual fixed remuneration of €70,000 for the Chairman, €55,000 for the Vice-Chairman and €50,000 for the other members of the Supervisory Board, with an additional annual fixed remuneration of €10,000 (Chairman) or €7,000 (member) for membership of one or more Supervisory Board committees. Non-Dutch members will receive an attendance fee of €1,500 per meeting. Actual and necessarily incurred costs in the performance of the duties for BAM are reimbursed. This policy was adopted by the Annual General Meeting on 19 April 2017.

As a policy the Company does not award any options or shares to members of the Supervisory Board. This was also the case in 2017. 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.

Internal pay ratio

The revised Dutch Corporate Governance Code (2016) states that the remuneration policy should take into account the internal pay ratio within the organisation and that the results should be reported in the remuneration report. In light of transparency and clarity, BAM applies a methodology to calculate the internal pay ratio based on the employee benefits and the CEO compensation according to the financial statements. Furthermore, the approach is in line with common practices in the market, which allows for the context in the external market.

BAM's internal pay ratio is calculated as the total CEO compensation divided by the average employee compensation (employee benefit expenses excluding restructuring costs and termination benefits divided by the average number of FTE).

Consequently BAM's calculated internal pay ratio in 2017 is 20 (2016: 22), implying that the CEO pay is 20 times the average pay within the organisation.

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 of its Remuneration Committee. The Remuneration Committee's regulations are published on BAM's website.

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 several remuneration elements against market standards. Also the internal pay differentials have been taken into account, as well as scenario analyses which were 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 at stimulating 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. The policy contributes to long-term value creation by not only focussing on financial targets but also on non-financial targets like sustainability and safety. In addition, a long-term incentive plan has been implemented for this purpose. 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.

Remuneration levels are aimed at the median of a labour market reference group of fifteen companies as listed in table 55. The reference group was selected based on industry, ownership structure, geographical business scope and size parameters.

55 - Reference group

Arcadis	Heijmans
Balfour Beatty	Hochtief
Bauer	NCC
Besix	Post NL
Boskalis	Skanska
Carillion	Strabag
Eiffage	VolkerWessels
Fugro	

The incentive levels are presented in the table below:

56 - Remuneration level

STI (% of fixed remuneration)	
CEO	55% (target) 75% (maximum)
Members	55% (target) 75% (maximum)
LTI (% of fixed remuneration)*	
CEO	70%
Members	60%
Share ownership guidelines	
CEO	1 times fixed remuneration
Members	0.75 times fixed remuneration

* Award value.

Remuneration package
The remuneration of the Executive Board consists of four elements:

a. Fixed remuneration;
b. Short-term incentive (STI);
c. Long-term incentive (LTI);
d. Post-employment benefits and other secondary conditions of employment.

Ad a. Fixed remuneration
The Supervisory Board determines the development of the fixed remuneration of the individual members of the Executive Board. The annual evaluation and change in fixed remuneration 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 fixed remuneration deviates from the benchmark and general changes in the market.

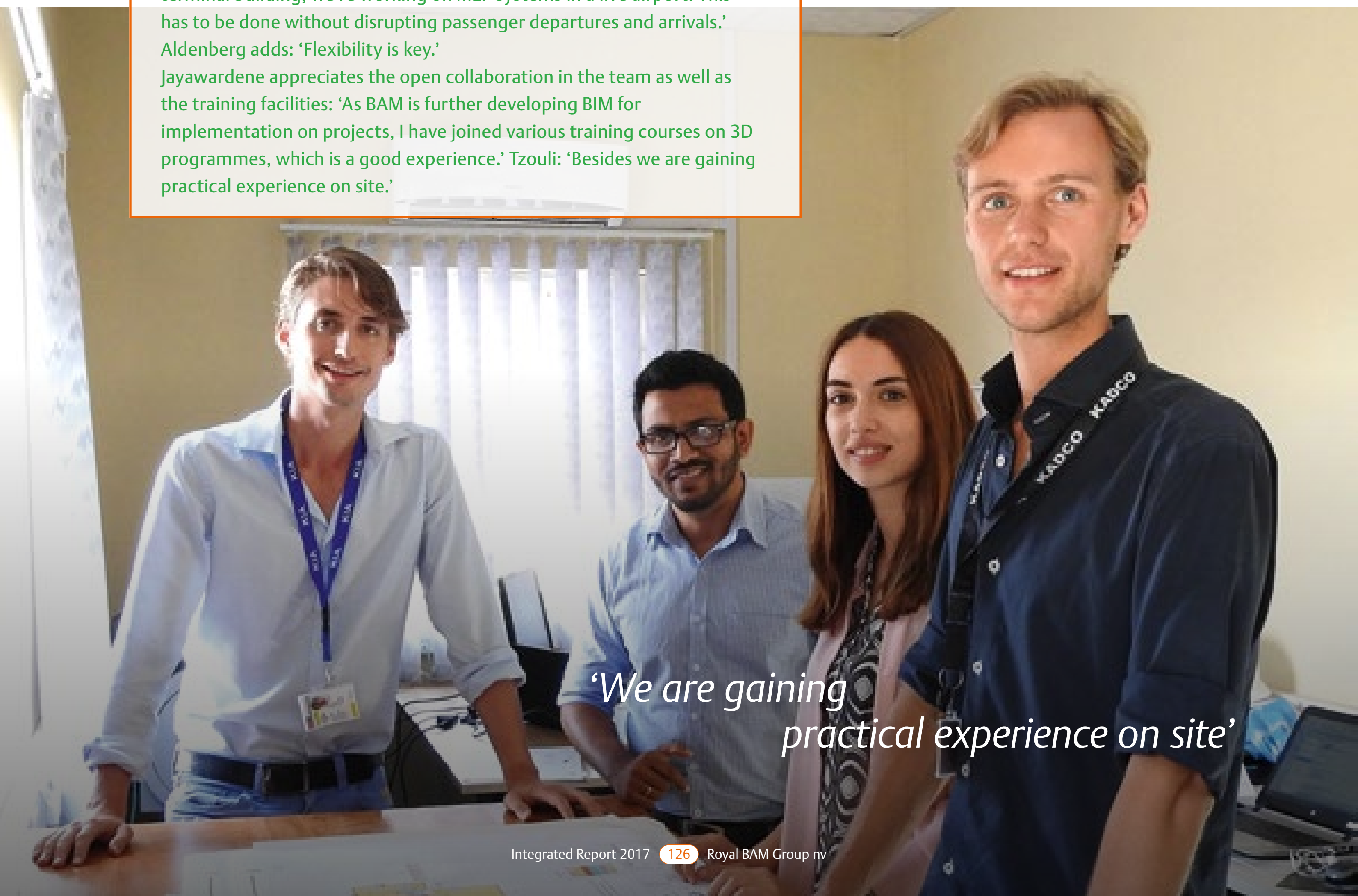
Ad b. Short-term incentive
To ensure continued alignment of the short-term incentive with BAM's strategy, flexibility with respect to the STI metrics is important to enable adequate responses to the challenges the Group is facing. At the start of the financial year the Remuneration Committee selects two to three 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. (Adjusted) profit before tax
2. Operational result (EBIT)
3. Working capital
4. Cash flow
5. Cash conversion
6. Cost reduction
7. Divestments

A young BAM team in Tanzania

At the Kilimanjaro International Airport (KIA) project in Tanzania, design and engineering are in the hands of a BAM team consisting of – from left to right – Daan Aldenberg, Engineering Manager (Dutch), Krishantha Jayawardene, CAD Engineer (Sri Lankan), Sofia Tzouli, Intern (Greek) and Bob Smelting, Engineer (Dutch). Smelting: 'A dedicated team of BAM and subcontractor MEP specialists are working daily behind the scenes. In the terminal building, we're working on MEP systems in a live airport. This has to be done without disrupting passenger departures and arrivals.' Aldenberg adds: 'Flexibility is key.'
Jayawardene appreciates the open collaboration in the team as well as the training facilities: 'As BAM is further developing BIM for implementation on projects, I have joined various training courses on 3D programmes, which is a good experience.' Tzouli: 'Besides we are gaining practical experience on site.'



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

70 per cent of the STI is based on the selected financial metrics, the remaining 30 per cent is linked to non-financial performance targets. Performance incentive zones are defined for each of the targets. Payout gradually increases with performance, starting with a payout of 35 per cent of the fixed remuneration at threshold performance, 55 per cent at target performance and potentially going up to 75 per cent of fixed remuneration at maximum performance per individual target. Below threshold there will be zero payout. The Supervisory Board sets the performance ranges (i.e. threshold, at target and maximum performance levels) and corresponding payout levels.

After the end of the financial year, the Remuneration Committee determines to what extent the performance targets have been met. The Supervisory Board, following a proposal from the Remuneration Committee, will decide upon the variable remuneration to be awarded over the past financial year.

In cases in which 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 quantified 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 management agreements of the Executive Board.

Ad c. Long-term incentive
Executive Board members participate in a performance share plan. The performance shares are conditionally awarded subject to performance testing after three years. The number of performance shares at award date is calculated by dividing the award value by the average closing price of BAM shares on Euronext Amsterdam based on the five-day average closing price after the Annual General Meeting.

There are two financial performance measures, being relative total shareholder return (TSR) and ROCE and one non-financial measure, being sustainability. Realised performance results in a vesting percentage for each of the three 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 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.

The minimum share ownership requirement for the CEO amounts to 100 per cent of fixed remuneration and for the other members of the Executive Board to 75 per cent of fixed remuneration. 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 the vesting.

57 - Long-term incentive plan

Financial vs. non-financial (personal) measures	Financial: Non-financial:	66.7% 33.3%
Weight (% of total value at grant) and type of measures	TSR: ROCE: Sustainability:	33.3% 33.3% 33.3%
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 year period based on the three month average share price before the start and the end of the three year period. The relative position within the peer group determines the vesting percentage. The TSR peer group comprises of Balfour Beatty, Boskalis, Carillion, Eiffage, Heijmans, Hochtief, 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 the 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 (on a sliding scale) for non-achievement of the individual targets. The performance incentive zones are presented in table 58.

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 times the award value in order to avoid inappropriate payouts.

The authority to implement the long-term incentive plan lies with 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.

At the discretionary 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.

Ad d. Post-employment benefits and other secondary conditions of employment

With respect to pensions, sector regulations are 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. 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. 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 business expenses. The Group does not give loans, warrants and the like to members of the Executive Board or to other employees, except for the following indemnities and insurances.

58 - The performance incentive zones

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 threshold	0%	Below threshold	0%
6	25%				
7	0%				
8	0%				
9	0%				
10	0%				
11	0%				

Notes:
1) Vesting is expressed as a percentage of the conditionally granted number of shares.
2) If TSR would be at position 10 or 11, no vesting can occur for the other parts.

Current and former members of the Supervisory Board and 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 management services agreements
Members of the Executive Board are in principle appointed for a period of four years and deliver their services under a management services agreement. 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.

If the company terminates the management services agreement of a member of the Executive Board, the maximum severance payment will be one year's fixed remuneration.

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 BAM securities. These rules are published on the company's website. The company also has regulations for members of the Executive Board and the Supervisory Board relating to the trading in securities other than those issued by the company.

Remuneration policy for 2018 and subsequent years

The remuneration policy described above will remain in effect in the financial year 2018 and subsequent years. No material changes in the remuneration policy are planned in the coming period.

Supervisory Board
Bunnik, the Netherlands, 20 February 2018

59 - Executive Board remuneration
Fixed remuneration, short-term incentive, post-employment benefits, other benefits and long-term incentive
(x €1,000)

	Fixed remuneration		Short-term incentive		Post-employment benefits		Other benefits		Long-term incentive	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
R.P. van Wingerden	**684**	680	**214**	408	**183**	126	**3**	8	**177**	119
T. Menssen	**484**	480	**152**	288	**49**	39	**3**	8	**85**	95
E.J. Bax	**484**	480	**152**	288	**93**	66	**3**	5	**111**	99

‘Open

Unilever’s new Indonesia head office in BSD City, Tangerang, Jakarta. Inhabit Group was a partner of BAM on the construction of Unilever’s new head office. Inhabit Group is an innovative consulting group focused on providing specialist engineering services. At Unilever’s new headquarters, Inhabit was responsible for the façade design, which was conceived to compliment the architectural vision while keeping in mind the local construction skills and material availability. Inhabit’s lighting scheme permeates the entire building, taking elements from the exterior of the building to the interior to create a cohesive and coherent design. The project was completed in January 2017.

Benny Handoko, BAM International

‘Different backgrounds, but everyone is equal’

Benny Handoko, Project Manager at BAM International, in front of the building of Unilever’s Indonesian head office. ‘Within BAM I work on a basis of equality with people from different cultural and professional backgrounds, In our open culture I can talk to the Director or Area Manager any time I want. I appreciate that a lot. It makes the work so much easier.’

collaboration allows seamless exchange of ideas'

Gautam Bhasin, Inhabit Group

Gautam Bhasin, Regional Manager of Inhabit Group, worked with BAM on the Unilever project. 'Open collaboration allows seamless exchange of ideas and makes it easier to solve complex design problems with optimum use of resources and skills.'

Can you give an example of how you see open collaboration in construction projects?

'A good example would be a central construction model which is managed by the architects while all design and engineering disciplines contribute their inputs on the same format. The coordinated model instantly picks up any clashes or design disputes, which can then be shared and managed efficiently. This certainly would not be possible if the team members operated in silos, each silo with its own separate design process.'

You have worked together with BAM's Benny Handoko on the Unilever project. What can you tell us about the collaboration?

'The collaboration was effective and based on time management of overlaying construction processes. Pak Benny very effectively managed the risks that could possibly affect timely completion. Whenever there were concerns he raised them with the respective team members so a timely solution could be found. Having a good main contractor is essential to the success of a project as they play a key role in construction and interface management for all disciplines.'

How can Inhabit Group and BAM work together even better?

'Both being international companies, BAM and Inhabit share many synergies. The key here is to bring the best international practices to regional construction markets and raise the bar for quality, safety and on-time completion of best-in-class projects.'

What are the benefits of digitalisation for the construction industry?

'Digitalisation in construction is inevitable and we will see its role in our projects continue to grow. If we only look at construction issues in isolated stages of a project, this brings in the risk of planning gaps. With the advent of 4D and even 5D technology (where the building construction sequence can be simulated to weed out any clashes), the industry is getting equipped to take on even bigger construction challenges in form of complex designs, challenging engineering and demanding timeframes.'

What is the benefit of digitalisation for your organisation?

'Inhabit is leading the use of cutting-edge technology in the façade design industry. The use of customised tools allows us to optimise the design and engineering process and spend more time in creating bespoke solutions.'

Can you give an example?

'The use of purpose-built algorithms provides us with the computing power to simplify and automate tasks that involve fabrication of façade components and quantity take-offs. This is helping the contractors to have better control on costs and material procurement process.'

How does your company contribute to a sustainable future?

'Sustainability lies at the heart of what we do. At Inhabit, we have 250 industry experts that provide services in façade design, environmentally sustainable design (ESD), building physics, acoustics, and lighting design. All disciplines influence each other to find the best possible outcome for the building and make it a better, more responsible place to live in.'

Long-term incentive plan

60 - Unconditional Phantom Share Plan 2012-2014[1]
(value in €)

	At the award date		At the payout date				
	Number	Value	Number	TSR-performance	Graduated scale	Vested shares	Value[2]
R.P. van Wingerden	84,559	230,000	88,317	0.3%	35%	30,911	161,707
T. Menssen	-	-	-	-	-	-	-
E.J. Bax	-	-	-	-	-	-	-

[1] Award has become unconditional on 4 May 2015; lock-up period up to and including 4 May 2017. The blocking period has ended as per 5 May 2017, leading to the payout of the award.
[2] The value has been based on the average share price of BAM on the five trading days before the end of the blocking period as per 5 May 2017 (€5.231) and on the number of vested shares three years after the award. The number of (vested) shares at the payout date include dividend up until the payout date.
The ultimate TSR performance is based on the quarterly average for the year 2012, 2013 and 2014.
The long-term remuneration will never exceed one and a half times the annual fixed remuneration of the Executive Board member on the day of the payout.

61 - Unconditional Phantom Share Plan 2013-2015[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	69,272	235,000	71,680	7.6%	45%	32,256	123,573
T. Menssen	69,272	235,000	71,680	7.6%	45%	32,256	123,573
E.J. Bax	-	-	-	-	-	-	-

[1] Award has become 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 2017 (€3.831) and on the number of vested shares three years after the award.
The number of (vested) shares at the vesting date include dividend up until year-end 2017.
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 fixed remuneration of the Executive Board member on the day of the payout.

62 - Unconditional Phantom Share Plan 2014-2016[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	60,072	235,000	61,362	7.1%	45%	27,613	105,785
T. Menssen	60,072	235,000	61,362	7.1%	45%	27,613	105,785
E.J. Bax	60,072	235,000	61,362	7.1%	45%	27,613	105,785

[1] Award has become unconditional on 1 May 2017; lock-up period up to and including 1 May 2019.
[2] Potential value based on the closing share price of BAM at year-end 2017 (€3.831) and on the number of vested shares three years after the award.
The number of (vested) shares at the vesting date include dividend up until year-end 2017.
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 fixed remuneration of the Executive Board member on the day of the payout.

63 - Conditional Performance Share Plan 2015-2017 [1]
(value in €)

	At the award date		Year-end 2017	
	Number	Value	Number	Value [2]
R.P. van Wingerden	114,319	434,000	114,319	437,956
T. Menssen	74,281	282,000	74,281	284,570
E.J. Bax	74,281	282,000	74,281	284,570

[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 2017 (€3.831) and on the 'at target' number of conditional performance 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.

64 - Conditional Performance Share Plan 2016-2018 [1]
(value in €)

	At the award date		Year-end 2017	
	Number	Value	Number	Value [2]
R.P. van Wingerden	112,711	476,000	112,711	431,796
T. Menssen	68,195	288,000	68,195	261,255
E.J. Bax	68,195	288,000	68,195	261,255

[1] Awarded on 28 April 2016; 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 2017 (€3.831) and on the 'at target' number of conditional performance 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 times the award value.

65 - Conditional Performance Share Plan 2017-2019 [1]
(value in €)

	At the award date		Year-end 2017	
	Number	Value	Number	Value [2]
R.P. van Wingerden	94,651	476,000	94,651	362,608
T. Menssen	57,268	288,000	57,268	219,394
E.J. Bax	57,268	288,000	57,268	219,394

[1] Awarded on 27 April 2017; 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 2017 (€3.831) and on the 'at target' number of conditional performance 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 times the award value.

66 - Appointment and contractual arrangements

	Year of employment	Date of first appointment	Start date current 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	20 April 2016	4 years	6 months	3 months	1 year's fixed remuneration
T. Menssen	2012	1 October 2012	20 April 2016	4 years	6 months	3 months	1 year's fixed remuneration
E.J. Bax	2014	1 May 2014	1 May 2014	4 years	6 months	3 months	1 year's fixed remuneration

Following the success of the 2012 Olympic and Paralympic Games, BAM Nuttall was awarded both the North Park and South Park Legacy Transformation schemes. The design and construct project involved transforming the Park from Games-mode to the Queen Elizabeth Olympic Park, providing space for new businesses, homes and recreational facilities.

4.4 Decree 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 and lastly revised on 13 October 2015.

Capital structure
Note 15 of the financial statements 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 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 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 Class B 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 (Foundation Preference Shares BAM Group) 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 252 onward of this Integrated Report with regard to the reasons behind protecting the company and the manner in which this is done.

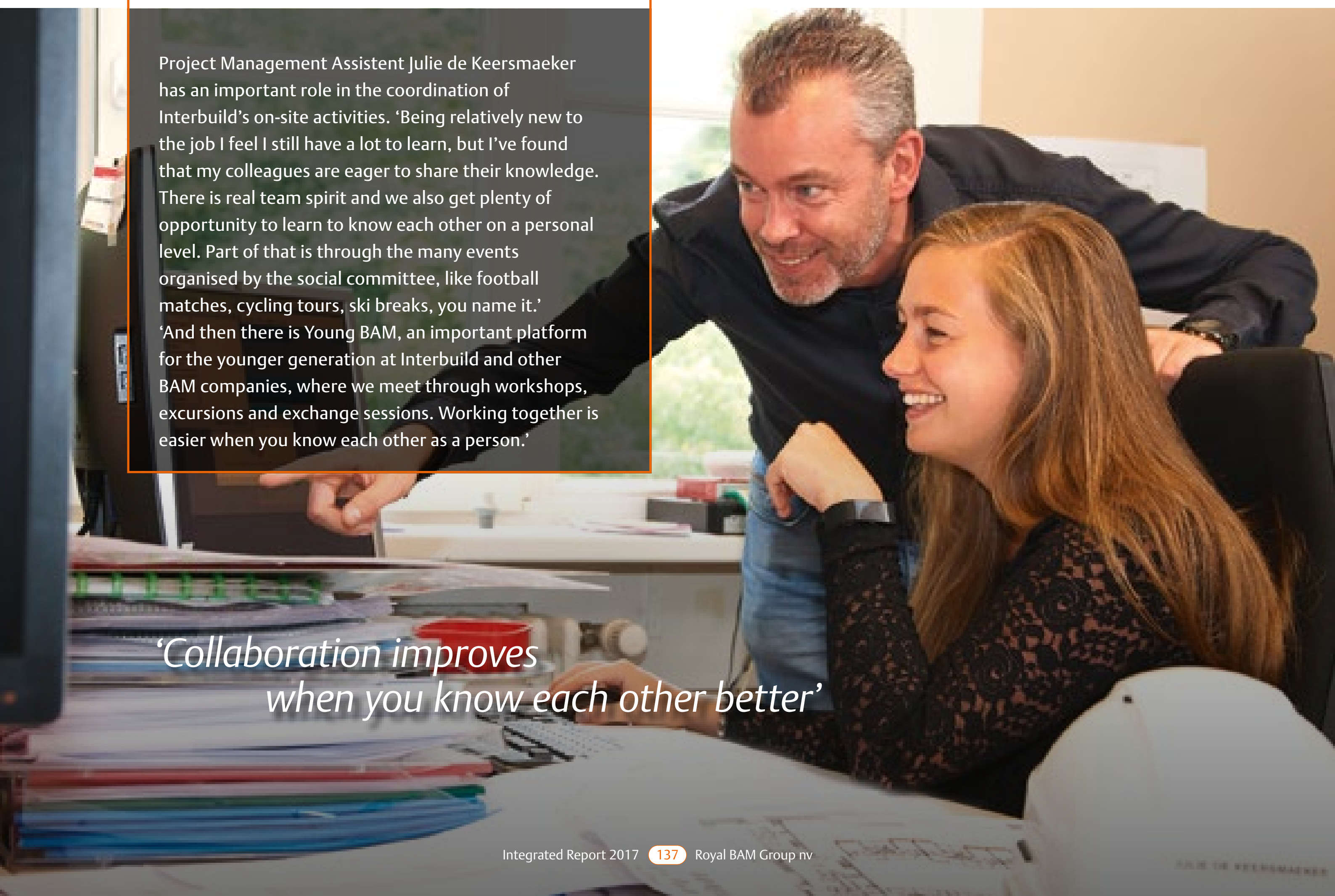
Substantial interests
The company is aware of the following interests in its equity, which are now reported under the provisions concerning the reporting of controlling interests under the Disclosure of the Financial Supervision Act. See ▶ table 74.

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 2015 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 fifteen 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.

Julie de Keersmaeker, Interbuild



Project Management Assistent Julie de Keersmaeker has an important role in the coordination of Interbuild's on-site activities. 'Being relatively new to the job I feel I still have a lot to learn, but I've found that my colleagues are eager to share their knowledge. There is real team spirit and we also get plenty of opportunity to learn to know each other on a personal level. Part of that is through the many events organised by the social committee, like football matches, cycling tours, ski breaks, you name it.' 'And then there is Young BAM, an important platform for the younger generation at Interbuild and other BAM companies, where we meet through workshops, excursions and exchange sessions. Working together is easier when you know each other as a person.'

'Collaboration improves when you know each other better'

Construction project Platanenhof in Zeist

'Our house has a highly personalised design'

The Den Burg family in their new home in Platanenhof quarter in Zeist. BAM Wonen.

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 and amendment of the Articles of Association
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. A more detailed explanation of the appointment and dismissal of members of the Supervisory Board and members of the Executive Board can be found in the Articles of Association of the Company. Resolutions to amend the Articles of Association or to dissolve the Company may only be adopted by the General Meeting pursuant to a proposal of the Executive Board and subject to the approval of the Supervisory 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 in the Executive Board rules. The Executive Board was authorised by the General Meeting held on 19 April 2017 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. However, the General Meeting rejected the proposal to authorise the Executive Board to restrict or exclude pre-emptive rights in the event of an issue of or granting of rights to acquire ordinary shares.

The General Meeting held on 19 April 2017 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.

Saskia Eggers (left page)

Saskia Eggers enjoys her new home in the BAM Wonen development Platanenhof in Zeist, the Netherlands. 'The house has a highly personalised design. We had a range of options, like bay windows or a flat façade, and sliding or French doors.' She is pleased to own a home that was built sustainably. 'The only thing missing at the moment is solar panels on the roof.' The house is also a perfect home for a family with small children: 'There is lots of room for them to play outside.'

4.5 Supervisory Board and Executive Board

Biographies of the Supervisory Board members

H.L.J. (Harrie) Noy (1951), *Chairman*
Mr Noy completed his studies at Eindhoven University of Technology in 1974. Mr Noy worked for Arcadis throughout his entire career. He joined that company, which at the time still operated under the name Heidemij, in 1975 and has since occupied various positions. From 1989 to 1994 he was a member of the Management Board of Arcadis' consultancy division in the Netherlands, and served as Chairman of that Board from 1992 to 1994. In 1994, Mr Noy was appointed as a member of the Executive Board. From 2000 to May 2012, Mr Noy served as CEO and Chairman of the Executive Board of Arcadis. 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; extraordinary member of the Dutch Safety Board.
Mr Noy was appointed to the Supervisory Board in 2012 and reappointed in 2016. He was appointed as Chairman of the Supervisory Board in 2017.

K.S. (Klaas) Wester (1946) *Vice-chairman*
Mr Wester graduated in civil engineering from Delft University of Technology in 1969. He then worked briefly for Fugro as a geotechnical engineer, after having performed military service. He went on to work 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 as a member of the Fugro Executive Board under the Articles of Association in 1996. Mr Wester went 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's capital.
Other offices: Chairman of the Supervisory Board of ACTA; Chairman of the Supervisory Board of Iv-Groep.
Mr Wester was appointed to the Supervisory Board in 2011 and reappointed in 2015. He was appointed as Vice-chairman of the Supervisory Board in 2017.

G. (Gosse) Boon (1959)
Mr Boon studied both quantitative business economics and Dutch law at Erasmus University Rotterdam. He also completed the RA (Chartered Accountant) study at the same university. Mr Boon started his career at Unilever. From 1983 to 2000, he fulfilled various senior positions within the company, lastly as the CFO of Unilever Brazil. In 2000, Mr Boon was appointed the CEO of DiverseyLever Netherlands, a position he fulfilled until 2004. Subsequently, Mr Boon held the position of CFO and member of the Executive Board with Rijnmond Waste Processing and Van Gansewinkel Group respectively. In 2010, he transferred to Nutreco, being appointed CFO and Executive Board member in 2011. In 2015, following the delisting of Nutreco, he decided to leave the company. He is a Dutch national and does not own any shares in the company's capital.
Other offices: Chairman of the Supervisory Board of Albron; member of the Supervisory Board of KPMG; member of the Supervisory Board IDH (Sustainable Trade Initiative); lay judge (expert member) of the Companies and Business Court (Enterprise Chamber), which is part of the Amsterdam Court of Appeal.
Mr Boon was appointed to the Supervisory Board in 2017.

C.M.C. (Carla) 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 became a member of Aegon's Management Board in 2016. Mrs Mahieu is a Dutch national and does not own any shares in the company's capital.
Other offices: member of the Supervisory Board of VodafoneZiggo.
Mrs Mahieu was appointed to the Supervisory Board in 2011 and reappointed in 2015.

M.P. (Paul) Sheffield CBE, BSc, CEng, MICE (1961)
Mr Sheffield studied civil engineering at the University of Surrey (United Kingdom). He is a Chartered Engineer and Fellow at the British Institution of Civil Engineers. From 1983 to 2014 he was employed by the Kier Group, a large British construction and property development group, listed on the London stock exchange, where he held a number of management positions. During the first years of his career, Mr Sheffield was involved as an engineer in various projects in New Guinea, Turkey and the United Kingdom. Thereafter, he was responsible for projects in the United Kingdom, Saudi Arabia and Hong Kong as a project manager. In 1998 he became Director of Operations and in 1999 was appointed Managing Director of the Civil Division. In 2005 he joined the Board of the Kier Group with responsibility for all construction activities and he was appointed as Chief Executive Officer in 2010. In 2014 Mr Sheffield left the Kier Group for Laing O'Rourke, one of the largest private construction companies of the United Kingdom, where he was a member of the Group Executive Committee until 2017, responsible for their activities in Europe and the Middle East. Mr Sheffield is a British national and does not own any shares in the company's capital.
Other offices: Non-Executive Director at Southern Water Services Ltd.
Mr Sheffield was appointed to the Supervisory Board in 2017.

H. (Helle) Valentin (1967)
Since 2016, Ms Valentin has served as the COO of IBM's Watson Internet of Things. In that capacity, she is responsible for developing the business and designing and building the business structure and product portfolio of this new IBM division. She is also an member of the supervisory board of IBM Denmark Aps since 2013. Before that, she was the COO of IBM's Germany/Austria/Switzerland region in the period 2014-2016, also responsible for rolling out the new strategy and implementing a new business model. She started her career with IBM in 1992, after graduating as a Master of Engineering at Denmark Technical University. Ms Valentin is a Danish national and does not own any shares in the company's capital.
Other offices: Member of the Supervisory Board of PFA Pension fund; advisor of the National Disruption Council in Denmark.
Ms Valentin was appointed to the Supervisory Board in 2017.

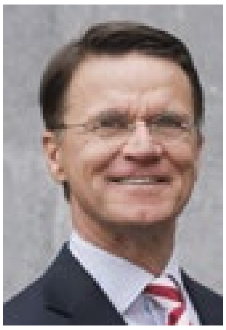
67 - Retirement schedule for the Supervisory Board

Member	Date of birth	Date of initial appointment	Year of reappointment	End of current term	End of second term
H.L.J. Noy*, Chairman	27-03-1951	25-04-2012	2016	2020	2020
K.S. Wester, Vice-chairman	02-07-1946	20-04-2011	2015	2019	2019
G. Boon	09-04-1959	19-04-2017	-	2021	2025
C.M.C. Mahieu*	16-10-1959	20-04-2011	2015	2019	2019
M.P. Sheffield	25-05-1961	24-08-2017	-	2021	2025
H. Valentin	16-01-1967	19-04-2017	-	2021	2025

* Strengthened right of recommendation of Central Works Council.


From the left: C.M.C. Mahieu, K.S. Wester, H.L.J. Noy, M.P. Sheffield, H. Valentin and G. Boon.

Biographies of the Executive Board members



R.P. (Rob) 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 and other 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, Boston, USA. 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. Information about Mr Van Wingerden's shareholding position is on pages 133 and 134.
Other offices: member of the Supervisory Board of Royal Saan; member of the Board of Governors of the Dutch Construction and Infrastructure Federation (Bouwend Nederland); member of the Board of De Bouwcampus; member of the Taskforce Bouw; member of the Advisory Board of DIMI (Delft Deltas, Infratructures & Mobility Initiative).

E.J. (Erik) Bax (1957), *COO*
Mr Bax studied engineering, building and construction at the Tilburg Institute for Technology and obtained an MBA at Erasmus University Rotterdam and Georgia State University in Atlanta, USA. He joined CRH, the international leader for production and distribution of building materials, in 1984 and held various management positions at CRH's different operating companies and divisions. He then fulfilled a number of positions in CRH's senior management. As of 2010 he was Managing Director CRH Europe and member of the Executive Committee of CRH in Dublin. 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 holds no other offices. Information about Mr Bax' shareholding position is on pages 133 and 134.

T. (Thessa) 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, where she held various management positions. In 2006 Mrs Menssen was appointed to 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. Information about Mrs Menssen's shareholding position is on pages 133 and 134.
Other offices: member of the Supervisory Board of PostNL; member of the Supervisory Board of FMO; member of the Supervisory Board of the Rotterdam Philharmonic Orchestra; member of the Monitoring Committee of the 'Talent naar de Top' programme; member of the Supervisory Board of the Foundation 'Topvrouw van het Jaar' (a platform for the promotion of gender diversity at board level in the Netherlands).

68 - Retirement schedule for the Executive Board

Member	Date of birth	Date of initial appointment	Year of reappointment	End of current term
R.P. van Wingerden, Chairman	21-07-1961	07-05-2008	2012, 2016	2020
T. Menssen[1]	04-05-1967	01-10-2012	2016	2020
E.J. Bax	21-04-1957	01-05-2014		2018

[1] Mrs Menssen will step down from the Executive Board with effect from 1 July 2018.

4.6 Management Board

In addition to the Executive Board and Supervisory Board, BAM's governance structure is complemented with the Management Board. This corporate body was established to strengthen the One BAM approach and supports the Executive Board in achieving the objectives of the strategic agenda. The Management Board consists of the members of the Executive Board, the managing directors of the ten operating companies (see the organisational structure at page 11) and a number of selected corporate function directors.

Executive Board
Bunnik, the Netherlands, 20 February 2018

From the left: M. Peeters (BAM Belgium), G. Cash (BAM Construct UK), T.M. Cullinane (BAM Contractors), M. Koch (BAM Deutschland), K. Meade (BAM PPP), T. Menssen (CFO Royal BAM Group), R. Vollebregt (BAM Bouw en Vastgoed Nederland), R.P. van Wingerden (CEO Royal BAM Group), R. Zuidema (Director of Human Resources Royal BAM Group), E.J. Bax (COO Royal BAM Group), M.H. Schimmel (BAM Infra Nederland), G.K. Mazloumian (BAM International), T.W. Muntinga (Director of Finance Royal BAM Group), S. Beckers (General Counsel/Company Secretary Royal BAM Group) and B.J. Wierenga (Wayss & Freytag Ingenieurbau).
Not in this picture: S.C. Fox (BAM Nuttall) and S. Capper (CIO Royal BAM Group).

In Berlin, Futurium offers visitors the opportunity to experience the future in laboratories, discussions and expositions. BAM Deutschland.

5. Financial statements

The 1,354 m² courthouse at Drogheda comprises two courtrooms and associated facilities and is located on a landmark town centre site adjacent to the River Boyne. The Drogheda building is the first of the Courts Bundle Public Private Partnership (PPP) to open. The Courts Bundle PPP involved the construction and refurbishment of seven landmark courthouses across Ireland. BAM will also manage the courts facility for a period of 25 years. BAM PPP and BAM Contractors.

Contents

Consolidated income statement

(x €1,000)

	Notes	2017	2016
Continuing operations			
Revenue	5	**6,603,706**	6,976,090
Raw materials and consumables used		**(1,330,918)**	(1,295,185)
Subcontracted work and other external charges		**(3,652,244)**	(4,013,649)
Employee benefit expenses	24	**(1,273,614)**	(1,276,214)
Depreciation and amortisation charges	7,8	**(59,548)**	(64,449)
Impairment charges	25	**(4,579)**	(50,659)
Other operating expenses		**(254,194)**	(245,131)
Exchange rate differences		**29**	2,137
		(6,575,068)	(6,943,150)
Operating result		**28,638**	32,940
Finance income	28	**30,002**	31,805
Finance expense	28	**20,440**	24,485
		9,562	7,320
Share of result of investments	10	**20,317**	19,827
Share of impairment charges in investments	10,25	**(193)**	-
		20,124	19,827
Result before tax		**58,324**	60,087
Income tax	29	**(44,939)**	(10,883)
Result for the year from continuing operations		**13,385**	49,204
Discontinued operations			
Result for the year from discontinued operations	35	**-**	-
Net result		**13,385**	49,204
Attributable to:			
Shareholders of the Company		**12,520**	46,831
Non-controlling interests		**865**	2,373
		13,385	49,204

Earnings per share

(x €1)

	Notes	2017	2016
Basic	30		
Continuing operations		**0.05**	0.17
Discontinued operations		**-**	-
Total		**0.05**	0.17
Diluted	30		
Continuing operations		**0.05**	0.17
Discontinued operations		**-**	-
Total		**0.05**	0.17

The notes on pages 153 to 228 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(x €1,000)

	Notes	2017	2016
Net result		**13,385**	49,204
Items that may be subsequently reclassifed to the income statement			
Fair value of cash flow hedge		**12,629**	24,605
Tax on fair value of cashflow hedge		**(3,109)**	(7,344)
Cash flow hedges	19	**9,520**	17,261
Fair value movement hedges in joint ventures		**12,494**	(24,308)
Tax on fair value movement hedges in joint ventures		**(4,395)**	6,979
Cash flow hedges of investment in joint ventures	19	**8,099**	(17,329)
Exchange rate differences		**(17,279)**	(65,862)
Items that will not be subsequently reclassifed to the income statement, net of tax			
Movement in remeasurements		**17,365**	(62,559)
Tax on movement in remeasurements		**(2,853)**	9,262
Remeasurements of post-employment benefit obligations	20	**14,512**	(53,297)
Other comprehensive income		**14,852**	(119,227)
Total comprehensive income		**28,237**	(70,023)
Attributable to:			
Shareholders of the Company		**27,361**	(72,111)
Non-controlling interests		**876**	2,088
		28,237	(70,023)
Total comprehensive income attributable to the shareholders of the Company arises from:			
Continuing operations		**27,361**	(72,111)
Discontinued operations		**-**	-
		27,361	(72,111)

The notes on pages 153 to 228 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December

(x €1,000)

	Notes	2017	2016
Non-current assets			
Property, plant and equipment	7	**281,874**	270,173
Intangible assets	8	**403,718**	389,992
PPP receivables	9	**240,687**	296,395
Investments	10	**95,594**	85,866
Other financial assets	11	**91,903**	92,044
Derivative financial instruments	19	**464**	-
Employee benefits	20	**75,020**	62,773
Deferred tax assets	22	**217,971**	248,845
		1,407,231	1,446,088
Current assets			
Inventories	12	**606,731**	645,433
Trade and other receivables	13	**1,845,399**	1,934,542
Income tax receivable		**6,462**	6,226
Derivative financial instruments	19	**1,058**	983
Cash and cash equivalents	14	**695,779**	738,577
		3,155,429	3,325,761
Assets held for sale	35	**8,516**	40,245
		3,163,945	3,366,006
Total assets		**4,571,176**	4,812,094
Equity attributable to the shareholders of Company			
Share capital	15	**839,311**	839,311
Reserves	16	**(157,923)**	(170,252)
Retained earnings		**170,830**	165,191
		852,218	834,250
Non-controlling interests		**5,556**	5,061
Total Equity		**857,774**	839,311
Non-current liabilities			
Borrowings	18	**398,146**	463,515
Derivative financial instruments	19	**14,952**	20,347
Employee benefits	20	**118,512**	144,708
Provisions	21	**65,611**	86,058
Deferred tax liabilities	22	**28,062**	26,287
		625,283	740,915
Current liabilities			
Borrowings	18	**104,944**	148,131
Trade and other payables	23	**2,917,155**	3,004,428
Derivative financial instruments	19	**133**	4,354
Provisions	21	**48,268**	55,805
Income tax payable		**17,619**	14,817
		3,088,119	3,227,535
Liabilities held for sale	35	**-**	4,333
		3,088,119	3,231,868
Total equity and liabilities		**4,571,176**	4,812,094
Capital base	17	**967,205**	946,741

The notes on pages 153 to 228 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 and premium	Reserves	Retained earnings	Total		
As at 1 January 2016		839,311	(104,536)	167,372	902,147	3,638	905,785
Cash flow hedges	19	-	(45)	-	(45)	(23)	(68)
Remeasurements of post-employment benefit obligations	20	-	-	(53,226)	(53,226)	(71)	(53,297)
Exchange rate differences		-	(65,671)	-	(65,671)	(191)	(65,862)
Other comprehensive income, net of tax		-	(65,716)	(53,226)	(118,942)	(285)	(119,227)
Net result		-	-	46,831	46,831	2,373	49,204
Total comprehensive income		-	(65,716)	(6,395)	(72,111)	2,088	(70,023)
Issue of convertible bonds		-	-	7,852	7,852	-	7,852
Dividends	31	-	-	(1,978)	(1,978)	(540)	(2,518)
Repurchase of ordinary shares	15	-	-	(2,529)	(2,529)	-	(2,529)
Share based payments		-	-	606	606	-	606
Other movements		-	-	263	263	(125)	138
		-	-	4,214	4,214	(665)	3,549
As at 31 December 2016		839,311	(170,252)	165,191	834,250	5,061	839,311
Cash flow hedges	19	-	17,505	-	17,505	114	17,619
Remeasurements of post-employment benefit obligations	20	-	-	14,512	14,512	-	14,512
Exchange rate differences		-	(17,176)	-	(17,176)	(103)	(17,279)
Other comprehensive income, net of tax		-	329	14,512	14,841	11	14,852
Net result		-	-	12,520	12,520	865	13,385
Total comprehensive income		-	329	27,032	27,361	876	28,237
Issue of convertible bonds		-	-	-	-	-	-
Dividends	31	-	-	(7,466)	(7,466)	(410)	(7,876)
Repurchase of ordinary shares	15	-	-	(2,696)	(2,696)	-	(2,696)
Share based payments		-	-	818	818	-	818
Development cost		-	12,000	(12,000)	-	-	-
Other movements		-	-	(49)	(49)	29	(20)
		-	12,000	(21,393)	(9,393)	(381)	(9,774)
As at 31 December 2017		839,311	(157,923)	170,830	852,218	5,556	857,774

The notes on pages 153 to 228 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(x € 1,000)

	Notes	2017	2016
Net result		**13,385**	49,204
Adjustments for:			
- Income tax	29	**44,939**	10,883
- Depreciation of property, plant and equipment	7	**55,042**	60,305
- Amortisation of intangible assets	8	**4,506**	4,144
- Impairment of property, plant and equipment	7,25	**-**	2,213
- Impairment of other financial assets	11,25	**153**	(196)
- Impairment of intangible assets	8,25	**703**	833
- Impairment of inventories	12,25	**3,723**	47,809
- Share of impairment charges in investments	10,25	**193**	-
- Result on sale of subsidiaries		**-**	(270)
- Result on sale of PPP projects	35	**(900)**	(4,400)
- Result on sale of property, plant and equipment		**(4,736)**	(6,291)
- Share based payments	37	**818**	606
- Share of result of investments	10,11	**(20,317)**	(19,826)
- Finance income	28	**(30,002)**	(31,805)
- Finance expense	28	**20,440**	24,485
Interest received		**9,870**	10,866
Dividends received from investments	10,11	**23,331**	13,033
Changes in provisions and pensions	20,21	**(46,368)**	(62,423)
Changes in working capital (excluding cash and cash equivalents)		**48,857**	176,425
Cash flow from operations		**123,637**	275,595
Interest paid		**(25,179)**	(38,468)
Income tax paid		**(10,762)**	(14,473)
Net cash flow from ordinary operations		**87,696**	222,654
Investments in PPP receivables	9	**(127,161)**	(189,785)
Repayments of PPP receivables	9	**104,982**	35,048
Net cash flow from operating activities		**65,517**	67,917
Acquisition of subsidiaries, net of cash acquired		**-**	(904)
Purchases of property, plant and equipment	7, 18	**(72,933)**	(61,927)
Proceeds from sale of property, plant and equipment	7	**16,488**	16,004
Purchases of intangible assets	8	**(23,513)**	(4,993)
Proceeds from disposal of intangible assets	8	**60**	-
Investments in non-current receivables	11	**(23,206)**	(11,892)
Repayments of non-current receivables	11	**14,699**	11,799
Investments in other financial assets	10,11	**(15,166)**	(15,690)
Proceeds from disposal of other financial assets	10,11	**2,634**	3,357
Proceeds from sale of PPP projects	35	**20,500**	16,600
Proceeds from sale of subsidiaries		**-**	(2,318)
Net cash flow from investing activities		**(80,437)**	(49,964)
Proceeds from borrowings	18	**175,230**	312,216
Repayments of borrowings	18	**(184,327)**	(189,976)
Dividends paid to shareholders of the Company	31	**(7,466)**	(1,978)
Dividends paid to non-controlling interests		**(410)**	(540)
Repurchase of ordinary shares with respect to Performance Share Plan		**(2,696)**	(2,529)
Net cash flow from financing activities		**(19,669)**	117,193
Change in cash and cash equivalents		**(34,589)**	135,146
Cash and cash equivalents at beginning of year	14	**738,575**	637,209
Change in cash and cash equivalents in assets and liabilities held for sale	35	**-**	(614)
Exchange rate differences on cash and cash equivalents		**(8,207)**	(33,166)
Net cash position at end of year	14	**695,779**	738,575

The notes on pages 153 to 228 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 property, Civil engineering 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 Euronext Amsterdam, with its registered seat and head office in Bunnik, the Netherlands.

On 20 February 2018 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 on 18 April 2018.

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 Dutch Civil Code, as far as applicable.

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
IAS 7 Statement of Cash Flows has been amended as per 1 January 2017, requiring entities to provide disclosure about changes in their liabilities resulting from financing activities. The Group has added this disclosure in Note 18 Borrowings.
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses has been amended as per 1 January 2017 however not resulting in significant changes for the Group, since these amendments mainly contain clarifications.

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

(b) New standards and interpretations in issue but not yet effective
The Group has applied the amendments for the first time for their annual reporting period commencing 1 January 2017 in connection with the 'Annual Improvements to IFRSs – 2014-2016 Cycle'. The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 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. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for financial years beginning on or after 1 January 2018, with early application permitted. The Group will adopt the new standard in its 2018 (half year) financial statements.

Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The 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 Group has performed a detailed assessment of all three aspects of IFRS 9. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses, resulting in a negative impact on equity. The Group has performed an impact assessment and concluded that no significant impact on its balance sheet and equity occurs. Limited impact is expected for the impairment requirements of IFRS 9, based on analysis of historic data. Further analysis will be performed in the first half of 2018 on client segments on actual occurred losses.

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 will adopt this standard in its 2018 (half year) financial statements.

The Group is in the process of finalizing a full contract by contract analysis in 2017 to complete the preparations for the implementation. Guidelines have been adjusted and processes and knowledge of the new standard is in place to guarantee a successful implementation. The Group will use the retrospective method for implementation, which means that the financial statements of 2018 will contain comparative figures over 2017 based on IFRS 15.

The impact on the consolidated income statement over the year 2017 is to be finalised since the analysis of the contract positions as per 31 December 2017 needs to be completed, together with some specific areas identified as part of the transition process and pending discussions at IFRIC. The Group will complete the analysis after the release of the Annual financial statements.

Specific areas of attention are the following:
- In general the activities of the Group qualify for recognition of revenue over time in line with the current accounting. The Group is in the process of making its final assessment in respect of its property development activities.
- Under IFRS 15 bid fees in respect of won PPP-projects will no longer be recognised upfront, but during the construction phase of the project. This will have a limited negative impact on equity.
- Under IFRS 15 a variable consideration is only recognised to the extent that it is highly probable that no significant reversal of revenue will occur. The valuation threshold therefore increases from 'more likely than not' to 'highly probable'. This means that certain valuations of claims and variation orders, which are currently valued based on the probable criterion under IAS 11, may not qualify in full for recognition under IFRS 15. The assessment of this effect is currently still in progress and may have a negative impact on equity upon transition.

Several discussions are taking place at IFRIC which may affect the Group:
- Onerous contracts: IFRIC is discussing the measurement of provisions for onerous contracts, as the specific guidance under IAS 11 no longer applies. Two options are allowed: using incremental cost or integral cost. The Group monitors these discussions, but has taken the position that it will continue to apply its current approach based on the assessment of integral contract costs versus total contract revenues. Related to onerous contracts, the Group investigates the interaction between loss making performance obligations and profitable performance obligations within one contract.
- Land and buildings: IFRIC is discussing whether land and buildings need to be classified as separate performance obligations. The outcome of this discussion will be relevant to the Group. Although such separation may affect the accounting for individual transactions, it is not expected to have a material effect on the Group.

The overall contract profitability is not affected as the IFRS 15 impact is in particular a matter of timing. The overall impact on equity cannot yet be reliably quantified, also considering the pending issues at IFRIC.

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 for all from off balance to on balance. Changes may occur due to the present value approach and the timeframe for which the leases need to be taken into account for. The Group has started an impact analysis in 2017 to identify the effect of this standard on its financial statements and is in the process of choosing the transition method. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group 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. When necessary amounts reported by associates have been adjusted to conform with the Group's accounting policies.

(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 includes 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 Property, Civil engineering 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:

	2017	2016
Closing exchange rate		
Pound sterling	**0.88763**	0.85940
Average exchange rate		
Pound sterling	**0.87420**	0.81301

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 amount of the non-controlling interest in the acquiree.

For the purpose of impairment testing, 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. 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, the management of acquired subsidiaries and development cost and are stated at cost less accumulated amortisation and impairment losses.

Research cost are expensed as incurred. Development cost on an individual project are recognised as an intangible asset when the following can be demonstrated:
- technical feasibility of completing the intangible asset so that the asset will be available for use or sale;
- its intention to complete and its ability and intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset;
- the ability to measure reliably the expenditure during development;

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. Additional recognition of cost of development may apply when development continues. It is amortised over the period of expected future benefit. Amortisation is recorded in depreciation and amortisation charges. During the period of development, the asset is tested for impairment annually.

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 only used for economic hedging purposes and not as speculative investments. 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 objective 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'. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in profit or loss within 'operating result'.

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.

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.

For further guidelines regarding construction contracts see paragraph 2.24 revenue recognition under (a).

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.

The subordinated convertible bonds are separated into liability and equity components based on the terms of the contract. On issuance of the subordinated convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity.

Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the subordinated convertible bonds, based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

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.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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.

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 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. Interest expenses are included in the ‘employee benefit expenses’.

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 employment obligations
Other 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 net contract position as per period end is included on the balance sheet. See paragraph 2.14.

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.

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 forecasted 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.

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.

A variation order is an instruction by the customer for a change in the scope of a project to be performed under the contract. Regarding variation orders the following basis for valuation is applied:
- it is probable that the customer will approve the variation and the amount of revenue arising from the variation; and
- the amount of revenue can be reliably measured.

In the normal course of business the Group recognises amounts receivable in connection with claims for (un)completed work due from the principal and/or insurance claims as reimbursement for certain loss events on projects. Project related claims on the principal are recognised when:
- negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and
- the amount that is probable will be accepted by the customer can be measured reliably.

In some markets, given local circumstances and practices with our principals, historic data on receiving comparable claims is also taken into account when assessing the probability of receiving a claim.

Insurance claims can be recognised only if it is virtually certain that the amount recognised will be reimbursed.

(b) Property development
The Group develops property, which it sells in the ordinary course of business and has entered into contracts to sell certain of these properties on completion of construction. The Group has concluded that these pre-completion contracts were not, in substance, construction contracts.

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. Construction and other expenditure attributable to such property are included in inventory property development until disposal. 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
Under the terms of IFRIC 12 ‘Service concession arrangements’ comprise construction and/or upgrade activities, as well as operating and maintenance activities. The consideration (concession payments) received is allocated between construction/upgrade activities and operating/maintenance services according to the relative fair values of the respective activities.

Revenue from construction and/or upgrade activities is recognised in conformity with the revenue recognition principles of construction contracts (IAS 11). Revenue from operating and maintenance activities is recognised in conformity with revenue from services (IAS 18).

The financial assets relating to service concession arrangements (‘PPP receivables’) are subsequently measured at amortised cost. Interest is calculated using the effective interest method and is recognised in the income statement as ‘finance income’.

(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 Finance income and expenses

Finance 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. Finance income on impaired loan and receivables is recognised using the original effective interest rate.

Finance expenses comprise interest expenses on borrowings, finance lease expenses, gains and losses relating to hedging instruments and other financial expenses. Interest expenses on borrowings and finance lease expenses are recognised in the income statement using the effective interest method.

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 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. These are material items of income and expense that have been shown separately due to the significance of their nature or amount.

2.29 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. 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 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.

Financial risk management is carried out by Group treasury under policies approved by the Executive Board, which has the overall responsibility for risk management in the Group and the Enterprise Risk Management Framework. 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. Due to the translation effect the decrease of exchange rate of the pound sterling in 2017 has on Group level reduced the reported revenue, results, equity and closing order book for the UK companies. Based on the value per end of 2017 of the Group's UK subsidiaries, an increase or decrease of 10 per cent of the exchange rate of the pound sterling, will have an effect on the Group's equity of approximately €37 million.

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 cash flow 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 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 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 2017, 82 per cent (2016: 82 per cent) of the interest on the Group's debt position was fixed. The part not covered consists almost entirely of property financing.

If the interest rates (Euribor and Libor) had been an average of 100 basis points higher or lower during 2017, the Group's net result after tax (assuming that all other variables remained equal) would have been approximately €0.5 million higher or approximately €0.6 million higher (2016: approximately €0.1 million higher or approximately €1.0 million higher). If the interest rates (Euribor and Libor) had been 100 basis points higher or lower during 2017, the Group's cash flow hedge reserves in Group equity (assuming that all other variables remained equal) would have been approximately €10 million higher or approximately €10 million lower (2016: approximately €12 million higher or approximately €12 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	2017	2016
Non-current assets			
PPP receivables	9	**240,687**	296,395
Non-current receivables	11	**89,982**	90,138
Derivative financial instruments	19	**464**	-
Current assets			
Trade receivables – net	13	**838,317**	915,067
Retentions	13	**108,419**	112,607
PPP receivables	13	**8,411**	62,338
Other financial assets	11	**1,726**	720
Derivative financial instruments	19	**1,058**	983
Cash and cash equivalents	14	**695,779**	738,577
		1,984,843	2,216,825

Non-current receivables predominantly concern loans granted to property and PPP associates and joint ventures. 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 2017 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
2017					
Subordinated convertible bonds	114,987	140,313	4,375	135,938	-
Non-recourse PPP loans	189,965	215,537	12,014	47,680	155,843
Non-recourse property financing	68,942	72,109	19,385	52,724	-
Other non-recourse financing	5,916	6,431	1,755	3,401	1,275
Recourse PPP loans	29,454	30,016	16,435	13,581	-
Recourse property financing	75,288	77,346	58,631	18,715	-
Other recourse financing	5,550	5,920	170	5,750	-
Finance lease liabilities	12,988	14,360	3,604	10,112	644
Derivatives (forward exchange contracts)	(1,389)	(482)	(452)	(30)	-
Derivatives (interest rate swaps)	14,952	14,910	3,643	8,834	2,433
Other current liabilities	865,797	865,797	865,797	-	-
	1,382,450	**1,442,257**	**985,357**	**296,705**	**160,195**
2016					
Subordinated convertible bonds	112,491	144,688	4,375	140,313	-
Non-recourse PPP loans	274,348	332,434	67,990	50,167	214,277
Non-recourse property financing	85,678	89,025	36,757	52,268	-
Other non-recourse financing	7,922	8,543	2,227	5,686	630
Recourse PPP loans	50,103	51,176	37,368	13,808	-
Recourse property financing	68,745	72,342	11,473	60,869	-
Other recourse financing	5,550	6,090	170	5,920	-
Finance lease liabilities	6,807	7,357	2,729	4,260	368
Derivatives (forward exchange contracts)	4,030	5,137	3,484	1,653	-
Derivatives (interest rate swaps)	19,688	23,570	4,304	11,218	8,048
Bank overdrafts	2	2	2	-	-
Other current liabilities	932,818	932,818	932,818	-	-
	1,568,182	1,673,182	1,103,697	346,162	223,323

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 €400 million (2016: €400 million) respectively €163 million (2016: €163 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 instruments (notes 17 and 18). At year-end 2017, the capital ratio was 21.2 per cent (2016: 19.7 per cent). For the strategic objectives regarding the capital ratio, see chapter 3.1 Financial performance of the Executive Board Report.

Under the terms of our borrowings facilities the group is required to comply with financial covenants. For information on these financial covenants see note 18.

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:

		Financial instruments				
	Notes	Loans and receivables	Financial liabilities	Hedging	Non-financial instruments	Total
2017						
PPP receivables	9	240,687	-	-	-	240,687
Other financial assets	11	91,903	-	-	-	91,903
Derivative financial instruments	19	-	-	1,522	-	1,522
Trade and other receivables	13	957,201	-	-	888,198	1,845,399
Cash and cash equivalents	14	695,779	-	-	-	695,779
Borrowings	18	-	503,090	-	-	503,090
Derivative financial instruments	19	-	-	15,085	-	15,085
Trade and other payables	23	-	865,797	-	2,051,358	2,917,155
		1,985,570	**1,368,887**	**16,607**	**2,939,556**	**6,310,620**
2016						
PPP receivables	9	296,395	-	-	-	296,395
Other financial assets	11	92,044	-	-	-	92,044
Derivative financial instruments	19	-	-	983	-	983
Trade and other receivables	13	1,091,497	-	-	843,045	1,934,542
Cash and cash equivalents	14	738,577	-	-	-	738,577
Borrowings	18	-	611,646	-	-	611,646
Derivative financial instruments	19	-	-	24,701	-	24,701
Trade and other payables	23	-	932,818	-	2,071,610	3,004,428
		2,218,513	1,544,464	25,684	2,914,655	6,703,316

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 banks 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

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

A master netting agreement is applicable to a part of 'cash and cash equivalents'. At 31 December 2017 a positive balance of €263 million has been offset against a negative balance of nil (2016: positive balance of €344 million offset against a negative balance of €0.5 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. See paragraph 2.24 for further explanation regarding the valuation of construction contracts.

(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 reimbursed. See paragraph 2.24 for further explanation regarding the recognition of claims receivable.

(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, temporary differences and tax credits 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. Additional information is disclosed in note 22.

(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 (by rotation) to benchmark 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 loss is recognised if the carrying amount of an asset of CGU exceeds its recoverable amount.

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 Property	Civil engineering	PPP	Other including eliminations [1]	Total
2017					
Construction contracts	3,008,823	2,879,896	114,204	-	6,002,922
Property development	426,611	-	-	-	426,611
Service concession arrangements	88,721	-	20,935	-	109,656
Services and other	18,542	44,816	-	1,159	64,517
Revenue from external customers	3,542,697	2,924,712	135,139	1,159	6,603,706
Sector revenue	165,017	39,314	-	(204,331)	-
Revenue	3,707,714	2,964,026	135,139	(203,172)	**6,603,706**
Operating result	61,516	(27,250)	(2,181)	(3,447)	28,638
Finance result	(4,104)	545	13,996	(875)	9,562
Share of result of investments	12,988	1.495	7,141	(1,500)	20,124
Result before tax	**70,400**	**(25,210)**	**18,956**	**(5,822)**	**58,324**
Exceptional items [2]	(2,616)	(869)	-	(1,444)	(4,929)
Adjusted result before tax	**73,016**	**(24,341)**	**18,956**	**(4,378)**	**63,253**
2016					
Construction contracts	3,520,728	2,752,838	175,230	-	6,448,796
Property development	355,922	-	-	-	355,922
Service concession arrangements	94,828	-	21,442	-	116,270
Services and other	15,085	36,922	-	3,095	55,102
Revenue from external customers	3,986,563	2,789,760	196,672	3,095	6,976,090
Sector revenue	137,809	109,358	-	(247,167)	-
Revenue	4,124,372	2,899,118	196,672	(244,072)	6,976,090
Operating result	(46,027)	88,418	35	(9,487)	32,940
Finance result	(3,716)	611	12,220	(1,795)	7,320
Share of result of investments	3,046	1,797	4,849	10,135	19,827
Result before tax	(46,697)	90,826	17,104	(1,147)	60,087
Exceptional items [2]	(50,187)	7,439	-	164	(42,584)
Adjusted result before tax	3,490	83,387	17,104	(1,311)	102,670

[1] Including non-operating segments.

[2] For further explanation see note 26.

Balance sheet disclosures

	Construction and Property	Civil engineering	PPP	Other including eliminations [1]	Total
2017					
Assets	2,526,392	1,972,249	378,587	(401,646)	4,475,582
Investments	76,419	31,205	12,628	(24,658)	95,594
Total assets	2,602,811	2,003,454	391,215	(426,304)	**4,571,176**
Liabilities	2,357,753	1,453,634	278,568	(376,553)	3,713,402
Group equity	245,058	549,820	112,647	(49,751)	857,774
Total equity and liabilities	2,602,811	2,003,454	391,215	(426,304)	**4,571,176**
2016					
Assets	2,973,796	1,945,160	488,955	(681,683)	4,726,228
Investments	67,519	6,978	9,144	2,225	85,866
Total assets	3,041,315	1,952,138	498,099	(679,458)	4,812,094
Liabilities	2,853,054	1,435,740	395,599	(711,610)	3,972,783
Group equity	188,261	516,398	102,500	32,152	839,311
Total equity and liabilities	3,041,315	1,952,138	498,099	(679,458)	4,812,094

[1] Including non-operating segments.

Other disclosures

	Construction and Property	Civil engineering	PPP	Other including eliminations [1]	Total
2017					
Additions to property, plant and equipment and intangible assets	17,418	64,834	7	23,666	105,925
Depreciation and amortisation charges	15,458	35,720	6	8,364	59,548
Average number of FTE [2]	9,392	10,003	90	235	19,720
Number of FTE at year-end	9,422	10,085	90	240	19,837
2016					
Additions to property, plant and equipment and intangible assets	14,367	43,917	10	8,603	66,897
Depreciation and amortisation charges	18,214	39,868	12	6,354	64,449
Average number of FTE	9,031	11,010	89	240	20,370
Number of FTE at year-end	8,944	10,213	86	243	19,486

[1] Including non-operating segments.

[2] Fulltime equivalent.

Revenues from external customers by country, based on the location of the projects

	Construction and Property	Civil engineering	PPP	Other including eliminations [1]	Total
2017					
Netherlands	1,217,138	1,153,624	12,665	(60,951)	2,322,476
United Kingdom	1,094,885	828,883	13,837	(8,375)	1,929,230
Belgium	435,650	281,591	-	(27,547)	689,694
Germany	428,375	369,637	6,960	(1,022)	803,950
Ireland	361,820	62,230	101,677	(105,171)	420,556
Other countries	169,846	268,061	-	(107)	437,800
	3,707,714	2,964,026	135,139	(203,173)	**6,603,706**
2016					
Netherlands	1,405,372	1,173,733	106,739	(154,410)	2,531,434
United Kingdom	1,319,918	856,780	17,040	(8,605)	2,185,133
Belgium	496,006	262,960	584	(16,434)	743,116
Germany	424,413	304,718	2,426	351	731,908
Ireland	257,993	17,697	69,883	(64,561)	281,012
Other countries	220,670	283,230	-	(413)	503,487
	4,124,372	2,899,118	196,672	(244,072)	6,976,090

[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:

Total assets [1]

	2017	2016
Netherlands	**1,682,657**	2,126,703
United Kingdom	**918,315**	967,485
Belgium	**635,490**	640,398
Germany	**623,076**	575,318
Ireland	**312,736**	267,826
Other countries	**658,418**	786,150
Other including eliminations	**(259,516)**	(551,786)
	4,571,176	4,812,094

Investments [2]

	2017	2016
Netherlands	**65,880**	29,374
United Kingdom	**12,125**	5,834
Belgium	**10,193**	6,083
Germany	**13,990**	12,336
Ireland	**2,232**	2,323
Other countries	**1,505**	10,947
Total assets	**105,925**	66,897

[1] Geographical allocations based on the location of the assets.
[2] Gross invesments in tangible and intangible assets based on geographical location.

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
2017			
Land and building rights	-	415,504	415,504
Property development	-	175,014	175,014
Amounts due from customers	360,863	7,349	368,212
Assets	360,863	597,867	958,730
Non-recourse property financing	-	(68,942)	(68,942)
Recourse property financing	-	(75,288)	(75,288)
Amounts due to customers	(692,456)	(75,629)	(768,085)
Liabilities	(692,456)	(219,859)	(912,315)
As at 31 December	**(331,593)**	**378,008**	**46,415**
2016			
Land and building rights	-	386,795	386,795
Property development	-	242,727	242,727
Amounts due from customers	389,131	7,533	396,664
Assets	389,131	637,055	1,026,186
Non-recourse property financing	-	(85,678)	(85,678)
Recourse property financing	-	(68,745)	(68,745)
Amounts due to customers	(770,470)	(33,456)	(803,926)
Liabilities	(770,470)	(187,879)	(958,349)
As at 31 December	**(381,339)**	**449,176**	**67,837**

The breakdown of the balance sheet items 'amounts due from customers' and 'amounts due to customers' is as follows:

	Construction contracts	Property development	Total
2017			
Costs incurred plus recognised results	11,365,779	69,769	11,435,548
Progress billings	(11,004,916)	(62,420)	(11,067,336)
Amounts due from customers	**360,863**	**7,349**	**368,212**
Costs incurred plus recognised results	10,508,625	498,017	11,006,642
Progress billings	(11,201,081)	(573,646)	(11,774,727)
Amounts due to customers	**(692,456)**	**(75,629)**	**(768,085)**
2016			
Costs incurred plus recognised results	11,759,866	60,856	11,820,722
Progress billings	(11,370,735)	(53,323)	(11,424,058)
Amounts due from customers	**389,131**	**7,533**	**396,664**
Costs incurred plus recognised results	9,707,580	545,941	10,253,521
Progress billings	(10,478,050)	(579,397)	(11,057,447)
Amounts due to customers	**(770,470)**	**(33,456)**	**(803,926)**

As at 31 December 2017 advance payments (as included in amounts due to customers) in connection with construction contracts and property development amount to €213 million (2016: €267 million) respectively €3 million (2016: €7 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 (excluding joint ventures) is stated below:

	Non-current	Current	Total
2017			
PPP receivables	240,687	8,411	249,100
(Non-)recourse PPP loans	(193,707)	(25,712)	(219,419)
Amounts due from customers	46,980	(17,301)	29,681
Net assets and liabilities	(6,164)	12,190	6,026
As at 31 December	**40,816**	**(5,111)**	**35,707**
2016			
PPP receivables	296,395	62,338	358,733
(Non-)recourse PPP loans	(224,866)	(99,585)	(324,451)
Amounts due from customers	71,529	(37,247)	34,282
Net assets and liabilities	(7,904)	(32,429)	(40,333)
As at 31 December	**63,625**	**(69,676)**	**(6,051)**

7. Property, plant and equipment

	Land and buildings	Plant and equipment	Construction in progress	Other assets	Total
As at 1 January 2016					
Cost	201,710	540,834	8,247	115,172	865,963
Accumulated depreciation and impairments	(92,742)	(397,132)	-	(83,930)	(573,804)
	108,968	143,702	8,247	31,242	292,159
Additions	3,808	40,579	5,083	12,457	61,927
Acquisition of subsidiaries	280	491	-	133	904
Disposals	(10,751)	(6,274)	(14)	255	(16,784)
Reclassifications	(2,052)	2,722	(3,370)	(473)	(3,173)
Impairment charges	(2,213)	-	-	-	(2,213)
Depreciation charges	(6,726)	(40,920)	-	(12,659)	(60,305)
Exchange rate differences	(699)	(1,228)	(8)	(407)	(2,342)
	90,615	139,072	9,938	30,548	270,173
As at 31 December 2016					
Cost	193,604	573,197	9,938	124,610	901,349
Accumulated depreciation and impairments	(102,989)	(434,125)	-	(94,062)	(631,176)
	90,615	139,072	9,938	30,548	270,173
Additions	17,334	44,160	9,318	11,600	82,412
Acquisition of subsidiaries	-	-	-	-	-
Disposals	(2,967)	(6,213)	(349)	(2,223)	(11,752)
Reclassifications	(1,317)	8,579	(8,174)	(563)	(1,475)
Impairment charges	-	-	-	-	-
Depreciation charges	(6,947)	(35,615)	(440)	(12,040)	(55,042)
Exchange rate differences	(128)	(2,221)	(4)	(89)	(2,442)
	96,590	147,762	10,289	27,233	281,874
As at 31 December 2017					
Cost	193,821	574,191	10,731	126,021	904,764
Accumulated depreciation and impairments	(97,231)	(426,429)	(442)	(98,788)	(622,890)
	96,590	**147,762**	**10,289**	**27,233**	**281,874**

Asset construction in progress mainly comprises plant and equipment. 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:

	2017	2016
Land and buildings	**-**	-
Property, plant and equipment	**17,795**	11,112
Other assets	**3**	13
	17,798	11,125

8. Intangible assets

	Goodwill	Non-integrated software	Other	Total
As at 1 January 2016				
Cost	707,340	19,816	23,325	750,481
Accumulated amortisation and impairments	(301,207)	(12,686)	(20,536)	(334,429)
	406,133	7,130	2,789	416,052
Additions	-	3,922	1,071	4,993
Disposals	(3,639)	(62)	(2)	(3,703)
Reclassifications	-	1,031	-	1,031
Impairment charges	(176)	-	(657)	(833)
Amortisation charges	-	(3,398)	(746)	(4,144)
Exchange rate differences	(22,933)	(474)	3	(23,404)
	379,385	8,149	2,458	389,992
As at 31 December 2016				
Cost	678,186	24,114	7,301	709,601
Accumulated amortisation and impairments	(298,801)	(15,965)	(4,843)	(319,609)
	379,385	8,149	2,458	389,992
Additions	-	10,115	13,398	23,513
Disposals	-	(60)	-	(60)
Reclassifications	-	-	-	-
Impairment charges	(372)	-	(331)	(703)
Amortisation charges	-	(3,904)	(602)	(4,506)
Exchange rate differences	(4,382)	(43)	(93)	(4,518)
	374,631	14,257	14,830	403,718
As at 31 December 2017				
Cost	672,414	32,656	20,342	725,412
Accumulated amortisation and impairments	(297,783)	(18,399)	(5,512)	(321,694)
	374,631	**14,257**	**14,830**	**403,718**

The increase in Other mainly relates to investments in innovation. The Group invested in the patented development of Gravity Based Foundations for offshore wind power and capitalised €12 million. The development cost are amortised on a straight line basis over the estimated useful life of 10 years.

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 carrying amount of total goodwill is €375 million (2016: €379 million).

The decrease of goodwill mainly relates to the exchange rate effect. The change in exchange rate of the pound sterling compared to the prior year had an downward effect of €4.4 million.

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 15 CGUs, of which BAM Construct UK (€60 million) and BAM Nuttall (€73 million) are deemed significant in comparison with the Group's total carrying amount of goodwill. For each of these CGUs the key assumptions used in the value-in-use calculations are as follows:

	BAM Construct UK		BAM Nuttall	
	2017	2016	**2017**	2016
Discount rate (post-tax)	**7.9%**	7.8%	**7.9%**	7.8%
Growth rate:				
- In forecast period (average)	**4.3%**	1.9%	**2.1%**	2.3%
- Beyond forecast period	**1.5%**	1.5%	**1.5%**	1.5%
Profit before tax margin				
- In forecast period (average)	**2.9%**	2.6%	**3.0%**	2.8%
- Beyond forecast period	**3.1%**	3.1%	**3.5%**	3.5%

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 the carrying amount by approximately €585 million (2016: €432 million). The sensitivity analysis 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 recoverable amount of this CGU would still exceed the carrying amount with sufficient and reasonable headroom.

For BAM Nuttall, the recoverable amount calculated based on value in use exceeded the carrying amount by approximately €270 million (2016: €257 million). The sensitivity analysis 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 recoverable amount of this CGU would still exceed the carrying amount with sufficient and reasonable headroom.

The sensitivity analysis 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

	2017	2016
As at 1 January	**358,732**	284,337
Receivables issued	**127,161**	189,785
Finance income	**20,357**	20,679
Disposals	**(149,718)**	(87,313)
Progress billings	**(104,982)**	(35,048)
Exchange rate differences	**(2,452)**	(13,707)
As 31 December	**249,098**	358,733

	Note	2017	2016
Non-current		**240,687**	296,395
Current	13	**8,411**	62,338
		249,098	358,733

The decrease in receivables is mainly related to the divestment of one project to the joint venture BAM PPP/PGGM.

The average duration of PPP receivables is 21 years (2016: 23 years). Approximately €195 million of the non-current part has a duration of more than five years (2016: €263 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 5.6 per cent (2016: 5.9 per cent). At year-end 2017, the fair value of the non-current part is approximately €256 million (2016: approximately €315 million). The fair value of the non-current part is based on the value of the hedge of the corresponding loan.

There are no renewal and/or termination options, the assets will flow to the Grantor at the end of the concession period.

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:

	2017	2016
Associates	**25,645**	22,339
Joint ventures	**69,949**	63,527
As at 31 December	**95,594**	85,866

10.1 Investment in associates

Set out below are the associates of the Group as at 31 December 2017 that are individually material to the Group.

Nature of investment in associates in 2017 and 2016:

	Principal activity	Country of incorporation	% Interest 2017	% Interest 2016
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	
	2017	2016	**2017**	2016	**2017**	2016
Current assets	**105,778**	101,675	**14,408**	13,746	**8,835**	8,508
Non-current assets	**796,156**	830,001	**151,686**	161,340	**81,546**	86,573
Current liabilities	**(25,534)**	(22,909)	**(13,183)**	(12,639)	**(7,441)**	(7,266)
Non-current liabilities	**(817,871)**	(856,112)	**(152,362)**	(161,943)	**(82,281)**	(87,167)
Net assets	**58,529**	52,655	**549**	504	**659**	648
Revenue	**45,691**	56,509	**861**	840	**940**	922
Net result	**9,208**	9,772	**47**	44	**7**	36
Share in result	**10.54%**	10.54%	**33.33%**	33.33%	**25.00%**	25.00%
Share in net result	**971**	1.030	**16**	14	**2**	9
Net assets	**58,529**	52,655	**549**	504	**659**	648
Share in equity	**10.54%**	10.54%	**33.33%**	33.33%	**25.0%**	25.00%
Carrying amount	**6,169**	5,550	**183**	168	**165**	162

Infraspeed (Holdings) bv is classified as an associate based on significant influence by the Group through board membership.

Reconciliation with net result of the Group's share in associates, as recognised in the consolidated financial statements, is as follows:

	2017	2016
Share in net result associates that are material to the Group	**989**	1,053
Share in net result associates that are not individually material to the Group	**5,417**	13,839
	6,406	14,892

In 2017 the Group's share in the net result of associates included an impairment charge amounting to €0.2 million.

Reconciliation with the carrying amount of the Group's share in associates, as recognised in the consolidated financial statements, is as follows:

	2017	2016
Share in equity associates that are material to the Group	**6,517**	5,880
Share in equity associates that are not individually material to the Group	**6,038**	2,832
	12,555	8,712
Recognised as provision for associates	**379**	411
Recognised as impairment of non-current receivables	**12,711**	13,216
	25,645	22,339

The associates not individually material to the Group mainly comprise the Group's share in structured entities for property development projects.

Dividend received from associates amounts to €7.8 million in 2017 (2016: €5.8 million). Cash and cash equivalents of a number of associates are subject to restrictions. These restrictions mainly concern 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 2017 that is individually material to the Group.
Nature of investment in the joint venture in 2017 and 2016:

	Principal activity	Country of incorporation	% Share	
			2017	2016
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.	**2017**	2016
Current assets	**139,123**	130,286
Non-current assets	**1,916,019**	1,841,165
Current liabilities	**(326,462)**	(306,107)
Non-current liabilities	**(2,010,566)**	(1,962,276)
Net assets	**(281,886)**	(296,932)
Of which:		
Cash and cash equivalents	**99,354**	97,106
Current financial liabilities	**(56,878)**	(41,426)
Non-current financial liabilities	**(1,973,117)**	(1,949,552)
Revenue	**47,232**	44,082
Net result	**12,406**	9,673
Other comprehensive income	**21,905**	123,982
Of which:		
Finance income	**117,177**	102,561
Finance expense	**(104,132)**	(94,025)
Income tax	**(2,440)**	(2,511)
Net result	**12,406**	9,673
Share in profit rights	**10% /20%**	10% /20%
Share in net result	**2,165**	1,805
Net assets	**(281,886)**	(296,932)
Share in profit rights	**10% /20%**	10% /20%
Carrying amount	**(39,794)**	(42,828)
Negative cash flow hedge reserve not recognised	**18,840**	20,032
	(20,954)	(22,796)

The Group's share in the joint venture BAM PPP/PGGM is based on its share in the members' capital. Contractually, the Group predominantly has a 20 per cent share in profit rights. The Group has a 10 per cent share in profit rights within two joint ventures, resulting in a carrying amount of €17 million. 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 2017 €1 million reversal (2016: €11 million loss) was not recognised. At year-end 2017 unrecognised losses amounted to €19 million (2016: €20 million).

Set out below are the aggregate information of joint ventures that are not individually material to the Group.

	2017	2016
Share in net result joint venture BAM/PGGM	**2,165**	1,805
Share in net result property development joint ventures that are not material to the Group	**7,579**	1,352
Share in net result joint ventures that are not individually material to the Group	**3,974**	1,777
	13,718	4,934
Share in equity joint venture BAM/PGGM	**(20,954)**	(22,796)
Share in equity property development joint ventures that are not material to the Group	**36,547**	34,726
Share in equity other joint ventures that are not individually material to the Group	**(53,936)**	(64,886)
	(38,343)	(52,956)
Recognised as provision for joint ventures	**24,118**	26,782
Recognised as impairment of non-current receivables	**84,174**	89,701
	69,949	63,527

Revenue of property development joint ventures amounts to €73 million (2016: €58 million) and property development recognised in the balance sheet amounts to €116 million (2016: €127 million) of which an amount of €36 million (2016: €65 million) externally financed (share of the Group).

Dividend received from joint ventures amounts to €15.3 million in 2017 (2016: €7.2 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

	Note	Non-current receivables	Other	Total
As at 1 January 2016		102,834	2,380	105,214
Loans granted		11,892	-	11,892
Loan repayments		(11,799)	-	(11,799)
Disposals		(362)	(123)	(485)
Impairment charges	25	(1,152)	(338)	(1,490)
Reversal of impairment charges	25	1,775	-	1,775
Reclassifications		(12,141)	(13)	(12,154)
Exchange rate differences		(189)	-	(189)
		90,858	1,906	92,764
Of which current:		(720)	-	(720)
As at 31 December 2016		**90,138**	**1,906**	**92,044**
Additions		-	16	16
Loans granted		23,206	-	23,206
Loan repayments		(14,699)	-	(14,699)
Impairment charges	25	(356)	-	(356)
Reversal of impairment charges	25	203	-	203
Net result for the year		-	175	175
Dividend received		-	(175)	(175)
Reclassifications		(7,451)	(1)	(7,452)
Exchange rate differences		(53)	-	(53)
		91,708	1,921	93,629
Of which current:		(1,726)	-	(1,726)
As at 31 December 2017		**89,982**	**1,921**	**91,903**

The fair value of non-current receivables at year-end 2017 amounts to €109 million (2016: €96 million).
The effective interest rate is 4.3 per cent (2016: 2.1 per cent).

Category 'Other' mainly comprises shares in (unlisted) investments over which the Group has no significant influence.

12. Inventories

	2017	2016
Land and building rights	**415,504**	386,795
Property development	**175,014**	242,727
	590,518	629,522
Raw materials	**14,519**	14,031
Finished products	**1,694**	1,880
	606,731	645,433

Land and building rights are to be presented as current on the balance sheet within the ordinary course of business, however by its nature, the realisation will be non-current. The majority of the investments in property development is considered to be current by nature.

The impairments during 2017 relating to the property portfolio are as follows:

	Note	2017	2016
Impairment charges		**8,366**	54,974
Reversal of impairment charges		**(4,643)**	(7,165)
	25	**3,723**	47,809

Of the net amount of impairments and reversals, €3.7 million relates to property developments in the Netherlands and Ireland. The reversal of impairments mainly relates to Land and buildings rights in the Netherlands based on renewed taxation.

Property development includes the following completed and unsold property:

	2017		2016	
Unsold and finished property	Number/m²	Carrying amount	Number/m²	Carrying amount
Houses [1]	**7**	**1,602**	33	11,613
Commercial property - rented	**13,083**	**13,718**	45,031	54,832
Commercial property - unrented	**13,862**	**12,007**	26,980	25,876
		27,327		92,321

[1] Of which 0 houses (2016: 31 houses) rented in anticipation of sale.

The decrease in carrying amount in 2017 mainly relates to the sale of Dutch commercial property.

Other inventories were not subject to write-down in 2017 nor 2016.

13. Trade and other receivables

	Notes	2017	2016
Trade receivables		**850,301**	943,630
Less: Provision for impairment of receivables		**(11,984)**	(28,563)
Trade receivables - net		**838,317**	915,067
Amounts due from customers	6	**368,212**	396,664
Amounts due from related parties	36	**10,859**	13,173
Retentions		**108,419**	112,607
Amounts to be invoiced work completed		**102,668**	78,407
Amounts to be invoiced work in progress		**234,422**	222,489
PPP receivables	9	**8,411**	62,338
Other financial assets		**2,054**	1,485
Other receivables		**53,169**	53,797
Prepayments		**118,868**	78,515
		1,845,399	1,934,542

Trade and other receivables are due within one year, except for approximately €10 million (2016: €33 million). The fair value of this non-current part is approximately €10 million (2016: approximately €33 million) using an effective interest rate of 0.15 per cent (2016: -0.2 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 2017 a part of the trade receivables amounting to €175 million (2016: €193 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. The duration to reach final agreement, including legal proceedings, on invoiced variation orders and claims with these customers remains long. With some customers final agreement was reached in 2017 leading to decreased trade receivables that were past due over two years. 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.

Retentions relate to amounts retained by customers on progress billings. In the United Kingdom and Ireland in particular, it is common practice to retain a previously agreed percentage until completion of the project.

The ageing analysis of these trade receivables is as follows:

	2017		2016	
	Trade receivables	Provision for impairment	Trade receivables	Provision for impairment
Not past due	**494,101**	**(90)**	561,006	(491)
Up to 3 months	**107,185**	**(954)**	118,395	(917)
3 to 6 months	**22,902**	**(831)**	21,926	(392)
6 to 12 months	**51,090**	**(1,247)**	49,569	(3,960)
1 to 2 years	**44,073**	**(631)**	41,174	(575)
Over 2 years	**130,950**	**(8,231)**	151,560	(22,228)
	850,301	**(11,984)**	943,630	(28,563)
Less: Provision for impairment of receivables	**(11,984)**		(28,563)	
Trade receivables - net	**838,317**		915,067	

Movements in the provision for impairment of trade receivables are as follows:

	2017	2016
As at 1 January	**28,563**	25,236
Provision for impairment	**11,583**	14,850
Release	**(9,928)**	(4,213)
Receivables written off during the year as uncollectable	**(18,214)**	(5,394)
Disposals	**30**	(1,073)
Reclassifications	**-**	(716)
Exchange rate differences	**(50)**	(127)
As at 31 December	**11,984**	28,563

The creation and release of provisions for impaired receivables have been included in 'Other operating expenses' in the income statement.

14. Cash and cash equivalents

	2017	2016
Cash at bank and in hand	**692,344**	737,545
Short-term bank deposits	**3,435**	1,032
Cash and cash equivalents (excluding bank overdrafts)	**695,779**	738,577

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 €217 million (2016: €223 million) respectively €16 million (2016: €15 million). Other cash and cash equivalents are at the free disposal of the Group.

The average effective interest on short-term bank deposits is 3.5 per cent (2016: 2.9 per cent). The deposits have an average remaining term to maturity of approximately 14 days (2016: approximately 11 days).

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:

	2017	2016
Cash and cash equivalents	**695,779**	738,577
Bank overdrafts	**-**	(2)
Net cash position	**695,779**	738,575

15. Share capital and premium

	Number of ordinary shares	Number of treasury shares	Number of ordinary shares in issue	Ordinary shares	Share premium	Total
As at 1 January 2016	270,998,957	604,975	270,393,982	27,099	812,212	839,311
Repurchased shares	-	588,170	(588,170)	-	-	-
Dividends	815,771	-	815,771	82	(82)	-
As at 31 December 2016	271,814,728	1,193,145	270,621,583	27,181	812,130	839,311
Repurchase of ordinary shares	-	518,940	(518,940)	-	-	-
Dividends	3,110,691	-	3,110,691	312	(312)	-
As at 31 December 2017	**274,925,419**	**1,712,085**	**273,213,334**	**27,493**	**811,818**	**839,311**

15.1 General

At year-end 2017, the authorised capital of the Group was 400 million ordinary shares (2016: 400 million) and 600 million preference shares (2016: €600 million), all with a nominal value of €0.10 per share (2016: €0.10 per share). All issued shares have been paid in full (only ordinary shares).

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, the Company's own shares were repurchased as follows:

	Note	Repurchased shares	Price *(in €)*	Total consideration *(x € 1.000)*
4 December 2015		302,488	5.10	1,543
5 December 2015		302,487	5.11	1,546
28 April 2016	15.1	588,170	4.27	2,512
28 April 2017	15.1	345,000	5.17	1,784
2 May 2017	15.1	173,940	5.23	909

In 2017, the number of issued ordinary shares increased by 3,110,691 due to dividend payment in shares.

16. Reserves

	Hedging	Translation	Development cost	Total
As at 1 January 2016	(77,108)	(27,428)	-	(104,536)
Reclassification to the income statement due to divestment				
- Fair value of cash flow hedge	12,667	-	-	12,667
- Tax on fair value of cash flow hedge	(3,538)	-	-	(3,538)
Cash flow hedges				
- Fair value movement	(12,354)	-	-	(12,354)
- Tax on fair value movement	3,180	-	-	3,180
Exchange rate differences	-	(65,671)	-	(65,671)
	(45)	(65,671)	-	(65,716)
			-	
As at 31 December 2016	(77,153)	(93,099)	-	(170,252)
Reclassification to the income statement due to divestment				
- Fair value of cash flow hedge	34	-	-	34
- Tax on fair value of cash flow hedge	(9)	-	-	(9)
Cash flow hedges				
- Fair value movement	24,952	-	-	24,952
- Tax on fair value movement	(7,472)	-	-	(7,472)
Legal reserve for development cost				
- Investments	-	-	12,000	12,000
Exchange rate differences	-	(17,176)	-	(17,176)
	17,505	(17,176)	12,000	12,329
As at 31 December 2017	**(59,648)**	**(110,275)**	**12,000**	**(157,923)**

The legal reserves consists of hedging reserves and a reserve for the capatalisation of development cost.

The positive movement in the hedge reserve in 2017 of €17,5 million was predominantly caused by the fact that the long-term interest in 2017 is higher than in 2016.

The hedging reserve will in due course 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 €48 million (2016: €57 million) in the hedging reserve relates to joint ventures.

The legal reserve for the capatalisation of development cost amounts €12 million (2016: nil) and relates to the investments in the patented Gravity Based Foundations for the offshore wind power sector.

The negative movement in the translation reserve in 2017 and 2016 is linked to the decrease in the value of the pound sterling.

17. Capital base

	2017	2016
Equity attributable to the shareholders of the Company	**852,218**	834,250
Subordinated convertible bonds	**114,987**	112,491
	967,205	946,741

18. Borrowings

	As at 1 January 2017	Changes from financing cash flows: Proceeds from borrowings	Repayments of borrowings	Other changes: Effective interest method	New finance leases	Transfers to/ from joint ventures	Other movements	Exchange rate differences	As at 31 December 2017
Non-recourse PPP loans	274,348	109,095	(62,747)	963	-	(130,036)	-	(1,658)	189,965
Non-recourse property financing	85,678	64,106	(83,250)	-	-	2,408	-	-	68,942
Recourse PPP loans	50,103	-	(20,943)	294	-	-	-	-	29,454
Recourse property financing	68,745	2,029	(12,121)	-	-	16,635	-	-	75,288
Subordinated convertible bonds	112,491		-	2,496	-	-	-	-	114,987
Finance lease liabilities	6,807	-	(3,260)	-	9,479	-	-	(38)	12,988
Other non-recourse financing	7,922	-	(2,006)	-	-	-	-	-	5,916
Other recourse financing	5,550	-	-	-	-	-	-	-	5,550
Bank overdrafts	2	-	-	-	-	-	(2)	-	-
	611,646	175,230	(184,327)	3,753	9,479	(110,993)	(2)	(1,696)	503,090

	2017	2016
Up to 1 year	**104,944**	148,131
1 to 5 years	**253,895**	279,540
Over 5 years	**144,251**	183,975
	503,090	611,646

18.1 Non-recourse PPP loans

These relate to PPP projects in the United Kingdom and Ireland. Of the non-current part, €142 million has a term to maturity of more than five years (2016: €183 million). The average term to maturity of the PPP loans is 21 years (2016: 17 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 4.3 per cent (2016: 5.5 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 €227 million in total (2016: €338 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.

18.2 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 1.6 years (2016: approximately 1.5 years).

Interest on these loans is based on Euribor 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 €54 million (2016: €41 million).

The carrying amount of the related assets is approximately €160 million at year-end 2017 (2016: approximately €225 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.

18.3 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 0.7 years (2016: approximately 1.1 years).

18.4 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 0.9 years (2016: approximately 1.7 years).
Interest on these loans is based on Euribor 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 €7 million (2016: €14 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 €125 million at year-end 2017 (2016: approximately €125 million). Additional securities exist in the form of a guarantee provided by the Group, in some 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.

18.5 Subordinated convertible bonds

In June 2016, the Group placed €125 million subordinated unsecured convertible bonds to repay the existing subordinated loan of the same amount.

The bonds have an annual coupon of 3.50 per cent, an initial conversion premium of 32.5 per cent and are convertible into ordinary shares of Royal BAM Group nv with a nominal value of €0.10 each. The coupon is payable semi-annually in arrear in equal instalments on 13 June and 13 December. The Bonds were issued at 100 per cent of their principal amount and, unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at their principal amount on or around 13 June 2021. Upon exercise of their conversion rights, holders will receive shares at the then prevailing conversion price. At 31 December 2017 the conversion price is €5.1291 (31 December 2016: €5.2245). The Group will have the option to call all but not some of the outstanding bonds at their principal amount plus accrued but unpaid interest from 28 June 2019, if the value of the shares underlying a bond exceeds €130,000 for a specified period of time. The bonds are trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange.

All payment obligations to the bondholders are subordinated to the payment obligations towards our senior debt holders.

At 31 December 2017 the fair value of the liability component of the subordinated convertible bonds amounts to €122 million (31 December 2016: €116 million). The fair value is estimated by discounting future cash flows using a market rate for an equivalent non-convertible instrument.

More details of the subordinated convertible bonds are published on the website.

The reconciliation of the subordinated convertible bonds to the consolidated statement of financial position and the consolidated statement of changes in equity is as follows:

		Allocated to:	
	Face value	Liability component	Equity component
Gross proceeds	125,000	114,253	10,747
Transaction costs [1]	(3,233)	(2,955)	(278)
Net proceeds	121,767	111,298	10,469
Tax effect equity component		-	(2,617)
Effective interest method		1,193	-
As at 31 December 2016		**112,491**	7,852
Effective interest method		2,496	-
As at 31 December 2017		**114,987**	7,852

[1] Transaction costs include fees and commissions paid to advisors, bankers and lawyers.

18.6 Committed syndicated credit facility

In November 2016 the Group renewed its committed revolving credit facility agreement for an amount of €400 million. The facility agreement has a remaining term to maturity of 4.3 years and runs until 31 March 2022.

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 2017, the Group did not use the facility (year-end 2016: not used).

As at 30 June 2017 the Group did not use the facility (30 June 2016: not used). Variable interest rates apply to the draw-downs on this facility with a margin between 150 and 275 basis points. As at 31 December 2017 the margin was 150 basis points (2016: 150 basis points).

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:

	2017	2016
Up to 1 year	**3,604**	2,643
1 to 5 years	**10,112**	4,311
Over 5 years	**644**	403
	14,360	7,357
Future finance charges on financial leases	**(1,372)**	(550)
Present value of finance lease liabilities	**12,988**	6,807

The present value of the finance lease liabilities is as follows:

	2017	2016
1 to 5 years	**9,135**	3,971
Over 5 years	**586**	358
	9,721	4,329
Up to 1 year	**3,267**	2,478
	12,988	6,807

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 18.6), the Group holds €163 million in bilateral credit facilities (2016: €163 million). At year-end 2017 as well as 2016 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 2017 as a result of not adhering to the financing conditions of project related financing.

Terms and conditions for the committed syndicated credit facility are based on the Group as a whole, excluding non-recourse elements. The ratios for this financing arrangement (all recourse) are the leverage ratio, the interest cover, the solvency ratio and the guarantor covers. The Group complied with all ratios in 2017.

The set requirements and realisation of the recourse ratios described above, can be explained as follows:

	Calculation	Requirement	2017	2016
Leverage ratio	Net borrowings/EBITDA	≤ 2.50	**(4.99)**	(3.84)
Interest cover	EBITDA/net interest expense	≥ 4.00	**8.06**	8.62
Solvency ratio	Capital base/total assets	≥ 15%	**29.4%**	29.0%
Guarantor covers	EBITDA share of guarantors	≥ 60%	**83%**	106%
	Assets share of guarantors	≥ 70%	**91%**	99%

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. The capital base in our financial covenants (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 convertible bonds are part of the capital base. Repayment obligations are subordinated to not subordinated obligations.

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 these loans do not differ significantly from their fair values.

The effective interest rates (including hedging instruments) are as follows:

	2017		2016	
	Euro	Pound sterling	Euro	Pound sterling
Subordinated convertible bonds	**6.1%**	-	6.1%	-
Subordinated loan	-	-	7.1%	-
Committed syndicated credit facility	**1.6%**	-	1.8%	-
Non-recourse PPP loans	**3.7%**	**6.8%**	5.0%	6.9%
Non-recourse property financing	**3.5%**	-	3.4%	-
Recourse PPP loans	**2.0%**	-	2.5%	-
Recourse property financing	**2.4%**	-	2.2%	-
Finance lease liabilities	**4.1%**	-	4.6%	-
Other non-recourse financing	**3.3%**	-	3.1%	-
Other recourse financing	**3.1%**	-	3.1%	-

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	104,944	253,895	144,251	503,090
Fixed interest rates	(9,217)	(180,770)	(59,836)	(249,823)
Hedged with interest rate swaps	(25,799)	(53,627)	(84,415)	(163,841)
As at 31 December 2017	**69,928**	**19,498**	**-**	**89,426**
Total borrowings	148,131	279,540	183,975	611,646
Fixed interest rates	(8,238)	(169,054)	(127,883)	(305,175)
Hedged with interest rate swaps	(100,708)	(39,546)	(54,552)	(194,806)
As at 31 December 2016	39,185	70,940	1,540	111,665

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2017	2016
Euro	**452,623**	557,211
Pound sterling	**50,467**	54,435
	503,090	611,646

19. Derivative financial instruments

	2017			2016		
	Assets	Liabilities	Fair value	Assets	Liabilities	Fair value
Interest rate swaps	-	14,952	(14,952)	-	19,688	(19,688)
Forward exchange contracts	1,522	133	1,389	983	5,013	(4,030)
	1,522	15,085	(13,563)	983	24,701	(23,718)
Of which current:	1,058	133	925	983	4,354	(3,371)

19.1 Interest rate swaps

At year-end 2017, interest rate swaps are outstanding to hedge the interest rate risk on the (non-) recourse PPP loans with a variable interest rate. Total borrowings amount to €503 million (2016: €612 million), of which an amount of €253 million (2016: €306 million) carries a variable interest rate. Of the borrowings with a variable interest rate an amount of €164 million (2016: €195 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 €15 million negative (2016: €20 million negative). At year-end 2017 all interest rate swaps have a duration that exceeds one year. At year-end 2016, four interest rate swaps with a total fair value of €0.2 million negative had a duration of one year or less. The maximum duration of the derivative financial instruments is 24 years.

The fixed interest rates of these swaps vary from 1.5 per cent to 6.3 per cent at year-end 2017 (2016: 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 2017, all derivative financial instruments of the Group provide an effective compensation for movements in cash flows from the hedged positions. Therefore, the movements in 2017 are accounted for in other comprehensive income. The change in 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 2017 were €194 million (2016: €205 million). The fair value amounts to €1 million positive (2016: €4 million negative).

The terms to maturity of these contracts are up to a maximum of 1 year for the amount of €187 million (2016: €190 million), between 1 and 2 years for the amount of €7 million (2016: €8 million) and between 2 to 4 years nil (2016: €7 million).

20. Employee benefits

	2017	2016
Defined benefit asset	75,020	62,773
Defined benefit liability	92,411	114,254
Other employee benefits obligations	26,101	30,454
	118,512	144,708

The Group operates defined contribution plans in the Netherlands, United Kingdom, Belgium, Germany and Ireland under broadly similar regulatory frameworks. The legacy defined benefit pension plans in all countries are closed for new entrants. The pension risks in the plans have been decreased.

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. Due to the Pension Act the pension plans need to be fully funded and need to be operated outside the Company through a separate legal entity. Several multi-employer funds and insurers operate the various pension plans. 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 carried out by external parties and relates to defined contribution schemes.

At year-end 2017, the (twelve-month average) coverage rate of the industry pension fund for construction is 115 per cent (2016: 105 per cent). The industry pension fund for metal & technology has a coverage rate of 100 per cent at year-end 2017 (2016: 93 per cent). The coverage rate of the industry pension fund for railways is 113 per cent (2016: 103 per cent).

With effect from 2006, the defined benefit scheme is closed for new entrants. The build-up of future pension entitlements for these employees is covered by the multi-employer funds or external insurance companies. Defined benefit schemes are closed for future accumulation and index-linked to the industry pension fund for 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 2016 in a subsidiary of a Dutch operating company pension plan amendments were made, limiting the defined benefit obligation above a certain salary level. Above this salary level a defined contribution plan is now applicable. Future indexation will be paid from the interest income on a depot placed by an insurer. These amendments led to a reduction of the defined benefit obligation and a net one-off gain of €5.2 million. No changes were made in 2017.

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. Entitlements in these pension schemes have been changed in 2016 by means of delinkage of pension benefits from salaries. These amendments led to a reduction of the defined benefit obligation and a net one-off gain of €13.9 million in 2016. 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 in March 2016 and led to supplementary contributions in 2017 to the amount of approximately €10 million (2016: €10 million). The Group recognises a net defined benefit asset because it is entitled to a return of surplus at the end of the plans' lifes.

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. 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 2017 nor 2016.

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.
Belgian defined contribution plans are subject to the Law of 28 April 2003 on occupational pensions, due to changes in the law in December 2015 defined contribution should be classified and accounted for as defined benefit plans under IAS 19R 'Employee Benefits'.

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 for new entrants.

Employees who entered the company before 2006 remained in the defined benefit scheme. Entitlements to the scheme have been adjusted in 2016 by means of a cap on pensionable salary. These amendments led to a reduction of the defined benefit obligation and a net one-off gain of €22.5 million in 2016. No adjustments were made in 2017.

The reduction in 2017 of the defined benefit obligation as well as the plan assets with €8m, accounted for under settlements, is the result of a number of members transferring out of the defined benefit scheme.

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 in 2017 and led to supplementary contributions in 2017 to the amount of approximately €3 million.

Movements in the defined benefit pension plans over the year is as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland	Total
As at 31 December 2017						
Defined benefit liability	17,386	-	3,688	54,099	17,238	92,411
Defined benefit asset	-	75,020	-	-	-	75,020
	17,386	(75,020)	3,688	54,099	17,238	17,391
Present value of obligation						
As at 1 January 2017	434,513	1,015,303	20,363	78,576	108,243	1,656,998
Service cost	969	65	1,361	187	2,539	5,121
Interest expense	7,281	26,686	287	1,071	1,954	37,279
Remeasurements	(1,555)	36,517	4,121	(2,626)	(4,987)	31,470
Plan participants contributions	-	-	567	-	445	1,012
Benefit payments	(12,420)	(56,997)	(1,535)	(4,247)	(3,128)	(78,327)
Changes and plan amendments	-	-	-	-	-	-
Settlements	-	-	-	-	(7,928)	(7,928)
Disposals	-	-	(49)	-	-	(49)
Exchange rate differences	-	(32,380)	-	-	-	(32,380)
As at 31 December 2017	428,788	989,194	25,115	72,961	97,138	1,613,196
Fair value of plan assets						
As at 1 January 2017	411,231	1,073,984	16,965	19,413	83,924	1,605,517
Interest income	6,953	28,451	249	274	1,531	37,458
Remeasurements	(535)	44,022	3,725	462	1,159	48,833
Employer contributions	6,678	10,797	1,719	2,960	3,897	26,051
Plan participants contributions	-	-	567	-	445	1,012
Benefit payments	(12,420)	(56,997)	(1,535)	(4,247)	(3,128)	(78,327)
Administration cost	(505)	(1,517)	(40)	-	-	(2,062)
Settlements	-	-	-	-	(7,928)	(7,928)
Disposals	-	-	(223)	-	-	(223)
Exchange rate differences	-	(34,525)	-	-	-	(34,525)
As at 31 December 2017	411,402	1,064,215	21,427	18,862	79,900	1,595,806
Present value of obligation	428,788	989,194	25,115	72,961	97,138	1,613,196
Fair value of plan assets	411,402	1,064,215	21,427	18,862	79,900	1,595,806
As at 31 December 2017	17,386	(75,020)	3,688	54,099	17,238	17,391
Amounts recognised in the income statement						
Service cost	969	65	1,361	187	2,539	5,121
Net interest expense	328	(1,765)	38	797	423	(179)
Changes and plan amendments and settlements	-	-	-	-	-	-
Administration cost	505	1,517	40	-	-	2,062
	1,802	(183)	1,439	984	2,962	7,004
Amounts recognised in other comprehensive income						
Remeasurements:						
- Return on plan assets, excluding interest income	535	(44,022)	(3,727)	(462)	(1,159)	(48,835)
- (Gain)/loss from change in demographic assumptions	(4,256)	-	188	-	-	(4,068)
- (Gain)/loss from change in financial assumptions	2,701	30,922	145	(2,694)	(3,772)	27,302
- Experience (gains)/losses	-	5,595	3,788	68	(1,215)	8,236
	(1,020)	(7,505)	394	(3,088)	(6,146)	(17,365)
Income tax	255	1,303	(113)	640	768	2,853
Remeasurement net of tax	(765)	(6202)	281	(2,448)	(5,378)	(14,512)

	Netherlands	United Kingdom	Belgium	Germany	Ireland	Total
As at 31 December 2016						
Defined benefit liability	23,282	4,092	3,398	59,163	24,319	114,254
Defined benefit asset	-	62,773	-	-	-	62,773
	23,282	**(58,681)**	**3,398**	**59,163**	**24,319**	**51,481**
Present value of obligation						
As at 1 January 2016	426,552	938,083	2,968	73,600	111,703	1,552,906
Service cost	1,288	-	40	265	1,129	2,722
Interest expense	9,668	32,209	47	1,503	2,917	46,344
Remeasurements	31,795	242,384	17,445	7,365	20,937	319,926
Plan participants contributions	187	-	7	-	505	699
Benefit payments	(12,101)	(36,740)	(144)	(4,157)	(1,289)	(54,431)
Changes and plan amendments	(5,248)	(14,776)	-	-	(21,523)	(41,547)
Settlements	(17,384)	-	-	-	(6,136)	(23,520)
Disposals	(244)	-	-	-	-	(244)
Exchange rate differences	-	(145,857)	-	-	-	(145,857)
As at 31 December 2016	**434,513**	**1,015,303**	**20,363**	**78,576**	**108,243**	**1,656,998**
Fair value of plan assets						
As at 1 January 2016	390,214	1,012,767	1,654	18,297	83,323	1,506,255
Interest income	8,930	35,312	26	377	2,226	46,871
Remeasurements	32,988	208,507	15,329	378	165	257,367
Employer contributions	8,992	12,235	99	4,518	4,145	29,989
Plan participants contributions	187	-	7	-	505	699
Benefit payments	(12,101)	(36,740)	(144)	(4,157)	(1,289)	(54,431)
Administration cost	(595)	(968)	(6)	-	-	(1,569)
Settlements	(17,384)	(925)	-	-	(5,151)	(23,460)
Disposals	-	-	-	-	-	-
Exchange rate differences	-	(156,204)	-	-	-	(156,204)
As at 31 December 2016	**411,231**	**1,073,984**	**16,965**	**19,413**	**83,924**	**1,605,517**
Present value of obligation	434,513	1,015,303	20,363	78,576	108,243	1,656,998
Fair value of plan assets	411,231	1,073,984	16,965	19,413	83,924	1,605,517
As at 31 December 2016	**23,282**	**(58,681)**	**3,398**	**59,163**	**24,319**	**51,481**
Amounts recognised in the income statement						
Service cost	1,288	-	40	265	1,129	2,722
Net interest expense	738	(3,103)	21	1,126	691	(527)
Changes and plan amendments and settlements	(5,248)	(13,851)	-	-	(22,508)	(41,607)
Administration cost	595	968	6	-	-	1,569
	(2,627)	**(15,986)**	**67**	**1,391**	**(20,688)**	**(37,843)**
Amounts recognised in other comprehensive income						
Remeasurements:						
- Return on plan assets, excluding interest income	(32,988)	(208,507)	(15,329)	(378)	(165)	(257,367)
- (Gain)/loss from change in demographic assumptions	237	2,643	-	-	-	2,880
- (Gain)/loss from change in financial assumptions	32,738	237,052	32	6,559	20,609	296,990
- Experience (gains)/losses	(1,180)	2,689	17,413	806	328	20,056
	(1,193)	**33,877**	**2,116**	**6,987**	**20,772**	**62,559**
Income tax	298	(4,982)	(722)	(1,511)	(2,345)	(9,262)
Remeasurement net of tax	**(895)**	**28,895**	**1,394**	**5,476**	**18,427**	**53,297**

The average duration of the defined benefit obligations per country were as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland
Average duration (in years)	16	21	17	13	23

The significant actuarial assumptions per country were as follows:

	Netherlands	United Kingdom	Belgium	Germany	Ireland
2017					
Discount rate	1.7%	2.5-2.6%	1.45%	1.7%	2.1%
Salary growth rate	0-1.9%	0-3.6%	1.80%	1.5%	-
Pension growth rate	0-1.7%	2.2-3.3%	-	1.5%	0-1.6%
2016					
Discount rate	1.70%	2.80%	1.45%	1.4%	1.90%
Salary growth rate	0-1.8%	0-3.6%	1.80%	1.5%	-
Pension growth rate	0-1.60%	2.20 -3.6%	-	1.5%	0-1.5%

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 €140 million (increase by approximately €160 million).
- If the expected salary increase is 0.5 per cent higher (lower), the pension liability will increase by approximately €4 million (decrease by approximately €5 million).
- If the expected indexation is 0.5 per cent higher (lower), the pension liability will increase by approximately €76 million (decrease by approximately €73 million).
- If the life expectancy increases (decreases) by 1 year, the pension liability will increase by approximately €62 million (decrease by approximately €61 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
2017						
Equity instruments (quoted)	-	252,367	-	-	44,188	296,555
Debt instruments (quoted)	-	649,436	-	-	31,008	680,444
Property (quoted)	-	44,554	-	-	3,436	47,990
Qualifying insurance policies (unquoted)	411,402	-	21,427	18,862	552	452,243
Cash and cash equivalents	-	117,858	-	-	716	118,574
	411,402	**1,064,215**	**21,427**	**18,862**	**79,900**	**1,595,806**
2016						
Equity instruments (quoted)	-	285,359	-	-	48,345	333,704
Debt instruments (quoted)	-	648,648	-	-	30,495	679,143
Property (quoted)	-	41,309	-	-	3,195	44,504
Qualifying insurance policies (unquoted)	411,231	-	16,965	19,413	521	448,130
Cash and cash equivalents	-	98,668	-	-	1,368	100,036
	411,231	1,073,984	16,965	19,413	83,924	1,605,517

Plan assets do not include the Company's ordinary shares. The Group applies IAS 19.104 for the valuation of the plan assets 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 2018 are expected to be approximately at the same level as in 2017.

21. Provisions

	Warranty	Restructuring	Rental guarantees	Associates and joint ventures	Other	Total
As at 1 January 2017	58,359	41,894	2,083	27,193	12,334	141,863
Charged/(credited) to the income statement:						
- Additional provisions	19,771	3,020	-	379	5,871	29,041
- Release	(5,540)	(2,863)	(1,571)	-	-	(9,974)
Used during the year	(13,655)	(24,735)	(223)	(9,026)	(4,444)	(52,083)
Reclassifications	1,005	(1,913)	-	5,951	-	5,043
Exchange rate differences	-	-	-	-	(11)	(11)
As at 31 December 2017	**59,940**	**15,403**	**289**	**24,497**	**13,750**	**113,879**

Provisions are classified in the balance sheet as follows:

	2017	2016
Non-current	**65,611**	86,058
Current	**48,268**	55,805
	113,879	141,863

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 49 per cent of the provision is current in nature (2016: approximately 24 per cent). The additional provisions in 2017 mainly relate to warranties predominantly in the Netherlands and Germany.

The provision for restructuring concerns the best estimate of the expenditure associated with reorganisation plans already initiated. Approximately 93 per cent of the provision is current in nature (2016: approximately 89 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 provision for rental guarantees consists of commitments arising from rental guarantees issued to third parties. Approximately 56 per cent of the provision is current in nature (2016: 88 per cent).

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 €0.4 million (2016: €0.4 million) relates to associates and €24.1 million (2016: €26.8 million) to joint ventures.

Other provisions mainly include continuing rental commitments resulting from (temporarily) unused premises. Amounts provided for the liquidation of the old project development activities, claims and legal obligations in Germany are also included. Approximately 34 per cent of the provision is current in nature (2016: approximately 19 per cent).

The non-current part of the provisions has been discounted at an interest rate of approximately 3 per cent (2016: approximately 3 per cent).

22. Deferred tax assets and liabilities

	2017	2016
Deferred tax assets:		
- To be recovered after more than twelve months	**200,148**	244,626
- To be recovered within twelve months	**17,823**	4,219
	217,971	248,845
Deferred tax liabilities:		
- To be recovered after more than twelve months	**26,967**	25,249
- To be recovered within twelve months	**1,095**	1,038
	28,062	26,287
Deferred tax liabilities (net)	**(189,909)**	(222,558)

The gross movement on the deferred income tax assets and liabilities is as follows:

	2017	2016
As at 1 January	**(222,558)**	(220,756)
Income statement charge/(credit)	**27,975**	2,201
Tax charge/(credit) relating to components of other comprehensive income	**5,361**	(383)
Disposal of subsidiary	**-**	676
Changes in enacted tax rates	**(305)**	(2,629)
Reclassifications	**-**	(154)
Exchange rate differences	**(382)**	(1,513)
As at 31 December	**(189,909)**	(222,558)

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	Derivatives	Employee benefit obligations	Other	Total
Deferred tax assets						
As at 1 January 2016	2,947	216,893	12,007	18,614	21,555	272,016
(Charged)/credited to the income statement	(83)	10,683	(15)	(4,958)	(2,877)	2,750
(Charged)/credited to other comprehensive income	-	-	(7,135)	4,169	-	(2,966)
Disposal of subsidiary	-	(40)	-	(61)	(750)	(851)
Changes in enacted tax rates	23	-	-	-	92	115
Exchange rate differences	(228)	-	(408)	(40)	(854)	(1,530)
As at 31 December 2016	2,659	227,536	4,449	17,724	17,166	269,534
(Charged)/credited to the income statement	2,664	(26,474)	215	(1,370)	(2,214)	(27,179)
(Charged)/credited to other comprehensive income	-	-	(1,722)	(1,548)	-	(3,270)
Changes in enacted tax rates	-	(227)	-	(167)	(13)	(407)
Reclassifications	-	-	(454)	(684)	(375)	(1,513)
Exchange rate differences	(36)	-	(74)	(12)	(81)	(203)
As at 31 December 2017	**5,287**	**200,835**	**2,414**	**13,943**	**14,483**	**236,962**

	Construction contracts	Accelerated tax depreciation	Derivatives	Employee benefit assets	Other	Total
Deferred tax liabilities						
As at 1 January 2016	16,719	13,268	1,789	13,443	6,041	51,260
Charged/(credited) to the income statement	247	(955)	-	6,262	(603)	4,951
Charged/(credited) to other comprehensive income	-	-	(1,682)	(5,093)	3,426	(3,349)
Disposal of subsidiary	(175)	-	-	-	-	(175)
Changes in enacted tax rates	-	(441)	-	(2,073)	-	(2,514)
Reclassifications	-	-	-	-	(154)	(154)
Exchange rate differences	-	(1,174)	-	(1,869)	-	(3,043)
As at 31 December 2016	16,791	10,698	107	10,670	8,710	46,976
Charged/(credited) to the income statement	2,262	(637)	-	2,086	(2,915)	796
Charged/(credited) to other comprehensive income	-	-	786	1,305	-	2,091
Changes in enacted tax rates	(112)	(352)	-	(247)	(1)	(712)
Reclassifications	-	(375)	(454)	(684)	-	(1,513)
Exchange rate differences	-	(208)	-	(377)	-	(585)
As at 31 December 2017	**18,941**	**9,126**	**439**	**12,753**	**5,794**	**47,053**

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 2017 amount to approximately €1 billion (2016: €1 billion). These unused tax losses relate to the years 2009 up to and including 2017 and result to a large extent from identifiable causes, which are unlikely to recur, including a loss relating to the liquidation of old property development activities in Germany, significant impairments on properties and restructuring costs during these years. The legal term within which these losses may be offset against future profits is nine years.

Based on estimates and timing of future taxable profits within the fiscal unity in the Netherlands for the upcoming nine years, approximately €751 million (2016: €850 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 take into account external market data and benchmark information and 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. Subsequently these forecasts have been reduced to meet the recognition criteria under IFRS in respect of deferred tax assets. No specific tax planning opportunities have been taken into account. The measurement of the deferred tax asset is especially sensitive to the risk of expiry of tax loss carry forwards in 2020 and 2023, for which therefore appropriate discounts have been used.

The loss incurred in 2017 on sea lock IJmuiden in combination with cumulative past underperformance, necessitates a more prudent forecast of taxable profits to meet the recognition criteria under IFRS. This leads to a write-down of deferred tax assets of €40 million.

Tax losses to a minimum of €600 million (2016: €593 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 (2016: €32 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	2017	2016
Trade payables		**864,164**	930,851
Amounts due to customers	6	**768,085**	803,926
Amounts due to related parties	36	**30,511**	44,829
Social security and other taxes		**132,828**	119,309
Pension premiums		**14,223**	15,219
Amounts due for work completed		**161,827**	152,864
Amounts due for work in progress		**581,398**	507,394
Other financial liabilities		**1,633**	1,967
Other liabilities		**105,511**	156,826
Accrued expenses and deferred income		**256,975**	271,243
		2,917,155	3,004,428

24. Employee benefit expenses

	Note	2017	2016
Wages and salaries		**1,032,695**	1,070,790
Social security costs		**157,782**	162,884
Pension costs - defined contribution plans		**76,591**	79,254
Pension costs - defined benefit plans	20	**7,004**	(37,843)
Other post-employment benefits		**(458)**	1,129
		1,273,614	1,276,214

Wages and salaries include restructuring costs and other termination benefits of €0.2 million (2016: €28.3 million).

At year-end 2017, the Group had 19,837 employees in FTE (2016: 19,486). The average number of employees in FTE amounted to 19,720 (2016: 20,370), of which 12,072 in other countries than the Netherlands (2016: 12,400).

25. Impairment charges

	Notes	2017	2016
Property, plant and equipment	7	**-**	2,213
Intangible assets	8	**703**	833
Other financial assets	11	**153**	(196)
Inventories	12	**3,723**	47,809
Impairment charges		**4,579**	50,659
Share of impairment charges in investments	10	**193**	-
		4,772	50,659

In 2017, the net impairment charges in connection with inventories relating to land and building rights are €4 million and (€0.3) million to commercial 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	**2017**	2016
Impairment charges	25	**4,772**	50,659
Restructuring costs	21	**158**	33,532
Pension one-off	20	**-**	(41,607)
		4,930	42,584

Pension one-off in 2016 relates to pension plan amendments in the United Kingdom, Ireland and the Netherlands.

27. Audit fees

The total fees for the audit of the consolidated financial statements 2017 are listed below. The fees stated below for the audit of the financial statements are based on the total fees for the audit of the financial statements, regardless of whether the procedures were already performed in the financial year.

Expenses for services provided by the Company's current independent auditor, Ernst & Young Accountants LLP (EY) and its foreign member firms to the Group are specified as follows:

	2017			2016		
	EY Netherlands	**EY foreign member firms**	**Total**	EY Netherlands	EY foreign member firms	Total
Audit fees	**3,551**	**2,690**	**6,241**	2,800	1,493	4,293
Audit-related fees	**39**	**5**	**44**	-	-	-
Tax fees	**-**	**26**	**26**	-	44	44
Other non-audit fees	**-**	**55**	**55**	-	153	153
			6,366			4,490

The increase in the audit fee 2017 compared to 2016 relates to additional audit procedures on the application of new accounting standards such as IFRS 15, and the agreement on additional billings on the audit 2016 invoiced in 2017.

28. Finance income and expense

	2017	2016
Finance income		
- Interest income - cash at banks	1,008	1,285
- Interest income - other financial assets	2,158	1,976
- Interest income - PPP receivables	20,357	20,679
- Other finance income	6,479	7,865
	30,002	31,805
Finance expense		
- Subordinated convertible bonds	6,871	3,599
- Subordinated loan	-	3,585
- Bank fees - subordinated loan	-	665
- Committed syndicated credit facility	16	109
- Bank fees - committed syndicated credit facility	2,708	3,324
- Non-recourse PPP loans	11,165	13,170
- Non-recourse property financing	3,127	3,084
- Other non-recourse financing	169	188
- Interest expense - bank overdrafts	145	376
- Finance lease liabilities	433	717
- Recourse property financing	1,765	1,524
- Recourse PPP loans	916	1,284
- Other recourse financing	1,697	1,145
- Interest expense - other liabilities	137	658
- Fair value result interest rate swaps	561	1,795
- Fair value result - forward exchange contracts	305	422
	30,015	35,645
Less: capitalised interest on the Group's own projects	(9,575)	(11,160)
	20,440	24,485
Net finance result	9,562	7,320

Included in the finance expense is an amount of €3 million (2016: €6 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

	2017	2016
Current tax	**16,964**	8,682
Deferred tax	**27,975**	2,201
	44,939	10,883

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:

	2017	2016
Result before tax	**58,324**	60,087
Tax calculated at Dutch tax rate	**14,585**	15,022
Tax effects of:		
- Tax rates in other countries	**(763)**	(9,414)
- Income not subject to tax	**(743)**	(1,040)
- Remeasurement of deferred tax – changes in enacted tax rates	**(125)**	(2,542)
- Tax filings and previously unrecognised temporary differences	**(3,814)**	1,269
- Previously unrecognised tax losses	**(4,494)**	(5,565)
- Tax losses no(t) (longer) recognised	**42,647**	13,153
- Results of investments and other participations, net of tax	**(2,702)**	(5,737)
- Other including expenses not deductible for tax purposes	**348**	5,737
Tax charge/(gain)	**44,939**	10,883
Effective tax rate	**77.1%**	18.1%

The weighted average tax rate applicable was 23.7 per cent (2016: 9.3 per cent). The difference is attributable to a different spread of results over the countries.

In 2017 as well as 2016, 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. An amount of €40 million of the tax losses not recognised in 2017 relates to the valuation of tax losses of the fiscal unity in the Netherlands.

As at 1 April 2017, the main rate of corporation tax in the United Kingdom has been reduced from 20 per cent to 19 per cent, and subsequently will be reduced to 17 per cent as at 1 April 2020.

30. Earnings per share

	2017	2016
Weighted average number of ordinary shares in issue (x 1,000)	**272,215**	270,503
Net result attributable to shareholders	**12,520**	46,831
Basic earnings per share (in €)	**0.05**	0.17
Net result from continuing operations attributable to shareholders	**12,520**	46,831
Basic earnings per share from continuing operations (in €)	**0.05**	0.17
Net result from discontinued operations attributable to shareholders	**-**	-
Basic earnings per share from discontinued operations (in €)	**-**	-

Allowing for dilution, the earnings per share are as follows:

	2017	2016
Diluted weighted average number of ordinary shares in issue (x 1,000)	**296,428**	283,643
Net result attributable to shareholders (diluted)	**17,673**	49,530
Diluted earnings per share (in €)	**0.05**	0.17
Net result from continuing operations attributable to shareholders (diluted)	**17,673**	49,530
Diluted earnings from continuing operations per share (in €)	**0.05**	0.17
Net result from discontinued operations attributable to shareholders (diluted)	**-**	-
Diluted earnings from discontinued operations per share (in €)	**-**	-

The calculation of the diluted earnings per share state €0.06, however due to IAS 33, no anti-dilutive effect is allowed. So diluted earnings per share are equal to the basic earnings per share.

31. Dividends per share and proposed appropriation of result

The net result for 2017, amounting to €12.5 million, has been accounted for in shareholders' equity.

The Company proposes to declare a dividend over the financial year 2017 of 10 eurocents in cash per ordinary share or in shares, at the option of the shareholders with repurchase and cancellation of shares to offset dilution (2016: 9 eurocents). Based on the number of ordinary shares outstanding at year-end 2017, a maximum of €27.3 million will be distributed as dividend on the ordinary shares. As yet, the dividend proposal has not been deducted from retained earnings under equity.

The dividends paid to shareholders of ordinary shares in 2017 were €24.4 million, €7.5 million in cash (€0.09 per share) and €16.9 million in shares (€0.09 per share). In 2016 dividends paid to shareholders of ordinary shares in 2016 were €5.4 million, €2.0 million in cash (€0.02 per share) and €3.4 million in shares (€0.02 per share).

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. An example of a major legal proceeding is given below.

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. 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 has started a criminal law suit against 5 individuals, none of them an employee of Wayss & Freytag. The damage to property is considerable and the parties involved have claimed under several different insurance policies.

32.2 Guarantees

Bonds and Guarantees are provided in the ordinary course of business to our clients, either by the Company (parental guarantees), by banks (bank guarantees), or by surety companies (surety bonds), securing due performance of the obligations under the contracts by the subsidiaries of the Company.

It is not expected that any material risks will arise from these securities. These securities are limited in amount and can only be called upon in case of (proven) default.

The parent company guarantees issued amount to €169 million (2016: €151 million). Guarantees issued by banks and surety companies amount to €1,735 million (2016: €1,695 million). Guarantee facilities amount to €2.9 billion (2016: €2.7 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:

	2017	2016
Property, plant and equipment	**1,865**	489
Land	**214,241**	104,346
	216,106	104,835

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 2017 the costs associated with operating leases amount to €59 million (2016: €57 million).

The future aggregate minimum lease payments are as follows:

	2017	2016
Up to 1 year	**71,520**	59,657
1 to 5 years	**141,130**	117,685
Over 5 years	**24,368**	23,401
	237,018	200,743

The future aggregate minimum lease income is as follows:

	2017	2016
Up to 1 year	**86**	116
1 to 5 years	**-**	88
Over 5 years	**-**	-
	86	204

34. Business combinations

No material acquisitions have taken place in 2017 nor 2016.

35. Assets held for sale and discontinued operations

	2017	2016
Investments	-	4,410
Inventories	**8,516**	34,553
Trade and other receivables	-	668
Cash and cash equivalents	-	614
Assets held for sale	**8,516**	40,245
Trade and other payables	-	3,986
Provisions	-	347
Liabilities held for sale	-	4,333

At year-end 2017, the assets held for sale related to inventories compromising of one remaining property development position in the Northeast part of the Netherlands, not yet transferred. In 2016 the assets held for sale related to the planned disposal of all 47 property development positions in the Northeast part of the Netherlands.

During 2017 the Group transferred one operational project (2016: three projects), to the joint venture BAM PPP/PGGM and, after deduction of costs, realised a net result of €0.9 million (2016: €4.4 million). The total consideration received amounts to €24.3 million, of which €20.5 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 2017 nor 2016.

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 €312.0 million (2016: €311.1 million) and related to the purchase of goods and services for €31.1 million (2016: €19.0 million).

The 2017 year-end balance of receivables arising from aforementioned transactions amounts to €10.9 million (2016: €13.2 million) and the liabilities to €30.5 million (2016: €44.8 million).

36.2 Loans to related parties

At year-end 2017, the Group granted loans to related parties (mainly relating to associates and joint ventures) for the amount of €70 million (2016: €67 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:

	2017					
	Management fee	Short-term incentive	Post-employment benefits	Other benefits	Long-term incentive	Total
R.P. van Wingerden [1]	684	214	183	3	177	1,261
T. Menssen [2]	484	152	49	3	85	773
E.J. Bax [3]	484	152	93	3	111	843
	1,652	518	325	9	373	2,877

	2016					
	Management fee	Short-term incentive	Post-employment benefits	Other benefits	Long-term incentive	Total
R.P van Wingerden [1]	680	408	126	8	119	1,341
T. Menssen [2]	480	288	39	8	95	910
E.J. Bax [3]	480	288	66	5	99	938
	1,640	984	231	21	313	3,189

[1] Appointed as Chairman of the Executive Board with effect from 1 October 2014, reappointed as Chairman 20 April 2016.

[2] Reappointed as a member of the Executive Board with effect from 20 April 2016.

[3] Appointed as a member of the Executive Board with effect from 1 May 2014.

The short-term incentive is 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 (70 per cent) and non-financial performance targets (30 per cent). 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 per cent 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 per cent of base salary. The Supervisory Board determined the pay-out for 2017 at 31 per cent (2016: 60 per cent).

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.

Other benefits relate to annual fixed expense allowances and insurance premiums.

The long-term incentive relates to the Performance Share Plan and Phantom Share Plan. Additional information is disclosed in note 37.

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) to the Supervisory Board for services is shown below:

	2017	2016
H.L.J. Noy, Chairman	**69**	47
K.S. Wester, Vice-Chairman	**58**	47
G. Boon	**42**	-
C.M.C. Mahieu	**56**	47
M.P. Sheffield	**24**	-
H. Valentin	**44**	-
P.A.F.W. Elverding, former Chairman	**18**	58
H. Scheffers, former Vice-Chairman	**17**	52
J.P. Hansen, former member	**14**	47
	342	298

Three members of the Supervisory Board have been replaced by new members during 2017. Two existing Supervisory Board members have been appointed as Chairman respectively Vice-Chairman.

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 2017, 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, the content of the 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 GM 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 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	
Ranking	Vesting
1	150%
2	125%
3	100%
4	75%
5	50%
6	25%
7	0%
8	0%
9	0%
10	0%
11	0%

Financial	
Score	Vesting
Above maximum	150%
Maximum	150%
Target	100%
Threshold	50%
Below threshold	0%

Non-financial	
Score	Vesting
Above maximum	150%
Maximum	150%
Target	100%
Threshold	50%
Below threshold	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 2017 for the members of the Executive Board and for all other participants is shown below:

	As at 1 January 2017	Granted	Vested	Forfeited	As at 31 December 2017
R.P. van Wingerden	227,030	94,651	-	-	321,681
T. Menssen	142,476	57,268	-	-	199,744
E.J. Bax	142,476	57,268	-	-	199,744
Other participants	624,242	309,753	-	28,439	905,556
	1,136,224	**518,940**	**-**	**28,439**	**1,626,725**

The fair value per share of the 2017 grant, for the Participants, in connection with the TSR performance part amounted to €4.12 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 shares awarded to Mrs T. Menssen with respect to the Performance Share Plan 2016 and 2017, will forfeit as per 1 July 2018 as Mrs T. Menssen will step down as CFO and member of the Executive Board of the company. The total number of shares that will forfeit amounts to 125,463.

The most important assumptions used in the valuations of the fair values were as follows:

	2017
Share price at grant date (in €)	**5.20**
Risk-free interest rate (in %)	**0.40**
Volatility (in %)	**45.76**

Expected volatility has been determined based on historical volatilities for a period of five years.

In 2017, an amount of €818 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 2017 for the individual Executive Board members is as follows:

	As at 1 January 2017*	Stock dividend	Pay-out	As at 31 December 2017
R.P. van Wingerden	219,188	2,172	88,318	133,042
T. Menssen	130,870	2,172	-	133,042
E.J. Bax	60,360	1,002	-	61,362
	410,418	**5,346**	**88,318**	**327,446**

* The opening balance has been changed with 5,607 shares, mainly due to an adjustment in the awarded shares for E.J. Bax for the 2014 Phantom Share Plan. The pro-rate calculation has been altered by the Remuneration Committee beginning of 2017, leading to a higher amount of awarded shares.

During 2017 the Phantom Share Plan 2012 has been paid out. The value has been based on the average share price of BAM on the 5 trading days before the end of the blocking period as per 5 May 2017 (€5,231) and on the number of vested shares three years after the award against de vesting percentage of 35 per cent.
In addition, 67,855 shares are allocated to retired Executive Board members at year-end 2017. The lock-up period for the most recent phantom share plan will end at 4 May 2019.

The most important assumptions used in the valuations of the fair values were as follows:

	2017	2016
Risk-free interest rate (in %)	**(0.66)**	(0.79)
Volatility (in %)	**30.84**	52.73
Assumed dividend yield (in %)	**2.00**	2.00

In 2017, an amount of €36 thousand (2016: €7 thousand charged) was released to the income statement arising from the Phantom Share Plan. The finalisation of the 2012 grant (end of lock-up period 5 May 2017) has resulted in a pay-out of €387 thousand for the current and retired Executive Board members. As at 31 December 2017, the liability amounts to €681 thousand (2016: €1,042 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 €1.3 billion in 2017 (2016: approximately €1.2 billion), which represents approximately 20 per cent of the Group's revenue (2016: 17 per cent).

The Group's share of the balance sheets of joint operations is indicated below:

(in € million)		**2017**	
	Construction and Property	Civil engineering	**Total**
Assets			
- Non-current assets	-	41,2	**41,2**
- Current assets	347,6	468,4	**816,0**
	347,6	509,6	**857,2**
Liabilities			
- Non-current liabilities	40,0	3,7	**43,6**
- Current liabilities	342,7	516,4	**859,1**
	382,7	520,1	**902,7**
Net balance	(35,1)	(10,5)	**(45,5)**

(in € million)		2016	
	Construction and Property	Civil engineering	Total
Assets			
- Non-current assets	-	60,8	60,8
- Current assets	236,7	513,4	750,1
	236,7	574,2	810,9
Liabilities			
- Non-current liabilities	42,5	6,3	48,8
- Current liabilities	216,7	527,1	743,8
	259,2	533,4	792,6
Net balance	(22,5)	40,8	18,3

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)
Accommodations							
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	20%	Joint venture	Education	Ireland	Yes	2016	25
Irish Courts Bundle	100%	Group company	Justice	Ireland	No	2017	25
Gent Universiteit	20%	Joint venture	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	20%	Joint venture	Justice	Netherlands	Yes	2015	30
Ministry VROM	20%	Joint venture	Other	Netherlands	Yes	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
Infrastructure							
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
N25	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	20
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
A94	33.3%	Joint venture	Motorway	Germany	No	2019	26
A10/A24	70%	Joint venture	Motorway	Germany	No	2023	25
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 €68 million (2016: €66 million).

The Group has approximately €31 million (2016: €35 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 €0.7 billion (2016: approximately €0.8 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 2017, predominantly relating to education, amount to €3.9 million (2016: €3.3 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 €0.1 million (2016: approximately €0.2 million), are recognised in the income statement. The Group has capitalised €12 million related to the investments in the patented development of Gravity Based Foundations for offshore wind power.

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	2017	2016
Non-current assets			
Property, plant and equipment	2	**7,578**	7,027
Intangible assets	3	**360,591**	362,908
Financial assets	4	**1,345,921**	1,627,237
Deferred tax assets	5	**169,229**	185,457
		1,883,319	2,182,629
Current assets			
Receivables	6	**32,249**	33,282
Cash and cash equivalents	7	**43,516**	53,025
		75,765	86,307
Total assets		**1,959,084**	2,268,936
Equity attributable to shareholders of the Company			
Issued and paid capital	8	**27,493**	27,181
Share premium		**811,818**	812,130
Reserves		**(157,923)**	(170,252)
Retained earnings		**158,310**	118,360
Net result		**12,520**	46,831
		852,218	834,250
Provisions			
Employee benefits	9	**41,344**	47,339
		41,344	47,339
Non-current liabilities			
Borrowings	10	**114,987**	112,491
		114,987	112,491
Current liabilities			
Other liabilities	11	**950,535**	1,274,856
		950,535	1,274,856
Total equity and liabilities		**1,959,084**	2,268,936

Company income statement

(x € 1,000)

	Notes	2017	2016
Internal charges	12	**81,877**	71,724
External charges		**(8,005)**	(7,801)
Employee benefit expenses	13	**(28,766)**	(26,863)
Depreciation and amortisation charges	2,3	**(3,866)**	(4,117)
Other operating expenses		**(47,612)**	(44,671)
Exchange rate differences		**(455)**	(296)
		(88,704)	(83,748)
Operating result		**(6,827)**	(12,024)
Finance income	14	**17,809**	18,601
Finance expense	14	**(14,872)**	(17,884)
		2,937	717
Share of result of investments	4	**53,528**	56,171
Result before tax		**49,638**	44,864
Income tax		**(37,118)**	1,967
Result for the year from operations		**12,520**	46,831

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 Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch 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).

As a result of a change in section 402, Book 2 of the Dutch Civil Code, the income statement in the company financial statements is no longer condensed. BAM has included the full income statement and other additional notes resulting from this change, including the comparative figures.

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. Corporate income tax is allocated to the subsidiaries forming part of the fiscal unit, as if they were independent taxable entities.

2. Property, plant and equipment

	Land and buildings	Other assets	Total
As at 1 January 2016			
Cost	16,896	17,076	33,972
Accumulated depreciation and impairments	(4,884)	(9,078)	(13,962)
	12,012	7,998	20,010
Additions	-	3,497	3,497
Disposals	(11,468)	(1,296)	(12,764)
Depreciation charges	(544)	(3,172)	(3,716)
	(12,012)	(971)	(12,983)
As at 31 December 2016			
Cost	-	18,109	18,109
Accumulated depreciation and impairments	-	(11,082)	(11,082)
	-	7,027	7,027
Additions	-	4,188	4,188
Disposals	-	(50)	(50)
Depreciation charges	-	(3,587)	(3,587)
	-	551	551
As at 31 December 2017			
Cost	-	22,224	22,224
Accumulated depreciation and impairments	-	(14,646)	(14,646)
	-	**7,578**	**7,578**

3. Intangible assets

	Goodwill	Non-integrated software	Other	Total
As at 1 January 2016				
Cost	541,844	2,099	-	543,943
Accumulated amortisation and impairments	(155,731)	(1,514)	-	(157,245)
	386,113	585	-	386,698
Additions	-	-	883	883
Disposals	(1,357)	-	-	(1,357)
Amortisation charges	-	(335)	(66)	(401)
Exchange rate differences	(22,915)	-	-	(22,915)
	(24,272)	(335)	817	(23,790)
As at 31 December 2016				
Cost	518,929	2,099	883	521,911
Accumulated amortisation and impairments	(157,088)	(1,849)	(66)	(159,003)
	361,841	250	817	362,908
Additions	-	2,346	-	2,346
Amortisation charges	-	(191)	(88)	(279)
Exchange rate differences	(4,383)	-	(1)	(4,384)
	(4,383)	2,155	(89)	(2,317)
As at 31 December 2017				
Cost	514,546	4,455	883	519,884
Accumulated amortisation and impairments	(157,088)	(2,050)	(155)	(159,293)
	357,458	**2,405**	**728**	**360,591**

4. Financial assets

	Shares in subsidiaries	Receivables from subsidiaries	Other participating interests	Total
As at 1 January 2016	973,098	593,855	1,911	1,568,864
Net result	46,487	-	9,684	56,171
Dividends	(80,311)	-	-	(80,311)
Additions	-	-	180	180
Disposals	(510)	-	-	(510)
Reclassifications	33,372	(33,372)	(9,684)	(9,684)
Capital contributions	55,266	-	-	55,266
Loans granted and repayments	-	136,446	-	136,446
Cash flow hedge	(2,130)	-	-	(2,130)
Remeasurements of post-employment benefit obligations	(54,299)	-	-	(54,299)
Exchange rate differences	(42,756)	-	-	(42,756)
As at 31 December 2016	928,217	696,929	2,091	1,627,237
Net result	55,028	-	1,500	53,528
Dividends	(25,604)	-	-	(25,604)
Additions	-	-	57	57
Reclassifications	(196,859)	196,859	-	-
Adjustments in group structure	(44)	-	-	(44)
Loans granted and repayments	-	(326,973)	-	(326,973)
Cash flow hedge	16,765	-	-	16,765
Remeasurements of post-employment benefit obligations	13,747	-	-	13,747
Exchange rate differences	(12,792)	-	-	(12,792)
As at 31 December 2017	**778,453**	**566,815**	**648**	**1,345,921**

The reclassification relates to the restructured entities of the Dutch sector Construction and Property. 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

	2017	2016
Deferred tax assets	**169,229**	185,457
	169,229	185,457

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

	2017	2016
Amounts due from subsidiaries	19,600	22,495
Prepayments and accrued income	12,649	10,787
	32,249	33,282

Receivables are due within one year.

7. Cash and cash equivalents

	2017	2016
Cash at bank	43,516	53,025
	43,516	53,025

Cash and cash equivalents are at the free disposal of the Company.

8. Equity attributable to shareholders of the Company

At year-end 2017, the authorised capital of the Group was 400 million ordinary shares (2016: 400 million) and 600 million preference shares (2016: 600 million), all with a nominal value of €0.10 per share (2016: €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 2016	270,998,957	604,975	270,393,982
Repurchased shares	-	588,170	(588,170)
Dividends	815,771	-	815,771
As at 31 December 2016	271,814,728	1,193,145	270,621,583
Repurchase of ordinary shares	-	518,940	(518,940)
Dividends	3,110,691	-	3,110,691
As at 31 December 2017	**274,925,419**	**1,712,085**	**273,213,334**

Movements in shareholders' equity are as follows:

	Attributable to the shareholders of the Company					
	Issued and paid capital	Share premium	Reserves	Retained earnings	Net result	Total
As at 1 January 2016	27,099	812,212	(104,536)	157,192	(10,180)	902,147
Net result for the year	-	-	-	-	46,831	46,831
Appropriation of result	-	-	-	10,180	(10,180)	-
Issue of convertible bonds	-	-	-	7,852	-	7,852
Dividends	82	(82)	-	(1,978)	-	(1,978)
Remeasurements of post-employment benefit obligations	-	-	-	(53,226)	-	(53,226)
Cash flow hedges	-	-	(45)	-	-	(45)
Repurchase of ordinary shares	-	-	-	(2,529)	-	(2,529)
Share-based payments	-	-	-	606	-	606
Exchange rate differences	-	-	(65,671)	-	-	(65,671)
Other	-	-	-	263	-	263
As at 31 December 2016	27,181	812,130	(170,252)	118,360	46,831	834,250
Net result for the year	-	-	-	-	12,520	12,520
Appropriation of result	-	-	-	46,831	(46,831)	-
Issue of convertible bonds	-	-	-	-	-	-
Dividends	312	(312)	-	(7,466)	-	(7,466)
Remeasurements of post-employment benefit obligations	-	-	-	14,512	-	14,512
Cash flow hedges	-	-	17,505	-	-	17,505
Repurchase of ordinary shares	-	-	-	(2,696)	-	(2,696)
Share-based payments	-	-	-	818	-	818
Exchange rate differences	-	-	(17,176)	-	-	(17,176)
Development cost	-	-	12,000	(12,000)	-	-
Other	-	-	-	(49)	-	(49)
As at 31 December 2017	27,493	811,818	(157,923)	158,310	12,520	852,218

8.1 Reserves

Reserves relate to the reserves for (cash flow) hedging, translation differences and legal reserve related to the capatalisation of development cost. 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 balance.

The hedging reserve amounts to €60 million negative (2016: €77 million negative) and the translation reserve €110 million negative (2016: €93 million negative). The total reserves includes as legal reserve for the development cost of €12 million.

For a further breakdown of the reserves see note 16 in the Consolidated statements.

8.2 Dividends per share

The Company proposes to declare a dividend over the financial year 2017 of 10 eurocents in cash per ordinary share or in shares, at the option of the shareholders with repurchase and cancellation of shares to offset dilution. (2016: 9 eurocents). Based on the number of ordinary shares outstanding at year-end 2017, a maximum of €27.3 million will be distributed as dividend on the ordinary shares. As yet, the dividend proposal has not been deducted from retained earnings under equity.

9. Provisions

	2017	2016
Employee benefits	**41,344**	47,339
	41,344	47,339

The duration of the provisions is more than one year. Provisions with a duration less than one year are included in current liabilities.

10. Borrowings

	2017	2016
Subordinated convertible bonds	**114,987**	112,491
	114,987	112,491

Additional information on borrowings is disclosed in note 18 to the consolidated financial statements.

11. Current liabilities

	2017	2016
Amounts due to subsidiaries	**914,694**	1,241,267
Provisions	**-**	82
Other liabilities	**35,841**	33,507
	950,535	1,274,856

The other liabilities mainly consist of trade and other payables.

12. Internal charges

The internal charges represent services that have been charged to the other Group Companies.

13. Employee benefit expenses

	2017	2016
Wages and salaries	**24,695**	22,421
Social security costs	**2,312**	2,097
Pension costs - defined contribution plans	**1,529**	2,005
Pension costs - defined benefit plans	**230**	340
	28,766	26,863

At year-end 2017, the Company had 230 employees in FTE (2016: 225). The average number of employees in FTE amounted to 225 (2016: 221). There are no employees in other countries than the Netherlands.

14. Finance income and expense

	2017	2016
Finance income		
- Interest income - intercompany	**14,454**	16,115
- Interest income - cash at banks	**1,426**	817
- Interest income - other financial assets	**6**	40
- Other finance income	**1,923**	1,629
	17,809	18,601
Finance expense		
- Subordinated convertible bonds	**6,871**	3,599
- Subordinated loan	**-**	3,585
- Bank fees - subordinated loan	**-**	665
- Committed syndicated credit facility	**16**	109
- Bank fees - committed syndicated credit facility	**2,708**	3,324
- Other non-recourse financing	**-**	44
- Interest expense - intercompany	**2,999**	3,567
- Interest expense - bank overdrafts	**-**	4
- Recourse property financing	**199**	206
- Other recourse financing	**1,518**	986
- Fair value result - interest rate swaps	**561**	1,795
	14,872	17,884
Net finance result	**2,937**	717

Additional information on finance income and expense is disclosed in note 28 to the consolidated financial statements.

15. 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.

16. Commitments and contingencies

16.1 Guarantees

The Company has issued parent company guarantees amounting to €169 million (2016: €151 million) at year-end 2017.

16.2 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
20 February 2018

Supervisory Board:
H.L.J. Noy
K.S. Wester
G. Boon
C.M.C. Mahieu
M.P. Sheffield
H. Valentin

Executive Board:
R.P. van Wingerden
T. Menssen
E.J. Bax

6. Other information

6.1 Combined independent auditor's report on the 2017 financial statements and Sustainability Information

Our conclusions

Royal BAM Group nv Integrated Report 2017

What we have audited
Consolidated and company financial statements

Level of assurance
Reasonable assurance

Conclusion
- The accompanying consolidated financial statements give a true and fair view of the financial position of Royal BAM Group nv as at 31 December 2017 and of its result and its cash flows for 2017 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 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code

What we have audited
Material themes, Business conduct and transparency and Safety

Level of assurance
Reasonable assurance

Conclusion
- In our opinion, the non-financial information in Material themes (pages 36-43), Business Conduct and transparency (page 88) and Safety (IF BAM, KPI: number of serious accidents, KPI: Safety Behaviour Audit) in paragraph Social Performance (pages 76-93) in BAMs Integrated report 2017 (the Report) presents, in all material respects, a reliable and adequate view of the policy and business operations with regard to these topics, the thereto related events and achievements for the year 2017 in accordance with the Sustainability Reporting Standards ('comprehensive' option) of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed on page 265-269 of the Report.

What we have reviewed
Sustainability information

Level of assurance
Limited assurance

Conclusion
- Based on our procedures performed nothing has come to our attention that causes us to believe that the sustainability information does not present, in all material respects, a reliable and adequate view of the policy and business operations with regard to sustainability and the thereto related events and achievements for the year 2017 in accordance with the Sustainability Reporting Standards ('comprehensive' option) of the GRI and the applied supplemental reporting criteria as disclosed on page 265-269 of the Report.

The other information included in the Integrated Report, including the Reports by the Executive Board and Supervisory Board:
- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

Basis for our conclusions

We conducted our assurance engagements in accordance with Dutch law, including the Dutch Standards on Auditing and the Dutch Standard 3810N 'Assurance engagements relating to sustainability reports'. Dutch Standard 3810N is a subject specific standard under the International Standard on Assurance Engagements (ISAE) 3000 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information'. Our responsibilities under those standards are further described in the section: 'Our responsibilities' in this report.

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

Our Independence
We are independent of Royal BAM Group nv in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence' and other relevant independence regulations in the Netherlands. This includes that we do not perform any activities that could result in a conflict of interest with our independent assurance engagements. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics'.

Our scope

Our engagement scope
The consolidated financial statements comprise:
- The consolidated statement of financial position as at 31 December 2017;
- The following statements for 2017: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flows;
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:
- The company statement of financial position as at 31 December 2017;
- The company income statement for 2017;
- The notes comprising a summary of the accounting policies and other explanatory information.

The sustainability information in scope comprises:
- Reasonable assurance – Non-financial information in the following paragraphs/chapters: Material themes (pages 36-43), Business conduct and transparency (page 88) and Safety (KPI: IF BAM, KPI: number of serious accidents, Only KPI's: Safety Behaviour Audit) in paragraph Social Performance (pages 76-93);
- Limited assurance – All other information reported in the paragraphs/chapters Strategy (page 22-33), Business Model (pages 11-21), Stakeholder engagement and material themes (pages 34-43), Social performance (pages 76-93), Environmental performance (pages 94-107), Sustainability reporting processes and methods (pages 265-269), GRI Disclosure (pages 271-275) and Charters, memberships and certifications (pages 276-277).

Limitations in our scope

Unexamined prospective information
The sustainability information includes prospective information, such as ambitions, strategy, plans, expectations and estimations. Inherently, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the sustainability information.

Unreviewed references to external sources
The references to external sources or websites in the sustainability information are not part the sustainability information in scope. We therefore do not provide assurance on this information.

Our scope for the group audit of the financial statements
Royal BAM Group nv is the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Royal BAM Group nv.

Our group audit focused on the significant group entities located in BAM's home countries (the Netherlands, Germany, United Kingdom, Ireland and Belgium) and BAM International with its various activities abroad. We have performed extensive audit procedures ourselves for group entities located in the Netherlands, thereby focusing on the key risk areas. Apart from focusing on significant group entities, we also reviewed and selected projects on a risk basis, thereby taking into consideration the size and nature of projects, as well as the countries in which projects are being executed.

For the foreign BAM home countries, we involved EY component auditors, who are familiar with local laws and regulations and who applied full scope audits. In order to take responsibility as group auditor in line with current auditing standards, we visited our component auditors in United Kingdom, Ireland, Germany and Belgium and furthermore, we discussed the outcome of audit procedures with all component auditors.

For BAM International, for purpose of the 2017 audit, we visited Tanzania and Dubai as key locations ourselves to perform audit procedures. For the Middle East business and Costa Rica, BAM has involved a local audit firm who we also visited and we reviewed their work. We concluded that we can rely on their work performed in relation to the audit of the consolidated financial statements of Royal BAM Group nv.
As a result of the above mentioned procedures, we have covered all entities and foreign locations that are material to the consolidated financial statements of BAM. In addition, we have performed analytical review procedures and made inquiries with management with respect to some smaller locations that are not material and made sure that there are no developments or exposures that should have been covered.

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

Reporting criteria

The information in the scope of our engagements needs to be read and understood together with the reporting criteria, for which BAM is solely responsible for selecting and applying, taking into account applicable law and regulations related to reporting. The criteria used for the preparation of the Report and thus relevant for our examination are described below. We consider the reporting criteria used relevant and suitable for our assurance engagements.

Consolidated financial statements:	International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code.
Corporate financial statements, Report by the Executive Board and the Supervisory Board:	Part 9 of Book 2 of the Dutch Civil Code.
Sustainability information including the CO_2 emission data 2017:	Sustainability Reporting Standards ('comprehensive' option) of the Global Reporting Initiative (GRI) and the applied supplemental reporting criteria as disclosed on pages 265-269 of the Report.

Materiality

General
The scope of our assurance procedures is influenced by the application of materiality. Our assurance engagements aim to provide assurance about whether the financial statements and the sustainability information are free from material misstatement. 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 and the sustainability information. The materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusions.

Financial statements

For the audit of the financial statements our considerations regarding the materiality are as follows.

Materiality	EUR 33.5 million (2016: EUR 35.0 million)
Benchmark used	0.5 per cent of revenue
Additional explanation	Based on our analyses of the common information needs of users of the financial statements, we consider profit before tax the most appropriate benchmark to determine materiality. However, profit before tax has been volatile in recent years and is not yet at a representative level, given the size of the business. For this reason we considered revenues to be a more appropriate benchmark to determine the materiality. The percentage applied is 0.5 per cent, which is at the lower end of an acceptable range.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of EUR 1,650,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Sustainability Information
Based on our professional judgment we determined materiality levels for each part of the sustainability information and for the sustainability information as a whole. When evaluating our materiality levels, we have taken into account quantitative and qualitative considerations as well as the relevance of information for both stakeholders and the organisation.
Based on our professional judgment, we determined the materiality for each of the identified key performance indicators at 5 per cent deviation, with the exception of the safety KPI's, which has been determined at 3 per cent deviation.

Our key audit and review matters

Key audit and assurance matters are those matters that, in our professional judgment, were of most significance in our assurance procedures for the financial statements and the Sustainability Information. We have communicated the key audit and assurance matters to the Supervisory Board. The key audit and assurance matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our assurance procedures for the financial statements and the Sustainability Information as a whole and to conclude thereon. All these matters have been audited or reviewed by us with satisfactory results and we believe these have been properly disclosed where applicable. For the interest of the reader, we highlight the most important elements we focused on in 2017.

Compared to 2016, we excluded key audit and assurance matters on 'Auditor transition, including the audit of opening balances', 'IT controls and procedures' and 'Business conduct, integrity and transparency'. The first Key Audit Matter is no longer applicable as this is not an initial audit. We no longer consider the other two items Key Audit Matters as in 2017 BAM has initiated improvements in these areas.

	Risk	How our audit response	Key observations
	Valuation of projects and revenue recognition *Refer to pages 49-53 and 56-59 (Executive Board Report), pages 174-175 (Critical accounting judgements and key sources of estimation uncertainties) and pages 179-180 (Notes to the consolidated financial statements)*		
Audit of financial statements	BAM Group is involved in large and complex construction projects for which the company applies the percentage of completion method. The amount of revenue and profit recognised in a year on projects is dependent, inter alia, on the actual costs incurred, the assessment of the percentage of completion of (long-term) contracts and the forecasted contract revenue and costs to complete of each project. Furthermore, the amount of revenue and profit is influenced by the valuation of variation orders and claims. This often involves a high degree of judgment due to the complexity of projects, uncertainty about costs to complete and uncertainty about the outcome of discussions with customers on variation orders and claims, thereby taking into account the various parts of the world BAM operates in.	Our audit procedures included an assessment of the internal control environment of BAM, testing relevant controls, performing site visits, vouching project valuations and testing executive board's position against supporting documentation and BAM's accounting policy. In cases where a high amount of judgement is involved, we gained additional comfort by comparing executive board's positions to opinions from external parties such as lawyers or surveyors and / or we looked at BAM's track record for collecting claims. For long-term contracts, we also compared BAM's current positions taken to the positions taken in previous year, to ensure consistency in the valuation and to perform back testing on this estimate.	Overall, we conclude that projects have been valued in accordance with IFRS, thereby taking into account the disclosures with respect to risk and uncertainty mentioned on the pages referred to above. The integrated annual report also includes references to those projects valuations considered most significant by the Executive Board.
	Valuation of deferred tax assets *Refer to page 64 and 70 (Executive Board Report), pages 174-175 (Critical accounting judgements and key sources of estimation uncertainties) and pages 209-211 (Notes to the consolidated financial statements)*		
Audit of financial statements	The recognised deferred tax assets amounts to €218 million at 31 December 2017 and relates to tax losses carried forward in the Netherlands and Germany. In view of recent losses in the Dutch fiscal unity, the Executive Board has reassessed the ability to realise projected future profits to meet the recognition criteria under IFRS in respect of deferred tax assets. The Executive Board has analyzed the history of losses and concluded that these are primarily due to incidental items. Estimation of future profits inherently involves a high degree of judgement. As basis for their assessment of future profits, the Executive Board used the 2018 operating plan and strategic forecasts as approved by the supervisory board and reduced these forecasts to include appropriate risk adjustments. This has led to an impairment charge of €40 million.	Our audit procedures included an assessment of the company's assumptions underlying the estimated future taxable profits for their reasonableness and consistency with internal budgets and strategic plans for future years. We also challenged the executive board's expectations of a taxable profit increase for future years and we discussed this with the Supervisory Board. We note that the Executive Board expects the risk/reward ratio to improve following the back in shape initiatives, which is gradually visible by improved order book margins. Furthermore, we reviewed the company's analyses of losses in previous years with respect to incidental items.	The final deferred tax asset assessment resulted in a re-measurement of the deferred tax asset recognised which includes appropriate risk adjustments with respect to the profit forecasts in order to comply with IFRS. As such we concur with the Executive Board that deferred tax asset are fairly stated as at 31 December 2017.

	Risk	How our audit response	Key observations
	Capitalisation of development costs on Gravity Based Foundations *Refer to page 26 and 67 (Executive Board Report) and page 182 (Notes to the consolidated financial statements)*		
Audit of financial statements	BAM Group invested in the patented development of Gravity Based Foundations for offshore wind power and has concluded that part of the investment made qualifies as development cost under IFRS and should be capitalised. The amount capitalised in 2017 amounts to €12 million. Development cost can only be capitalised if strict IFRS criteria are met.	Our audit procedures included challenging BAM's ability to measure reliably the expenditure attributable to the intangible asset during its development phase, which is a requirement for capitalisation according to IAS 38. Our audit procedures included an assessment of the substantiation of the development costs capitalised.	We conclude that BAM was able to sufficiently substantiate that IFRS capitalisation criteria are met for the amount capitalised.
	Valuation of land and building rights *Refer to page 53 (Executive Board Report), pages 174-175 (Critical accounting judgements and key sources of estimation uncertainties) and pages 179-180 and 190 (Notes to the consolidated financial statements).*		
Audit of financial statements	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 prices. 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.	We have assessed the calculations of the land's net realisable values and challenged the reasonableness and consistency of the assumptions used by the Executive Board. We also determined consistency with prior years and external available information such as external appraisals and plans and decisions of government bodies. We also compared the Executive Board's assumptions concerning the development of house prices with independent expectations of external parties and institutions.	Overall, we are of the opinion that the valuation applied by BAM Group is in line with IFRS.
	Completeness registration of safety incidents *Refer to pages 76-89 (Executive Board Report).*		
Assurance on sustainability information	BAM uses and discloses own reporting criteria for the KPI 'Incident Frequency BAM' (hereinafter: IF BAM) and the 'number of serious accidents'. The complexity of the scoping of the indicators and decentralised organisation of BAM may lead to a risk that not all safety incidents are reported.	Our audit procedures focused on the suitability of the reporting criteria, inquiry of responsible personnel from different levels within the organisation on how BAM monitored this risk and which controls are in place to mitigate this risk. We performed testing procedures, on group and operational company level, to verify the completeness of the registered safety incidents. We have also reviewed whether the disclosures in the integrated report, including any inherent limitations in measurement, are adequate.	We concur with the reporting criteria applied and the disclosures made.

Other information included in the integrated report

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

- Key figures;
- The Executive Board Report;
- Report from the Supervisory Board;
- Remuneration Report;
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;
- Chapter 7 Royal BAM Group nv shares
- Chapter 8 Appendices

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

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

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements or in our review of the sustainability information.

The Executive Board is responsible for the preparation of the other information, including the Executive Board Report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
We have been appointed in the shareholders meeting on 22 April 2015 as auditors of Royal BAM nv as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided
In addition to the statutory audit of the financial statements we provided the following services:

- Agreed upon procedures on debt covenants and other financial ratio's
- Assurance on other items than the consolidated financial statements of Royal BAM Group nv (such as local statutory audits, or assurance over the CO_2 prestatieladder)
- Assurance on sustainability information as described in the section 'Our scope' of this report.

All other non-prohibited services provided have been pre-approved by the Audit Committee.

Responsibilities

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 Part 9 of Book 2 of the Dutch Civil Code.

The Executive Board is also responsible for the preparation of the sustainability Information in accordance with accordance with the Sustainability Reporting Standards of the GRI (Comprehensive option) and the applied supplemental reporting criteria, including the identification of the stakeholders and the determination of material issues. The choices made by the Executive Board with respect to the scope of the sustainability information are included in paragraph 8.1 Sustainability reporting processes and methods (pages 265-269) of the Integrated Report.

Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements and the sustainability information 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

Our responsibility is to plan and perform the assurance assignments in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusions.

Our audit of the financial statements and our audit of the non-financial information in Material themes, Business conduct and transparency and selected KPI's in Safety (see Our scope) have been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.
Our review of the sustainability information is aimed to obtain a limited level of assurance. The procedures performed to obtain a limited level of assurance are aimed to determine the plausibility of information and vary in nature and timing from, and are less in extent, than for a reasonable assurance engagement. The level of assurance obtained in review engagements is therefore substantially less than the assurance obtained in audit engagements.
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the financial statements and sustainability information. The materiality affects the nature, timing and extent of our assurance procedures and the evaluation of the effect of identified misstatements on our conclusion.

We apply the 'Nadere voorschriften kwaliteitssystemen' (Regulations for Quality management systems) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and other applicable legal and regulatory requirements.

A further description of our responsibilities is included in the Annex to the combined auditor's report.

Utrecht, 20 February 2018
Ernst & Young Accountants LLP

Signed by W.H. Kerst

Annex to the combined independent auditor's report

Work performed

We have exercised professional judgment and have maintained professional skepticism throughout the assurance engagements performed by a multi-disciplinary team, in accordance with Dutch Standards on Auditing and the Dutch Standard 3810N 'assurance engagements relating to sustainability reports', ethical requirements and independence requirements.

Our audit to obtain reasonable assurance about the financial statements (consolidated and corporate) included the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the 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 Executive Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause an the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our review to obtain limited assurance about the Sustainability Information included the following:

- Performing an external environment analysis and obtaining insight into relevant social themes and issues and the characteristics of the organisation.
- Evaluating the appropriateness of the reporting criteria used, their consistent application and related disclosures in the sustainability information, including the evaluation of the results of the stakeholders' dialogue and the reasonableness of estimates made by the Executive Board.
- Obtaining an understanding of the reporting processes for the sustainability information, including obtaining a general understanding of internal control relevant to our review engagement Identifying areas of the sustainability information where material misstatements, whether due to fraud or error, are likely to arise, and performing further procedures aimed at determining the plausibility of the sustainability information responsive to this risk analysis. These procedures consisted amongst others of:
  - Interviewing the Executive Board and relevant staff at corporate and local levels responsible for the sustainability strategy, policies and results.
  - Interviewing relevant staff responsible for providing the information as disclosed in the sustainability Information, carrying out internal control procedures on the data and consolidating of data in the Sustainability Information.
  - Visits to multiple sites and offices of BAM's Operating Companies in Belgium, United Kingdom, The Netherlands, Germany and Dubai to evaluate the source data, data collection and the design and implementation of control and validation procedures at local level.
  - Reviewing relevant internal and external documentation, on a limited test basis; and
  - Performing an analytical review of the data and trend explanations submitted for consolidation at group level.
  - Evaluating the presentation, structure and content of the sustainability information as a whole, including the disclosures, in relation to the reporting criteria used.

In addition to the procedures mentioned above, for non-financial information included in the paragraphs Material themes, Business conduct and transparency and for the information on Safety (KPI: IF BAM, KPI: number of serious accidents, KPI: Safety Behaviour Audit) in paragraph Social Performance we performed the following procedures to obtain reasonable assurance:

- Obtaining a more detailed understanding of the systems and reporting processes and internal controls, including where relevant to our assurance engagement, testing the design and existence of the relevant internal controls during the reporting year.

- Conducting more in-depth analytical procedures and substantive testing procedures on the relevant data.
- Evaluating relevant internal and external documentation, on a test basis, to determine the reliability of the information in the sustainability information.

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

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the assurance procedures and significant findings, including any significant findings in internal control that we identify during our assurance engagements. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion on the financial statements in this auditor's report.

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 and the assurance engagement of the sustainability information of the current period and are therefore the key audit and review matters. We describe these matters in our combined auditor's report and assurance 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 2017, amounting to €12.5 million, has been accounted for in shareholders' equity.

The Company proposes to declare a dividend over the financial year 2017 of 10 euro cents in cash per ordinary share or in shares, at the option of the shareholders with repurchase and cancellation of shares to offset dilution. Based on the number of ordinary shares outstanding at year-end 2017, a maximum of €27.3 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 Company and the companies that are held by the Company and the group of companies associated with the Company (hereinafter '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 objective of the Foundation is to look after the interests of the Company and the Group. Specifically, the Foundation seeks to ensure that the interests of the Company, the Group and all their stakeholders are safeguarded as much as possible, and that influences which could undermine the independence and/or continuity and/or identity of the Company and the Group 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 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%) 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 board of the Foundation has the exclusive right to determine whether or not to exercise this right to acquire class B cumulative preference shares. No class B cumulative preference shares have been issued at this time.

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 Supervisory Board and the Executive Board reserve the right, in the interests of the Company and its associated companies, to resolve to take alternative measures in order to protect the Company and the Group 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 Company and/or the Group.

The Foundation's board consists of three members who are appointed by the Foundation's board, after notification to the Executive Board. The Foundation is supported by its own legal and communication advisors.

In December 2017 Mr Nooitgedagt was appointed as a member of the board. He will succeed Mr Pieterse as chairman of the board of the Foundation per 1 January 2018. The composition of the board as per the end of this financial year is:

R. Pieterse, chairman
F.K. Buijn
R. de Jong
J.J. Nooitgedagt

The chairman of the Foundation's board 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 board.

The particulars of the board members per the end of 2017 are:

R. (Rob) Pieterse (1942), *chairman*
Mr Pieterse has served on the Foundation's board since 2009 and was appointed chairman in 2012. He is a Dutch national. A former chairman of the Executive Board of Wolters Kluwer, Mr Pieterse is a member of the Supervisory Board of eVision and is 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. (Frederik) Buijn (1950)
Mr Buijn has been a member of the Foundation's board since 2012. He is a Dutch national. Due to his long-term experience as a qualified civil-law notary Mr Buijn is well-versed in commercial law. Mr Buijn is a member of the board of the Stichting Preferente Aandelen Arcadis N.V. He is involved in various large family companies as chairman or director of foundation trust offices and is also chairman of the board of the Stichting Instituut Gak.

R. (Rinse) de Jong (1948)
Mr De Jong has been a member of the Foundation's board since 2009. He is a Dutch national. He was a 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 Rabobank Arnhem en Omstreken. He is a member of the Supervisory Board of Hogeschool van Amsterdam. He is a member of the board of Stichting tot het houden van preferente aandelen Wereldhave.

J.J. (Jan) Nooitgedagt (1953)
Mr Nooitgedagt serves on the Foundation's board since 2017 and was appointed chairman in the same year. He is a Dutch national. A former member of the Executive Board and Chief Financial Officer of Aegon, Mr Nooitgedagt is a member of the

Supervisory Board of Rabobank, vice-chairman of the Supervisory Board BNG Bank, chairman of the Supervisory Board of Telegraaf Media Groep, member of the Supervisory Board of Robeco, member of the board of the Stichting Beschermingspreferente Aandelen Fugro and chairman of the board of the Stichting Administratiekantoor Aandelen Kas Bank. He is also the chairman of the board of Stichting Nyenrode (Nyenrode University), chairman of the board of VEUO, member of the committee Financial Reporting and Accountancy at the Dutch Authority for the Financial Markets (AFM) and member of the audit committee of the Dutch Ministry of Justice and Security.

'The result was according to the targets: on time, within budget and safely built'

Marc Unger, Royal Schiphol Group

What is the added value of open collaboration in the construction industry?

'Open collaboration, if organised well, will lead most effectively to the targets set', according to Marc Unger, Director Corporate Procurement at Royal Schiphol Group.

Can you give an example?

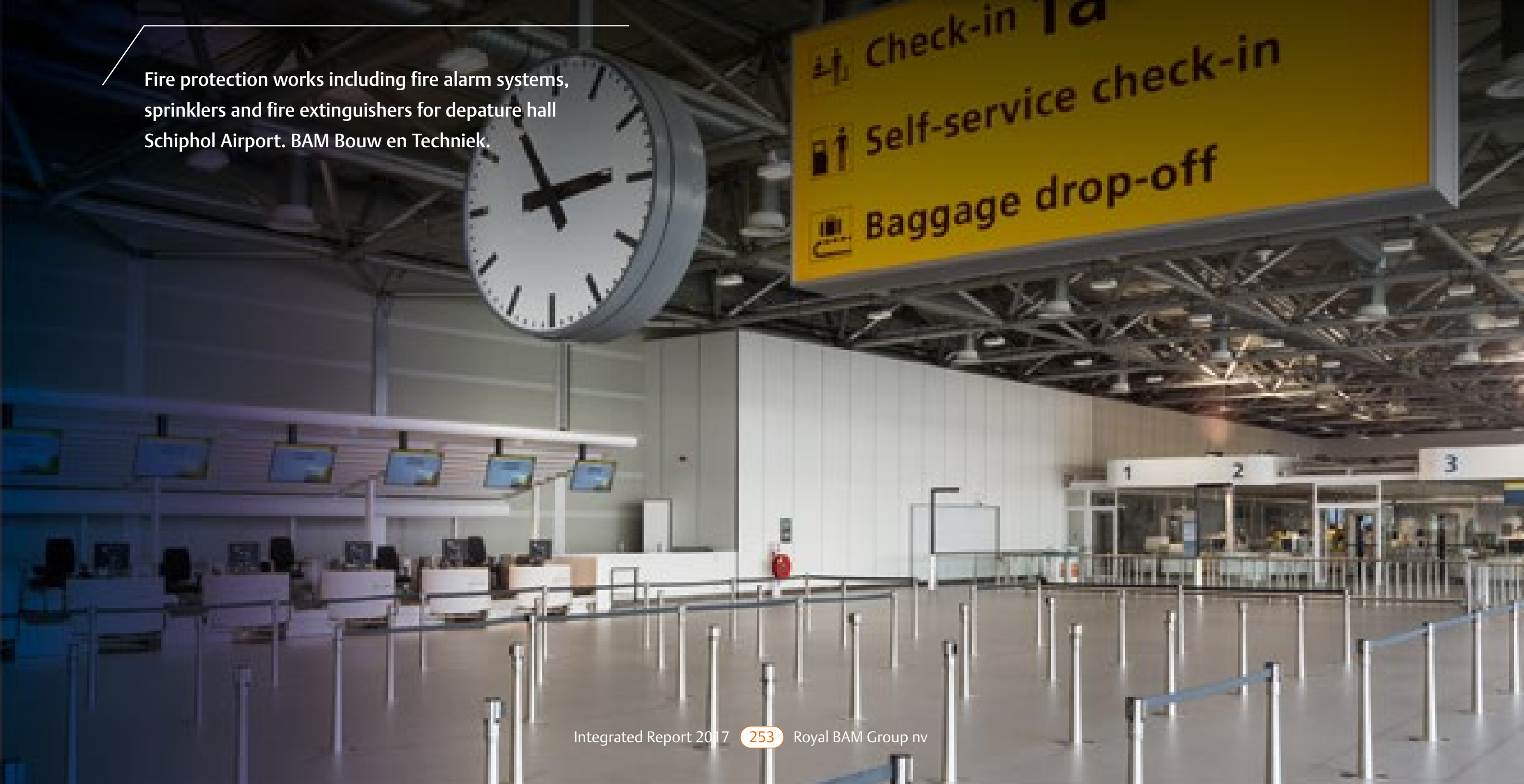
'Schiphol's passenger growth exceeded expectations for a number of successive years, in which we noticed a substantial shift from non-Schengen to Schengen passengers. As a consequence, we came to the conclusion that before the start of the May holiday season 2017, capacity of Schengen Departures had to be extended. This all had been decided in fall 2016. So there we were: facing the challenge of erecting a completely new building of approximately 3,500 square metres, with a 150-metre-long aerial corridor to be designed, built and delivered safely into operations by 3 April, just 200 days after the initial decision. So we decided to organise the project in open collaboration with designers, construction companies and the most important suppliers. All with a single objective: to deliver the departure hall safely, on time and within budget, with very short organisational lines to the responsible directors of all parties and within a framework of an alliance. BAM was part of this team. The result was according to the targets: on time, within budget and builtsafely. And most importantly: all were very proud of the result.'

How can we learn from each other?

'Be open to other people's insights. Most of all it is behaviour and from an organisational point of view, top level should secure a safe environment in which there is also room for failure.'

How can we – together with all parties – live up to 'best for project'?

'Set clear goals, invite all to share the opportunities but also the risks, organise as lean as possible with a keen eye on people's needs in delivering the required results, ensure a safe environment, enlarge important milestones and have fun.'



Fire protection works including fire alarm systems, sprinklers and fire extinguishers for depature hall Schiphol Airport. BAM Bouw en Techniek.

6.5 Five-year overview

(x 1 million, unless otherwise stated)	**2017**	2016	2015	2014	2013
Revenue	**6,604**	6,976	7,423	7,314	7,042
Operating result	**28.6**	32.9	(10.7)	(104.7)	15.9
Result before tax	**58.3**	60.1	13.3	(122.4)	44.4
Net result attributable to the shareholders of the Company	**12.5**	46.8	10.2	(108.2)	46.2
Basic earnings per share *(in €1)*	**0.05**	0.17	0.04	(0.40)	0.19
Diluted earnings per share *(in €1)*	**0.05**	0.17	0.04	(0.40)	0.19
Dividend per ordinary share *(in €1)* [1]	**0.10**	0.09	0.02	-	0.05
Equity attributable to the shareholders of the Company	**852.2**	834.3	902.1	827.4	929.1
Subordinated convertible bonds	**115.0**	112.5	-	-	-
Subordinated loan	**-**	-	124.3	124.5	124.0
Capital base	**967.2**	946.7	1.026.5	951.9	1,053.1
Net investment in property, plant and equipment	**70.7**	45.1	41.7	39.0	65.2
Depreciation, amortisation and impairment charges of:					
- Property, plant and equipment	**55.0**	62.5	67.9	80.8	85.9
- Intangible assets	**5.2**	5.0	7.4	3.7	3.2
- Other impairment charges	**3.9**	47.6	34.3	114.1	29.5
Cash flow before dividend	**76.8**	161.9	119.8	90.5	164.8
Total impairment charges	**4.8**	50.7	39.1	115.9	30.0
Order book [2]	**11,609**	10,193	11,480	10,268	10,021
Average number of employees *(in FTE)*	**19,720**	20,370	21,916	23,325	23,502
Number of employees as at 31 December *(in FTE)*	**19,837**	19,486	21,248	23,137	23,329
Ratios *(in %)*					
Result before tax and impairment charges as % of revenue	**1.0**	1.6	0.7	(0.1)	1.2
Net result to the shareholders of the Company as % of revenue	**0.2**	0.7	0.1	(1.5)	0.7
Net result to the shareholders of the Company as % average equity	**1.5**	5.4	1.2	(12.3)	5.6
Solvency ratios *(in %)*					-
Equity attributable to shareholders as % of total assets	**18.6**	17.3	18.6	16.7	17.5
Capital ratio as % of total assets	**21.2**	19.7	21.2	19.2	19.8
Current ratio as current assets divided by current liabilities	**1.02**	1.04	1.07	1.09	1.10

[1] For 2017 dividend proposal.

[2] Order book comprises both signed contracts and verbally agreed upon orders.

6.6 List of principal subsidiaries, joint arrangements and associates

Subsidiaries	%
BAM Bouw en Vastgoed Nederland bv*, Bunnik (Netherlands)	100
uniting the activities of:	
BAM Bouw en Techniek bv*, Bunnik	100
BAM Wonen 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 Energie & Water bv, Zwolle	100
BAM Infra Rail bv*, Breda	100
BAM Infra Telecom bv, Zwammerdam	100
BAM Infraconsult bv*, Gouda	100
BAM Belgium nv, Brussels (Belgium)	100
uniting the activities of:	
Interbuild nv, Wilrijk-Antwerp	100
Galère sa, Chaudfontaine	100
BAM Contractors nv, Brussels	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. (Netherlands)	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 [1]

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 with 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
Current ratio	Current assets including assets held for sale divided by current liabilities including liabilities held for sale.
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_2O (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	Incident frequency including all BAM site employees on own work and joint ventures.
Incident frequency (IF)	The total number of industrial accidents leading to absence from work per million hours worked on construction sites.
Industrial accident	An unintended occurrence during a period of paid work that results in physical injury or illness, including accidents that occur during business trips (during working hours, no commuting). In case of an accident involving multiple victims the number of accidents is considered equal to the number of victims.
Net debt	Long-term borrowings plus short-term borrowings less cash and cash equivalents.
Net working capital	Current assets (excluding cash and cash equivalents) minus current liabilities (excluding borrowings).
Return on capital employed (ROCE)	Rolling year EBIT divided by the average four-quarter rolling capital employed.
Return on equity (ROE)	Rolling year net result divided by the average four-quarter rolling 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 and without 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	Net working capital excluding land and building rights, property development, PPP receivables, other financial assets, other receivables, taxes, derivative financial instruments, provisions, other liabilities and assets and liabilities held for sale.
Trade working capital efficiency	The average four-quarters' trade working capital divided by rolling year revenue.

[1] In 2016, the European Securities and Markets Authority (ESMA) published a statement on the use of Alternative Performance Measures (APMs). An APM is a financial measure of historical or future financial performance, financial position or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. All APMs included in the list of definitions above and used by management, are included in this report to provide extra information to our stakeholders on the Group's financial performance on top of information from the consolidated financial statements prepared in accordance with IFRS. APMs defined above, or elsewhere in the report, are fully reconcilable with the notes to the consolidated financial statements.

BAM Bouw en Techniek is responsible for the technical management and maintenance of Isala's health clinic in Zwolle, the Netherlands, through its subsidiary BAM Accommodatie Asset Management (BAM AAM). These specialists in complex multi-disciplinary contracts are ensuring the reliability and impeccable performance of Isala's buildings and installations.

7. Royal BAM Group nv shares

Clinical Research Facility and Translational Research Facility (CRF-TRF) at the National University of Ireland, Galway. The four-storey building is 5,345 square metres. The building will facilitate medical research side-by-side with patient care in UHG. It is situated on the grounds of University Hospital Galway (UHG) and is adjacent to the university's Clinical Science Institute, UHG's critical care facilities, ward accomodation block and the maternity wards. BAM Ireland.

Stock exchange listing

BAM has been listed on Euronext Amsterdam since 1959 (symbol: BAMNB; ISIN code: NL0000337319). The share is included in the Amsterdam Midcap Index (AMX) and the Euronext NEXT-150 Index. Options are traded by Liffe, the Euronext derivatives exchange. The market capitalisation was €1.1 billion at year-end 2017 (year-end 2016: €1.2 billion).

Investor relations policy

The purpose of the investor relations policy is to provide accurate, transparent, consistent, simultaneously and timely information to stakeholders, which include existing and potential shareholders, financial institutions, brokers and the media. BAM wants to ensure a clear understanding about its the strategy, performance and decisions to create awareness and confidence. Information is made available through the annual integrated report, quarterly (financial) information, press releases and presentations to investors which are all available on the website. BAM publishes price sensitive information without delay by a press release and on its site.

BAM publishes quarterly (financial) information. The full year and half year results are presented at analyst meetings. The trading updates for the first quarter and the nine months are presented during conference calls. These events are held in the English language and can be followed live or on demand on the website. BAM organises road shows and participates at investor conferences to meet existing and potential investors. All data and venues are published on the website.

BAM observes a closed period in which no meetings with existing or potential investors take place. For the annual results, this period extends from 1 January up to date of publication. For the half year results the closed period extends from 1 July up to the day of publication. For the trading updates after the first quarter and the nine months, it extends from 1 April and 1 October, up to the day of publication.

BAM is covered by analysts of all major Dutch brokers, they are key in distributing information to support the investment case to their clients. Research reports about BAM are available through these brokers. Contact details are available on the website.

All the activities comply with the rules and regulations of Euronext Amsterdam and the Dutch Authority for financial markets (AFM).

For more information about investor relations www.bam.com under the link Investor relations or contact Investor Relations Manager Joost van Galen, e-mail ir@bam.com, telephone +31 (0)30 659 87 07.

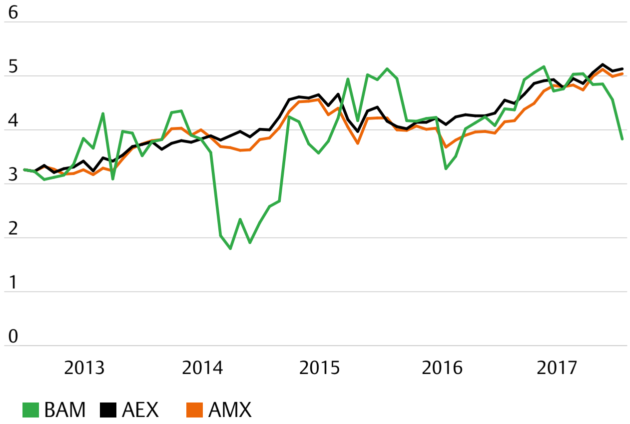
Share price

The 2017 closing price of the ordinary share was €3.83, which was 13 per cent below the closing price at year-end 2016 (€4.39). The AMX index ended the year 21 per cent higher. BAM's share price rose by about 19 per cent over the last five years. By way of comparison, the AEX and the AMX index rose by 59 per cent and 56 per cent in the same period.

Graph 69 shows the history of the BAM ordinary share price over the past five years.

69 - Ordinary share price movement

(in €)



Trading volume on Euronext Amsterdam

In 2017, the number of ordinary shares traded were 491 million (2016: 441 million).

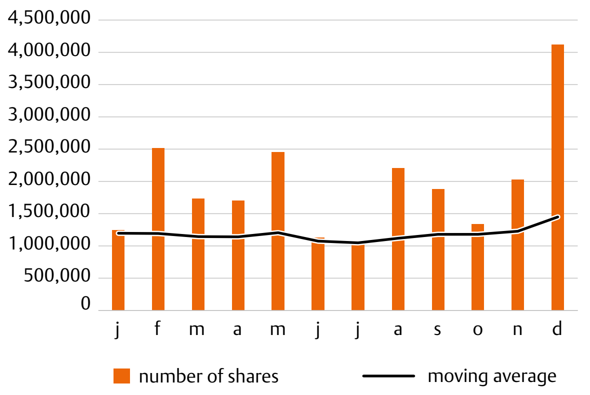
The average daily trade was 1,926,000 ordinary shares (2016: 1,717,000). The value of ordinary shares traded in 2017 was €2,311 million (2016: €1,804 million). In 2017 the average daily trade in BAM shares was €9.0 million (2016: €7.0 million).

If necessary, ING and Rabobank act as liquidity providers for the trade in ordinary shares.

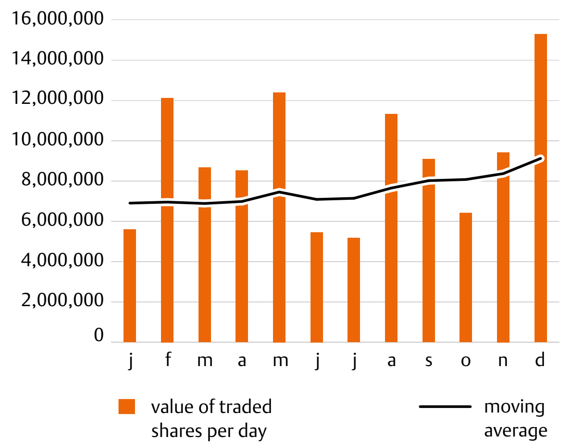
Graph 70 shows the development of the average number of ordinary shares traded in 2017 on Euronext Amsterdam.

Graph 72 shows the development of the average value of traded ordinary shares on Euronext Amsterdam in 2017.

70 - Number of traded ordinary shares in 2017
(average per day - Euronext 2017)



72 - Value of traded ordinary shares in 2017
(average € per day - Euronext 2017)



71 - Information per share
(in € per share, unless otherwise indicated)

	2017	2016	2015	2014	2013
Number of ordinary shares ranking for dividend	**273,213,334**	270,621,583	270,393,982	270,998,957	269,424,089
Average number of ordinary shares	**272,215,432**	270,503,004	270,956,691	270,394,899	245,951,992
Net result ranking for dividend	**0.05**	0.17	0.04	(0.40)	0.19
Net result from continued operations	**0.05**	0.17	0.04	(0.40)	0.15
Average number of ordinary shares *(diluted)*	**296,427,682**	283,642,546	270,956,691	270,394,899	245,951,992
Number of ordinary shares ranking for dividend *(diluted)*	**297,584,081**	294,547,317	270,393,982	270,998,957	269,424,089
Net result *(diluted)*	**0.05**	0.17	0.04	(0.40)	0.19
Net result from continued operations *(diluted)*	**0.05**	0.17	0.04	(0.40)	0.15
Cash flow before dividend	**0.28**	0.60	0.44	0.33	0.67
Equity attributable to shareholders	**3.12**	3.08	3.34	3.05	3.45
Dividend [1]	**0.10**	0.09	0.02	-	0.05
Payout *(in %)*	**50**	50	50	-	30
Dividend yield *(in %)* [2]	**2.6**	2.1	0.4	-	1.4
Highest closing price	**5.46**	5.02	5.16	4.50	4.73
Lowest closing price	**3.45**	2.97	2.22	1.65	2.99
Price on 31 December	**3.83**	4.39	5.13	2.58	3.78
Average daily trade *(in number of shares)*	**1,926,000**	1,717,000	3,117,000	2,742,000	1,439,200
Market capitalisation at year-end *(x €1,000)* [3]	**1,053,239**	1,193,267	1,387,121	698,093	1,019,321

1 Dividend proposal 2017.

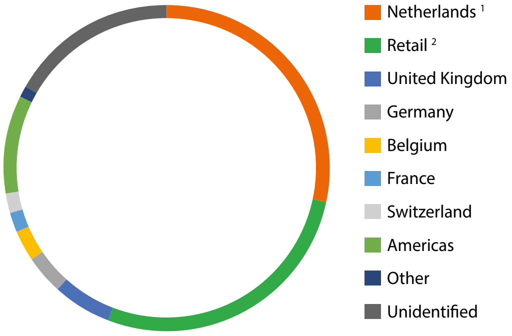
2 Based on share price at year-end.

3 Based on total number of ordinary shares in issue.

Shareholders

BAM closely monitors the development in its shareholder base by following public market information and a yearly shareholder identification report. Under the Dutch Financial Supervision Act, shareholders of 3 per cent or more must disclose to the Dutch Authority for the Financial Markets (AFM) and when these shareholders transfer to a different threshold level. The Company holds 1,712,085 (0.6 per cent) treasury shares for the long-term incentive plan of management.

73 - Geographical distribution shareholders as at 31 December 2017



[1] Including treasury shares.
[2] Primary Dutch shareholders.

74 - Shareholders owning 3 per cent or more in BAM's share capital as at 31 December 2017

	Ownership	Date of last notification	Interest above 3 per cent since *
A. van Herk	9.9%	2 March 2017	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 shareholdings, three institutional investors have real interests of 3 per cent or more. Changes may have occurred, however, within the disclosure thresholds. Danske Invest SICV is no longer a shareholder owning 3 per cent or more in BAM's share capital (2016: 4.3%).

Number of outstanding ordinary shares

The movement in the number of outstanding shares is shown in table 75.

75 - The movement in the number of outstanding shares

	2017	2016
Outstanding ordinary shares as at 1 January	**271,814,728**	270,998,957
Shares issued for stock dividend	**3,110,691**	815,771
Outstanding ordinary shares as at 31 December	**274,925,419**	271,814,728
Treasury shares held for Performance Share Plan	**(1,712,085)**	(1,193,145)
Ordinary shares ranking for dividend as at 31 December	**273,213,334**	270,621,583
Percentage ordinary shares ranking for dividend	**99.4%**	99.6%

Subordinated unsecured convertible bonds

In 2016, BAM placed €125 million subordinated unsecured convertible bonds to redeem the existing subordinated loan of the same amount. The transaction was in line with BAM's financing strategy to strengthen its balance sheet by lengthening the maturity and broadening the sources of its funding. It also improved BAM's commercial position and supports the execution of its strategy 'Building the present, creating the future'.

The bonds have an annual coupon of 3.5 per cent, an initial conversion premium of 32.5 per cent and are convertible into ordinary shares of BAM with a nominal value of €0.10 each. The Bonds were issued at 100 per cent of their principal amount and, unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at their principal amount on or around 13 June 2021. Upon exercise of their conversion rights, holders will receive shares at the then prevailing conversion price. BAM will have the option to call all but not some of the outstanding bonds at their principal amount plus accrued but unpaid interest from 28 June 2019, if the value of the shares underlying a bond exceeds €130,000 for a specified period of time. The bonds are trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange.

More details of the subordinated unsecured convertible bond are published on the website.

Dividend policy

BAM has a dividend policy to distribute a dividend between 30 and 50 per cent of the net result for the year. When deciding upon the dividend, the company takes into account the balance sheet structure supporting the strategic agenda 'Building the present, creating the future' and the interest of the shareholders.
In accordance with the company's dividend policy the proposal is to distribute a dividend of 10 euro cents per ordinary share for 2017 (2016: 9 euro cents). This equates to a pay-out ratio of 50 per cent of net result corrected for the non-operational and non-cash impairment of deferred tax assets (2016: 50 per cent) in line with BAM's policy. Subject to approval by the Annual General Meeting on 18 April 2018, this will be paid in cash with a scrip alternative on 16 May 2018. BAM will repurchase and cancel shares to offset the dilution due to shareholders taking the scrip alternative.

Built in the early nineties, the former ministry building Rijnstraat 8 in The Hague has undergone a transformation to ensure it can meet today's standards in sustainability, security and the New Way of Working. Originally designed by architect Jan Hoogstad for the Ministry of Social Housing, Spatial Planning and the Environment (VROM), the building has been made into a flexible government office building by the consortium MTC PoortCentraal b.v. for its client, the Central Government Real Estate Agency (Rijksvastgoedbedrijf). Partners in MTC PoortCentraal are BAM FM, ISS and OMA (Office for Metropolitan Architecture).

8. Appendices

Working to double the number of railroad tracks on a section near Utrecht Central Station, the Netherlands. BAM Infra.

8.1 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 Standards – Comprehensive
This report has been prepared 'in accordance' with the GRI Standards: Comprehensive option. Chapter 8.2 includes an overview of the GRI Standards economic, environmental and social performance indicators covered by this report. In this section, more information is disclosed on the nature and coverage of reporting per GRI disclosure (e.g. quantitatively or qualitatively).

Reporting period and reporting frequency
This report presents both quantitative and qualitative data for the calendar year 2017. An exception is made for all CO_2 and waste data reported by BAM International which applies a reporting period of 1 December 2016 to 30 November 2017. 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 are reliable and adequate. BAM believes that the effects of a different reporting period by BAM International is not material to the Group's integrated report. All other data are reported annually. There have been no significant changes from previous reporting periods in the scope and boundaries.

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.

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 together responsible for accurate and reliable reporting. In 2009 BAM established a reporting system for non-financial information (including safety, CO_2, waste and HR), this system was launched as an extension of the financial reporting system.

The applied reporting processes and definitions are formalised in BAM's CSR reporting manual. The CSR reporting manual provides guidance on how to measure, calculate and estimate data.

Reporting indicators
For BAM's main sustainability 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). This allows readers to monitor and measure progress year-on-year, unless the reporting criteria require absolute figures to be disclosed.

Safety
BAM defined its incident frequency (IF) as the number of BAM employees involved in industrial incidents per million manhours worked on construction sites. Reportable incidents are based on actual occurrences and are never extrapolated or estimated. Despite all measures and an open safety culture there is an inherent risk of incomplete accident reporting. BAM is partially dependent on information provided by the person involved in an accident. Reported hours are measured, calculated or estimated. Outsourced BAM site employees to external companies are not included in IF BAM calculation.
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 BAM 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.

Human Resources (HR)
HR data are obtained twice a year using a standardised reporting platform. HR data are 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.

Energy consumption and CO_2 emissions
Our energy consumption and greenhouse gas inventory is based on the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Revised Edition (2013: Corporate Standard) as issued by the World Business Council for Sustainable Development and the World Resources Institute. For greenhouse gas emissions BAM has chosen to report only on CO_2. Other greenhouse gases, such as CH_4 (methane), N_2O (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 CO_2 emissions (scope 1 emissions, from BAM's own sources), indirect CO_2 emissions from the generation of purchased electricity consumed by BAM

(scope 2 emissions) and three indirect categories of CO_2 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).

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 CO_2 emissions.

The basis for consolidated energy consumption and CO_2 emissions is activity data which in turn is based mostly on meter readings, invoices and data provided by suppliers. Where reliable data are 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 CO_2 emissions associated with air travel, which BAM includes in its scope 3 emissions.

BAM calculates the energy consumption (in TJs) and CO_2 emissions associated with BAM's energy consumption, using conversion factors from reputable and authoritative sources. The factors follow the Kyoto protocol and UNFCCC charter as closely as possible. BAM applies country specific conversion factors for electricity and natural gas, these are based on GHG emissions reported in national inventory reports (NIR). All conversion factors are updated annually.

It occurs on projects that BAM supplies fuel and electricity to subcontractors. BAM's CSR reporting manual states 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. In practice, however, it is not always possible to determine how much fuel is supplied to subcontractors. In that case BAM accounts for all CO_2 emissions. BAM continues to encourage measuring fuel and electricity supplied to third parties. This will result in more accurate figures of its own CO_2 emissions and further insight in reduction potential to all involved.

On 25 May 2017, the impressive new NATO headquarters in Brussels officially opened its doors, with a ceremony attended by all the government leaders of the NATO countries, including US president Donald Trump. The BAM Alliance consortium was responsible for the construction of the new NATO headquarters, based on a design by SOM (the American Skidmore, Owings & Merrill) and the Belgian ASSAR Architects. The intertwined wings symbolise the unity and collaboration of the alliance joining forces for a better future.

Al Ain Stadium and mixed development, phase 2, Abu Dhabi, United Arab Emirates, comprised housing (650 apartments in seven five-storey buildings), a commercial building, a multi-storey car park, a food and beverage souk and a 173-bed hotel with its own car park (managed by the Starwood hotel chain). The project also included associated infrastructure such as roads, underground services and the high-quality public area. In total, the phase two works represent approximately 300,000 square metres of built-up area, all of which must achieved an Estidama 2 Pearl rating. BAM International.

Waste
BAM's reporting scope includes all waste leaving its sites and offices, mainly based on waste tickets and data provided by suppliers. 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. Excavation waste and demolition waste are especially difficult to measure and is more often calculated.

The percentage on waste separation relates to BAM's Dutch companies and is based on information from BAM's waste management suppliers.

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 are consumed in large quantities and which have a significant impact on natural resources. The Group reports on concrete, timber, asphalt and steel.

The raw material consumption in the Netherlands was determined using supplier reports. An extrapolation of data is applied to cover all suppliers. BAM aspires to keep the calculated data smaller than 20 per cent. The results are verified against BAM's procurement database, internal and external experts. The recycled content is determined based on information provided by suppliers.

True Price of asphalt
The True Price calculations of LE2Ap and STAB in section 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 CO_2 are available and that the cost of CO_2 is subjective. A comparison by True Price has been performed to evaluate the bandwidth of CO_2 cost, in which a conservative estimate is used by True Price. LE2AP is a product with new data and is compared to STAB, of which the most accurate data are five years old.

Water
Potable water consumption volume is based on final settlements paid in 2017.

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.

NO_x
BAM reported the NO_x emissions from asphalt plants, using actual NO_x emission factor from fuel combustion. An independent auditor determined the NO_x emissions per consumed unit of fuel at each asphalt plant. 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 behaviour. The performance indicator concerned is the percentage of these employees that successfully completed the course between introduction in 2014 and 31 December 2017.

Verification of this report
In order to provide BAM's stakeholders comfort over BAM's sustainability information, the Executive Board has appointed Ernst & Young Accountants LLP (EY) to provide independent assurance of the Report. As in previous years, BAM obtained reasonable assurance for the KPI's: IF BAM, number of serious accidents, Safety Behaviour Audit as included in the 'Safety' section in chapter 3.2. Additionally EY provided reasonable assurance over the 'Material themes' section in chapter 2.3 and the 'Business conduct and transparency' section in chapter 3.2. For all other information reported in chapters 2.1, 2.2, 2.3, 3.2, 3.3 and 8.1, 8.3 and 8.4 BAM obtained limited assurance.

As BAM applies the 'best standard' principle with regard to external assurance, the Group asked EY 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 sustainability. If you have any questions or remarks, please contact BAM's sustainability department via e-mail (sustainability@bam.com).

8.2 EU Directive Non-Financial Information and Diversity information reference table

Topic	Subtopic	Included (yes/no)	Page reference
Business model	N/A	Yes	11-23
Relevant social and personnel maters (e.g. HR, safety etc.)	A description of the policies pursued, including due dilligence.	Yes	15, 37, 38, 61
	The outcome of those policies.	Yes	61, 76, 78-80, 87, 88
	Principle risks in own operations and within value chain and how risks are managed.	Yes	61, 49, 50
	Non-financial key performance indicators.	Yes	76
Relevant Environmental maters (e.g. climate-related impacts)	A description of the policies pursued, including due dilligence.	Yes	12, 13, 39, 61
	The outcome of those policies.	Yes	61, 67, 95, 96
	Principle risks in own operations and within value chain and how risks are managed.	Yes	61, 49, 50, 53
	Non-financial key performance indicators.	Yes	94
Relevant matters with respect for human rights (e.g. labour protection)	A description of the policies pursued, including due dilligence.	Yes	43, 61, 88, 90
	The outcome of those policies.	Yes	88, 90
	Principle risks in own operations and within value chain and how risks are managed.	Yes	61, 49, 50
	Non-financial key performance indicators.	Yes	61, 49, 50
Relevant matters with respect to anti-corruption and bribery	A description of the policies pursued, including due dilligence.	Yes	37, 38, 61
	The outcome of those policies.	Yes	88
	Principle risks in own operations and within value chain and how risks are managed.	Yes	61, 49, 50
	Non-financial key performance indicators.	Yes	88
Insight into the diversity (executive board and the supervisory board)	A description of the policies pursued.	Yes	111, 120
	Diversity targets	Yes	111, 120
	Description of how the policy is implemented	Yes	111, 120
	Results of the diversity policy	Yes	111, 120

8.3 GRI content index

	Title	Disclosure	Description	Reason for (partial) omission
General Disclosures				
NA	101 Foundation	101	General foundation	
1	102-1 General Disclosures	102-1	Name of the organisation	
11	102-2 General Disclosures	102-2	Activities, brands, products, and services	
2	102-3 General Disclosures	102-3	Location of headquarters	
11	102-4 General Disclosures	102-4	Number of countries where the organisation operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the report	
259-263	102-5 General Disclosures	102-5	Ownership and legal form	
11	102-6 General Disclosures	102-6	Markets served	
11	102-7 General Disclosures	102-7	Scale of the organisation	
15, 16, 87, 265	102-8 General Disclosures	102-8	Information on employees and other workers	
15, 16, 19	102-9 General Disclosures	102-9	Supply chain	
15, 16, 76	102-10 General Disclosures	102-10	Significant changes to the organisation and its supply chain	
78, 96-98, 111	102-11 General Disclosures	102-11	Precautionary Principle or approach	
26, 27, 30, 82, 90,	102-12 General Disclosures	102-12	External initiatives	
276	102-13 General Disclosures	102-13	Membership of associations	
9	102-14 General Disclosures	102-14	Statement from senior decision-maker	
9, 109	102-15 General Disclosures	102-15	Key impacts, risks, and opportunities	
NA	102-16 General Disclosures	102-16	Values, principles, standards, and norms of behavior	https://www.bam.com/en/about-bam/business-principles
88	102-17 General Disclosures	102-17	Mechanisms for advice and concerns about ethics	
111-111	102-18 General Disclosures	102-18	Governance structure	
123, 139, 144	102-19 General Disclosures	102-19	Delegating authority	
123, 139, 144	102-20 General Disclosures	102-20	Executive-level responsibility for economic, environmental, and social topics	
34, 36	102-21 General Disclosures	102-21	Consulting stakeholders on economic, environmental, and social topics	
111, 140	102-22 General Disclosures	102-22	Composition of the highest governance body and its committees	no membership of under-represented social groups known to BAM
111-124, 265, 271	102-23 General Disclosures	102-23	Chair of the highest governance body	
111-124	102-24 General Disclosures	102-24	Nominating and selecting the highest governance body	
122, 123	102-25 General Disclosures	102-25	Conflicts of interest	
114	102-26 General Disclosures	102-26	Role of highest governance body in setting purpose, values, and strategy	
111	102-27 General Disclosures	102-27	Collective knowledge of highest governance body	
114-134	102-28 General Disclosures	102-28	Evaluating the highest governance body's performance	
34-43, 265	102-29 General Disclosures	102-29	Identifying and managing economic, environmental, and social impacts	
111	102-30 General Disclosures	102-30	Effectiveness of risk management processes	
111-124, 265	102-31 General Disclosures	102-31	Review of economic, environmental, and social topics	
111-124	102-32 General Disclosures	102-32	Highest governance body's role in sustainability reporting	
37, 88	102-33 General Disclosures	102-33	Communicating critical concerns	
NA	102-34 General Disclosures	102-34	Nature and total number of critical concerns	There have been no significant critical concerns communicated to the highest governance body.
124	102-35 General Disclosures	102-35	Remuneration policies	
124	102-36 General Disclosures	102-36	Process for determining remuneration	
122	102-37 General Disclosures	102-37	Stakeholders' involvement in remuneration	
88	102-38 General Disclosures	102-38	Annual total compensation ratio	
88	102-39 General Disclosures	102-39	Percentage increase in annual total compensation ratio	
32	102-40 General Disclosures	102-40	List of stakeholder groups	
NA	102-41 General Disclosures	102-41	Collective bargaining agreements	60 percent

	Title	Disclosure	Description	Reason for (partial) omission
34-36	102-42 General Disclosures	102-42	Identifying and selecting stakeholders	
34-36	102-43 General Disclosures	102-43	Approach to stakeholder engagement	
34-36	102-44 General Disclosures	102-44	Key topics and concerns raised	
255, 154, 155	102-45 General Disclosures	102-45	Entities included in the consolidated financial statements	
34, 36, 265	102-46 General Disclosures	102-46	Defining report content and topic Boundaries	
36-40	102-47 General Disclosures	102-47	List of material topics	
88	102-48 General Disclosures	102-48	Restatements of information	
265-270	102-49 General Disclosures	102-49	Changes in reporting	
265	102-50 General Disclosures	102-50	Reporting period	
272	102-51 General Disclosures	102-51	Date of most recent report	20-02-16
265-270	102-52 General Disclosures	102-52	Reporting cycle	
265-270	102-53 General Disclosures	102-53	Contact point for questions regarding the report	
265-270	102-54 General Disclosures	102-54	Claims of reporting in accordance with the GRI Standards	
271	102-55 General Disclosures	102-55	GRI content index	
265, 122, 243	102-56 General Disclosures	102-56	External assurance	
Financial performance				
38, 265	103-1 Management approach	103-1	Explanation of the material topic and its Boundary	
38, chapter 4.1	103-2 Management approach	103-2	The management approach and its components	
63	103-3 Management approach	103-3	Evaluation of the management approach	
4, 63-74	201-1 Economic Performance	201-1	Direct economic value generated and distributed	
94, 108, 36, 37, 39	201-2 Economic Performance	201-2	Financial implications and other risks and opportunities due to climate change	
162, 163	201-3 Economic Performance	201-3	Defined benefit plan obligations and other retirement plans	
166, 227,	201-4 Economic Performance	201-4	Financial assistance received from government	
Business Conduct and Transparency				
37, 265, 269	103-1 Management approach	103-1	Explanation of the material topic and its Boundary	
37, chapter 4.2	103-2 Management approach	103-2	The management approach and its components	
269, 38, 88	103-3 Management approach	103-3	Evaluation of the management approach	
49	205-1 Anti-corruption	205-1	Operations assessed for risks related to corruption	
88	205-2 Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	
88	205-3 Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	
88	206-1 Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	
Energy and Emissions				
39, 265	103-1 Management approach	103-1	Explanation of the material topic and its Boundary	
39, chapter 4.3	103-2 Management approach	103-2	The management approach and its components	
94-96	103-3 Management approach	103-3	Evaluation of the management approach	
265-270	302-1 Energy	302-1	Energy consumption within the organisation	
265-270	302-2 Energy	302-2	Energy consumption outside of the organisation	
95	302-3 Energy	302-3	Energy intensity	
95	302-4 Energy	302-4	Reduction of energy consumption	
104, 107	302-5 Energy	302-5	Reductions in energy requirements of products and services	

	Title	Disclosure	Description	Reason for (partial) omission
96	305-1 Emissions	305-1	Direct (Scope 1) GHG emissions	BAM has has omitted a (sub)part of the Standards definition for this indicator since BAM is of the opinion that current indicator(s) better covers the information need of its stakeholders.
96	305-2 Emissions	305-2	Energy indirect (Scope 2) GHG emissions	Location based scope 2 emissions: 32,269 ktCO_2
96	305-3 Emissions	305-3	Other indirect (Scope 3) GHG emissions	
98	305-4 Emissions	305-4	GHG emissions intensity	
97, 98	305-5 Emissions	305-5	Reduction of GHG emissions	BAM only reports CO_2 emissions, as other greenhouse gas emissions are considered not material.
265-270	305-6 Emissions	305-6	Emissions of ozone-depleting substances (ODS)	This indicator is not applicable, as ozone depleting gasses and SO_2 (sulphur dioxide) are not emitted in material amounts.
265-270	305-7 Emissions	305-7	Nitrogen oxides (NO_X), sulfur oxides (SO_X), and other significant air emissions	This indicator is not applicable, as ozone depleting gasses and SO_2 (sulphur dioxide) are not emitted in material amounts.
Circular Economy				
39, 265	103-1 Management approach	103-1	Explanation of the material topic and its Boundary	
39	103-2 Management approach	103-2	The management approach and its components	
94, 100	103-3 Management approach	103-3	Evaluation of the management approach	
103	301-1 Materials	301-1	Materials used by weight or volume	
103	301-2 Materials	301-2	Recycled input materials used	
NA	301-3 Materials	301-3	Reclaimed products and their packaging materials	Information has been omitted, indicator not applicable to BAM.
NA	306-1 Effluents and Waste	306-1	Water discharge by quality and destination	Information outside the Netherlands is not yet available, therefore water dicharges 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.
265-270	306-2 Effluents and Waste	306-2	Waste by type and disposal method	
NA	306-3 Effluents and Waste	306-3	Significant spills	No spills are included in BAM's financial statements (such as due to resulting liabilities) or recorded as a spill by BAM.
NA	306-4 Effluents and Waste	306-4	Transport of hazardous waste	In its General Purchase and Subcontract Conditions BAM warrants its suppliers to respect the Guiding Principles on Business and Human Rights of the United Nations and to monitor complience in the chain of its own suppliers and contractors.
NA	306-5 Effluents and Waste	306-5	Water bodies affected by water discharges and/or runoff	Information been omitted. BAM works according to national environmental legislation. This information is therefore not significant.
Procurement Strategy				
39, 265	103-1 Management approach	103-1	Explanation of the material topic and its Boundary	
39, 94, chapter 4.2	103-2 Management approach	103-2	The management approach and its components	
40, 94	103-3 Management approach	103-3	Evaluation of the management approach	
NA	308-1 Supplier Environmental Assessment	308-1	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.
NA	308-2 Supplier Environmental Assessment	308-2	Negative environmental impacts 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.

	Title	Disclosure	Description	Reason for (partial) omission
NA	414-1 Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	In its General Purchase and Subcontract Conditions BAM warrants its suppliers to respect the Guiding Principles on Business and Human Rights of the United Nations and to monitor complience in the chain of its own suppliers and contractors.
NA	414-2 Supplier Social Assessment	414-2	Negative social impacts in the supply chain and actions taken	In its General Purchase and Subcontract Conditions BAM warrants its suppliers to respect the Guiding Principles on Business and Human Rights of the United Nations and to monitor complience in the chain of its own suppliers and contractors.
Health and Safety				
37, 265	103-1 Management approach	103-1	Explanation of the material topic and its Boundary	
37, chapter 4.2	103-2 Management approach	103-2	The management approach and its components	
76, 78	103-3 Management approach	103-3	Evaluation of the management approach	
NA	403-1 Occupational Health and Safety	403-1	Workers representation in formal joint management–worker health and safety committees	87 per cent of total workforce is represented in health and safety committees.
86	403-2 Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	BAM has has omitted a (sub)part of the Standards definition for this indicator since BAM is of the opinion that current indicator(s) cover the information need of its stakeholders.
76	403-3 Occupational Health and Safety	403-3	Workers with high incidence or high risk of diseases related to their occupation	BAM has has omitted a (sub)part of the Standards definition for this indicator since BAM is of the opinion that current indicator(s) cover the information need of its stakeholders.
NA	403-4 Occupational Health and Safety	403-4	Health and safety topics covered in formal agreements with trade unions	Laid down in Collective Labour Agreements.
Employee recruitment, development and retention				
86, 87, 265	103-1 Management approach	103-1	Explanation of the material topic and its Boundary	
86, 87, chapter 4.2	103-2 Management approach	103-2	The management approach and its components	
87	103-3 Management approach	103-3	Evaluation of the management approach	
87	404-1 Training and Education	404-1	Average hours of training per year per employee	
NA	404-2 Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	BAM has has omitted a (sub)part of the Standards definition for this indicator since local BAM organisations have differing policies on this subject.
NA	404-3 Training and Education	404-3	Percentage of employees receiving regular performance and career development reviews	BAM has has omitted a (sub)part of the Standards definition for this indicator since policy states that alle mployees receive stated reviews, yet this is currently not measured in BAM's systems.
111, 87	405-1 Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	
111, 87	405-2 Diversity and Equal Opportunity	405-2	Ratio of basic salary and remuneration of women to men	BAM has has omitted a (sub)part of the Standards definition for this indicator since BAM is of the opinion that current indicator(s) cover the information need of its stakeholders.
	Human Rights			
43, 265	103-1 Management approach	103-1	Explanation of the material topic and its Boundary	
43, 114-124	103-2 Management approach	103-2	The management approach and its components	
61, 269	103-3 Management approach	103-3	Evaluation of the management approach	
90	412-1 Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	

	Title	Disclosure	Description	Reason for (partial) omission
NA	412-2 Human Rights Assessment	412-2	Employee training on human rights policies or procedures	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.
NA	412-3 Human Rights Assessment	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	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.
Local Community Engagement				
40, 265	103-1 Management approach	103-1	Explanation of the material topic and its Boundary	
40	103-2 Management approach	103-2	The management approach and its components	
40	103-3 Management approach	103-3	Evaluation of the management approach	
91, 93	413-1 Local Communities	413-1	Operations with local community engagement, impact assessments, and development programs	
15, 19	413-2 Local Communities	413-2	Operations with significant actual and potential negative impacts on local communities	
Project & Product Quality and Control				
37, 265	103-1 Management approach	103-1	Explanation of the material topic and its Boundary	
37, Chapters 2.2; 2.4	103-2 Management approach	103-2	The management approach and its components	
37, 47, 48	103-3 Management approach	103-3	Evaluation of the management approach	
48	NA Quality and control	NA	Statement regarding internal policies regarding product quality and control	
Fair Taks				
43, 265	103-1 Management approach	103-1	Explanation of the material topic and its Boundary	
43, chapter 4.2	103-2 Management approach	103-2	The management approach and its components	
90	103-3 Management approach	103-3	Evaluation of the management approach	
90	NA Tax policies	NA	Explanation of the material topic and how the company provides insight to the stakeholders	

8.4 Charters, memberships and certifications

Name	Operating Company
Global	
BWI (Building and Wood Workers' International)	Royal BAM Group
CDP: Carbon Disclosure Project	Royal BAM Group
CE100 (Ellen MacArthur Foundation)	Royal BAM Group
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 International, BAM Materieel, BAM Nuttall, BAM Bouw en Techniek, BAM Wonen, BAM Contractors nv, Galère, Interbuild, Wayss & Freytag Ingenieurbau, Pennings
OHSAS 18001	BAM Construct UK, BAM Contractors Ltd, BAM Deutschland, BAM Infra Nederland, BAM International, BAM Nuttall, BAM Bouw en Techniek, BAM Wonen, BAM Contractors nv, Galère, Interbuild, Wayss & Freytag Ingenieurbau
Europe	
E2B (Energy Efficient Buildings Committee)	Royal BAM Group
ECTP (European Construction Technology Platform)	Royal BAM Group
EIC (European International Contractors)	BAM International
ENCORD (European Network of Construction Companies for Research and Development)	Royal BAM Group
FIEC (European Construction Industry Federation)	Indirect membership Royal BAM Group through Bouwend Nederland
Horizon 2020, REnnovates, BAMB	Royal BAM Group
STTC (European Sustainable Tropical Timber Coalition)	Royal BAM Group
Belgium	
ADEB - VBA	BAM Contractors nv, Galère, Interbuild
BVA (Belgische Vereniging van Asfaltproducenten)	BAM Contractors nv
CCW (Confédération de la Construction Wallonie)	Galère
CNC (National Chamber of the Construction)	Galère
Confederatie Bouw	BAM Track, BAM Contractors nv
Recy Liège (Recycle Construction Waste Center - Liège)	Galère
Sideco (Industrial society for construction waste)	Galère
VCA**	BAM Mat, BAM Track, BAM Contractors nv
Germany	
BG Bau	BAM Deutschland, Wayss & Freytag Ingenieurbau
Central Federation Building Industry	BAM PPP
DGNB	BAM Deutschland
eeEmbedded	BAM Deutschland
Hauptverband der Deutschen Bauindustrie e.V.	Wayss & Freytag Ingenieurbau
Ireland	
American Chamber of Commerce	BAM Contractors
Business in the Community (BITC)	BAM Contractors
Chambers Ireland	BAM Contractors
Construction Employers Federetion (CEF)	BAM Contractors
Construction Industry Federation (CIF)	BAM Contractors
Construction Industry Register Ireland (CIRI)	BAM Contractors
Construction IT Alliance (CITA)	BAM Contractors
Engineers Ireland	BAM Contractors
Society of Chartered Surveyors Ireland (SCSI)	BAM Contractors

Name	Operating Company
Netherlands	
Amsterdam Economic Board	AM
Bewuste Bouwers	Royal BAM Group
Bouw en Hout Convenant	Royal BAM Group
Bouwen met Staal	BAM Infraconsult
Bouwend Nederland	BAM Infra Nederland, BAM Bouw en Techniek, BAM Wonen
CO_2 Prestatieladder	BAM Bouw en Vastgoed Nederland
Dutch Green Building Council	Royal BAM Group
Duurzaam Gebouwd	BAM Bouw en Techniek
Energy Valley	BAM Infra Nederland, BAM Bouw en Techniek
Expertgroep ABC Meldpunt (Aanpak Bouwincidenten Constructieve Veiligheid)	BAM Bouw en Techniek
FSC	BAM Bouw en Vastgoed Nederland
Initiatiefgroep Ketenintegratie	BAM Bouw en Techniek
MVO Nederland	Royal BAM Group
MVO Prestatieladder: Niveau 3	BAM Bouw en Techniek
Nabu (Netherlands Association of International Contractors)	Royal BAM Group
Nederlandse Klimaat Coalitie	Royal BAM Group
NVVK (Nederlandse Vereniging voor Veiligheidskunde)	BAM Infra Nederland
Neprom	AM, BAM Bouw en Techniek
NVDO	BAM Bouw en Techniek
NWP (Netherlands Water Partnership)	BAM International
Platform Constructieve Veiligheid	BAM Bouw en Techniek
PSO (Prestatieladder Socialer Ondernemen)	Pennings
Railforum	BAM Infra Rail
SKAO (Stichting Klimaatvriendelijk Aanbesteden en Ondernemen)	BAM Infra Nederland
Stichting Beoordeling Integriteit Bouwnijverheid	Royal BAM Group
Stichting Klantgericht Bouwen	BAM Wonen, Pennings
SWK	BAM Bouw en Techniek, BAM Wonen, AM, Pennings
UNETO-VNI	BAM Infra Energie & Water
VCA	BAM Bouw en Techniek, Pennings, BAM Infra Nederland
Veilig en Duurzaam op weg (keurmerk)	Royal BAM Group
Vernieuwing Bouw	Royal BAM Group
VNO-NCW	Royal BAM Group
United Kingdom	
BRE (Building Research Establishment)	BAM Construct UK, BAM Nuttall
BS11000	BAM Nuttall
Build UK	BAM Construct UK
CBI	BAM Nuttall
CECA (Civil Engineering Contractors Association)	BAM Nuttall
CEMARS: ISO 14064	BAM Construct UK, BAM Nuttall
Considerate Constructors Scheme	BAM Construct UK, BAM Nuttall
Constructing Better Health	BAM Nuttall
Construction Health and Safety Group (CHSG)	BAM Nuttall
Green Construction Board	BAM Construct UK
ICE (Institution of Civil Engineers)	BAM Nuttall, BAM PPP
Investors in People: Gold	BAM Nuttall
London Waste and Recycling Board (LWARB)	BAM Construct UK
RoSPA (Royal Society for the Prevention of Accidents)	BAM Nuttall
Supply Chain Sustainability School	BAM Construct UK, BAM Nuttall
UK-GBC (UK Green Building Council)	BAM Construct UK, BAM Nuttall
Women in Science, Technology and Engineering (WISE)	BAM Nuttall

Check the website www.bam.com for the full list of charters, memberships and certifications.

8.5 Key financial dates

18 April 2018	Annual General Meeting of Shareholders
3 May 2018	Trading update first quarter 2018
23 August 2018	Publication of half-year results 2018
8 November 2018	Trading update first nine months 2018
20 February 2019	Publication of annual results 2018
17 April 2019	Annual General Meeting of Shareholders
9 May 2019	Trading update first quarter 2019
22 August 2019	Publication of half-year results 2019
7 November 2019	Trading update first nine months 2019

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